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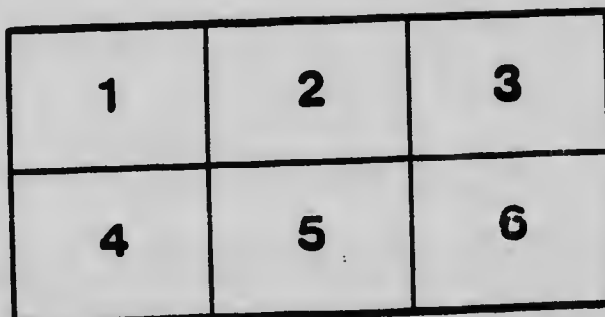
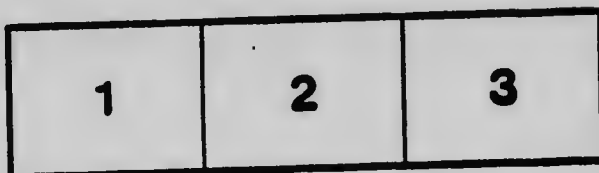
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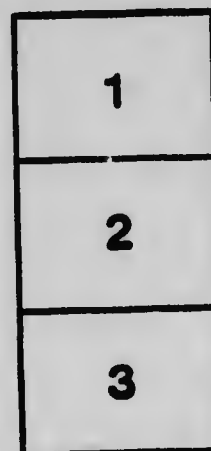
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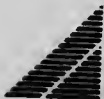
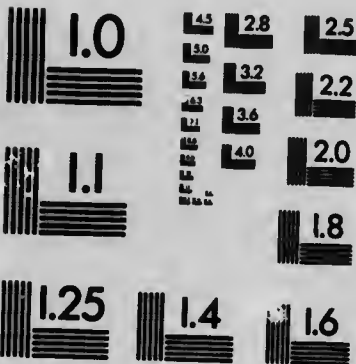
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# **RECORDS** **OF** **THE LAURIER GOVERNMENT**

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**A Few Chapters  
from the  
History of the Liberal Administration  
1896-1908**

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**IT IS TIME FOR A CHANGE.**



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**from the**  
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**1896-1908**

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## INTRODUCTION.

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The record contained in the following pages is almost wholly confined to events which occurred, and facts which were disclosed, during the Parliamentary term of 1904 to 1908. The Parliamentary review deals mostly with the three Sessions of 1906, 1906-7, and 1907-8. If these records and reviews had been carried back to 1896, they would have multiplied the proofs that the Liberal Administration has been already too long in power. The examples furnished and the evidence presented in this book are, however, sufficient to reveal the character of the Government as it has been constituted during the last four years, and to show how the Members of the Parliament elected in 1904 have treated matters of grave concern which have come before them. It is hoped that the facts here presented may be of assistance to the electors in deciding whether it is time for a change of Government. The reader will notice the references to the original authorities, which will enable him to continue the research through the records of Parliament, the Departmental reports, and the evidence given before Committees of the House and Royal Commissions.

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# FINANCIAL RECORD.

## Taxation, Expenditure And Debt All Greatly Increased By Laurier Government.

### A FEW ORIT PLEDGES.

"We view with alarm the large increase of the annual expenditure of the Dominion and the consequent undue taxation of the people."—Liberal Platform 1893.

"The Government takes \$28,000,000 or more in the form of taxation every year—they take it from you, from me all the people of the Country—every pound of nails, every axe, every yard of cloth you buy from your merchant is a medium through which you pay to the Dominion Government—If they, (the people) understood, the present Government would be chased out of power as the robbers were chased out of the Temple."—Sir Wilfrid Laurier 1893.

"We are the party of low taxation."—Sir Wilfrid Laurier in 1895.

### TAXES MULTIPLIED BY TWO.

	1896 Conservative.	1906 Liberal	1908 Liberal.
Customs .. . . .	\$19,833,379	\$43,064,598	\$57,543,311
Excise.. .. .	7,926,006	14,010,230	15,782,151
Total .. . . .	\$27,759,385	\$57,074,828	\$73,325,462
Tax per head .. . . .	\$5.46	\$10.00	\$11.75
Increase, 1908 over 1896.. .. .		\$45,536,377, or 134 per cent.	

Now, let us look at the total taxes collected in ten years under Conservative and under Liberal rule:

Total taxes collected by Conservatives in ten years, 1887-98.. .. .	\$287,931,372
Total taxes collected by Liberals in ten years, 1897-1906.. .. .	430,335,803

Excess taken by Liberal over Conservative Government.. .. . 142,393,430

So, as regards the amount of taxes, there can be no doubt of the vast increase made. The taxes in 1896 amounted to \$27,759,000. Let us see how this amount has been exceeded under Liberal rule:

In 1896 Taxation under Conservatives .. . . .	\$ 27,759,000
In 1897 this amount was exceeded by.. .. .	389,000
In 1898 this amount was exceeded by.. .. .	1,817,000
In 1899 this amount was exceeded by.. .. .	7,199,000
In 1900 this amount was exceeded by.. .. .	10,483,000
In 1901 this amount was exceeded by.. .. .	10,934,000
In 1902 this amount was exceeded by.. .. .	15,330,000
In 1903 this amount was exceeded by.. .. .	21,266,000
In 1904 this amount was exceeded by.. .. .	25,903,000
In 1905 this amount was exceeded by.. .. .	26,321,000
In 1906 this amount was exceeded by.. .. .	32,315,000
In 1908 this amount was exceeded by.. .. .	45,562,000

Total excess in 11 years above given .. . . . \$198,000,000

Total excess in 11 years and 9 months, 1897-1907.. .. . \$239,150,000

The year 1907 was omitted in the table as owing to fiscal changes it was only 9 months. The taxation for that period was \$51,565,585, or \$23,806,300 more than the whole twelve months of 1896.

# TAXATION PER FAMILY.

Year.	No. of Families.	Taxation per family.
1896.. . . . .	993,822	\$27.68
1908.. . . . .	1,250,000	58.88
Increase per family.. . . . .		\$1.20

## WHAT THEY PROMISED.

"I promise you that if you put our party into power we will reduce the annual expenditure by \$2,000,000 or \$3,000,000 per annum."—Sir Wilfrid Laurier 1896.

"I repeat it now that \$38,000,000, let alone \$40,000,000 is in my judgment a monstrous sum for the people of Canada to be called upon to provide."—Sir Richard Cartwright.

"I say that it is a disgrace and a shame to the Government that they ask for an expenditure of \$38,300,000 a year for Federal purposes. Sir, the thing is utterly unjustifiable."—Sir Richard Cartwright.

Such were the declaration of Sir Wilfrid and his Ministers when they took office. What is their record?

## SHOULD THIS BE VIEWED WITH ALARM?

	1895-6	1907-8
On current account.. . . . .	\$36,949,142	\$ 77,641,451
Capital and special.. . . . .	4,753,241	35,252,979
Total expenditure .. . . . .	41,702,383	112,895,430
Expenditure per head .. . . . .	\$8.14	\$18.39
Increase, 1908 over 1896 .. . . . .		71,193,047
Increase per cent. . . . . .		170
Ten years Lib.-Con. expenditure, 1887 to 1896.. . . . .		\$423,363,830
Ten years Liberal expenditure, 1897-1906.. . . . .		655,335,632
Excess in the Liberal period .. . . . .		\$231,976,802
	Liberal-Conservative	Liberal
	1896	1908
For the year .. . . . .	\$41,702,383	\$112,895,430
Per week .. . . . .	801,967	2,171,066
Per day, including Sunday .. . . . .	114,566	310,052

The expenditure for the year 1907-8 was \$90 for every family in Canada.

## RECORD OF ELEVEN YEARS.

The following in round figures is the amount by which the expenditure under Liberal rule exceeds that of the last Conservative year.

In 1896 Expenditure under Conservatives .. . . . .	\$41,702,000
In 1897 this was exceeded by .. . . . .	1,200,000
In 1898 this was exceeded by .. . . . .	3,600,000
In 1899 this was exceeded by .. . . . .	9,800,000
In 1900 this was exceeded by .. . . . .	11,000,000
In 1901 this was exceeded by .. . . . .	16,200,000
In 1902 this was exceeded by .. . . . .	22,200,000
In 1903 this was exceeded by .. . . . .	20,000,000
In 1904 this was exceeded by .. . . . .	30,500,000
In 1905 this was exceeded by .. . . . .	37,100,000
In 1906 this was exceeded by .. . . . .	41,500,000
In 1908 this was exceeded by .. . . . .	71,200,000

## BY DEPARTMENTS.

The expenditure by Departments for 1907-8 is not yet reported, and 1906-7 was a short year, but the following is a comparison of expenditure between 1896 and 1906 (Public Accounts 1906, pages 61 to 69).



	1296	1906	Increase 1906	Increase per cent.
Civil Government .. . . .	\$1,396,628	\$1,911,611	\$514,983	37
Fisheries.. . . .	427,351	868,702	441,351	127
Immigration.. . . .	120,199	842,662	722,469	601
Quarantine .. . . .	95,247	624,765	529,517	555
Indians .. . . .	320,408	1,198,350	877,942	26
Legislation.. . . .	904,638	1,259,916	355,278	49
Marine..... . . . .	1,137,765	4,601,000	3,463,235	304
Militia.. . . .	1,136,714	4,294,125	3,157,411	275
Interior. . . . .	1,255,368	3,182,031	1,926,662	150
Public Works .. . . .	1,299,709	7,484,716	6,185,007	475
Mounted Police. . . . .	533,014	1,004,079	471,065	90
Justice .. . . .	1,143,497	1,699,242	555,745	49
Agriculture, Arts and Statistics .. .	333,042	1,365,642	1,032,601	310
Miscellaneous .. . . .	172,864	946,037	773,173	449
Pensions.. . . .	86,030	179,023	92,993	108
Collection of Customs. . . . .	896,322	1,543,334	647,012	72
Trade and Commerce.. . . .	9,463	63,625	54,162	572

#### FUTURE EXPENDITURE.

If the recent increase of expenditure is startling that of the immediate future is still more so. The fiscal year 1908-9 began on April 1st, 1908.

The following table shows the estimate of 1908-9 compared with those of the previous year:—

	1907-8	1908-9	
Supplementary.. . . .	\$ 2,105,105	\$ 5,329,832	
Main .. . . .	103,689,519	119,237,091	
Main Supplementary.. . . .	11,018,605	10,665,657	
Other items.. . . .	100,000	2,850,000	
Bounties (estimated).. . . .	2,500,000	2,875,000	
	<u>\$121,413,229</u>	<u>\$140,957,381</u>	
Excess, 1908-9.. . . .		\$19,544,152	
Subsidies—			
Bridges .. . . .	\$ 15,000	\$ 800,000	
Railways.. . . .	5,000,000	22,566,300	
	<u>\$5,015,000</u>	<u>\$23,566,300</u>	
Loans—			
Quebec Bridge.. . . .	6,678,200		
Montreal Harbour .. . . .	3,000,000		
C. N. Ry. guaranteed bonds. . . . .		11,067,000	
	<u>\$136,106,429</u>	<u>\$174,536,681</u>	
Total .. . . .			
Excess, 1908-9 over 1907-8.. . . .	\$38,480,252		

# THE NATIONAL DEBT.

INCREASED \$14,289,000 LAST YEAR.

When the Liberal-Conservatives were in office, Sir Wilfrid Laurier and his present colleagues were greatly distressed over the national debt and the increasing obligations of the country.

At the time of the change of government the net debt was \$258,497,432. The increase in the previous ten years had been \$31,000,000 or \$3,100,000 a year.

In the six years preceding 1896 the increase had been less than \$21,000,000, and the Government in that time made reductions in taxes relieving the people of burdens to the extent of \$21,870,000.

Had these taxes been retained the debt would have been less in 1896, when the Conservatives left office, than it was in 1890.

## MORE TAX BUT MORE DEBT.

The Laurier Government took office in 1896. In ten years they took from the people in taxation through the Customs and Excise departments \$142,398,430 more than would have been paid on the basis of 1896.

No great national work was carried on during that period. The Conservatives had completed the Canadian Pacific Railway and deepened the canals. Expenditure on the Grand Trunk Pacific had only begun in 1906.

From the pledges given, the country might have expected a great reduction in the debt out of this enormous taxation and the Finance Minister's boasted surpluses.

But this is what happened:

Net debt, June 30th, 1896 .. . . .	\$258,497,432
Net debt, June 30th, 1906 .. . . .	267,042,977

Increase .. . . . \$8,545,545

In the short fiscal year, 1906-7, the taxation was further increased and the debt diminished by \$3,371,117.

But in the fiscal year 1907-8, ending March 31st, the net debt increased no less than \$14,288,999.88. (See *Canada Gazette*, June 25th, 1908).

We have the following:

Net debt, June 30th, 1896 .. . . .	\$258,497,432
Net debt, March 31st, 1908 .. . . .	277,986,859

Increase .. . . . \$19,483,427

And this in the face of \$229,000,000 added to the proceeds of taxation in 11 years and 9 months.

## SHOULD BE VIEWED WITH ALARM.

For the year beginning April, 1908, Mr. Fielding in his budget anticipated at least \$14,000,000 increase of expenditure over the previous year. He expected a loss of \$6,500,000 in the revenue. That would mean an increase of \$32,500,000 in the debt during the year.

# MORE THAN MR. FIELDING EXPECTED.

But serious as was the prospect presented by Mr. Fielding in March the situation half a year later was much worse than his forecast.

He anticipated a decrease of \$6,500,000 of revenue in the year. But in only 4 months, from April to August, the decrease was more than that, as the table shows:

Revenue, first four months, 1907-8 .. . . .	\$32,291,328
Same four months, 1908-9 .. . . .	25,502,399

Decrease .. . . .	\$6,789,539
In the month of July alone there was a decrease of ..	\$2,395,130

Meanwhile expenditures have increased, the current outlay for the four months of 1908 exceeding that of the same period of 1907 by \$629,443.

The capital expenditure increased \$890,957.

So with a loss of \$6,500,000 in revenue and an increase of \$1,500,000 in expenditure, the financial position is \$8,000,000 worse in the first one third of the year. Moreover the July showing is worse than that of the other three months. If this continues throughout the year there will be a large deficit on current account, and the debt will have increased \$40,000,000 during the year.

As a matter of fact the debt increase in July alone was \$6,801,080.

The increase of debt from July 1907 to July 1908 was \$22,509,505.

With regard to existing obligations the following statement by Mr. Foster, set forth in a resolution presented to the House may close this record.

Cash obligations incurred for G. T. P. .. . . .	\$166,423,445
Required for Quebec Bridge .. . . .	14,422,238

Total cash obligations .. . . .	\$180,845,583
---------------------------------	---------------

## Bond obligations—

Canadian Northern bonds guaranteed .. . . .	\$ 9,385,639
G. T. P. bonds guaranteed, 1903 .. . . .	53,048,000

\$ 67,433,639

## Total bond obligations

Contingent cash liability, G. T. P., three years additional interest on cost of construction .. . . .	11,196,290
Grand total of cash and bond obligations .. . . .	259,475,612
Public debt, March 31st, 1908 .. . . .	278,000,000
Add the above obligations, making .. . . .	432,845,683
If contingent liability accrues, it becomes .. . . .	444,041,973
Rendering necessary new loans of .. . . .	166,041,973
Loans falling due by 1910 .. . . .	74,800,000
Add these to new loans, makes .. . . .	240,641,973

Yet in face of these accruing obligations the Government in the last Session caused to be voted:

In regular estimates .. . . .	\$138,073,381
Bounties authorized, estimated .. . . .	2,875,000
Subsidies for bridges .. . . .	800,000
Railway subsidies, involving .. . . .	22,566,300
Loans guaranteed Canadian Northern .. . . .	11,067,000
Total amounts voted and obligations incurred in one Session .. . . .	175,386,681

# **COST OF GRAND TRUNK PACIFIC.**

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## **AN APPALLING CHARGE ON THE COUNTRY.**

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**Government Pledges of 1903, and Government Statements  
To-day—Show that the People of Canada were  
shamefully deceived.**

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The character of the Laurier Government as a business administration is beautifully illustrated by a comparison of the present estimated cost of the Grand Trunk Pacific with the statements made by Ministers when the contract was carried through the House, and with the declarations of the Premier and his supporters in the election campaign of 1904.

The Transcontinental Railway programme was the chief issue on which the Government appealed to the people in the last election. These declarations of Ministers, made in the most emphatic and authoritative way, were a pledge to the people of Canada as to the amount of obligation and outlays involved. The campaign literature of the Government party was based on the statements of Ministers. Electors who supported the Government undoubtedly gave full weight to these solemn undertakings.

**\$13,000,000 WOULD PAY FOR ALL.**

What were these pledges?

The Premier's emphatic statement in Parliament, many times repeated on the platform was that:

The sum total of the money to be paid by the Government for the construction of the line from Moncton to the Pacific will be in the neighborhood of \$12,000,000 or \$13,000,000 and not a cent more. (Hansard, 1903, page 7691.)

The campaign pamphlet on the subject had for its head line:

"A Transcontinental Railway for \$13,000,000," and in the text this authorized publication said: "It is an actual fact, an indisputable fact, that \$13,000,000 will cover every cent of the Country's expenditure in connection with the railway."

Mr. Fielding in Parliament quoted the Premier's statement and declared that it was substantially correct as to the \$13,000,000.

### **MULTIPLIED BY THREE.**

In the session of 1908 the Minister of Railways and the Minister of Finance made new statements in the light of their present knowledge, giving the cost to the people of Canada of this railway, on the same basis as the \$13,000,000 statement of 1903 and 1904.

But so great has been the increase of cost over the estimates of four and five years before that instead of \$12,000,000 or \$13,000,000, Mr. Graham now makes the ultimate cost to the people on this basis \$38,263,976. (Hansard, 1908, page 12,675.)

Mr. Fielding, in the same discussion, endorses this announcement. But in Mr. Fielding's statement of 1903 he included in the charge the interest on four-ninths of the cost of the Quebec Bridge. In 1905 he left that out, thus reducing his estimate of the interest charge by more than a million.

Here we have the two estimates on the same basis, made by the same Ministry, in a period of five years, one of \$13,000,000, and one of \$38,000,000, or, adding the Bridge, between \$39,000,000 and \$40,000,000.

Yet the section to be built by the Government is probably not a quarter completed, and a large part of it was only placed under contract in July, 1908, while the Mountain section is only partially located. What will the estimate be when the road approaches completion?

#### THE REAL OBLIGATION.

Turning now from the frivolous and misleading \$13,000,000 statements, we take up the actual cost and obligation which the people of Canada are to pay and assume in respect of this undertaking. They were set forth by Mr. Borden in a statement made in the House, July 7th, 1908, and recorded in Hansard, page 12,243. Before giving this, it would be well to print the return of the Minister of Railways, upon which Mr. Borden's statement is based. This is found in a sessional paper brought down by Mr. Graham, and recorded in Hansard, on pages 12,238 to 12,242:

Length of the road from Moncton to Winnipeg . . . . .	1,803.55 miles
Estimated cost per mile . . . . .	\$ 63,427
Transcontinental share of the cost of Moncton shops . . . . .	750,000
Terminals at Quebec . . . . .	2,000,000
Winnipeg shops . . . . .	1,500,000
Winnipeg terminals, joint arrangement with Canadian Northern—	
Prairie section . . . . .	916 miles
Mountain section . . . . .	839 miles
Estimated cost of Mountain section . . . . .	\$61,520,000

Take now Mr. Borden's statement of the outlay and obligations of Canada in connection with this road, as based upon the Minister's latest statement:

#### EASTERN DIVISION.

Construction of Railway from Moncton to Winnipeg, 1,803.55 miles, at estimated cost of \$63,427 per mile.	\$114,393,765
Allowing five years for period of construction, there will be an average of 2½ years simple interest at 3½ per cent. during construction, or \$4,003,781 67 per year for 2½ years . . . . .	10,009,454
Cost of Eastern Division at completion will thus be..	124,403,219
To this must be added 7 years interest at 3 per cent. (not compounded) after completion, during which G. T. P. is to pay no rent . . . . .	20,124,676
Also interest at 3 per cent. for three years additional during which no rent is collectable unless earnings are sufficient . . . . .	196,290
	\$ 14,185

#### QUEBEC BRIDGE.

Cost of Quebec Bridge up to March 1st, 1907 (Govern- ment return) . . . . .	\$5,422,238
Estimated cost of completion . . . . .	9,000,000
	14,422,238

#### TERMINALS.

Estimated cost of our share of terminals at Quebec, Winnipeg and Moncton, and shops east of Winnipeg	5,470,000
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### MOUNTAIN SECTION.

Cost of Mountain Section (839 miles) as stated in return brought down . . . . .	\$61,520,000
Seventy-five per cent. of the above \$46,140,000 to be guaranteed by the Government for construction of Mountain Section.	
And the Government agrees to pay without recourse the interest on bonds so guaranteed for 7 years, which at 3½ per cent. amounts to . . . . .	11,304,300

### RECAPITULATION OF CASH EXPENDITURE.

Total cash expenditure and interest in respect of Eastern Division as above . . . . .	124,403,219
To this must be added 7 years interest at 3 per cent. (not compound) after completion, during which G. T. P. is to pay no rent . . . . .	26,124,676
Also interest at 3 per cent. for three years additional during which no rent is collectable unless earnings are sufficient . . . . .	11,196,290
Cost of Quebec Bridge as estimated . . . . .	14,422,238
Cost of terminals at Moncton, Quebec and Winnipeg and shops east of Winnipeg . . . . .	5,470,000
Interest to be paid by the Government without recourse on Mountain section . . . . .	11,304,300
Total cash expenditure . . . . .	<u>\$192,920,723</u>

### BOND GUARANTEE.

In addition to the above cash expenditure the Government incurs the following obligations on its guarantee of bonds:	
Guarantee on Bond issue on Mountain Section as above	46,140,000
Guarantee on Bond issue on Prairie Section, 916 miles at \$13,000 per mile . . . . .	11,908,000
Cash expenditure . . . . .	\$192,920,723
Bond Guarantee . . . . .	53,048,000
Total . . . . .	<u>\$250,968,725</u>

ADMITS \$230,000,000.

After Mr. Borden made this statement, Mr. Graham and Mr. Fielding took four days to study it over and then made their criticisms. Mr. Graham, ventured to dispute only three items. One was the charge for terminals at Winnipeg, concerning which the Minister's own statement had been ambiguous. Assuming his objections to be correct, there would be a reduction of \$878,750. The Minister also objected to the inclusion of the Quebec Bridge in the statement, though the bridge will be part of the G. T. P., and Mr. Fielding himself, in 1903, stated that four-ninths of the cost should be charged to the Transcontinental. The only other item to which Mr. Graham objected was the \$11,196,290 interest on the cost of the Eastern section for the three years during which no rent is collectable unless the earnings are sufficient. Mr. Graham believed that the earnings would be sufficient, and Mr. Fielding contended that the amount would in any case be charged against the Company. Anyone who believes that the G. T. P. Company will admit

that it earns sufficient to pay this rental may strike out \$11,196,290. Even then, if only the share of the Quebec Bridge which Mr. Fielding wished to include in 1903 is allowed, the costs and obligations will still exceed \$230,000,000.

#### A FEW COMPARISONS.

Take now the statement of construction cost as made by Ministers in 1903 and 1908.

In 1903 Mr. Fielding made an elaborate statement, said by him to be on high authority, and repeated in 1904. He declared that the road from Moncton to Winnipeg would be built for \$51,300,000. (Hansard, page 8584.)

Mr. Graham, Minister of Railways, now places the cost at \$114,393,765.

In 1903 Mr. Fielding computed the interest during construction at \$3,309,676.

Mr. Graham now says that this interest will amount to \$10,009,754.

In 1903 Mr. Fielding estimated the seven years' interest at \$11,468,030.

Mr. Graham now admits that this interest will be \$26,124,676.

In 1903 Mr. Fielding declared that the guarantee by the Government on the Mountain section "cannot exceed \$14,400,000."

Mr. Graham now gives the cost of the Mountain section at \$61,520,000, and makes the Government guarantee \$46,140,000.

Mr. Fielding and all the other Ministers in their calculations of 1903 and 1904 left out the cost of terminals in the Eastern division, which they now estimate between \$4,000,000 and \$5,000,000.

In 1903 Mr. Fielding gave the cost of the Quebec Bridge at \$4,500,000.

The Government is already liable for more than \$6,000,000 in respect to this enterprise, and the bridge is yet to be built.

In 1903 the Ministers estimated the cost of the road from Quebec to Winnipeg at \$28,000 per mile.

They now admit it will cost \$63,000 per mile.

The Ministers procured official statements that the road from Quebec to Moncton would cost only \$25,000 a mile, and only be 400 miles in length.

The Transcontinental Commission now estimates the cost of one division at \$32,573, one at \$42,000, one at \$45,000, one at \$51,000, one at \$65,000, one at \$83,000, and one at \$110,000. The distance is increased to 456 miles, and over part of the distance there is a "pusher grade," requiring an extra engine to push the train up.

The total estimated cost in 1903 of the Quebec to Moncton section was \$10,000,000.

On the present estimate the cost will be in the neighborhood of \$25,000,000.

Such were the pledges on which the Government secured the assent of Parliament and the consent of the Country to the Grand Trunk Pacific contract.

Such are the admissions which the Ministers now make of the absolute worthlessness of these pledges and declarations.



# INTERCOLONIAL RAILWAY.

## A Twelve Years Record Of Disastrous Operation.

When the Laurier Government took office the Intercolonial had almost paid its way for the previous four years. There was a surplus of \$20,181 in 1893, of \$5,838 in 1894, and of \$3,814 in 1895. In 1896 there was a deficit of \$55,188.

The net deficit for the four years was \$25,354, an average of \$6,438 a year.

When the Laurier Government took office the Ministers declared there would be no more deficits and the road would be run on business principles. They arranged the Grand Trunk deal, and in 1897 (Hansard, page 4268) the Minister of Railways gave a statement of what the results would be:

"It is estimated that the gross earnings for the year after the extension to Montreal will be \$2,835,000, and the working expenses \$2,363,000. In other words, the gentlemen responsible for the management of the Intercolonial estimate that there will be a surplus of \$520,000 in the first year's operation of the I. C. R. extended to Montreal. Now, if I deduct from the earnings the rental of \$210,000, I get a net surplus of \$310,000 as a result of carrying on this policy of extension."

As a matter of history this promised surplus did not occur. There was a deficit the next year of \$209,978, followed by two surpluses of \$62,654 and \$170,667. Then in 1901 came a deficit of \$488,186, followed by two other surpluses of \$96,822 and \$127,670. For the seven years, from 1897 to 1903, the deficit amounted to \$350,303, or \$50,040 a year.

In 1903-4 Mr. Emmerson became Minister. In that year there was a record deficit of \$900,751.

Next year Mr. Emmerson beat it with a deficit of \$1,725,304.

In 1905-6 Mr. Emmerson declared a surplus of \$61,915.

In 1906-7 the Department claimed a surplus of \$218,139.

But in 1907-8 Mr. Graham alleged that the surplus was \$16,123.

In the twelve years since the Liberal Government took office, the net deficits of the Intercolonial amounted to \$2,680,000.

This is the acknowledged deficit. The real shortage is many times larger. For, in addition to the expenses charged in this account, there has been capital expenditure of over \$28,000,000.

Therefore, the railway has cost in these twelve years \$2,500,000 a year on the average more than it has earned.

In the ten years before 1896 the average annual expenditure above the earnings, including capital on the same basis, was less than \$700,000.

And it should be remembered that the later period has been one of unexampled prosperity to railways on this Continent, most of which have earned good dividends, while twelve to fifteen years ago nearly all American railways were run at a loss.

It has been claimed that last year the Intercolonial paid its way if we leave out of account several millions charged to capital.

But there is no such record this year. In the first two months, according to Mr. Graham's statement (Hansard, page 10,514), the earnings decreased \$186,735 and the working expenses increased \$136,657, making a change for the worse of \$323,292, or at the rate of \$1,900,000 a year.

The earnings continued to decrease through June and July, but no statement of expenses is available.



# THE PUBLIC DOMAIN.

## HOW IT HAS BEEN ADMINISTERED BY THE LAURIER GOVERNMENT.

During the last three or four years the Laurier Government has been many times and in many ways called to account in respect to the administration of the public domain in the West. The immense value of this estate, the tremendous importance of preserving it for the benefit of the people to whom it rightfully belongs, the constant efforts of speculators, monopolists, politicians and their friends to obtain possession of these resources on easy terms, call for vigilant, firm, strict and just administration. The Government is a trustee for the whole nation, and especially the guardian of the rights and interests of settlers who have been invited from other provinces and all parts of the world to seek homes in Western Canada.

How has the trust been kept in respect to these public resources?

The ordinary farm lands.

Grazing lands.

Irrigation lands.

Timber.

Coal and other mineral wealth.

Lake and river fisheries.

Town sites.

The pages immediately following throw some light on these questions.

## SASKATCHEWAN LAND DEAL.

**250,000 Acres of Choice Land Sold by Government For One An Acre—Eight Dollars to the Settler—Government's Friends Make \$1,750,000 at the Expense of the Working Farmer.**

The Liberal platform of 1893 declared that "the sales of public lands of the Dominion should be to actual settlers only and not to speculators, upon reasonable terms of settlement, and in such area as can be reasonably occupied and cultivated by the settler."

In the early part of 1902 there was a great rush of settlers into the Canadian West. The value of western farm lands was advancing with a rush. Railway companies and land companies were raising their prices. Homesteads easy of access were taken up as fast as they could be found. In 1902 the Canadian Pacific Company sold 1,362,478 acres, or more than four times the quantity sold the year before, receiving a much higher average price. In the Regina district alone the homestead entries increased in that year to 4,158, as against 1,308 the year before. Prairie land which could have been bought a few years earlier for two to five dollars an acre was now held at eight or ten dollars. There was great money to be made in buying land and holding it for an increased price.

### GOVERNMENT OFFICER PRAISES THIS REGION.

In these circumstances it was important that the land remaining ungranted should be held for the genuine settler, so that speculators and middlemen should not hold up the working farmer who desired to go on the land. At this stage, C. W. Speers, General Colonization Agent of the Government, wrote to Mr. Sifton, then Minister of the Interior, calling his attention to the land adjacent to the Saskatchewan, Long Lake & Regina Railway, between Lumsden and Dundern, the former 20 miles and the latter 130 miles north of Regina. The agent entertained a high opinion of this region:

"I have no hesitation," he said, "in stating that a great many very good districts can be found along this line of railway between the points mentioned. I have observed very closely this stretch of country and am thoroughly convinced that some progressive settlements can be placed along that line that will establish the fact that that country is all right."

"I beg to point out that there is not one bushel of wheat produced within this 115 miles, and I am persuaded that if a few hundred acres of crop were grown about half way between Lumsden and Dundern, demonstrating the fact that the country was good, that a great deal of this land would rapidly fill up with settlers."

Mr. Speers went on to say that for nine years the Soo line was without any settlers, and yet in one year that country was entirely filled up. He closed by saying:

"I anticipate that some of the country referred to will be settled during the coming summer, and the value of the odd-numbered sections very materially enhanced." (Hansard, 1906, page 4167.)

### A CONCESSION TO POLITICIANS.

No action was taken on this recommendation, though a German-American settlement had been planted in the neighborhood and was already giving signs of prosperity. As Mr. Speers said, other settlers were arrang-

ing to locate in the area of which he spoke and there was every prospect that the land would soon be in good demand.

But another thing happened. A group of land speculators, some of them political friends of the Minister, saw a good opportunity. One of these was Mr. A. J. Adamson, then a prominent politician, now a member of Parliament, who had the fortune to be a brother-in-law of Mr. J. G. Turriff, Chief Commissioner of Dominion Lands.

This gentleman and his associates began by buying the land grant of the Qu'Appelle, Long Lake & Saskatchewan Railway Company. After this purchase, the Government generously enlarged by 2,000,000 acres the area of lands out of which the company could make selection. The effect of the change was to allow the new purchasers to go outside of the original boundaries for the whole of their purchase and pick up the best land in sight.

E. B. Osler, M.P., whose firm were agents for the Qu'Appelle & Long Lake Railway Co., declared in the House that neither his firm nor any officer or member of the company had received notice of this enlargement, which was made in August, 1902, three months after the sale of the land to Mr. Adamson's company.

#### 250,000 ACRES AT ONE DOLLAR AN ACRE.

Having accomplished this, the purchasers approached the Government with an offer to buy 250,000 acres' originally set aside as free homesteads for settlers. The outcome was an agreement for the sale of the above area to these land speculators at one dollar an acre, with the privilege of making their selections over nearly one million acres, and five years to complete payments. The purchasers cheerfully agreed to settle in each township twenty settlers on free homesteads not included in their purchase, and twelve more on quarter sections contained in their grant. This settlement undertaking was to the advantage of the investors, as they were able to offer to farmers who would buy from them an additional 160 acres of Government land for nothing. That was the way to make their money out of their own lands.

#### A GREAT PURCHASE.

After the deal was completed the purchasers organized the Saskatchewan Valley Land Co., and immediately offered their lands at six to twelve times the price paid. The Order-in-Council confirming the contract was passed on the 24th of May, 1902, three months after the report of Mr. Speers commending this land. In July Mr. Speers wrote again, stating that he had been over the country and was positive that the settlement would be rapid. Mr. Speers said:

"I have always been persuaded that this country was fit for settlement, and I am glad to be able to inform you that at an early date everything will be done that can be done to make this country productive. I review the fact that for some time I have been communicating with you on this stretch of country and in former correspondence have pointed out the necessity of having a portion of it settled."

The purchasing company went through several re-organizations. Persons were taken into the deal who could not conveniently be known at first in connection with it. For example, Mr. Turriff, who was Dominion Lands Agent at the time the deal was made, and is now a member of Parliament, denies that he had any interest in the deal at the beginning, but does not contradict the statement that he was afterwards connected with the purchasing companies.

The larger part of the 250,000 acres was soon sold at from \$6 to \$12 an acre. One large block seems to have been sold to a company at \$6.50 immediately after the purchase. This appears to be the lowest price obtained.

But the limit of Government generosity had not yet been reached. The contract required the company to settle a certain number of people on homestead lands before any of the 250,000 acres could be patented to them. Yet before these conditions were satisfied the Commissioner of Lands, Mr. J. G. Turriff, brother-in-law of Mr. Adamson, patented to the purchasers nearly 150,000 acres. Mr. Turriff does not contradict the statement that he became financially interested in the Saskatchewan Co. or some of its subsidiary organizations.

In one of its pamphlets the company made this boast:

"Our privilege of selection differs from the ordinary railway grant inasmuch as we are not obliged to take any specific number of sections in any one township. We have the privilege of selecting in the district reserved for us any odd-numbered sections in the township, excepting the two school sections. . . . We are not interested in any second class land. . . . Owing to the condition under which we acquire our land we in every case extend to the purchaser the privilege of making his own selection. This privilege cannot be over-estimated, especially to the purchaser of any considerable tract of land."

The advertisement proceeds: "Land can be purchased from our company at \$6 to \$10 an acre, according to location."

"We have secured our land," says the company, "at a price which permits us to sell good land cheaper than any other company in Western Canada."

#### \$1,750,000 PROFIT WITH NO INVESTMENT.

It was a beautiful part of the arrangement that the company did not need to select or to pay for the 250,000 acres until the land had been sold to the settler, and that then there should be a right to roam over an area of 76 townships. Farms, large or small, could thus be picked out where it was convenient to the settler, and when he had signified his choice, the company could go to the Government and select in lots so small as 160 acres the land thus sold as part of the 250,000 acre grant. The Government received no payment until the speculator had made his profit. For five years this could go on, until the company had sold the whole grant and was in a position to close up the arrangement and make a final payment to the Government. No doubt the average price received by the company for first class land—and it would take no other—is over \$8 an acre, leaving \$7 as net profit, or \$1,750,000 on the whole transaction.

The deal works out in this way:

The government receives . . . . .	\$ 250,000
The settlers pay . . . . .	2,000,000
Speculators obtain . . . . .	1,750,000

This sale of land was made secretly without public notice.

It was made in violation of the declared policy of the Government.

It was contrary to public interest, which demands that the man who goes on the land should have the benefit of the original low prices.

Moreover, the purchasers were allowed to pay for the land in scrip which had been bought up at a fraction of its par value, so that the actual amount paid was much less than the \$250,000, probably not half that sum.

They were allowed long credit, so that they did not pay until they sold to the settler. Therefore they required no capital.

#### A CASE OF OFFICIAL MENDACITY.

Announcing the sale of 1903, the late Minister of the Interior said:  
"While I was away the officers of the department made an examination of

an area some 250,000 acres, in what was regarded as an arid and practically useless section. The land was sold at one dollar an acre upon settlement conditions' (Hansard, 1906, page 6772).

Such is the Minister's account of the same land described by the purchasing company as

"This great stretch of level prairie without a tree or stone to block the plow, together with the magnificent soil, the abundance of the yield and the grade of the product, has made the Saskatchewan Valley the superior of the world as a wheat and flax-growing country."

The same authority speaks of the soil "as a rich, black loam, ten to "thirty inches deep, on a chocolate colored clay sub-soil, with water easily "obtained."

Not only was the statement of Mr. Sifton opposed to the description of the land given by the purchasers, but it was flatly contradicted by his own officer's report quoted above.

#### A REFORM REJECTED.

Among the resolutions moved in the House during the session of 1906, covering cases like this, was one proposed by Dr. Roche, M.P., for Marquette, Manitoba. It set forth that:

"The public lands of Canada, situated in the provinces and territories west of the great lakes, should be made available for settlement with the least possible delay:

"That to this end all railway companies, corporations and persons now entitled to select any lands earned by way of subsidy should be obliged to complete their selection of such lands within the earliest possible period, and not later than the first day of November 1906;

That in arranging for the disposal of the odd numbered sections not so selected and which will thus be released from all such subsidy claims, provision should be made to preserve them solely for the bona fide settler and to protect them from the exploitation of the speculator;

"That the government should take such administrative measures and introduce into parliament such legislative enactments as may be necessary fully to carry into effect the terms of this resolution."—Hansard, 1906, p. 299.

This motion was rejected by a vote of 111 to 58. It was a straight party division, except that Mr. Bourassa, Liberal member for Labelle, voted for the motion. In explaining his vote, Mr. Bourassa said:

"These are a few principles that I preached when in opposition when opposing the Conservative party, to which I adhere. I am ready to lay aside my own judgment and have done so many times in the past, and have supported the government on some questions that I did not approve. . . . This is one of the few principles of the old Liberal party to which I still adhere, and I am not prepared to vote against a motion simply because it might imply blame upon the government, when that motion condemns a policy that we have denounced time and time again in the past; and which as a Liberal I am prepared to denounce now." (Hansard, 1906, p. 1076.)

## FAKE HOMESTEADING.

### Close Settlement Impossible—"Daring Cold-Blooded Hold-Up" —Suppressed Government Reports.

Travellers in the West expect to find all the fertile lands along the line of railway, and especially near towns and villages, well occupied and largely cultivated. They are surprised and disappointed to see great stretches of accessible and apparently rich land lying vacant. The stranger is apt to conclude that something is the matter with this country since nobody goes to live in it. These unoccupied lands along the line of travel are the worst possible advertisement for the Western country.

The stranger does not know of the settlers in the more remote places, deprived of the comforts which close settlement affords, and having long hauls for their supplies and produce. It is not from choice that the pioneer travels through ten to fifty miles of largely unoccupied land to reach his home. He has settled in the back country because he could not get a homestead in the front.

But how has it happened that lands set aside for homesteading, are neither settled nor open for settlement? The law requires homesteaders to occupy and cultivate their land.

"Fake-homesteading" is one of the curses of the West. It has prevented settlement in some of the best localities, and those nearest to the railway. It is the reason why thousands of farmers are living without the comforts and conveniences that they should enjoy.

No one can describe the condition more truly than was done by the *Manitoba Free Press* on the 3rd of March, 1906. Discussing blanketing homesteads, that Liberal journal said:

#### A COLD-BLOODED HOLD-UP.

"The 'Free Press' has reason to believe that this fraud is being practised on a large scale. In some districts the homestead lands are all tied up in this way. No doubt the official records in the land offices show that each of these quarter sections has been duly entered for in the name of some individual and the conditions fixed by the Act complied with. Superficially the record is probably quite correct, but behind the forms of law, A DARING, COLD-BLOODED HOLD-UP AND SWINDLE IS BEING PERPETRATED."

The same paper published a statement from Mr. Richard Waugh that:

"There are districts in which every homestead of any real value is blanketed with names many of them fictitious, a practice which necessarily drives the bona fide settlers a long distance from railroads, or makes him turn away with disgust."

In the House of Commons, Messrs. Lake, McCarthy and Herron, speaking in 1906, in the interest of the settler, showed the extent of this injustice. Mr. Ames, M.P., also produced evidence. Mention was made of eight persons holding homestead lands in one village without becoming settlers. One had held a quarter section four years and never been near it. He was a good supporter of the Government and held it in spite of applications of bona fide settlers. Government officials held homesteads for their sons who never lived on them. Settlers equipped for farming were refused a chance even to buy land afterwards sold to speculators. Politicians, officials and speculators are able to pick up homestead reserves refused to genuine farmers.

#### A SUPPRESSED REPORT.

The Government cannot plead ignorance of this state of affairs. Here is



what the Government land agent at Battleford wrote to the Commissioner of Lands in July, 1905:

"There is no doubt that a considerable proportion of the homestead entries made two or three years ago were made by speculators, and a number of those entries are still being held by persons who are yet to make an appearance. Neighbors are complaining bitterly of this, as an obstacle in the formation of school districts and impeding settlement as a whole. In the interest of settlement I would suggest that steps be taken to throw open, as soon as possible, all lands so held, making same available for actual settlers."

This is plain language. But the authorities at Ottawa were anxious not to have the facts known. Reports of the land agencies are printed in the Departmental blue book. But this particular passage of this particular report was carved out, and the remainder was printed without any sign of omission. The deliberate mutilation was discovered when, after a hard struggle, Mr. Ames obtained the original documents and was able to confront the Minister with the report of his own officer, of which the above damaging part had been suppressed.

#### 2,315,360 ACRES OF UNOCCUPIED HOMESTEADS.

Interior Department reports for 1905 tell of homestead entries which have been standing from six to twenty years and never perfected. Mr. Ames has shown by the record that in 1905 nearly 15,000 entries of more than three years standing were neither perfected nor cancelled. Here is the proof:

Prior to the 30th of June, 1902, there had been recorded in the department 108,409 homestead entries. In the ordinary course of events by July 1, 1905, all of these entries would have been patented or would have been cancelled. But the number of patents issued to homesteaders up to 30th June 1905, was 49,455. Thus there remain to be accounted for 58,954 entries. But the cancellations must be deducted from that. We find that the total number of cancellations of entries prior to June 30, 1902, was 33,053, that in the year 1903 there was 4,756 cancellations of homestead entries, made prior to the 30th June, 1902. That during the year 1904, 4,298 more were cancelled and that during 1905, 2,106 were cancelled. Thus at the end of the three years, out of these 108,409 entries, there have been 49,455 patents granted and 44,213 cancellations made. That leaves a residue of 14,471 or nearly 15,000 entries unaccounted for.

#### HOMESTEADS CONTROLLED BY LAND SPECULATORS.

Of the 2,315,360 acres, so held, without actual settlement, a large quantity stands in the name of speculators and others living in distant towns, and simply holding these lands for sale at a high price. These very homesteads are now offered by land agents in connection with other properties they have to sell. This is what the *Liberal Free Press* calls "hogging" land.

Besides these homestead lands so improperly held there are hundreds of thousand of acres of scrip lands, which have been secured in the best areas along the line of railway, and are held for the unearned profit. Much of the scrip was given to half-breeds abroad and bought by speculators at a fraction of its face value, so that the lands cost a mere trifle. Scrip lands are often held in the middle of settled townships, keeping the settlers apart.

During the sessions of 1906, 1907 and 1908, Mr. McCarthy, Mr. Lake and Mr. Herron, with Dr. Roche, Dr. Shaffner and Mr. Staples, Conservative members from Manitoba, and the strong support of the Opposition Leader and his party, have been struggling to obtain for the genuine settler the available farm lands, and to prevent the speculator from blanketing the country. As the result of their campaign a Departmental investigation was held in the four land districts, and in these alone, during the fiscal years 1906 and 1907 more than 1,700 cases were found where the officers reported that the lands were held contrary to law.

## GRAZING LAND DEALS.

### Fortunate Men Get 371,749 Acres Under Irrevocable Leases Not Open to Others—Freehold Lands at \$1 An Acre—When Friends Are Satisfied The Doors Are Closed—Mr. Oliver's Deceptive Statements.

On May 30th, 1906, Mr. Borden asked for a select committee of nine to be appointed for the following purposes:

(a) To inquire into the management, alienation and disposal of the Crown lands of Canada (including timber and mineral lands and all other Dominion lands) managed and controlled by the Department of the Interior;

(b) To inquire whether there have been any irregular, improper, unauthorized or improvident dealings or transactions in respect thereof and who have been concerned therein;

(c) To inquire into the practical operation of the Dominion Lands Act and the amendments thereto and the regulations made by virtue thereof and whether any abuses have arisen thereunder, and.

(d) To report to the House upon the matters aforesaid and whether any amendments are necessary or desirable in the said laws and regulations.

That the committee have power to send for persons, papers and records and to examine witnesses on oath or affirmation.

That three be a quorum of the Committee. (Hansard, 1906, p. 4187).

Among the subjects which Mr. Borden proposed to have investigated was the granting of grazing leases in the Northwest.

The following facts were disclosed by returns brought down to the House:

#### FORMER LEASES REVOCABLE.

When the present Government took office the section of the Dominion Lands Act dealing with the grazing leases read as follows (Hansard, 1906, page 4163):

The Governor-in-Council may, from time to time, grant leases of unoccupied Dominion lands for grazing purposes to any person for such term of years and at such rent in each case as is deemed expedient, and every lease shall contain a condition by which the Governor-in-Council may authorize the minister at any time during the term of the lease to give the lessee notice of cancellation thereof, and at the end of two years from the service of such notice such lease shall cease and determine.

The lease could be cancelled at any time on two-years' notice. As the leases covered large areas, which might be required for settlement, this condition was in the interest of the public, though it reduced the value of the lease for speculative purposes.

#### MR. SIFTON TAKES DOWN THE FENCE.

Changes were made in the law and regulation. Mr. Sifton took authority to grant twenty-one year grazing leases without the power of cancellation. He also took power to give to the holders of these leases absolute grants of land to the extent of ten per cent. of their holdings at the price of \$1.00 an acre.

Down to 1905 only one irrevocable lease was given. That one went to A. T. Mackie, of Pembroke, Ontario, a member of a family of well-known Liberal politicians. He obtained a lease of 41,288 acres in August, 1902.

The practice of granting irrevocable grazing leases was then discontinued for more than two years, but between April and August, 1905, such



leases were handed out to eight applicants, who received areas of 330,461 acres.

#### THE FENCE PUT UP AFTER FRIENDS ARE WITHIN.

After August, 1905, no more irrevocable leases were granted, so that the persons who came in during the short period when the gate was open have valuable and exclusive privileges.

Mr. Sifton left office on February 27th, 1905, and Mr. Oliver was appointed in April, 1905.

Following is a statement of leases given in the short open period:

Date.	Area Acres.	Grantee.
April 9, 1905.....	55,747.....	Brown, Bedingfield & Co.
" 26, 1905.....	42,777.....	Geo. Lane.
" 28, 1905.....	60,000.....	C. E. Hall.
May 2, 1905.....	13,794.....	Glengarry Ranch Co.
" 5, 1905.....	47,615.....	Jas. D. McGregor.
" 9, 1905.....	48,867.....	A. Hitchcock.
July 17, 1905.....	1,280.....	Duncan Cameron.
March 10, 1906.....	60,381.....	H. P. Brown.

These leases, with that of A. T. Mackie's 41,288 acres, comprise 371,749 acres, or 580 4-5 square miles withdrawn from settlement for twenty-one years, no matter what the demand for homes may be.

#### WHAT THEY GET.

The last of these leases, though given on March 10th, 1906, was dated back to August 1st, 1905, a date previous to the change of policy.

The irrevocable grant to A. T. Mackie of 41,288 acres embraces two townships on the United States boundary, through which flows the south branch of the Milk River. On two sides are irrigated lands growing large crops of sugar beets and wheat. The south side of this ranch is fenced by the international boundary fence, built at the expense of the people.

The grant of April 26th, 1905, to George Lane, of 42,777 acres, is in two separate areas, ten miles apart, located at the head of Willow Creek, near Staveley, on the MacLeod branch of the Canadian Pacific Railway. It is in a section rapidly filling up with settlers.

The lease to C. E. Hall of 60,000 acres was transferred to the Milk River Cattle Co., Ltd.

The lease of May 2nd, 1905, of 13,794 acres, lies north and east of the Porcupine Hills. Two streams run through it and it is surrounded by homesteads that are occupied. The lease was taken out by a prominent Liberal worker.

The Brown-Bedingfield lease was at last accounts in the names of the original grantees.

#### A VALUABLE PROPERTY.

The two leases of May 9th, 1905, one of 47,615 acres, taken by James D. McGregor, and the other of 48,867 acres taken by A. Hitchcock, transferred to the Grand Forks Cattle Co., Ltd., which thus held 96,482 acres. These lands lie in the elbow of the Saskatchewan, within five miles of the Bow Island station on the C.P.R. Crow's Nest Pass Line, immediately below and adjoining the C.P.R. irrigation belt, and immediately northeast of the area of settlement. The history of this company is given farther on.

The lease of March 10th, 1906, of 60,381 acres, was assigned to the Galway Horse & Cattle Co., Ltd., under circumstances to be related.

Under the special regulation adopted shortly before these leases were given, and discontinued immediately afterward, three of these grantees have received absolute titles to one-tenth of the area covered by their leases by paying one dollar an acre. The Grand Forks Cattle Co. on the 29th of October, 1905, bought 9,452 acres, and the Milk River Cattle Co. 5,831 acres on the 27th of January, 1906, on the same terms.

#### FARM LANDS FOR \$1.00 AN ACRE.

Now, the original idea of a freehold sale of a small portion of the leased area was to enable the rancher to own enough land for buildings and farm at headquarters. It was not understood that this would run up into the thousands of acres, and that the grantee should thus obtain for \$1.00 an acre land that was worth in the market ten dollars.

But see how it worked out in the case of the Grand Forks Cattle Co. That concern held about 150 square miles of territory under an irrevocable 21-year lease, and instead of being allowed to take a ranch farm at some convenient point, it obtained the privilege of selecting its 9,452 acres of freehold land in quarter sections or half sections over the whole area. The company was able with this freedom of choice to select lands valued at \$12 an acre.

#### WHAT THE MINISTER SAID.

On June 12th, 1905, Mr. Lake, one of the western members, questioned Mr. Oliver in regard to sales of land. Mr. Lake said: "I would like the assurance of the Minister that there will be no sale of land *en bloc* made, or no sale of land to any but the actual settlers."

To this Mr. Oliver made reply: "There will be no sale of land *en bloc* to any one, and so far as the interval between now and the next session is concerned, there will be no sales of land to any one but actual settlers."

As a matter of fact, these two sales of land, amounting to 15,283 acres, were made before the next session. Mr. Oliver has said that they were made by virtue of contracts of agreement already entered into before he became Minister, but the records show that the transactions were not completed, or the property acquired, or the price paid until after Mr. Oliver's pledge to Mr. Lake and the House. If there was an agreement made by Mr. Sifton to sell this land to political and personal friends, Mr. Oliver was guilty of duplicity in concealing the fact when the question was put to him.

There are no more 21-year irrevocable grazing leases. There are no more 10 per cent. grants of land at a dollar an acre. For some six months it was the privilege of the chosen few to rush in and gather up these lands on terms that are no longer available. Then the door is shut and the privileged parties are left in exclusive possession; at least, until contributions are wanted for another election campaign.

## ROBINS' IRRIGATION DEAL.

**Politicians Obtain Leases of 96,000 Acres With 10 Per Cent. Freehold and Sell For \$350,000 Profit—Same Men Get 300,000 Acres Irrigation Lands and Sell The Bargain For \$500,000—For the Middlemen \$1,145,000; For the People \$9,450.**

When the Liberal party was in opposition it had an excellent policy respecting land in the North-West. In convention in 1893 the party declared:

"No middleman in land transactions should be allowed to come between the Government and the settler, for the middleman's gain is the settler's loss and the Government's loss as well, because it retards settlement and checks progress."

The party also condemned "The policy of making pasture land leases to cattle kings at a nominal rent of one to two cents per acre without asking for bids or seeking competition, and only with a limit of fifty thousand acres as the amount that might be covered by a single lease."

Previous chapters tell how favored individuals obtained grazing leases under special conditions. Among those were A. Hitchcock of Moose Jaw, and James D. McGregor of Brandon. Mr. A. Hitchcock and Mr. A. E. Hitchcock, who figure in the transaction, are energetic party men. The Hitchcock grazing lease was for 48,867 acres. James D. McGregor obtained 47,615 acres. Mr. McGregor was formerly a campaign manager for Mr. Sifton in Brandon, where he was a livery stable keeper. When Mr. Sifton took office he made Mr. McGregor a liquor commissioner in the Yukon; also Inspector of Mines and a collector of royalty. A few years residence in the Yukon enabled him to return a capitalist, but still an active political campaigner.

Mr. Hitchcock and Mr. McGregor merged their grazing leases, and formed the Grand Forks Cattle Company. On the 23rd of December, 1905, the Government gave this company an absolute freehold grant of 9,452 acres, approximately one-tenth of their holding, for \$1 an acre.

### A NEW AND BIGGER DEAL.

The Grand Forks Cattle Company now proceeded to exploit its concession. A scheme was devised to obtain a grant of lands for irrigation, add the Grand Forks lease to this concession and float the whole on the English market. Having secured the twenty-one year lease and the freehold grant, at a very small cost, Messrs. McGregor and Hitchcock prepared for the new venture. A man from England, named Robins, spent a few months at Moose Jaw, and as the Hitchcocks and McGregors had been sufficiently in the lime light in land deals, this gentleman came forward as the visible applicant for the next concession. In the winter following the grazing leases, Mr. Robins obtained an irrigation grant of 380,573 acres. By his contract with the Government the nominal price was \$3 an acre, less a rebate of \$2 an acre on condition that the purchaser should irrigate one-quarter of the land. The \$1 was to be paid in five annual instalments beginning with 1910, four years after the grant was obtained.

This deal went through in the name of Guy Tracey Robins, representing the Robins Irrigation Company. But the Robins Irrigation Company, as shown by the prospectus issued in England, was really owned as follows:

A. M. Hitchcock .....	77 per cent.
J. D. McGregor .....	22 per cent.
G. M. St. Aubyn .....	1 per cent.
Guy Tracey Robins .....	0 per cent.

The main operators were no strangers to the Department of the Interior. They were men with a pull.

#### WHAT THEY GOT.

So the Grand Forks Cattle Company and the Robins Irrigation Company, composed of the same group of politicians, obtained three concessions. First, 95,000 acres held under a twenty-one-year irrevocable grazing lease, which cost two cents an acre rent.

Second, 9,450 acres freehold selected in choice lots over six townships and purchased for \$1 per acre.

Third, 380,000 acres for which the purchasers agreed to pay \$1 an acre net within nine years, and to irrigate a fourth part.

The next step was to sell these concessions and take the profits, as the owners had no idea of ranching or irrigating. For this purpose another concern was employed, called the Canadian Agency, Limited. This company bought out the Grand Forks Company and the Robins Irrigation Company on the 18th of September, 1906, and sold out on the 9th of October to the Southern Alberta Land Company, an English corporation, which assumed all the financial responsibility, and proposed to get its money back with large profits by selling out the land to the settlers.

BOUGHT FOR \$9,452, VALUED AT \$113,424.

A valuation was made of the property of the Grand Forks Cattle Company. Robert Hall, of Brandon, was selected by the English purchasers to examine this property. He looked first at the 9,452 acres for which McGregor, Hitchcock and their associates (J. C. Murray, wholesale liquor dealer in Dawson, and partner of Colin McGregor; D. A. Ross, formerly liquor dealer in Vancouver, afterwards in the same business at Dawson, and Hon. J. H. Ross, a member of the Canadian Senate, formerly Chief Commissioner of the Yukon, and later member of Parliament) had paid \$1 an acre. The valuation was made less than a year after the purchase from the Government, and Mr. Hall stated that

"these lands have been selected out of an area of 100,000 acres, held under lease by the Grand Forks Cattle Company, Limited, and are, in my opinion, easily of the value of \$12 per acre under present conditions, without reference to any future speculative possibilities." (Hansard, 1907, page 2495.)

Mr. Hall added that some of this land had been cultivated, and was worth \$5 an acre extra. Leaving this out, we find a neat rake-off amounting to 1,100 per cent. on eleven months' ownership.

#### \$350,000 PROFIT ON THE GRAZING LANDS.

The Grand Forks Cattle Company had placed some cattle on the land, and had certain contracts with railways to supply meat. The appraisers for the English purchasers valued all these assets at \$444,000. But the valuator found that the Grand Forks Company had expended £60,000, or less than \$300,000.

The Canadian Agency, or English middlemen, paid £135,000 sterling, or \$654,850 for the Grand Forks property. McGregor, Hitchcock and their friends got back all the money they put in for improvements. They got in addition a profit of \$11 an acre on the 9,450 acres freehold, for which they paid \$1 an acre, and they received nearly \$250,000 extra as the value

of the irrevocable lease obtained by them the year before, and on which they had paid only the year's rent at 2 cents an acre. On this part of the deal their profits were \$354,000.

#### NEARLY \$500,000 PROFIT ON THE IRRIGATION CONCESSION.

At the same time the McGregor, Hitchcock syndicate sold to the English middlemen the benefit of the irrigation concession of 380,000 acres. For this contract of the Robins Irrigation Company, on which not a cent had been paid except the cost of surveys, the English middlemen paid £100,000 sterling, or \$486,000. This was to be paid either in cash or part cash and part stock, and as the stock was over-subscribed, the pay would be taken in cash if the sellers desired it.

#### RAKE-OFF IS \$840,000 AND \$315,250.

So we have the Hitchcock, McGregor concern obtaining picked land from the Government in 1905 at \$1 an acre and selling it in 1906 for \$12 an acre; obtaining a twenty-one-year lease in 1905, which other people cannot get at any price, and turning it over in 1906 for more than \$250,000 profit; obtaining a concession of 380,000 acres in June, 1906, and turning it over in September of the same year for \$486,000 profit without paying a dollar.

The total profits on these three operations amount to \$840,000.

Now comes in the next group of middlemen, the Canadian Agency, Limited, which bought the concessions from the McGregor, Hitchcock syndicate for £235,000. This concern probably had in it some of our Canadian political friends, but they kept out of sight, leaving only Mr. St. Aubyn visible. The Canadian Agency, Limited, added another £65,000, or \$315,250, to the price, and sold out to the Southern Alberta Land Company for £300,000. This margin included promotion expenses, and a large rake-off which went to persons not known.

The final purchasers have thus had to pay \$1,455,000. If they can sell the assets, other than land of the Grand Forks Company, at the alleged cost, the outlay for land alone will be \$1,155,000, and they will still have to pay the \$1 an acre for the 380,000 acres of the irrigation concession.

#### THE SETTLER MUST PAY ALL.

This \$1,155,000 will all have gone to promoters, political favorites and middlemen, except the \$9,450 paid to the Government for the land sold to the Grand Forks Cattle Company, and the few hundred dollars paid as rental. The people of Canada, who owned the land, received only \$10,000 or \$11,000 of the \$1,155,000 that was paid up to the time the Southern Alberta Land Company got possession.

Now, the Southern Alberta Land Company, which pays this \$1,155,000, and expects to pay \$1,000,000 more for irrigation works, together with \$380,000 for the land in the irrigation block, hopes to get it all back from the settler, with substantial profits.

The company figures out that it will realize the following prices:

For 85,000 acres of irrigable land in tract A an average price of \$23 per acre, or .....	\$1,955,000 00
For 50,000 irrigable land in tract B at \$20 per acre .....	1,000,000 00
For 59,323 acres in tract A at an average price of \$12.50 per acre.....	741,527 50
For 186,250 acres in tract B, at \$5 per acre .....	931,250 00
Total.....	\$4,627,787 50

These receipts would give the Southern Alberta Company a good profit. In any case the Canadian politicians, who received these special favors and concessions, will have bagged their million dollars or so without having paid or risked anything. This million will be paid by the farmer-settler if the scheme succeeds.

#### NO NEED OF IT.

There was no necessity for the intrusion of the McGregors, Hitchcocks, and other political speculators between the Government and the settler, or between the Government and the genuine investor. Irrigation works are no longer an experiment in the West. There is no secret or mystery about it requiring the subsidizing of a go-between. All that is necessary is for the Government to deal directly and honestly with the genuine investor, so that he can take his legitimate profits and sell the land at a reasonable price.

The whole subject was discussed in a debate on the following motion, moved by Mr. M. S. McCarthy, M.P., for Calgary. (Hansard, 1906-7, pages 2491 to 2726):

"This House, while favourable to every reasonable and legitimate undertaking for the development and colonization of that portion of the Canadian West which can be made suitable for agriculture only by means of irrigation, condemns the action of the Government in the matter of the Robins irrigation contract, being of opinion that the Government has failed to safeguard the rights of the people, has subordinated the public interest to that of speculators, and has, for the benefit of certain favorites of this Administration, permitted the enterprise to be overloaded with promoters' profits, which must in the end be paid by future settlers."

On the vote the deal was sustained by a majority of thirty-three, a straight party division, except that Mr. Bourassa voted with the Opposition and a number of Liberals shirked the vote.



## THE GALWAY DEAL.

**Lease Held Two Years For The Absent Mr. Brown While The Real Party Was Adamson, M.P., Who pays \$600 And Sells Out For About \$20,000—Mr. Oliver's Surrender.**

On the 27th of May, 1902, the Department of the Interior received an application for a closed grazing lease of 60,000 acres, or nearly 100 square miles, west of the confluence of the Bow and Belly Rivers in Southeastern Alberta. The applicant signed himself H. P. Brown, of Grand Falls, Montana. An Order-in-Council on the 23rd of March, 1903, directed that Brown should receive his lease. The regulation required six months' advance payment of the rental, which was only two cents per acre. The Secretary of the Department wrote to Mr. Brown asking him to pay \$603.81 and take his lease.

Mr. Brown did not reply. The secretary wrote again, saying:

"If the amount of rental, being \$603.81, is not received here within thirty days from this date, it will be understood that you do not wish for the lease of these lands."

No reply was received. In the ordinary course the application would have lapsed on the 27th of August, 1903, and Mr. Brown would have been heard from no more.

Strange to say, though, there were many applicants for grazing leases in this neighborhood, and though farmers desired to settle on the land, the Department still held the 60,000 acres subject to Mr. Brown's order. The secret of this astonishing patience is disclosed by the appearance of three initials connected with Mr. Brown's original application.

### J. D. M'GREGOR IS BEHIND IT.

Though Mr. Brown's letter asking for the land was dated from Grand Falls, Montana, it was received at the Department on the day after it was written. It was written in Ottawa. Now, J. D. M. is James D. McGregor, veteran in the Robins deal, hero of the Grand Forks grazing lease, friend of Hon. Clifford Sifton, Minister of the Interior. If "J. D. M." was interested in Mr. Brown, the Brown lease must be protected, even though Mr. Brown could not be found for many weary years.

So, on the 24th of December, 1903, though Mr. Brown had not been found, his name was included with two others in an Order-in-Council which set forth that he was entitled to an irrevocable closed twenty-one-year grazing lease. It was then a year and a half since Mr. Brown had been heard from, and he had not paid a cent. He did not own a single animal in Canada, and had probably not seen the land. Yet this Order-in-Council set forth that he was to be offered the twenty-one-year lease on the ground that he had, since March, 1903, "been in possession of the lands described in this Order."

### AN INVISIBLE POSSESSOR.

But while the Government declared Mr. Brown in possession the Department was still unable to find him. Government had kindly forgiven him half a year's back rent, and proposed to date the lease from the first of December. The Secretary, who was not in the Departmental secret, wrote

to Mr. Brown at Montana, sending the lease to be signed, and asking for six months' rent. There was no answer. This was on the 14th of January 1904, and on the 15th of April another Departmental was sent, asking Mr. Brown to sign the lease and pay. A third letter was sent on the 26th of May.

So 1904 wore away. January 7th, 1905, the innocent Secretary made another desperate effort, writing to Mr. Brown that more than a year's rent was due. Mr. Brown paid no attention. He had no interest in the transaction. The lease was nursed for people much nearer Ottawa and very much nearer the Minister. But as they were not disposed to pay any rent it was necessary to keep up the form of dunning Mr. Brown.

#### NO CHANCE FOR SETTLERS.

Meanwhile, settlers desired to homestead this area. A petition signed by eleven residents protested against the continuance of this lease as an injustice to the farmers. They declared that good crops could be grown on this land, and that settlers were ready to take up homesteads on it as soon as the lease should be cancelled. Subordinate officials did not understand why the 60,000 acres should be held year after year for a man who did not want it, refused to sign the lease, paid no rental and had not answered one of the seven letters sent him. The Secretary of the Department and the local agent did not know the full significance of the signature "J. D. M.", nor dream that a member of Parliament, a sister of a member of Parliament, and a cousin of a member of Parliament, had stepped into Mr. Brown's shoes.

Mr. J. W. Martin, agent of Dominion Lands at Lethbridge, wrote on the 15th of March, 1905, that he was in receipt of applications to homestead these lands, and as the lease had not been taken and the rent had not been paid, he wanted to know whether action could not be taken (Hansard, 1907, page 3506). Mr. Sifton had then resigned office, and Mr. Oliver had not been appointed. There was an acting Minister, and the situation was such that the real parties to the deal found it necessary to disclose themselves.

So on the 17th of July, Mr. A. J. Adamson, member of Parliament for the riding of Humbolt, sent the following letter to the Department of the Interior:

#### THE OCCUPANT OF THE WOODPILE.

House of Commons, Ottawa, July 17th, 1905.

Department of Interior, Ottawa.

Dear Sir:—I enclose herewith an assignment of lease from Henry P. Brown to the Galway Horse and Cattle Company, Limited, together with cheque for \$650, being approximate for six months rent from the first inst.

Yours truly, A. J. Adamson.

(Hansard, 1907, page 3480.)

This was the first that the officials had heard from Mr. Adamson on the subject. But the document contained the astounding information that Mr. Brown had assigned his lease a year and ten months before. It is another interesting fact that at the time Mr. Brown assigned to the Galway Horse and Cattle Company no such corporation existed. The company was not incorporated until March 11th, 1904.

Who comprised the Galway Company? Three names are given as subscribers to the memorandum of association. One is A. J. Adamson, member of Parliament. Another is his wife, J. M. Adamson, sister to Mr. Turriff, now member of Parliament for East Assiniboia. The third is Mr. A. J. Bell, cousin of Mr. Adamson.



Mr. Adamson was carrying around the assignment from Mr. Brown all the time the Department of the Interior was looking for Mr. Brown. Mr. Adamson got elected to Parliament after he obtained this assignment. It was only at the end of the session, when the lease was about to be cancelled, that he disclosed himself the holder of it.

Mr. Adamson had paid no rent. He had placed no cattle on the land. His Horse Company had done no business. He had obtained the assignment from Mr. Brown after that gentleman had forfeited all claim to it. The assignment was the transfer of a lease that did not exist to a company which did not exist. No doubt the Minister who had retired and commissioned Turriff knew the whole story, and that was the reason that the lease was kept alive.

#### A SURPRISED OFFICIAL.

Mr. Ryley, Accountant of the Department of the Interior, was rather surprised when he received a cheque for \$650 and with it a claim for a practically forfeited lease, nearly two years old, on which there was due \$2,415. So he proceeded to write to Deputy Minister Cory the history of the transaction (Hansard, 1907, page 3480). Mr. Ryley pointed out that a lease had been prepared in January, 1904, that rent was due from December, 1903, that Mr. Brown never took the lease and never paid the rental, and that now an assignment had been received to the Galway Company, which offered to pay only one half-year's rent. The accountant wanted to know whether the Department would accept this partial payment or would charge the full \$2,415.

#### OLIVER RULES AND ADAMSON CHOOSES.

Mr. Oliver was still in the innocent stage of his incumbency, and decided at once that Mr. Adamson might take the lease as a new one on new conditions, or as an old one on the conditions that existed when it was given. The old lease was a twenty-one-year irrevocable grant. The Department was giving no more of these. New leases were revocable on two years' notice. Mr. Adamson's company could have the new lease and commence payments, or take the old lease and pay arrears. The Minister might have refused either and opened the land for settlement, or offered it for competition. But he did not go so far.

Mr. Oliver's instructions were (Hansard, 1907, page 3481):

"Mr. Ryley. I think it can be assumed from the annexed report that it was the intention to issue to Mr. H. B. Brown a closed lease without any provision for cancellation thereof upon giving two year's notice.

This being the case I see no objection to a lease being issued to the assignee of Mr. Brown, and that the rental should commence to accrue from the date upon which the first half year's rent was paid, provided a clause be inserted in the lease that it may be cancelled upon giving two year's notice."

Mr. Adamson elected to save his money and take the new lease.

Still the member for Humbolt was not going into the cattle business. He was in land speculation, and the lease was hawked about among cattle owners in the West. But cattle men were not paying their money so generously as Mr. Adamson wished for leases that could not be cancelled in two years, when they saw the McGregors, the Hitchcocks and other favorites holding twenty-one year leases with no power to cancel.

Mr. Adamson had chosen the other kind. This is shown by a letter written by the Secretary of the Department on the 28th of July, 1905, to M. S. McCarthy, M.P.:

"The term of the lease is twenty-one years, the rental 2 cents per acre per annum and provision is made that should the Governor-in-Council at any time during the term of the lease consider it in the public interest to terminate the same for any reason, the Minister of the Interior can and may, on giving two years notice cancel the lease at any time during the period of the lease."

#### MR. OLIVER SURRENDERS.

But in the winter of 1906 it was impressed upon Mr. Adamson that if he wanted to make big money out of his deal he must have a twenty-one year lease with no cancellation clause in it. Mr. Oliver had settled the matter the year before, but found himself unable to resist the combination of members of Parliament, ex-Ministers, ex-Commissioners, with their sisters, cousins and aunts. On the 27th of February Mr. Oliver wrote to Mr. Campbell, saying: "Look up the terms of the Brown lease—it is claimed "by Mr. Turriff that a closed lease was ordered before the regulation of "October last was passed. Let me know definitely on this point." Of course, Mr. Oliver did not need any information. He had shown in his letter to Mr. Ryley that he knew all about it. But Mr. Campbell did what his Minister required. He told him that the order originally intended an irrevocable lease.

Thereupon, Mr. Oliver surrendered fully to the land hunters. He gave Mr. Adamson the lease, and the clause providing for cancellation was struck out. The Minister made this order on the 5th of March, 1906, and within one week Mr. Adamson had sold the lease for a price said to be \$20,000.

Another strange thing happened. Though Mr. Adamson was again put in the place of Mr. Brown as the original holder of the irrevocable lease he was still forgiven the back rent that Brown was bound to pay. Mr. Oliver had offered him the alternative to pay the rent and take the old lease or not to pay it and take the new one. Mr. Adamson did not pay the rent and he got the old lease. He played the game of heads I win, tails the Government lose. His total payments were between six and seven hundred dollars, and the whole transaction probably cost him less than a thousand.

#### GENUINE RANCHER FOOTS THE BILL.

The man who bought the lease from Mr. Adamson was a member of a genuine cattle ranching firm. He had tried to get a lease from the Government, such as Mr. Adamson had. He would have been more than willing to pay the rent which Mr. Adamson escaped paying. But there were no irrevocable leases for him. These were all required for political speculators who did not keep cattle. Therefore, Mr. John Cowdry, who had ten thousand cattle and no ranch to feed them on, had to go to a member of Parliament and the cousin of a member of Parliament, and to the wife and sister of a member of Parliament, and had to pay them a rake-off of \$20,000, or thereabouts, to obtain the right to pasture his herds.

This transaction was discussed in Parliament on the 21st of February, 1907, on the following motion of Mr. Herron, M.P. for Alberta:

"That the circumstances attendant upon the acquisition of, and disposal by, the Galway Horse and Cattle Company of grazing lease Number 2059 reflects discredit upon the Government and should receive the disapproval of this House."

Besides the Minister of the Interior, who was a good deal confused over the affair, the transaction was excused by Mr. Adamson, the chief beneficiary, and by Mr. Turriff, brother of another beneficiary. In the end the motion was defeated by a straight party majority of eighty to forty-nine. (Hansard, page 3542.)

## TIMBER LIMITS.

### Political Favorites Have Gathered Them In—Brother-in-law Burrows And His Pulp Company—Startling Transactions Dragged To Light In Spite Of Government Obstruction.

As the prairie country is mostly without trees, the whole vast region between the Red River and the Rocky Mountains is dependent for lumber supply upon relatively small and scattered areas of timber lands. Those most heavily timbered or most accessible have become immensely valuable within a few years, as settlement has advanced and railway construction has made, or is likely soon to make, the timber available.

#### FORMER CONDITIONS.

Down to 1900 little was known of the Northern forests. British Columbia and Ontario supplied the small demand for lumber. For the promotion of lumber manufacture in the West the several governments had granted timber limits rather freely, but imposed such conditions of manufacture that most of the leases lapsed. The best timber limits were not within easy reach and local markets were not sufficient to encourage investment. Speculative holdings were discouraged by the terms of lease requiring operation. Leases could be terminated by Government whenever the land was required for other purposes, and this did not favor purchase.

#### TIMBER LIMITS IN CONSERVATIVE TIMES.

It was, and still is, a favorite charge of Liberal leaders and their supporters that the Conservatives, when in power, granted large areas of timber limits to their friends. As a matter of fact, the leases then went to any who sought them and would comply with the conditions, which, however, were so severe that 94 per cent. of all the land granted before 1896 reverted to the Crown. While Ministers now excuse their lavish and reckless timber concessions by telling of large grants made by their predecessors, the fact remains that when the Laurier Administration took office only 1,860 square miles remained under lease of all the timber land that had been granted by all previous Governments, Liberal and Conservative.

#### IT IS DIFFERENT NOW.

To-day the pick of all the Western lands are under lease. Speculative purchasers have not only been allowed to select single blocks of timber that suited them, but have been given the privilege of picking out for sale as many as fifty blocks of ten square miles each, within a region of over 7,000 square miles and to buy in a single transaction. Altogether there are now under lease 6,400 square miles of timber lands selected throughout practically the whole available supply south of the watershed.

Since the value of these lands is better understood, and rapid settlement makes it important to guard the timber supplies for the people, one would expect the conditions to be made more rigid, and that the Government would exercise greater vigilance over this heritage. It would be expected that timber land not yet available for lack of transportation facilities would be held until there was a demand for it from genuine operators. If standing timber was to be kept for a rise in value, it should be held by the public

and not by speculators. Especially those timber regions whose extent and value were unknown to the Government and to most possible purchasers should not be sold until the department had explored the land and obtained some idea of its character and resources. If it were decided to sell this timber, it was the clear duty of the Government to explore it and settle its minimum value and to give ample notice to all possible purchasers with time to examine the territory. Then there would be real competition, and if the limits went to speculators they would get it fairly at a competitive price.

#### THEY TOOK THE OPPOSITE COURSE.

But timber land not available for operation has not been held by the Government.

It has not been explored by the Government before sale.

It has not been offered in lots of such moderate size as to bring it within the means of the average purchaser.

It has not been offered with sufficient notice and publicity to allow the purchaser to examine the lands, or even in all cases to reach them.

The sales have been so conducted as to give every possible advantage to the speculator as opposed to the genuine operator; to make competition a farce; to encourage collusive and fictitious bidding; to justify the widespread suspicion of the honesty of the proceedings, and generally to discourage the genuine lumber operator and the honest bidder, and to enrich a group of machine politicians and ministers understood to be in the enjoyment of Government favor and patronage. Suspicions are strengthened by the Government's secret methods; by evasive and misleading ministerial statements; by refusal to furnish records which ought to be free to all; by deceptive practice on the part of fortunate bidders; by the almost invariable success of certain groups of individuals, who, bidding under various names and in irregular ways, and with remarkable manipulations of cheques, have always managed to secure the limits they sought by very small margins over their nearest competitor.

#### SPECULATIVE HOLDINGS.

In 1907-8 the area covered by timber licenses was 6,400 square miles. Of this quantity, 3,061 square miles, or practically half, was in speculative holdings. Only 1,952 square miles of timber was even partially operated, and the remainder was held as reserve for lumbermen.

Out of the speculative holdings, between 1,400 and 1,500 square miles were acquired by a group of politicians, of whom Theodore A. Burrows, M.P., is the most active and the most fortunate.

Mr. T. A. Burrows is the member of Parliament for Dauphin, Manitoba, and is a brother-in-law of the Hon. Clifford Sifton, under whose dispensation as Minister of the Interior almost every acre of his timber land was obtained.

Mr. Staples, M.P., speaking in Parliament, repeated the remark of a Manitoba pioneer, who pointed to the lonely tree on the prairie with the remark that it was the only tree in the western country that had not passed into the hands of the Big Four. Mr. Staples continued—"I enquired, Who are the Big Four?"

"Why," he answered, "I am surprised at you, an M.P., who have been there three sessions, and do not know the Big Four: Turriff, Burrows, Adamson and Sifton."

While other members of the quartette may exceed Mr. Burrows in their acquisitions of farm lands or grazing leases, he is easily ahead in the matter of timber lands.

The country has lost millions of dollars by the premature sale of these speculative holdings at prices that make the timber a gift. Consumers of lumber will suffer by the concentration of the lands in the hands of so few.

Most of these speculative holdings were obtained after 1902. In 1903 two abrupt and important changes were made by Mr. Sifton in timber regulations. These changes were greatly to the advantage of limit holders, and especially to those who bought for speculation. They were of greater advantage to Mr. Sifton's brother-in-law than to any other man, and, perhaps, greater than to all other men put together.

#### FORMER RESTRICTIONS.

Previous to 1903, timber leases were subject to revision of the rental and royalty, and also to the condition that any portion of the limit might be opened for settlement to homesteaders, the limit holder having a short time to clear away the large timber. Neighboring settlers were also allowed to get wood and timber for their own purposes on the licensed premises. Section 3 of the Regulations of 1898 reads as follows:

"When a licensee has complied with all the conditions herein set forth in his license and the regulations, and where no portion of the timber berth is required for settlement or other public purpose, of which the Minister of the Interior is to be the judge, the license may be renewed for another year, subject to such revision of the annual rental and royalty to be paid therefor as may be fixed by the Governor-in-Council."

Sub-section 2, of Section 10 of the Regulations of 1898, provides that the license shall not interfere with the settlement of any lands within the limit which may be desirable for settlement, and that the only recourse of the licensee is that he may within sixty days after notice remove all timber over ten inches in diameter. It also provides that individual homestead settlers with free permits shall be allowed to cut and remove from land covered by a license such building timber, fence rails or firewood as the permit might set forth.

#### LEASES MADE IRREVOCABLE.

In 1903 the Government changed all this. On recommendation of Mr. Sifton an Order-in-Council was passed on the 14th of April of that year repealing the above conditions and substituting the following (Hansard, 1906, page 4177):

"So long as the licensee complies with the conditions of his license and of the regulations he shall be entitled to a renewal of his license from year to year while merchantable timber remains upon the area licensed. When a substantial portion of the said area has been denuded of timber, the minister may dispose of the same under sale or settlement regulations, provided that no such disposition shall be made of land immediately contiguous to merchantable standing timber, or in such a way as to endanger destruction thereof by fire."

This change makes the license permanent on the terms of the grant, whereas it was previously renewable year by year at the option of the Minister and subject to the revision of rental and royalty.

The same Order-in-Council rescinded the regulation which allowed settlement within the timber berth, and also the provision allowing neighboring settlers to obtain timber on the limits for their own use.

#### WHERE BROTHER-IN-LAW BURROWS COMES IN.

Mr. T. A. Burrows, M.P. for Dauphin, Manitoba, is a brother-in-law of Mr. Sifton. The above Order-in-Council increasing the value of timber



limits and giving the owners greater security was passed as above stated on the 14th of April, 1903. The following is a list of berths granted to Mr. Burrows between 1898 and 1904. It will be seen that the majority of them were obtained immediately before or soon after the above changes in the regulations:

No. of Berth.	Date Granted.	Area.
814.....	May 30, 1898.....	15 square miles.
827.....	Sept. 4, 1898.....	44 "
966.....	.....	50 "
992.....	Dec. 30, 1901.....	40 "
1,000.....	Feb. 10, 1902.....	6 "
1,001.....	Feb. 10, 1902.....	6 "
1,002.....	Feb. 10, 1902.....	4 "
1,046.....	March 7, 1903.....	40 "
1,047.....	March 7, 1903.....	50 "
1,054.....	April 8, 1903.....	1 "
1,068.....	June 24, 1903.....	5 1/4 "
1,073.....	July 15, 1903.....	20 "
1,098.....	Nov. 11, 1903.....	12 "
1,094.....	Nov. 11, 1903.....	27 "
1,099.....	Nov. 11, 1903.....	44 "
1,120.....	Jan. 27, 1904.....	15 "
1,191.....	Dec. 7, 1904.....	50 "
1,192.....	Dec. 7, 1904.....	50 "

According to Mr. Burrows' own statement, made in the House of Commons (Hansard, 1908, page 8756), he secured in all in his own name 434 square miles, or 341,760 acres. He has also a half interest in the Imperial Pulp Company, which has acquired over 400 square miles, and was interested as a silent, but exceedingly active and highly profited partner, in a purchase of at least 250 square miles more. This brother-in-law of the Minister would be a large gainer by the Order-in-Council making his licenses permanent, shutting out his berths from settlement and from use by neighboring farmers.

#### A MAN WHO GETS WHAT HE WANTS.

In the address of Mr. W. J. Roche, M.P. for Marquette, Manitoba, 1906, it was shown that Mr. Burrows had other exceptional privileges. About six months after Mr. Sifton became Minister of the Interior, he requested Mr. Burrows to inspect the Swan River Valley. Mr. Burrows reported concerning the "unfailing supply of wood and building timber in the wooded districts, and also the immense areas of solid timber on the Duck Mountain to the south, and the Porcupine Mountain to the north and west." Since then Mr. Burrows has obtained large timber areas in those districts.

In July, 1898, a regulation was passed allowing the Minister of the Interior to grant permits to saw-mill owners to cut over a definitely described tract of land not exceeding 50 square miles. No tender was required for this privilege, intended for mill owners who could show that they needed timber to keep a neighboring mill running. This order came into effect on the 13th of August, and eight days afterwards Mr. Burrows applied for a permit for 50 square miles. Mr. Roche states that some others who complied with the conditions obtained permits and those who did not were refused. Mr. Burrows was the only one who did not comply and was not refused. He did not define his limit. He did not manufacture the lumber in a neighboring saw-mill, but sold the timber to the Dauphin Railway & Canal Co.

At the same time another applicant for a limit was refused on the ground that he did not indicate that his supply was exhausted, and that it was absolutely necessary to get a supply to keep his mill running. Still another was refused on the ground that the berth would produce more if put up for competition, and a third, because he did not furnish the Department with a definite description of the land. But Mr. Burrows was not troubled with these questions.

At this time Mr. Burrows was writing to the Deputy Minister of the Interior in the following language:

"I cannot define by sections the timber I want. Now, Mr. Smart, I want this permit, and owning as I do berth 314, I am entitled to first right of permit.

"Kindly have permit sent me. I intend cutting ties on it this winter.

"Sorry I did not see you when I was last in Ottawa."

It is hardly necessary to say that Mr. Burrows' brother-in-law's deputy kindly had the permit sent to Mr. Burrows at once.

There was one range in one township, however, that the Deputy Minister withheld from the permit. He wrote to the local agent: "You may 'issue a permit except for township 32, range 22.'"

Nevertheless, Mr. Burrows went on and cut timber in this forbidden area. Afterwards he wrote to the department that he had cut it inadvertently, and added: "I beg, therefore, to ask that the lands I have defined in 'township 32, range 22, be included in the tract covered by my permit.'"

They were included.

#### GREAT DAYS FOR MR. BURROWS.

When the leases had been made permanent by Mr. Sifton, speculators had something which they could hold indefinitely or sell to advantage. But this change increased the need of caution in making leases, since, however much the concession might be against public interest, no matter how trifling the price might be, or how much the land might be required for cultivation, the bargain could not be cancelled nor the holder dislodged while he left merchantable timber on his land.

Under these conditions Mr. Burrows made rapid acquisitions of timber

He was singularly fortunate in his biddings. In three years he bid nineteen limits and got eighteen of them. In his bidding little went to waste. His offers were high enough to get the property with little to spare. He had a singular and unique method of submitting his offers and peculiar arrangement of cheques which worked exceedingly well.

#### A MYSTERIOUS PULP COMPANY.

Mr. Burrows would have been deemed fortunate above all men in procuring timber limits, but for the sudden appearance and astonishing success of what appeared to be a rival concern, called the Imperial Pulp Company, which began to bid for timber limits in December, 1902, and continued for out a year and a half. During this period the Company made offers for nine limits. Some one had always to ask that a limit should be put up to tender, but the Imperial Pulp Company never did. The request always seemed to come from another source. The company did not always bid in its own name, but had agents, who sometimes used their names, and often borrowed names for the purpose.

Other striking facts may be noticed. One is that the Imperial Pulp Company never bid on a limit that it did not get. Another is that the total of its bids for the nine limits amounted to \$54,975, while the total of the next highest bidder was \$51,771, only 6 per cent. difference. To be able



to keep as small a margin as this and never once get too low is an achievement which only Mr. Burrows could match. A third notable feature was that the Imperial Pulp Company's tenders were not in the regular form, usually not mentioning the amount offered, but leaving it to be computed from the two or more cheques enclosed, which severally bore a remarkable relation to the competitive tenders, and collectively were large enough to secure the limit with very little to spare. This peculiar scheme of tenders and cheques was so like that of Mr. Burrows' that it would have infringed his copyright if he had one.

#### ORIGINAL DOCUMENTS.

It was in connection with these peculiar methods that the controversy over the production of original documents arose in Parliament January 13th, 1908, and continued at intervals until the 27th, when the Government surrendered and the papers were produced. The value of an original record as compared with the copy which the Government wished to bring down instead, had been established the previous year when the original papers in the Galway Company and H. B. Brown grazing lease disclosed J. D. McGregor's connection with the deal.

On the 13th Mr. Ames moved for original applications and tenders for three berths. Mr. Oliver refused. The minister was supported by the Premier and his majority. Mr. Ames explained that he only needed the papers half an hour, and that he wished to see the handwriting and marks which the copies did not disclose. He also stated that previously he had been allowed to examine these papers in the office of the Department, and had even been invited by the Department to come there and see them as often as he liked. This privilege had lately been withdrawn, and he had been told to move in the House for the papers. Now when he had done so the documents were refused. Mr. Borden and other Conservatives asserted the well established right of members to see public records of this kind, but Mr. Fielding four times stated in several discussions that this recognized right of members to see the records meant only such rights as the majority chose to allow. On this occasion the majority refused.

#### FOUGHT THE MATTER OUT.

The Opposition did not accept this decision and on the 21st Mr. Borden moved a resolution declaring:

"It is the undoubted right of the people's representatives in Parliament assembled to be informed of everything necessary to explain the policy and proceedings of the Government and for that purpose to have an opportunity of seeing and examining all documents connected with the transaction of public business; and the denial of such right by the Government, justifies the refusal by this House of further supplies to the Crown."

Sir Wilfrid did not dare dispute this general proposition and accepted the motion, which passed unanimously. Nevertheless the original papers were withheld.

On the 23rd January, on motion to go into supply the Opposition again raised the question, when Mr. Northrup moved an amendment that:

"Subject to such consideration of the public policy as can be validly urged in any case, members of Parliament have the right of access to all the records of the Government, and to all the archives."

This statement was taken verbatim from language used by Sir Wilfrid Laurier himself in the previous debate. Yet the Government and its majority

voted down the motion, and Sir Wilfrid voted repudiation of his own solemn affirmation.

With the Premier and his colleagues involved in this tangle of repudiation of their own statements and doctrines, and still refusing to members the rights which they admitted to be their due, there remained only one course for the Opposition, which was to stop supply until the original papers were produced. Not a dollar was voted in the next two days that the House was in supply, and Sir Wilfrid was given plainly to understand that he would get no money while he held back the papers which he had himself admitted the members had a right to see. On Monday, the 27th, Sir Wilfrid announced his surrender and the original applications and tenders were laid on the table.

#### THE CAUSE OF CONCEALMENT.

Then came to light the peculiar methods of the Burrows and Imperial Pulp Company tenders. Then also was revealed some interesting features respecting the Imperial Pulp Company, and concerning Mr. A. W. Fraser, Barrister of Ottawa, former President of the Liberal Association, and in 1908 the candidate for the Liberal party in Ottawa for the House of Commons.

First, as to the Imperial Pulp Company. In the original documents discussion there was much conjecture concerning this corporation, which bought so much timber at such ridiculously low prices in such mysterious ways; which did not disclose its domicile; whose officers and stockholders were unknown, and which was so modest that when the Department transacted business with the Company, they had to apply to a bank to find the address. It was suggested in the House that Mr. Sifton had some connection with the company, but he denied it. The Minister of the Interior could or would give no information. Mr. Turriff, M.P., who had been Commissioner of Lands when the Company was acquiring its estate, was asked in vain for information, and Mr. Burrows sat in the House day after day hearing these questions and giving no sign of intelligence.

#### MR. BURROWS DISCOVERED AT LAST.

But an examination of the original documents showed that Mr. Burrows was giving cheques to pay the rental on the Imperial Pulp Company's properties. In the Public Accounts Committee officers of the bank were summoned to give evidence about these cheques. Concealment was no longer possible, and Mr. Macdonald, of Pictou, was authorized by Mr. Burrows to call his friend and associate, Mr. Fraser, and have the disclosure made. Mr. Fraser was asked:

Q. Do you know who the people connected with the Imperial Pulp Company are, Mr. Fraser? A. I know some of them.

Q. Will you kindly tell us who they are? A. I have received authority from my clients to answer the question. So far as my knowledge goes the principal members of the Company are Sir Daniel McMillan, who is the President, Mr. Theodore A. Burrows, and Mr. Pattinson, the Secretary. (Timber limit evidence, page 54.)

Sir Daniel McMillan is Lieutenant-Governor of Manitoba, and was a colleague of Mr. Sifton in the Government of that province. On May 19th (Hansard, page 8767) Mr. Burrows admitted that he had a half interest in the Imperial Pulp Company. It should be stated that the Imperial Pulp Company was incorporated in 1902, and began to buy timber limits at once. In the six years since it has never cut any timber, has never made any pulp, and Mr. Burrows has stated that it does not intend to go into the

pulp business. It is purely a speculative dealer in Western timber lands, if it can be called speculation to purchase land from the Government at a fraction of the value and hold it until the urgent necessity compels operations to pay the holders enormous profits. The evidence in the Committee and the original papers show that the bids of the Imperial Pulp Company, made under many different names, were dictated by Mr. Burrows. He fixed the amount, he furnished the cheques and arranged how many there should be.

It is estimated that the Imperial Pulp Company's limits, acquired for \$54,975, have a value to-day running into millions.

#### A CONVENIENT SECOND CHEQUE.

Let us now take up some of these transactions, beginning with those of Mr. Burrows in his own name.

Timber berth No. 1046 comprises six blocks amounting to 40 square miles to be selected from an area of 180 square miles on the Pembina River, 40 to 60 miles Northwest of Edmonton. From the time the advertisement was issued at Ottawa until the tenders were opened in that city was 37 days. This left about 23 days in the winter season for any person who saw the advertisement at the first moment possible to leave Edmonton, travel to the limits, cruise the six blocks, return to Edmonton and send forward his tender. There were four tenderers.

Crafts & Lee, Edmonton .....	\$ 815
James A. Powell, Edmonton.....	1,510
D. R. Fraser & Co., Edmonton .....	3,015
T. A. Burrows, Winnipeg.....	3,500

The Edmonton bids were all on the forms of the Department, mentioning the amount offered, each accompanied by one accepted cheque. The tender of Mr. Burrows contained two cheques, one for \$3,000 and the other for \$500. Had the first of these cheques alone been enclosed, D. R. Fraser & Co. would have obtained the limit. The addition of the \$50 cheque gave Mr. Burrows the berth.

#### A SUCCESSFUL COMBINATION.

Timber berth No. 1047. This is one of the most valuable limits in the whole West, comprising 50 square miles, to be selected from seven townships, or 252 square miles. The advertisements were printed in Ottawa 28th of January, and the bids were opened on the 7th of March, 1903, leaving insufficient time for any stranger to examine this property. Five offers were received, of which the following are the three highest:

Mutchenbacher Bros, of Rosseau.....	\$ 5,510
H. & K. McDonald, Ottawa .....	13,524
T. A. Burrows.....	15,000

Now the original documents show that the Burrows tender was accompanied by three cheques of \$6,000, \$5,000 and \$4,000. It will be seen that the \$6,000 cheque would have taken the limit if the McDonald's offer had not come in, but that it required all three to take it from McDonald. These co-incidences have occurred so often that the banker who accepted the cheques in this case was summoned before the Public Accounts Committee and asked in what order they were issued and accepted, and whether they were all put through at the same time. Mr. Ames stated plainly in the House that the purpose of this inquiry was to learn whether the cheques were all there before the time of opening the tenders. But Mr. Macdonald and the other blockers on the Government side objected to the question and this part of the inquiry

was headed off. It is stated that an adjoining limit of 1047, containing only 32 square miles instead of 50, was sold in 1907 for \$100,000.

#### THESE WORKED OUT RIGHT AGAIN.

Timber limit 1099 comprises 44 square miles. There were three bids.

J. W. Blain .....	\$2,300
Kidd & Thompson .....	5,116
T. A. Burrows .....	6,500

Here again Mr. Burrows put in two cheques, one for \$3,500 and one for \$3,000. The next highest tender came in fifteen minutes before the time limit. If it had not arrived the \$3,500 cheque would have been sufficient to take the limit. The question is naturally asked whether these are all co-incidences.

Timber berth 1192, 50 square miles, was acquired by Mr. Burrows for \$5,500. The next highest offer was for \$5,060. Mr. Burrows' bid contained two cheques of \$3,000 and \$2,500, which combined exceeded the next highest bidder by a small margin. In this case 50 square miles had to be selected out of 250, and the berths were in ten different blocks on the Pembina River, west of Edmonton. Yet from the time notice was given at Ottawa until the tenders were opened there was allowed only 40 days.

Mr. Burrows also obtained berth No. 1191, 50 square miles, in ten blocks to be selected out of 234 square miles, with only the same length of notice.

So much for some of the Burrows tenders obtained in his own name. Take up next some of those obtained by the Imperial Pulp Company and A. W. Fraser.

#### A BONANZA FOR MR. FRASER.

The Cedar Lake limit is one of Mr. A. W. Fraser's acquisitions. In September, 1903, this Ottawa lawyer and politician applied to have put up for sale a timber berth on Cedar Lake, which lies north of Lake Winnipegosis. He asked for 60 miles to be selected around this lake and on the islands. The Department cheerfully responded, and on the 12th of October called for bids to be received and opened at Ottawa on the 2nd of December. The notices were sent west to be inserted once in the Government paper in Manitoba, and once in a Dauphin paper. If they were seen at all in the West it would not be before the 20th of October. Before a cruising party could reach the grounds the regular steamers would have been taken off. It was too late for canoe expeditions and too early for travelling on the ice. Yet only four weeks time was allowed for a man to go to Lake Winnipeg, reach Cedar Lake, follow around it to a distance of 150 miles and explore this limit. Of course nothing of the kind was done. There was only one bid and that was from Mr. Fraser himself, who evidently knew beforehand the value of this lot. He put in the modest bid of \$500 and obtained the limit. Still he was not satisfied. He asked for and obtained an increase of 30 miles, making his limit 90 miles without any addition to the \$500 bonus. Moreover he was allowed to select his 90 miles over a large region and was kindly given four years to pick out his lands and file his surveys. Having settled all this Mr. Fraser and those interested with him offered the limits for sale. Here is an extract from the prospectus issued by J. Haffner & Sons, real estate agents of Winnipeg, offering this property for sale.

"Cedar Lake, which is situated on Saskatchewan waters, is comprised of something over 100 square miles and is estimated at 250,000,000 feet. The timber on this berth would work to advantage in connection with the former berth. As you will notice by the accompanying plan there is one short portage to land the

logs from Cedar Lake to Lake Winnipegosis, a distance of from two and half to three miles. The waters in both lakes are of the same level and the country lying in between the two lakes is of a low flat nature. The timber is immediately surrounding the shores of the lake stated, for sixty square miles, together with the islands or portions of the islands that have been selected. The survey has been made, but up to the present I am not in possession of the plans. The timber is of good quality and fairly clean, more so than the timber in the Erwood and Red Deer districts, but not quite so large. The price for this block is \$500,000.

This cost Mr. Fraser \$500, and is offered for \$500,000 with good argument to show that it is worth that. As there was no competition or chance for any, the property was virtually a government gift to Mr. Fraser and his silent partners.

#### MOOSE LAKE LIMIT.

This is the transaction out of which the dispute concerning original documents arose. Moose Lake is a large sheet of water draining into the Saskatchewan with water power convenient. The lumber can be floated into Lake Winnipeg and to Winnipeg City in barges. Mr. Fraser applied for this limit at the same time that he asked for Cedar Lake and was given the same opportunity. There was the same inadequate notice with no time for examination. Mr. Fraser asked for 60 square miles and put in a tender for \$1,000.

The tenders were to be opened on December 2nd at noon. Mr. Fraser's offer of \$1,000 is dated on that day and signed by himself with a cheque for \$1,000 enclosed. But something unexpected happened. Mr. James Currie, connected with a firm that understood the lumber business, presented on the same morning a tender for \$6,420. But Mr. Currie did not get the limit. A third tender signed "W. H. Nolan," and also dated the same day, dropped in offering \$7,000, and the limit was awarded to Mr. Nolan.

The application of Mr. Fraser and these offers were the original papers which Mr. Ames desired to obtain and which were withheld for a fortnight. When the papers were produced the interesting discovery was made that the name of Mr. Nolan was in Mr. Fraser's handwriting. Further investigation revealed the fact that the \$7,000 tender was not Mr. Nolan's at all, but was Mr. Fraser's, though Mr. Fraser had made the \$1,000 tender.

Mr. Fraser swore that Mr. Nolan, of Montreal, was a client of his and one of the friends who allowed Mr. Fraser to use his name when it was required. On this occasion Mr. Fraser wished to conceal from the public his own connection with the business in hand. He testified that he wrote the figures \$7,000 in the Nolan tender by direction of Mr. Burrows, and was in fact using Mr. Nolan's name for Mr. Burrows. Mr. Burrows had asked him to prepare this tender and he had done so, handing the letter in an unsealed envelope to Mr. Burrows, who passed in the tender to the Department.

Five days after the limit was awarded to Mr. Nolan, the latter assigned it to the Imperial Pulp Company, that is to Mr. Burrows and Sir Daniel McMillan.

Did Mr. Burrows discover that \$7,000 would be required to take this limit, or how was his guess so fortunate?

This Moose Lake limit has been explored by an expert and is found to be heavily timbered. The property has been offered for sale and the prospectus sets forth that "it contains 250 to 300 million feet and the price asked for the claim is \$2 per 1,000, to be determined in bulk or to be established by arbitration." This fixes a value of \$500,000 to \$600,000 for the limit.

Concerning this deal Mr. Ames (Hansard, page 8719) said:

"I may say that Mr. Currie firmly believes that he was euchred out of that



berth. He believes that the other tender was either bogus or that it came in too late; and I would certainly say that the circumstances are such as to lend strength to such a belief."

Mr. Borden made this comment on the transaction and on Mr. Oliver's explanation:

#### MR. BORDEN'S COMMENT.

If there is anything more extraordinary that the appearance of these documents it is the answer which the hon. Minister of the Interior gave on behalf of Mr. Fraser in this House to-night. I sincerely trust that the Minister may have misunderstood Mr. Fraser. The answer was that Mr. Fraser, on behalf of himself and certain other associates decided to put in a tender for \$1,000 and they did put in a tender for \$1,000. Then Mr. Fraser received from a client in Winnipeg (Mr. Oliver had not stated and Mr. Borden did not then know that the client was Brother-in-law Burrows) a telegram to put in a tender for \$7,000. It never occurred to him to withdraw his own tender as it would be absolutely inoperative as against a tender for \$7,000, and it never occurred to him apparently to tell the client in Winnipeg, that, being a tenderer himself for the same property, he could not possibly act for a client who wanted to put in a bid himself. I certainly think that Mr. Fraser must have been thoroughly misunderstood by the hon. Minister of the Interior in that regard. I do not think that any solicitor would put himself in that position, but assuming that he did put himself in that position, what did he do? He declares that he could not put in another tender in his own name. I do not know anything to prevent it. He did not see fit to take any of the partners in his office; he did not select any person in the city of Ottawa, but it seems that he had a standing authority from a gentleman in Montreal, Mr. W. H. Nolan, to use his name in respect of all tenders for all possible amounts, in respect of all timber limits and possibly in respect of everything else under heaven. With that comprehensive authority and without acquainting his client in Winnipeg that he was a rival applicant for the same property, he tenders in Mr. Nolan's name, signs that to the tenderer without even putting his own name underneath to indicate that it is done by him as an agent, passes that tender into the Department of the Interior and, by the most extraordinary coincidence in the world, that tender of \$7,000 happens to be just \$200 or \$300 more than another tender which had in the meantime gone in. It is so plain, so simple, so easily to believe this story that there is not the slightest pretence in the circumstances to justify any demand for an investigation by hon. gentlemen on this side of the House! Well, if that is the view of the gentlemen who sit upon the treasury benches and of those who sit behind them they are at liberty to enjoy it and to record their votes accordingly. I venture to think that perhaps it is not an explanation of what appears on the face of these documents which will greatly commend itself to such of the people of this country as realize what the appearance of these documents is to-day. Hansard, 1908, p. 2539.)

#### PRINCE ALBERT DEAL.

This is a case where the area was entirely too large for one sale; where the notice was so short as to make examination impossible; where the sale was made against the protest of the Board of Trade and citizens of the neighboring town of Prince Albert; where competition was prevented; where a bona fide lumberman who was a Conservative and required the limits was obliged to take political middlemen into the partnership and give them \$80,000 rake-off; where the public treasury lost hundreds of thousands of dollars.

To begin with this transaction gave opportunity for a contemptible misrepresentation by the Minister. When it was charged that the Government favoured its own political friends in these timber deals one answer was that the valuable Prince Albert limit had been granted to a Conservative. Mr. Oliver said:

"One illustration will serve. There is a berth of very large area, 250 square miles, situated north of Prince Albert. Two tenders were put in for this berth. One tender was for \$2,510 by Muchenbacher Bros., another for \$5,000 by William Cowan, of Prince Albert. William Cowan is not a member of the Liberal party or a supporter of this Government. He was Mayor of Prince Albert for one or two

years and was a Conservative candidate against the present Judge Lamont in the provincial elections in 1908. Mr. Cowan put in the highest tender for the limit and he got it and he was not a friend of this Government."

This seemed to be the single example of the successful Conservative tender, for other members referred to it on several occasions.

The fact was not then known outside the Government circles that in order to get this limit Mr. Cowan had to pay to brother-in-law Burrows and Mr. A. W. Fraser \$74,000 in addition to \$6,000 paid to the Government.

#### HISTORY OF THE TRANSACTION.

The following is the history of the transaction. On the 17th of January, 1903, a firm of real estate agents wrote to the department making application for 50 blocks of timber of 10 square miles each, at the head waters of the Churchill River to be selected from an area of 7,020 miles, reaching to within twenty-five miles of the town of Prince Albert. This enormous order, covered a great part of the reserve supply of the whole Prince Albert district. There are many lumbermen in that country, but few in a position to take up such a proposition as this. The area from which the timber was to be selected is more than three times the size of Prince Edward Island, one-third the size of Nova Scotia, and equal to ten Ontario counties. To explore that area, to find the best 50 blocks of timber, and ascertain their value was a work to employ surveying parties for months.

But the Government did not hesitate. Less than a fortnight after the application was received advertisements of sale were issued. The advertisements left Ottawa on the 28th of January, and bids were to be back there by the 7th of March, or 38 days from Ottawa to Ottawa. Less than a month was allowed to local lumbermen after the advertisement reached them to explore the land and send forward their bid. The territory to be covered was 100 miles by 70, so that examination was absolutely impossible. For this great timber sale an advertisement was inserted once in the Manitoba Free Press and once in the Prince Albert Advocate.

#### THE PEOPLE PROTEST.

When news of this sale reached Prince Albert there was a general protest. Lumber operators throughout the district saw that the sale of this vast reserve supply to one purchaser would be dangerous. If the timber were sold in limits of reasonable size, it would give everyone a chance, secure larger returns for the Government, protect the interests of the settlers and be for the general advantage of the country.

The Prince Albert Board of Trade held a meeting and passed strong resolutions against the proposition. The Mayor of Prince Albert sent this telegram to Hon. Clifford Sifton:

Following is the Board of Trade resolution:

"We consider that in the interests of the Town of Prince Albert and the country at large the area tendered for is too large, as few have sufficient capital to tender for such a large block, and respectfully suggest that these berths be withdrawn and new tenders called for in blocks of 50 square miles, that the time for receiving same be extended for six months to enable lumbermen to examine the limits for themselves."

To these reasonable requests from the large community interested Commissioner Turriff made the reply, that as the sale had been arranged it was not thought advisable to make any change.

#### MR. BURROWS WAS THE MAN.

The sale was made in two limits, 1048 and 1049. The first one was for the first choice of 250 square miles, and the other for the second choice



of a like quantity. There were two bids only for the first and one for the second. So it will be seen that the design to prevent competition was successful.

The names of the tenderers for 1048 were Muchenbacher Bros., \$2,510, and William Cowan, \$5,000.

For the second choice 1049 there was only one tender, John McBain, Ottawa, \$1,000.

Following is Mr. Cowan's tender:

Ottawa, March 6th, 1903.

"On behalf of William Cowan, of Prince Albert, we beg to tender for timber berth No. 1048, and enclose herewith cheques for bonus for same. Yours truly,  
(Sgd.) Perkins, Fraser & Burbridge."

This tender was written by Mr. A. W. Fraser and the cheque for \$5,000 was supplied by brother-in-law Burrows. It will be seen that no price is mentioned in the tender. That omission is a sort of Burrows' Trade Mark.

FRASER GOT THIS ONE.

As berth 1049 belongs to the same deal the tender of Mr. McBain may be quoted.

Ottawa, March 7th, 1903.

"Dear Sir:—I beg to tender for timber berth No. 1049, and enclosed herewith marked cheque for bonus thereof. Yours truly,

John McBain."

Here again the amount of the tender is not mentioned and the form is irregular like that of 1048. The fact is both were written by A. W. Fraser, and Mr. McBain had nothing to do with the tendering in his name. He was another of the persons who lent the use of his name to Mr. Fraser. For this we take Mr. Fraser's own evidence. (Page 63.)

Q. By Mr. Barker. I wish to ask this witness if that tender was made on behalf of Mr. McBain or did he merely get his authority to sign it in his name? Ans. I merely had his authority to sign it. It was on my own behalf the tender was made.

(Page 72.)

Q. On whose behalf was this tender of John McBain put in? Ans. On my own.

Q. You have that limit still have you? Ans. Oh, no, I have not.

Q. Did you sell the limit? Ans. Yes.

Q. For how much? Ans. That is my business. I am not going into that part of it.

As to the Cowan tender Mr. Fraser's evidence shows who managed that. (Page 71.)

By Mr. Bristol. Now with reference to 1048, where you say that your tender on behalf of William Cowan for a berth and a cheque for \$5,000 is apparently enclosed. You wrote that did you not? Ans. That is my writing, yes.

Q. Was William Cowan's name used for Mr. Burrows in this instance? Ans. Mr. Burrows instructed me to put in the tender. I understood that Mr. Cowan, Mr. Burrows and Mr. Moore—I think it was—were associated.

Q. Then you did it on Mr. Burrows' instructions, you did not trouble Mr. Cowan at all? Ans. Not so far as I recollect.

Q. And you received the cheque from Mr. Burrows? Ans. Yes.

Mr. Fraser went on to testify that it was from Mr. Burrows that he received all his instructions as to this deal. He claims, and Mr. Burrows also states, that the purchase of the second choice was his own.

We now perceive how the Conservative lumberman, Mr. Cowan, obtained the lease concerning which Mr. Oliver had so much to say.

TAKING THE RAKE OFF.

What happened next is easily told. Mr. Burrows and Mr. A. W. Fraser sold out to Mr. Cowan and the genuine lumbermen of Prince Albert. Mr.

Burrows admitted in the House that he had made the sale of the Fraser limit No. 1049. Here is the statement made in the House by Mr. Ames in Mr. Burrows' presence. Mr. Burrows did not contradict this statement, though challenged to do so. Mr. Ames said:

"Now as to No. 1048 . . . before it was explored, before it was even blocked out, Mr. Burrows sold his half interest in No. 1048 and whatever interest he may have had in No. 1049 for \$80,000. What is more he was paid in full in cash, three instalments of \$30,000, \$25,000 and \$25,000.

Some Hon. Member speak now.

Mr. Ames. There is a member of this House who has seen all the documents connected with that case and is prepared to show that my statement is correct. There were certain members who had the effrontery to say that this limit went to Mr. Cowan, a Conservative.

An Hon. Member. So it did.

Mr. Ames. Why Mr. Cowan never would have got within 40 rows of apple trees of that limit if Mr. Burrows had not been behind him. Mr. Cowan would never have acquired that limit if it had not been for the force that drove it through in the person of the brother-in-law of the Minister of the Interior of that day, and Mr. Cowan and his associates before they could become full owners of that limit had to buy out that brother-in-law for \$80,000. That is what the middleman cost in that job. Now I say that if these timber limits had been put up 50 miles at a time everyone of them would have brought \$5,000 or \$6,000 to the Government. It was a perfect outrage to put up 500 square miles, the whole reserve supply for the district of Prince Albert at one time and under conditions which forced out every local bidder in order that it might go where it went."

Now Mr. Burrows contradicted everything that he could, but admitted the sale to Mr. Cowan and did not deny the \$80,000 price. He pleaded that the limit could not have been worth a million or he would not have sold his interest, or Mr. Fraser his, for \$80,000.

#### A BETTER WAY.

The price paid to the Government for the whole 500 miles was \$6,000, or \$12 per mile, or 2 cents an acre. The middlemen received \$160 per mile as their rake-off, which the lumbermen would have been equally willing to pay into the treasury if they could have purchased directly from the Government.

Had Mr. Sifton and Mr. Turriff complied with the request of the Prince Albert Board of Trade and put this timber up in 50 mile blocks, which would have been large limits, giving six months for examination, the price would certainly have been larger than one man was willing to pay for a one-half or one-third interest in the whole property before it had been explored.

This is proved by a subsequent sale of 35 square miles by the Department of Indian Affairs. The land was around Sturgeon Lake between Prince Albert and the limits above mentioned. This comparatively small lot was advertised six times in one paper and three times in three others, whereas the 500 mile limit was advertised once in each of two papers. Sufficient notice was given for a thorough examination of the property. The result was that there were three bids of \$21,300, \$27,609, and \$28,000. The limit was sold at the latter price, or \$800 per square mile, more than five times as much for 35 miles as Mr. Burrows paid for 250, and 28 times as much as A. W. Fraser paid for 250. It was sold for \$1.25 per acre, while Burrows and Fraser together paid the Government 2 cents per acre. On the basis of this sale Mr. Burrows and Mr. Fraser would have paid some \$400,000.

#### ONE FOR THE IMPERIAL PULP COMPANY.

Having discussed the methods of Mr. Burrows and Mr. Fraser individually, let us now examine some further purchases of the Imperial Pulp Company. Take limit 1031:

This was the first limit purchased by the Imperial Pulp Company, and is a typical instance of its methods and of the method of the department in dealing with Mr. Burrows and his allies. In the summer of 1902 certain Edmonton lumbermen explored the timber on the upper waters of the North Saskatchewan. Afterwards they asked the Department to put up 11 blocks, amounting to 118 square miles, stating that they wished to put up a saw mill and commence operations at once. Mr. Burrows and his friends were not in this group, and so the department did not rush the matter. There was a delay of two months and the Government inspector was sent to examine the timber and report. This gave an opportunity for the favoured politicians to acquire information without expense. Outsiders were left in ignorance. November 19th, 1902, notices were printed offering the whole 11 blocks of 118 miles to competition. Six weeks was the time allowed after notice was issued at Ottawa until the bids should close. That left about four weeks after advertisement in Edmonton before the bids must be sent from there. No man could explore in that time, and W. S. Dwinell, representing capitalists desiring to invest, wrote to the Department:

"I have been endeavoring to secure information which would enable me to act intelligently, but have not had sufficient time to do so. I would ask you to have this sale postponed for thirty or sixty days, preferably the latter, to the end that I may complete an examination and make a substantial bid for the property. I am satisfied that the interests of the Dominion government would be subserved thereby, and that a much larger bid would be received than if the sale took place at this time. This tract, comprising, as it does, 118 square miles, is so extensive, that the time given under the notice is altogether insufficient to permit any one to make proper examination thereof."

There were other inquiries and intimations that it would be more advantageous to the Government and convenient for purchasers if these limits were sold in parcels and time given for examination.

But the Government paid no attention and the tenders were opened on the 31st of December, 1902. They were as follows:

Northwest Lumber Company	\$ 2,554.00
A. G. Bonne	2,540.00
Theodore A. Burrows	6,067.00
James Ross	17,010.75
H. & K. McDonald	21,161.00
Imperial Pulp Company	21,575.00

This was a rare case in which Mr. Burrows did not get a limit for which he bid. But his failure would be no surprise or disappointment because he was bidding against himself, and it was he who made the offer and supplied the cheques which took the limit. It may be as well to print the regular form of tender as supplied by the Department to timber bidders.

Sir:—

I hereby offer a bonus of ..... dollars for a timber berth No. .... comprising an area of ..... square miles, situated ..... for which public competition is being invited, and I enclose an accepted cheque on the bank of ..... for ..... dollars being amount of the said bonus.

I undertake to comply with all the conditions of the timber regulations."

Now compare this with the Imperial Pulp Company's tender, as follows:

Toronto, Dec. 29, 1902.

To the Secretary, Department of Interior, Ottawa.

"Sir:—Enclosed please find tender for timber berth No. 1631.

Yours truly,

Imperial Pulp Company, Toronto."

It specifies no amount and the signature is typewritten. This letter was accompanied by two cheques for \$17,575 and \$14,000, as stated by a marginal note written by the officer on the original paper. The cheques

were on the Ottawa branch of the Bank of Ottawa, obtained by Mr. T. A. Burrows in exchange for a deposit. It will be seen that the larger cheque would have been just sufficient to take the limit before the McDonald tender went in. After that tender was received the \$14,000 cheque was snugly sufficient to carry off the prize. This nice adjustment might be a coincidence had there been no others of the kind. It might also be a coincidence that the Imperial Pulp Company's bid does not mention any sum of money. It would have been quite a simple thing, had the Ross tender been the next highest, for a friendly department to hand back the \$14,000 cheque (if it had then been received), and still leave the Imperial Pulp Company the highest bidder.

The representative of the Edmonton syndicate who went to Ottawa, returned with a statement, which was repeated on the platform by Dr. McInnis, the purport being a charge of collusion in this transaction. It is estimated that this limit contains 75,000,000 feet of lumber, lying close to the river, and that it is worth today \$250,000, and would have brought a price something near its value if it had been offered in smaller lots with opportunity for inspection.

#### A FEW OTHER INSTANCES.

For timber limit 1052 there were three tenderers, and as in the other case the Imperial Pulp Company mentions no sum of money, but encloses a cheque, again showing opportunity for collusion and fraud.

For berth 1058 there were three tenderers. This also was a small limit of 2 1-2 square miles. It fell to the Imperial Pulp Company on a bid of \$270, the next highest being Crafts & Lee for \$350. Here again no sum of money is mentioned, the endorsement showing that there were two cheques one for \$350 and the other for \$150. The lowest tender was from R. B. Ferguson for \$310, and there were only three. It will be seen that the \$350 cheque would have taken the limit from Ferguson, and that the two cheques take it from Crafts & Lee. Is this another coincidence?

For limit 1907 there were four bids:

Collin Campbell .....	\$ 10
Aylen & Fetherstonhaugh .....	500
H. & K. McDonald.....	930
Imperial Pulp Company .....	1,000

This time the amount of the tender is mentioned and the \$1,000 is in cash, but the amount is written in with a pen, while the body of the letter is typewritten, and the signature is stamped.

For berth 1098 there were three bidders, the Imperial Pulp Company bidding \$2,500, and the next highest \$1,860. The Imperial Pulp Company's letter is typewritten, the signature stamped, the amount of the bid written in ink and the money sent in cash. In all these cases where cash was sent, and the amount written in ink, collusion if possible, as the sum could be written after the tenders were opened and the cash paid then.

#### ALL IN THE FAMILY.

Berths 1118 and 1119 together amount to 120 square miles. They lie 150 miles up the North Saskatchewan River from Edmonton, and could not possibly be reached and explored in the time allowed after notice was given. The lands were applied for by the Burrows group and advertised in the winter of 1903. As a matter of fact they were not advertised at all in Edmonton, where the principal interest would be. So, as it was evidently

expected, there were no bids except those provided for by Mr. Burrows himself. As the public were to be persuaded that there was competition Mr. Burrows arranged with A. W. Fraser to put in more than one bid for each limit. In this case again Mr. Fraser used the name of Mr. Nolan, and the alleged competitive tender was by Mr. Burrows. Mr. Nolan offered \$500 on January 19th, and Mr. Burrows, through Mr. A. W. Fraser, offered \$400.

For the berth 1119 Mr. Nolan offered \$600, and Mr. Burrows \$500, both on the same date.

Both limits were at once assigned to the Imperial Pulp Company. Mr. Fraser testified (page 68) that he suggested Nolan's name, that Mr. Burrows fixed the amount, and provided the funds and that there was an understanding from the beginning that Nolan was to assign to the Imperial Pulp Company. He innocently stated that he did not know why the two tenders were put in by the same interest. Though the assignment was made at once the transfer was not registered in the department, which kept up a form of dealing with Mr. Nolan, though that gentleman had no interest in the transaction.

These two limits cost the Imperial Pulp Company \$1,100, and are said to be worth \$150,000.

#### LIMIT NO. 1122 A STRIKING CASE.

This is a limit of 110 square miles in 7 different tracts on the MacLeod and Pembina Rivers, tributaries to the Athabaska. It would require a journey of 450 miles from Edmonton, simply to visit these limits. Yet only the usual six weeks notice was given from the time advertisements were issued at Ottawa until bids were to be opened there. Examination of the timber was utterly impossible and without cruising the territory no one could have any idea of its value. Mr. Burrows had this advantage, and it was his cruiser, Archie McLean, who on November 27th, 1903, applied for the sale. The bids were opened on the 27th January, 1904, and were as follows:

McDonald & Frith, Ottawa.....	\$ 1,220
J. H. Lamont, Prince Albert.....	4,000
Kenneth MacLeod, Edmonton.....	10,025
A. W. Fraser, Ottawa.....	11,300

Mr. A. W. Fraser bid in his own name for the Imperial Pulp Company. His bid went in just an hour and a quarter before the tenders were opened. With it were two cheques, one for \$5,000 and one for \$6,000. The bank manager testified that the cheques were obtained by Mr. Burrows on the same morning, and that the \$5,000 cheque was accepted first. It will be observed that the \$5,000 cheque would have been sufficient to take the limit from Mr. Lamont, but that the additional \$6,000 were required to beat the MacLeod offer. This limit was transferred by Mr. Fraser to the Imperial Pulp Company the day after he obtained it. Mr. Fraser testified (page 58) that he received instructions from Mr. Burrows and acted upon them. He refused to state what the instructions were and was supported by the chairman in doing so. This limit has been the cause of many protests from settlers, who have been shut out from obtaining building material, but is a magnificent investment for Mr. Burrows and his associates.

These cases illustrate the methods of this group of timber speculators and show how at a comparatively small cost they have been able to corner so much of the timber supply necessary for the Northwest. They and the persons to whom they have sold at a great profit almost control the supply of the Edmonton district, the Prince Albert district and that of Winnipeg.



#### A BAD METHOD.

The form of tender put in by Mr. Burrows, by the Imperial Pulp Company and by Mr. A. W. Fraser lends itself to collusion and offers a chance for manipulation after the tenders are handed in and even after they are opened. Where no sum of money is mentioned, or even where the amount is inserted in ink in a typewritten letter, the document itself would be suitable for such manipulation. The amount of offer, if none is mentioned, is dependent upon the sum enclosed. But in a number of these cases the successful bid is accompanied by two or more cheques, and sometimes by cash, and as has been shown, the cheques bear a peculiar relation to the other bids, the whole of them being required to take the limit from the next highest bidder, while if the next highest bid had not come in there would be cheques to take the limit and leave one, which might be returned to Mr. Burrows or the Imperial Pulp Company without showing anything wrong in the tender. If the successful tenderer found out at the last minute, or even after the last minute, what the highest competing bid was, he could add one of those cheques to the previous supply without changing the form of his bid. It would only be necessary for him to have inside information, or that some one in the office should interfere in his interest.

Mr. Clark, M.P. for South Essex, Chairman of the Public Accounts Committee, is a strong Liberal, and his rulings were often unsatisfactory to Conservative members. But he took occasion to express an opinion concerning the methods of tendering adopted by Mr. Burrows and the Imperial Pulp Company, and by Mr. Fraser in their behalf. Mr. Clark said:

"We have given a great deal of latitude because it has been suggested that on account of the form of the tenders there was room for suspicion that the cheques might have been supplemented after the tenders were opened. In some cases the tender does not say the amount of the bonus, and the amount is only ascertained by the cheques that are enclosed with the tender. That is not a good way to put in a tender, and it leaves it open to that suggestion that there is a possibility that a cheque might be abstracted after the tender was opened or another cheque might be substituted, or something of that sort might be done." (Timber inquiry evidence page 95.)

#### MR. TURRIFF'S WAY OF OPENING TENDERS.

But it is pointed out that such manipulation requires help from the inside. Now in Great Britain and most countries the greatest precautions are taken that there should be no chance of collusion. Tenders are kept under lock and key so that one person alone cannot get them. They are opened by two or more responsible officers together. In Canada, also, previous to 1902 the Interior Department had a check on these proceedings. Mr. George Hugh Ryley, who was Chief Clerk in the Timber and Mines branch for several years previous to 1906, testified that down to the summer of 1902 the tenders for timber limits were opened by two persons. These were the Deputy Minister and Mr. Ryley himself, or in Mr. Ryley's absence the Deputy Minister and the Secretary of the Department. Mr. Turriff, now a member of Parliament, became Commissioner of Lands in 1898, but had nothing to do with opening the tenders until 1902. When he took that duty the practice was changed (see Mr. Ryley's evidence, page 27 and 28.)

Mr. Turriff did not have the Deputy Minister or the Secretary of the Department present at the opening. The only person present was his stenographer, Miss Munro, who remained in the room while he opened the tenders writing down any memoranda that he dictated. Miss Munro testified that she was there as stenographer to make any notes that might be dictated.

Mr. Turriff himself testified that he did not consider it necessary that two persons should see the tenders, and he did not have Miss Munro there for that purpose. (See Turriff's evidence, page 172.)

"Did you have Miss Munro there because you considered it necessary to have more than one person present. Ans. No.

Q. She was simply there to take stenographic notes? Ans. She was there as my stenographer. I did not consider then that it was necessary to have anybody else.

Q. Then she was as your stenographer to take notes? Ans. She was there as one of the officials of the Department to take notes."

It was also stated that Miss Munro attended in this way except when she was on vacation, and there is nothing to show that anyone was present at the opening of tenders when she was away. This is Mr. Turriff's evidence. (Page 116.)

"There was no obligation on your part to have Miss Munro present when you opened the tenders? Ans. No.

Q. You had the sole right to open tenders alone, or not alone, just as you chose? Ans. I took it for granted I had."

Evidently neither Mr. Turriff nor Miss Munro assumed that the lady was there to watch proceedings, and it appears that the stenographer paid no attention to the documents further than to write down what Mr. Turriff said concerning them. So it comes down to a question of this one officer.

#### MR. TURRIFF AS COMMISSIONER.

Mr. Turriff was an active politician before he took this office, and he left it to go into politics again. It was he who, as commissioner, recommended the grant of the Blairmore Town site to Mr. Mackenzie. It was in his time that the Saskatchewan land grant passed to Mr. Adamson and his associates. Mr. Adamson is Mr. Turriff's brother-in-law, and while Mr. Turriff denies that he was interested in the grant at the time, he has never contradicted the statement made to his face in Parliament that he became interested in the succeeding and subsidiary companies. It was in Mr. Turriff's administration that the grazing lease was given to Mr. Adamson's Galway Horse Company, who obtained it by assignment from the mysterious and undiscoverable H. P. Brown. Mr. Turriff's family connections are concerned in that property. Mr. Turriff was Commissioner when McGregor and Hitchcock got their Grand Forks lease and when the Robins Irrigation deal was carried through. Nearly all the splendid acquisitions of timber lands by the Burrows, Fraser, Imperial Pulp Company group were obtained during the time when Mr. Turriff was Commissioner. All these peculiar tenders and these remarkable combinations of cheques went in to him. It was he who refused extension of time or division of territory in the case of the Prince Albert timber lease and the Pembina River limits.

#### TWO TURRIFF LETTERS.

It was Mr. Turriff, as Commissioner of Lands, who had to judge between two applicants for a coal area in 1902, and who gave the lease to Mr. Griffis, who applied last, on the ground that the prior applicant, Mr. Gilmour, had withdrawn. How Mr. Gilmour was induced to withdraw may be gathered from the following two letters written by Commissioner Turriff to Mr. Howard, who was acting in the interests of Mr. Griffis, the later but successful applicant. These two remarkable letters were not among the papers which Mr. Turriff produced in Court, which he declared "constitute all the correspondence we have with Gilmour, Howard and Griffis in connection with these lands."



Ottawa, Sept. 2nd, 1902.

"The way the matter stands Gilmour might be considered the most entitled, although after the orders-in-council providing for leasing were passed your application and his are on even dates. It will, however, be more satisfactory if Griffs can do as he says, get an assignment or, withdrawal from Gilmour, and we will issue lease to him for the whole section. I trust that you will get this arranged satisfactorily. If not, let me know and I will see if we cannot do it any way. But I would much prefer to have Gilmour withdraw.

Yours truly (Sgd.) J. G. TURRIFF.

Ottawa, Sept. 17, 1902.

"(Private)

My Dear Howard:

I just wired you today not to act on my letter of the 15th until you saw Griffs. I have just seen a friend of his who tells me that possibly Gilmour will hold up for one quarter or one third interest in the business, and I do not want to put you in that position, and unless Griffs can get Gilmour's withdrawal for a very trifling amount it will be better not to go near him at all and we will issue the lease to Griffs."

Yours sincerely, (Sgd.) J. G. TURRIFF.

Commissioner J. G. Turriff, now M.P., was the officer who in critical times, when his friends were seeking concessions right and left, had the opening of these timber tenders. He was the one officer to whose strict impartiality, vigilant regard for the public interest, watchfulness against speculators, promoters and political dealers these vast interests were entrusted.

The following are among the resolutions voted down by the Government majority in regard to timber leases:

May 30th 1906 Motion of Mr. Borden asking for a select Committee to inquire into the management of Crown lands in Canada. (Hansard 4187).

January 13th 1908. Motion of Mr. Ames for original timber limit documents. (Hansard 1132).

January 24th, 1908. Motion of Mr. Northrup that Members have a right to examine public records. (Hansard page 1839).

January 30th 1908. Motion of Mr. Lake that a Committee of nine be appointed to investigate the granting of timber lands. (Page 2,269.)

March 10th 1908. Motion of Dr. Reid that tenders for timber limits should be kept secret till the time of opening and then opened in public. (page 4,706).

May 19th 1908. Motion by Mr. Lake regretting the sale of timber lands for speculative purposes and asking that any obtained by fraud or imposition should be restored to the public domain. (page 8778).

## BLAIRMORE TOWN SITE.

**Worth \$200,000, Politician Got It For \$480—Judge Would Have Cancelled The Patent As Fraudulently Obtained, But Mr. Sifton Interposed.**

The town of Blairmore is on the eastern slope of the Rocky Mountains at Crow's Nest Pass. It is a prosperous and busy village, having hotels, business establishments and splendid prospects of growth and development. The town site of Blairmore is the property of Mr. Malcolm MacKenzie, a member of the Alberta Legislature, who was a Government candidate for the House of Commons in 1904. Mr. MacKenzie is a lawyer, who resides at MacLeod, forty-five miles from Blairmore, and has been one of the leaders of the Laurier party in that neighborhood for many years. In his Blairmore town site he has a property estimated to be worth \$200,000. This estate cost Mr. MacKenzie \$480. How he got so much wealth at so little cost is an interesting story.

### THE STORY FROM THE START.

In 1898 the Canadian Pacific Railway employed Mr. Henry E. Lyon, local agent for the railway, and Mr. Felix Montalbetti, an Italian, section foreman. Both occupied quarters on what was afterwards the town site. The Italian occupied a tent while the railway was building him a residence on the company's ground. Mr. Lyon put up a shanty on the town site. Both made little gardens, but, as it was judicially declared, neither in that season or the year after did anything in the way of establishing a permanent residence. The Italian moved into the company's house. Mr. Lyon remained in the railway employ until 1900, when he built a store on the town site and applied for the quarter section as a homestead. He was informed that this was an odd numbered section and could not be homesteaded. Then he tried to buy the land at the usual price, claiming preference as a squatter. He proposed that if his claim and money were not accepted the land should be put up to competition, and he should have a chance to bid on it. Lyon was the first person to ask for the land as a homestead. He was the first to try to buy it. His store was the first permanent building on the disputed property.

### ENTER MACKENZIE.

Mr. Lyon did not get the land. It remained ungranted. In 1901 this town site was valued at over \$50,000. Blairmore had a population of over 200 and people were coming in rapidly. Meanwhile Felix Montalbetti made an acquaintance. Mr. Malcolm MacKenzie, forty-five miles away at MacLeod, had his eye on this town site. The Italian found himself at this lawyer's office. There he swore to an affidavit prepared for him by Mr. MacKenzie or his partner. This politician has said that he did not know Montalbetti's statements were untrue, but he obtained and retained all the advantages that could be gained from them. Montalbetti assigned his claim to Mr. MacKenzie at the time that the affidavit was made. The papers were forwarded by Mr. MacKenzie to the Department, and it became necessary for the Government to decide who should have the land.

#### NIXON WAS THE MAN.

First, the Homestead Inspector in that locality was sent to investigate. He inquired into all the claims, and reported that neither Lyon nor Montalbetti was technically a squatter. But before this report was received at Ottawa suspicion dawned upon the politicians who were managing this business that Mr. Stewart would not report in favor of the Italian, whose claim belonged to Mr. MacKenzie. Thereupon it was decided to send up in haste a more satisfactory investigator. The choice fell upon Joseph Nixon, sub-agent of Dominion Lands at MacLeod. Mr. Nixon was a comrade of Mr. MacKenzie in campaign politics. He was afterward found to have collected in his office considerable sums of revenue which failed to reach the Dominion treasury, and his official books were shown to contain numerous false records. The consequence was that Mr. Nixon had to give up his office and refund the missing money. But he, too, had a political pull, and received an appointment to another position as good as the one he lost. Mr. Nixon went to Blairmore. Mr. MacKenzie went up in the same train. They returned together. Mr. Nixon was told before he sent in his report that the Italian had assigned his claim to Mr. MacKenzie. Mr. Nixon told Mr. MacKenzie before he sent in his report to Ottawa what he was going to say. Of course, Mr. Nixon reported in favor of the Montalbetti claim, that is, in favor of Malcolm MacKenzie.

This report did not come with the shock of a great surprise to Mr. Turriff, Commissioner of Crown Lands, now M.P.

#### MR. TURRIFF AS A LIGHTNING OPERATOR.

Mr. Turriff got to work quickly. It was on June 7, 1901, that MacKenzie obtained his assignment from Montalbetti. It was June 17th that the telegram was sent to Mr. Nixon ordering him to investigate. Mr. Lyon asked for delay until he established at Ottawa that the affidavit of the Italian, on which MacKenzie's claim was based, was absolutely false. But Mr. Turriff opened his court on July 19th, a few days after receiving the reports. It was a short sitting of the tribunal, and Mr. Turriff required no time to consider. He at once decided in favor of Mr. MacKenzie. In his decision Mr. Turriff set forth the statements of the Italian, which statements Mr. Lyon had asked a chance to contradict, and were later proved in the Exchequer Court to be absolutely false.

On the 25th of July the patent for the town site of Blairmore, then worth fifty to one hundred thousand dollars, was issued to Mr. MacKenzie. He paid \$3 an acre or \$480 for the land, and that seems to be all that it ever cost him. All the evidence goes to show that the Italian received nothing for his claim.

On the 22nd of July, three days before the patent was issued, Mr. Lyon, through his solicitors in Ottawa, had thus protested against the issue of the patent without his having an opportunity to show that the affidavit of Montalbetti was false.

We beg hereby to request that a patent be not issued to Montalbetti for some days in order that our client, Mr. Henry E. Lyon may have an opportunity of proving that the statements of Montalbetti filed with you are almost wholly incorrect. Our client states that he can prove by several uninterested witnesses that Montalbetti never cultivated an inch of this land, and that he never built a house prior to this year, having resided in the Canadian Pacific Railway section-house on their right of way.

This evidence could have been produced before the argument took place had we been permitted to see the files and know what was contained in Montalbetti's affidavit. This, however, was not granted us until a day or two before the argument. Our client is prepared, if necessary, to bring the witnesses to Ottawa in order that they may be examined in the department.

#### A JUDICIAL INQUIRY.

As Mr. Turriff and the Department would not wait, Mr. Lyon proceeded to attack the patent through the Exchequer Court. He submitted his statements to Hon. David Mills, then Minister of Justice, asking that the patent obtained through fraud should be declared void. Mr. Mills was not in favor of frauds of this kind. He granted a fiat for trial in the Exchequer Court. The tribunal appointed Judge Wetmore, of the Supreme Court, to proceed to Blairmore and take evidence. Lyon had asked that the patent be declared to have been issued through fraud or in error, and that the same should be declared void for cancellation.

The first thing Judge Burbidge, of the Exchequer Court, had to do was to ascertain the facts. He appointed Mr. Justice Wetmore to investigate. This referee found no difficulty in reaching the conclusion that the Montalbetti affidavit was untrue and the claim was fraudulent upon which the patent was obtained. Montalbetti admitted on examination that the essential paragraphs in his statement were untrue. He confessed that he had not told the truth when he swore:

- (a) That he erected other outbuildings than the stable upon the land in question.
- (b) That he cultivated a portion of the land in 1901.
- (c) That he erected the stable in 1899.
- (d) That since 1898 he had kept on the land certain stock.

Judge Wetmore also found that Mr. MacKenzie had not paid one cent to Montalbetti or given him a scratch of a pen to show indebtedness. The Judge reported that "the untruthful statements and misrepresentations which I have found to have been made in this declaration are so many and of such a character that I cannot resist the conclusion that they were fraudulently made with the intention of influencing the minds of the officials of the Department of the Interior in determining to whom the right to purchase the land in question should be given."

#### MR. SIFTON COMES TO THE RESCUE.

The Exchequer Court would have proceeded on this report to cancel the patent, but Mr. Mills was no longer Minister of Justice. His successor began to be bombarded with letters from Mr. Sifton, the friend and patron of Mr. MacKenzie. On the 1st of March, 1902, Mr. Sifton wrote to the Minister of Justice, asking that proceedings be delayed. On the 12th of April Mr. Sifton wrote again saying, "I have a report from the Land Commissioner (Mr. Turriff) which inclines me to the view that the fiat ought to be withdrawn." On the 7th of February, 1903, months after Judge Wetmore had established the fraud, Mr. Sifton wrote that if Lyon failed to establish a right the department had no reason to re-open the case or for "desiring to withdraw from the sale that was made to Montalbetti." Mr. Sifton was urging that a sale based on a fraudulent claim and judicially reported to be founded on a series of perjuries, should be allowed where it made Mr. Sifton's friend and supporter a rich man.

#### MINISTER HOLDS UP THE COURT.

Judge Burbidge, after commenting on the report of Judge Wetmore,

decided to hear further explanation from Commissioner Turriff, and the case stood over for that purpose. F. H. Chrysler, K.C., had appeared in Court as counsel for the Government, the supposed plaintiff in the case. On the day after Judge Burbidge's report, Mr. Sifton again intervened to head off further proceedings. Mr. Sifton gave these instructions to Government counsel:

"As I am obliged to go away and the acting Minister will not in all probability have time to familiarize himself with matters of this kind I desire you to see that no further steps are taken until I return—I shall rely upon you to see that my wishes in this respect are carried out. Mr. Fitzpatrick will no doubt be too busy to give it personal attention."

Mr. Sifton's absence was long, and when he returned he found his friend still in possession of the town site. But Judge Burbidge had to deliver judgment. Whereupon Mr. Sifton wrote to the Minister of Justice, saying that the proper course was to bring the matter before the Judge, and to state that

"The Crown has no desire to ask for the cancellation of the patent on the ground of the inadequacy of the price because everything relating to the price was thoroughly well known when the sale was made."

Now, it was not the price, but the fraud which vitiated the patent. Mr. Sifton wrote again, stating plainly that the counsel for the Crown "should ask to have the case discontinued" without cost to either party.

#### DISMISSED ON REQUEST OF THE CROWN.

Mr. Chrysler carried out these instructions, and on May 13th, 1904, wrote to the Deputy Minister of Justice:

"I attended this morning upon the return of the motion for judgment in this case and pursuant to your instructions asked that the action should be dismissed without costs."

That brought the matter to an end. The Crown had asked that the patent be set aside on account of fraud, and the Crown, instructed by Mr. Sifton, withdrew. Judge Burbidge, therefore, dismissed the action, and giving his reason that His Majesty the King had consented that the action be dismissed without cost.

The action was dismissed without cost against Mr. Lyon. The costs were assumed, not by himself or Mr. MacKenzie, but by the Government. As a consideration for this escape Mr. Lyon had to agree not to disturb Mr. MacKenzie any more. Thus the Canadian treasury pays for the protection of Mr. MacKenzie in his possessions. The bill of costs, taxed by the Justice Department, was \$2,585. All that the Government ever got from Mr. MacKenzie for a town site now valued at \$200,000 was \$480, which was \$2,105 less than the bill of costs paid by the Government on his behalf.

#### MACKENZIE BECAME GOVERNMENT CANDIDATE.

The judgment by consent was given on the 14th of July, 1904, and about that time Mr. MacKenzie took the field as Government candidate for the House of Commons in the election of that year. He was thus given a return in political services for the handsome present of \$200,000 which the Government has bestowed upon him at the expense of the people of Canada.

The whole matter was discussed in the House of Commons, April 12th, 1907, on a motion of Mr. Lake, M.P. for Qu'Appelle. Mr. Lake moved:

#### MR. LAKE'S MOTION.

"The Government of Canada took proceedings in the Exchequer Court to set aside a patent issued to Malcolm Mackenzie, as the assignee of Felix Montalbett, on July 25, 1901, comprising 160 acres, known as the Blairmore town site.



That evidence was taken in the said proceedings before the Hon. Mr. Justice Wetmore as special referee, and it appears by his evidence, that the said Felix Montalbetti, in making application for the said patent, had made untrue statements as to the material facts and that the said untrue statements were fraudulently made with the intention of improperly influencing the minds of the officials of the Department of the Interior.

That the said finding of Mr. Justice Wetmore as special referee, was approved and concurred in by the Hon. Mr. Justice Burbidge, Judge of the said Exchequer Court.

That notwithstanding the said finding the Government by its counsel appeared in the said Exchequer Court and withdrew the said proceedings and consented to an order which confirmed the said Malcolm MacKenzie in his title to the said town site so acquired by fraud.

That the said MacKenzie is a prominent supporter of the present administration and was their candidate at the general elections in 1904, for the electoral district of Alberta, and is now a Member of the provincial legislature of the province of Alberta.

That the said town site is very valuable, and is estimated to be worth between \$100,000 and \$200,000.

That the collusive action of the Government through the Department of the Interior in thus confirming a political supporter in the possession and ownership of property obtained by fraud, deserves and should receive the strongest condemnation of this House."

#### THE DEAL ENDORSED BY PARLIAMENT.

This motion was supported in the debate by Mr. Macdonnell of Toronto, Mr. Herron of Alberta, the leader of the Opposition and Mr. Barker, of Hamilton. Mr. Lake's motion was rejected by a straight party majority of fifty-six to twenty-seven.

# THE INDIANS DEFRAUDED.

## A SALE OF LANDS FOR ONE TENTH OF THE VALUE.

### Whereby Friends Of The Minister Make \$91,842.25—Rake-Off At The Expense Of The Poor Indians.

This is a case of the sale by Government of lands held in trust for the Indians. The lands were sold without competition, at less than one-tenth of the market value to a group of political friends of the Minister in charge. Every condition which prevented the speculative sale of these lands was cancelled by the Government, and finally the middlemen were able to sell for \$101,830 the Indian lands which the Government had given them for \$9,987.75, a neat profit of 920 per cent.

The story is told in returns and correspondence brought down in the House and read by Mr. Boyce of West Algoma, on July 15th, 1908 (Hansard, pages 13,095 to 13,199).

#### A SIFTON COMBINATION.

The lands sold comprised 29,301 acres in Algoma. Application was made for them, July 25th, 1899, by one A. H. Gale, of Oxford, England, who asked for replies to be sent to W. F. Wilson, of Brandon. Mr. Gale then drops out of the story, and Mr. Wilson in March, 1900, takes up the matter on his own account, and explains to the department: "Mr. Gale is with me in the matter, and we can work under either application. Mr. Sifton wished the application put in Mr. Gale's name at the time."

Mr. Wilson was a prominent supporter of Mr. Sifton, then Minister of the Interior and Superintendent of Indian Affairs. He lived and operated politically in Mr. Sifton's town of Brandon. Mr. Wilson had two partners in the deal. One was Mr. A. E. Philp, barrister, of Brandon, formerly law partner of Mr. Sifton. The other was D. A. Reesor, also of Brandon, and likewise an active political operator. Mr. Wilson was the man in sight in the land deal. Let us see how he proceeded.

Mr. Wilson begins, March 19th, 1900, by letters to James A. Smart, Deputy Minister (Hansard, page 13,096). He applies for certain hardwood timber lands as he and his associates are very anxious to establish a saw-mill there. He has been over the ground and can furnish affidavits to show that the lands are unfit for settlement.

Then Mr. Wilson made an extraordinary proposition. He proposed to buy the land by valuation and proceeded to recommend the valuator. His choice was one Mr. McAulay, who lived in the neighborhood of the lands. It appears that this man was afterwards engaged as Mr. Wilson's agent.

#### THE WILSON PROPOSITION.

Along with this letter was the formal application for purchase. The application set forth that the lands were covered by a timber license to a lumber company which had been merged with a New York paper concern. These licensees had never built a mill on the limits, but had cut birch logs and towed them to the United States.

Mr. Wilson undertook to change all this. If the lands were sold to his firm they would establish at Batchawana Bay a saw-mill with a capacity



of three to five million feet, and would place settlers on the land fit for occupation, furnishing employment for these settlers and others near by. He stated that the hardwood timber on the land was growing old and ought to be cut, and asked the Government to have the lands examined.

Mr. McAuley, the proposed disinterested valuator, wrote to Mr. Wilson April 3rd, stating that the licensees had taken off all the pulp wood, and that if Mr. Wilson would be assisted by a petition from the district, he was at Mr. Wilson's service, closing by expressing the hope that Mr. Wilson would succeed in his undertaking. (Hansard, page 13,099.)

It did not take the Government long to settle this matter. April 18th, Secretary of the Indian Affairs Department wrote to Mr. Wilson telling him he could have the land, and setting forth the conditions, which were the same as Mr. Wilson proposed.

#### GOVERNMENT AGREES.

Lands and timber were to be valued; lands fit for settlement were to be occupied with one settler for each section, who was to have a house on the lot and cultivate the land; timber leases to be protected as regards pine and spruce, the licensees to have three years to remove it; purchaser to build a saw-mill of three to five million capacity, and to give the Indians the preference in employment; the title to the land was to be given in three years after the fulfilment of settlement conditions, the erection of the mill, etc.

The Government accepted Mr. Wilson's friend, Mr. McAuley, as valuator of the land, which seems to have been the same thing as appointing Mr. Wilson himself.

The deal was concluded, and Mr. Wilson's friend, Mr. McAuley, made his valuation, appraising the property of 29,301 acres at \$9,987.75, or 34 cents an acre.

#### MILD PROTESTS.

W. A. Orr, Secretary of the Department, was surprised at this valuation. He mentions that Thomas Bishop, foreman of the lumber company which had been operating there, had stated that the quantities of timber were much greater than Mr. McAuley had estimated. Having cleared his conscience in this way, Mr. Orr added, that McAuley's statement was sworn and that the unsworn estimate of Mr. Bishop should not be taken against it.

Some time later another protest against this low price was made by D. A. Gordon, Liberal Member of Parliament for Kent, who wrote to the Deputy:

"I have been informed that a large tract of Indian land was recently sold for the sum of 30 cents per acre. Is it possible that such a transaction was put through? If so would you mind giving the names of the purchasers and the quantity of land purchased. No further particulars will be required." (Hansard page 13,114.)

Mr. Frank Pedley, officially replied, giving the quantity of land sold and the price, and stating that the price was "based on the sworn examination "and valuation of each section," "the sale being made on specified conditions." Mr. Gordon asked no further questions as far as the record goes.

As Mr. Boyce points out, if the Department considered Mr. Bishop's estimate insufficient because it was not supported by oath, it might have obtained a sworn statement from him, or have made inquiry as to the rela-

tions of the other appraiser to the purchaser. Mr. Boyce also pointed out that the record contained no notes or details of valuator McAuley, whose books were unfortunately lost.

The valuator appraised the pine and spruce left by the licensee at \$704. The quantity of cedar was apparently large and the purchaser declared that it was this timber "we based our hopes on mostly," though he told the Department that he was after the hardwood. Before payment was made the purchasers owed \$1,167.32 for interest. But they were let off by the payment of the principal, made at various times and after a good deal of urging on the part of the officials.

#### EVERY CONDITION CANCELLED.

Mr. Wilson and his associates did not build a mill at Batchawana Bay or anywhere else on this land.

They did not bring any settlers.

They did not meet the other conditions of the agreement.

As soon as it was known that the Government was made they tried to sell the property to lumbermen in the United States who intended to raft the lumber to their own country, and manufacture it there. To accomplish that purpose it was necessary to cancel the clause requiring the erection of a mill and the manufacture of the lumber on the ground. It was also necessary to make sure of the right to export the timber on these Indian land grants.

At the end of the year Mr. Wilson had done nothing to carry out the conditions and had paid only a small part of the purchase price. There were other applicants for the land, and a year and a half had passed since Wilson had been hurrying up the Department, so he could get to work at his mill. The Secretary began to make inquiries and Mr. Wilson asked for postponement. In December, 1901, he was allowed another two months. When that time was up another applicant was on hand ready and anxious to establish a hardwood industry on the premises, but was told that the land was not open for sale. Four months later still Mr. Wilson made further excuses. At the beginning of 1903 he promised to take immediate action. The matter was allowed to drift till the end of May, 1903, when Mr. Wilson wrote, explaining that a permanent saw-mill would be very inconvenient, and suggesting a small portable mill instead.

#### OUT GOES THE SAW-MILL CLAUSE.

Mr. Orr, of the Indian Department, was not severe and recommended the change in the contract so that it should read, "the purchaser to place and operate a portable saw-mill of large size on the lands purchased," instead of the original clause which required him to "establish a saw-mill at a point in Batchawana Bay with the capacity of from three to five million feet per annum."

Shortly after this a Chicago lumberman named W. S. Gunn, wrote to the Department of Crown Lands in Ontario, stating that a man named Wilson was trying to sell him the land in question, and asking whether logs from these lands could be sent to the States free of export duty. Two days later Mr. Wilson himself wrote to the Department of Indian Affairs objecting to the substitute saw-mill clause proposed. He says, "I am very much disappointed in the terms of the same. I have delayed commenting on it till I could see Mr. A. E. Philp, of Brandon, who tells me you assured him that

"by proper representation of the case you would abrogate clause six." (Hansard, page 13,117.)

The abrogation of clause six would free the purchasers altogether from the obligation of manufacturing in Canada. Meanwhile, an Order-in-Council had been passed in 1901 defining the manufacturing conditions, and it was made clear that all kinds of hardwood timber might be exported from these Indian lands.

The conversations of Mr. Sifton's former law partner with the Department of which Mr. Sifton was the head, and Mr. Wilson's own representations were finally successful. Clause six was abolished altogether.

This was in November, 1903. It was more than a year after the conditions had been swept away that the department explained to Mr. Gordon, M.P., that the land had been sold for this low price on "specified conditions." When clause six vanished Mr. Wilson had not yet finished paying for the land. Ultimately this payment was made, and when the time for issuing the patent arrived Mr. Wilson and his colleagues got their title.

They were charged with \$1,167.32 interest, and this stood against them until February, 1906, when the Minister recommended that this interest be remitted, on the ground that the purchasers had not removed any timber before they paid the principal. This last proceeding was Mr. Oliver's. All the previous transactions were carried through while Mr. Sifton was head of the Department.

#### TOOK THEIR 920 PER CENT. PROFIT.

Having removed all restrictions, Wilson, Philp and Reesor completed their sale to the United States lumbermen. They had, in fact, sold the land in one township before their own patent had been obtained, and the land in the other two townships was sold immediately after the issue of the patent.

The lands were in three townships, Fisher, Haviland and Tilley. The following is a statement of the prices paid by the partners to the Government, and the prices received by them from the foreign purchasers:

Township	Acres.	Government Received	Partners Received	Profit.
Fisher .. .. .	13,358	23,681.70	\$37,346	\$33,664.30
Haviland .. .. .	10,701	4,397.05	49,000	44,602.95
Tilley.. .. .	5,242	1,909.60	15,484	13,575.00
Total .. .. .	29,301	\$9,987.75	\$101,830	\$91,842.25

#### THE RECORD.

1. Mr. Sifton's political friends ask for a grant of Indian land on the plea that they wish to establish a lumbering industry, and setting forth that licensees are exporting logs instead of manufacturing lumber on the ground.

2. The applicants name as Government valuator a friend of their own, ready to give them all possible assistance, who seems afterwards to have been employed by them in effecting the sale to the Americans.

3. Government appoints the valuator named by the purchaser.

4. He makes valuation at less than one-tenth the market price of the land.

5. The Indian Agent of the Government says the valuation is low and refers to a higher estimate made by a lumber operator on the ground.

6. Government accepts the low valuation of the purchaser's nominee.

7. Contract is made with conditions proposed by the purchaser that

he shall build a permanent mill of a stated capacity, bring settlers and shall employ Indians.

8. The purchaser does nothing to fulfil the conditions and the clause requiring the building of the mill and manufacture of lumber is struck out at his request.

9. It is made clear that logs from this grant may be shipped to the States.

10. The grant has been meanwhile offered for sale in the United States, and the Government knows it.

11. Payment of part of the purchase price is delayed for years, the Government refusing to cancel the transaction and sell to others who desire to manufacture on the ground.

12. The Government remits \$1,167.32 due by the purchasers for interest.

13. When all conditions are swept away, Americans buy at the market price.

14. This market price is \$101,830, or \$91,842.25 above the valuation which the Government accepted and the middlemen paid.

#### NO EXCUSE OR DEFENCE.

The Government could have sold the land with the restrictions wiped out at the same price that its political friends sold it. But the land was never offered to public competition. It was never offered at private sale without the restrictions, and the rake-off was simply a gift to the middlemen.

For this deal absolutely no defence was made. Mr. Oliver spoke for a few minutes, declaring that he had no time to go into the details of the transaction, but said that if the land had increased in value in the hands of the purchasers the Government could not do anything about it. The speech will be found on pages 13,122 to 13,128, and is simply a refusal to answer the charges or explain the deal.

Perhaps Mr. Oliver thought he had already gone too far in defending Mr. Sifton's transactions.

#### MAJORITY APPROVE.

Mr. Boyce's motion will be found on page 13,122. After reciting the facts, it declares that the transaction "was not a sale for the best price obtainable, nor to the best interests of the Indians, but constituted a grave breach of trust by the Government, and deserves the condemnation of the House."

The motion was rejected by a straight vote of 51 to 101. Division list will be found on page 13,138 of Hansard.

# COAL AREAS.

## How Government Favors Speculator In Coal Deposits.

The Interior Department controls the coal lands of the Northwest. The Government refused to give up these Crown lands to the provinces, though they are provincial properties in other parts of Canada. Speculators and promoters, with the assistance of ministers and officials, have had the same opportunity to exploit coal lands as gather in farm lands, grazing lands and timber.

It is true that regulations limited the area of coal lands open to one person, but regulations are not for favorites.

One illustration of evasion authorized and encouraged by the Government was investigated by the Public Accounts Committee on February 18th, 20th and April 3rd, 1908.

### BELL BOYS AND COAL LEASES.

Regulations of 1902, reprinted in 1904 and in force in 1907, provided "not more than 320 acres shall be sold to one applicant."

In March, 1906, Mr. C. F. Caldwell sent in lists of 235 applicants each for the full area allowed (testimony of Chief Clerk Rowatt, page 4). There was one batch of 11, one of 118, another of 51, another of 34, and so on, each batch on one sheet of paper. Also, for greater certainty, Mr. Caldwell sent in the 235 names that had been in these batches, all typewritten, in one eight page list.

These covered 75,200 acres. Mr. Caldwell and his associate were after them all.

Did the Department suppose that these 235 applicants were genuine seekers for coal lands, each for himself? Not at all. Before action was taken the Ottawa Journal published the following paragraph, in its news columns:

"Looking for a coal mine—Novel way of procuring claims—\$1 paid for signed application.

"Stranger at Russell House causes some mystification among bell boys and other employees.

"A guest who rather astonished a large number of bell boys and other employees of the Russell House was registered there last week. He was giving them \$1 each for what they considered rights to coal mines in the west of which they had never heard and about which they were decidedly mystified.

"The stranger gave his name as Mr. C. F. Caldwell, of Alberta, and explained his work to the *Journal* readily enough. He said that there were, without doubt, many rich coal fields in Alberta. It was impossible, however, to buy a large block of land or secure options upon it from the Government, as this is all being kept open for settlement. To overcome this difficulty he was getting different parties to make application for a single section. This he buys from them for \$1, and as he has not to finish the taking over of the section for six months, he will prospect each claim for coal in the meantime. If coal is found he completes the transaction with the Government at a nominal fee.

"Mr. Caldwell said that Mr. F. H. Clergue, of the Soo, was interested in his plan, and that his work was being done by other parties in the west. Large blocks of land which have been held for speculative purposes have to be thrown open to settlers by April 1st, said Mr. Caldwell, and many applications for sections are being made on these lots.



This explains the whole business. The Secretary, who handled the applications, swore that he saw the newspaper paragraph, and Mr. Campbell, Chief Clerk of the Mines Branch, testified that he knew that Caldwell "was the man who moved in the matter, and that the others were not moving on their own motion at all." (Page 51). On page 52 Mr. Barker asks about Mr. Campbell's suspicions.

"Q. That Mr. Caldwell was the real man after all, that the names of the others were only used? Ans. Yes.

"Q. You did think that? Ans. Yes.

"Q. Well now, didn't you tell the Minister that? Ans. Yes."

Mr. Caldwell was acting in conjunction with F. H. Clergue, who seems ultimately to have obtained all the areas that were allotted under these applications. Mr. Caldwell did not get all the areas he applied for, because some of them were covered by previous applications, some were school lands or Hudson Bay lands, and many were abandoned after exploration as having no value. But the speculators got all the coal lands that 235 genuine applicants would have received.

The statement that Mr. Caldwell had procured applications by paying \$1 each for them from bell boys, chambermaids, boot blacks and any other employees whom he could find around the hotel, was the literal truth. Here are some of the names printed as found in the applications:

Kate Ambrose.  
Katie Barry.  
Mary Barry.  
Lizzie Church.  
Mollie Chilton.  
Annie Hagan.  
Kate Paynty.

Pat Mahoney  
Mr. Magrath.  
Maggie Summers.  
Kate Hudson.  
Lizzie Howe.  
Minnie Turner  
Jack Schench.

Mr. Polydore  
C. C. Paynty.  
Lottie McNab.  
Maggie Powell.  
Dave Graney.  
Mike Murphy.  
Mrs. Alice Sweet.

In a number of cases no Christian names were given. The whole list is so evidently fictitious as applications for coal leases as to make it clear to the Departmental officers that the whole purpose was to enable one man to get 200 or 300 times as much as the law allowed.

Yet it went through without difficulty.

#### ANOTHER REGULATION BROKEN.

Something else happened respecting these Caldwell coal lands. The influence of a member of Parliament was used to prevent the lapse after purchase when the grantee had failed to make payment. One half-section stood in the name of A. Perron, who, of course, had nothing to do with it. There was \$800 to pay as an instalment on the purchase price of \$3,200. Mr. Caldwell was allowed 60 days from the 17th of September to pay this sum. On the 13th of November W. A. Galliher, M.P., wrote to the Chief of the Mines branch, giving the rather peremptory order: "Time should be extended for payment of same for 60 days after survey now being made is completed." The Chief Clerk reported:

"The Minister's instructions are that not more than 60 days should be allowed for making the first payment on account of coal mining lands, and that any request for further time is to be referred to him. Messrs. Pease and Perron have already been given 60 days—the extension of time cannot be granted under the Minister's instructions except by his special authority."

The matter was submitted to the Minister who instructed the secretary "wire them no extension will be given."

Mr. Galliher, M.P., was not put off that way. He wired again to the Chief of the Mines branch: "Don't cancel till I see you Monday morning."



Sgd. Galliher." This was November 17th. Mr. Galliher went to Ottawa and had his interview, after which the following memorandum was made:

"The applicant, Mr. A. Perron, was given up to the 11th inst. on which to purchase this half section. But instructions are to accept payment from him or on his behalf, notwithstanding the fact that the period given him within which to make such payment had expired."

Another memorandum stated that "Mr. W. A. Galliher, M.P., hands in an unaccepted cheque for \$1,645, which he tendered as payment of the first instalment." This payment applied to two other areas also, and the officer testified that it was Mr. Clergue's cheque.

So we have in this case a deliberate evasion, by collusion of the Department, of the rule limiting applications to 320 acres, and afterwards the violation of the rule requiring payment within a certain time, and a surrender of the Minister to the Galliher influence, after having positively refused extension.

#### MORE OF THE SAME.

The Caldwell case is one of several. Mr. Talbot, M.P., a thick-and-thin Government supporter, admitted that he and certain associates had sent in 75 names in the same way, and the officer who testified stated that there were many more of the kind.

In this way and through other evasions and operations, three-quarters of the coal belt has been obtained by speculators. Mr. Ames, M.P., has carefully gone over the returns and states that out of 312,000 acres of coal lands sold and leased, not 40,000 acres are held by operative companies, and not 10,000 acres are worked. This reserve supply of coal should have been held by the Government as a protection to the settlers and to genuine operators.

# WESTERN FISHERIES.

## Government Hands Them Over To Speculators and Monopolists.

The Marine Department has dealt with the Western inland fisheries in the same free and easy generous way that the Interior Department has distributed the land, timber and coal. It was not until January, 1908, that the public was given to understand how completely this fishery wealth had been given away. Hansard, 1908, page 1684, contains a statement by Mr. Brodeur in reply to Mr. Herron giving particulars of five leases.

In 1903 a five years' lease, which seems to be renewable, was given to Coffey and Merritt for the fishing of Cumberland Lake, which has an area of 166 square miles, and of Namew Lake, 66 square miles, all for \$100 a year.

In 1905 the same firm was given a similar lease of Cedar Lake, 235 square miles; Moose Lake, 552 square miles; Cormorant Lake, 141 square miles, and Atikanag Lake, 90 square miles—all for \$100 a year.

In 1904 F. H. Markey, a Montreal lawyer, obtained a 21 years' right of fishing in the following waters:

Nelson River and its tributaries, from West River to its mouth, the estuary of the Nelson extending for some 100 miles along the Hudson Bay.

The Hayes River, the Pigeon River.

Great Slave Lake, a water of 10,715 square miles.

This enormous concession was passed over to the British-American Fish Corporation, Limited, an American concern, which is now fishing out these rivers and lakes, and is preparing to do so more extensively when railway communication shall be established.

The cost of this concession is \$10 a year.

In 1904 J. H. Mackenzie, representing the Athabaska Fish Company, Limited, obtained the right to fish Lake Athabaska, 2,812 square miles, and Lesser Slave Lake, 480 square miles. This is a lease of nine years, renewable for nine years more, and costs \$10 a year.

In 1903 Archibald MacNee, editor of a Government organ in Windsor, Ontario, obtained a lease, to run for 21 years, to fish around James Bay, from North Bluff to the northern point of Moer's Island, opposite Solomon's Temple, 150 to 200 miles. Mr. MacNee's lease also gives him the right to fish "in tidal waters of all rivers." This costs \$10 a year. Mr. MacNee's Company is waiting until railway communication makes the concession better available.

Of course, it would never do for the Government to wait until these waters become more accessible, and give all the people a chance, or sell the fisheries for what they are worth.

### VALUE OF THESE FISHERIES.

A committee of the Senate in 1907 took evidence on the resources of the Northwest and published the results in an interesting report called "Canada's Fertile Northland." It is reported that "the rivers and lakes of this region teem with fish of various kinds."

Elihu Stewart, Superintendent of Forestry, testified that there were immense quantities of fish of excellent quality in the Great Slave and Athabaska Lakes.

Mr. McConnell, of the Geological Survey, said that 140,000 white fish were caught just below Great Slave Lake in ten days. He saw salmon trout weighing 15 to 20 pounds.

Mr. Dowling, of the Survey, said that all the rivers emptying into James Bay abounded with white fish, perch and other fishes.

Mr. O'Sullivan, of the Survey, stated that all the lakes through the country are full of fish.

Mr. McInnis, geologist, testified that fishing companies hoped to do a great business when the Canadian Northern reached the Pas of the Saskatchewan, and they were now hauling them over 100 miles to be shipped to Chicago.

The sturgeon, which is a very valuable fish, is found on the lower Nelson.

Mr. Conroy, of the Indian Department, had seen trout in Lake Athabaska weighing 20 pounds. These lakes, he said, were full of fish.

Mayor Cook, of Prince Albert, had seen 32,000 white fish caught in two nights. He had seen trout that weighed 50 pounds, and there were sturgeon running from 10 to 100 pounds.

W. F. Bredin, M.L.A., said that Lake Athabaska was full of white fish, that the fish were exported from Lesser Slave Lake in large quantities.

# **FIVE LAND DEALS.**

**MIDDLEMAN ALWAYS THERE FIRST WHEN GOVERNMENT  
BUYS LAND FOR RAILWAY PURPOSES.**

**Examples from Moncton, Halifax, Truro and St. Boniface.**

**Total cost of land \$302,970.00. Of which  
\$161,887.00 is Rake Off.**

The following is the circumstantial account of five purchases of land made by the Government for railway purposes, four through the Department of Railways for the Intercolonial, and one through the Transcontinental Commission for the Grand Trunk Pacific. All but one of these deals were investigated by the Public Accounts Committee, and the facts stated below are taken from the evidence. The details of the Truro deal may be found in papers brought down by the Minister of Railways in response to an order of the House.

## **THE FIRST MONCTON DEAL.**

**Government Paid \$13,880; Middleman's Profit \$8,505.**

In January, 1904, Hon. H. R. Emmerson became Minister of Railways and Canals. At the time he was President and General Manager of the New Brunswick Petroleum Co., whereof Mr. Matthew Lodge, of Moncton, was Secretary-Treasurer. Mr. Lodge was an active campaign operator in Moncton for Mr. Emmerson and his friends. He was the local manager, and the dealer with the Government of the Eastern Supply Co., an organization incorporated in Newfoundland, apparently for the purpose of selling supplies to the Department of Railways. It will be seen that the relations, political and financial, between Mr. Emmerson and Mr. Lodge were remarkably intimate.

### **A PRELIMINARY UNDERSTANDING.**

In the spring of 1904 it became evident to Mr. Emmerson, and, at the same time, apparent to Mr. Lodge, that the Government would require to purchase a quantity of land near the railway shops and station at Moncton. In May Mr. Lodge was at Ottawa, and, according to Mr. Emmerson's evidence, told the Minister that a lot of five acres, called the Tannery Property, could be purchased from Mr. R. W. Hewson, who controlled the land and was part owner. Mr. Emmerson knew this before, for Mr. Hewson had for years been offering the land to the Government, and had long complained that the railway department was trespassing on his property. Mr. Emmerson took no action then, but acted at once on the hint given him by Mr. Lodge and communicated with General Manager Pottinger, telling him that he was offered the Hewson lot.

### **LODGE SECURES OPTIONS ON THE RIGHT PROPERTIES.**

Mr. Lodge returned to Moncton and took an option on the Hewson property at \$5,000. He also engaged Mr. Hewson to negotiate with the

owners of four other properties lying farther away from the railway works, including a piece of marsh. Mr. Hewson carried out instructions and secured options at \$255 to \$484 an acre, on nearly 14 acres.

In August Mr. Emmerson accompanied Mr. Pottinger in an examination of the Hewson property, known as the Tannery Lot. Mr. Emmerson, in his evidence and speech, said that on this examination and in subsequent discussion with the railway officers, it was found advisable to purchase a certain area.

It turned out that the land found necessary to take included exactly those lots which Mr. Lodge had engaged Mr. Hewson to obtain for him, and no others.

#### THE LAND DEAL IN DETAIL.

On the 15th of September, 1904, Mr. Hewson, as the agent for Mr. Lodge, acquired a property, held under these options, called the Jones lot, including 6 3-10 acres, for which he paid \$3,050, or \$484 an acre.

On the same day Mr. Lodge purchased through Mr. Hewson the Gibson lot of 3 3-10 acres, for \$925, or \$280 an acre.

On the 10th of October, twenty-five days after the purchase, Mr. Hewson, as agent for Mr. Lodge, transferred to the Government his own five acres, together with the 9.6 acres contained in the Jones and Gibson lots, receiving therefor for Mr. Lodge \$14,600, or \$1,000 an acre.

On the 6th of May, 1905, Mr. Hewson, acting for Mr. Lodge, took over the Milner lot of 3.93 acres, for \$1,000, or \$255 an acre. On the same day he acquired the Gibson fraction, 35-100 of an acre, for \$100, or at the rate of \$286 an acre.

On the 29th of May, the two last-mentioned lots, amounting to 4.28 acres, were transferred to the Government for \$1,000 an acre, or \$4,280.

This completed the sale of all the lands included in Mr. Lodge's options.

#### 167 PER CENT. NET PROFIT.

In his testimony before the committee Mr. Hewson stated that he received for his services from Mr. Lodge the sum of \$300. His own property, which was much more valuable than the rest, he regarded as a good bargain at \$5,000, which sum he received directly from the Government at the time that the Department of Railways took over the land.

The other properties, for which Mr. Lodge paid \$5,075, could have been bought by Mr. Hewson for the Government at the same price.

The following table gives the profits in an easy form for reference:

Property	Price paid by Lodge	Price paid by Government	Lodge's profit	Percentage of profit
Jones.. . . .	\$3,050	\$6,300	\$3,250	106
Gibson.. . . .	925	3,300	2,375	257
Milner.. . . .	1,000	3,930	2,930	293
Gibson.. . . .	100	350	250	250
Total.. . . .	\$5,075	\$13,880	\$8,805	
	less expenses		300	
		\$13,580	\$8,505	167

This is a fair rake-off for the Minister's friend to make on transfers which gave him no trouble, but were all arranged for \$300. The transaction means that the Government purchased the Hewson lot at about the lowest

price for which Hewson would sell, and for the other lots paid more than two prices for one, and more than three prices for the rest; the middleman receiving nearly twice as much for his few weeks' ownership and his influence as the owners of the properties obtained for their whole possession.

#### THE MINISTER'S TWO PLEAS IN DEFENCE.

Now, what defence did the Minister offer for this astonishing transaction? Mr. Emmerson's speech in the House contains two pleas. The first is that he asked some Moncton business men to place a value on the property, and they pronounced the whole lot worth a thousand dollars an acre. The other was that in 1884 the late Government had purchased 55-100 of an acre adjoining the Tannery lot, and had paid for it \$1,000, or approximately \$2,000 an acre.

#### THE FIRST HAS NO VALUE.

The first plea confused the Hewson lot with the other purchases, that lot being far more valuable than the lower and more remote properties. The true test of the value of the four properties is the price at which the owners held them. Not one of the owners demanded half the price which Mr. Emmerson says their land was worth. It will hardly be supposed that they conspired against their own interest to sell the land for one-quarter to one-half its value in order that the go-between should make \$8,000 out of them. The commercial value of the land in the open market, was established on the spot and at the time by Mr. Lodge's purchase, through Mr. Hewson, and the average price was not \$1,000 an acre, but \$366.

#### THE SECOND BASED ON MIS-STATEMENT.

The second plea is disposed of by an appeal to the facts, and the fact is that the purchase in 1884 for \$1,000 was not a half acre, but  $6\frac{1}{2}$  acres, and the price per acre was therefore not \$2,000, but \$168.

For the sake of a complete record, Mr. Emmerson's statement is here quoted (Hansard, 1906, pages 5832-5834):

"But in 1884 the Intercolonial Railway purchased right off this block of land, right adjacent to the property we purchased here in 1904, half an acre from Mr. Milner. And how much did the Intercolonial Railway pay for that? One thousand dollars for one-half acre."

And again Mr. Emmerson says: "We were able to purchase it at \$1,000, when the administration of the Intercolonial Railway in 1884, at a time when my honorable friend (Mr. Ames), the mover of this resolution, would have every confidence in the then administration of the Intercolonial Railway, bought 55/100 acre and paid \$1,000."

Further on in his speech Mr. Emmerson made the comparison again, saying: "judged by what transpired in 1884 when half an acre was purchased by the Intercolonial for \$1,000, we in 1904 made a good bargain when we bought the whole acreage at the rate of \$1,000 per acre, not at the rate of \$1,000 a half acre."

Mr. Fielding, who came to Mr. Emmerson's rescue, also dwelt upon this 1884 transaction as a justification for the Lodge deal.

It is a pity to spoil an argument which was expected to accomplish so much, but the registered description of the land purchased for a thousand dollars in 1884 gives its size and boundaries, and ends with the words

*"Containing in all Six 55-100 Acres (6.55) more or less."*

#### PROGRESS OF PRICES.

So now we have the following: It is stated by Mr. Emmerson that in 1875 (he should have said 1880) "some 28.100 of an acre was purchased in the same place for \$30." This is at the rate of \$107 an acre.



In 1884 something over six acres was purchased at the price of \$168 per acre.

In 1904 Mr. Lodge purchased from various parties nearly 14 acres at an average price of \$366 an acre, which he immediately turned over to the Government at \$1,000 an acre.

#### THE DEAL ENDORSED BY THE LIBERAL MEMBERS.

On the 21st of June, 1906, Mr. Ames set forth the above facts in the preamble of a resolution, closing with this motion: "That the action of the Government in paying to a middleman the sum of \$8,505 more than was necessary in order to acquire the said property, was unjustifiable and deserves the censure of this House." This motion was defeated by a vote of 89 to 46, every Liberal member of the House present, voting against it.

Thus the Moncton land deal has the endorsement of the Government supporters in the House of Commons.

### SECOND MONCTON LAND DEAL.

Transaction \$10,490; Rake Off \$2,100.

The second Moncton deal was less profitable to the middleman. The Auditor-General's report for 1905-6 (part W, page 46) contains the following statement of payments made for land in Moncton:

Hewson, R. W...	\$10,490
Frontage on Main Street, 274X100 ft. @ \$10...	2,740
Balance of land beyond the 100 ft. back...	1,200
Building on White property; 2 houses, \$1,900 and \$700...	2,600
Buildings on Hannah property; house \$1,800; barn \$150...	1,950
Buildings on Fownes property; house and outbuildings, \$1,200...	1,200
Buildings on Graham property; house and barn...	800

This makes the total of \$10,490 at the head of the column.

#### LODGE STILL THE MIDDLEMAN.

As in the year before Mr. Hewson's name is a deception. The land was not bought from Mr. Hewson but from that happy favorite Matthew Lodge. Mr. Hewson bought the land for Mr. Lodge from the original owners, and Mr. Lodge sold it to the Government immediately. Mr. Hewson was called before the Public Accounts Committee in the session of 1907, and testified that the price he paid for the land was \$7,900. Mr. Lodge afterwards paid \$150 on a damage claim and allowed \$250 to Mr. Hewson for doing the business. The total cost to Mr. Lodge was \$8,300, and his rake-off \$2,190.

Questioned by the committee, Mr. Hewson expressed the opinion that he could have bought the land for the Government as cheap as he bought it for Mr. Lodge.

In the last deal Mr. Lodge bought the White property for \$3,000, buildings and all, and the Government paid him by the foot for the land and \$2,600 for the buildings. Mr. Lodge bought the Hannah property for \$2,000, with the buildings on it, and the Government paid him \$1,950 for the buildings alone. Mr. Lodge paid \$1,350 for the Fownes property and was allowed \$1,200 for the building on it. Altogether he received for the buildings alone \$6,550, which was only \$1,350 less than he paid for the whole property. He was allowed \$3,940 for the land alone.

## HALIFAX LAND DEAL.

**TRANSACTION \$45,400; RAKE-OFF \$28,392.**

**Hon. B. F. Pearson is the Middleman.**

One of the most scandalous transactions brought to the notice of Parliament during the session of 1906-7 was the Halifax Land Deal. The sum of it is that the Government bought a block of land at Halifax to provide for a round-house and other buildings for the Intercolonial, paying \$45,400, of which more than \$28,000 was rake-off.

It was found on investigation that two intermediaries or middlemen had bought up this land just before the Government purchase, and, before paying for it, had turned it over to the Department of Railways at a profit for themselves of \$28,392.42. These facts are established on the evidence of one of these parties, who swore that he received the cheque from the Government and that he paid to his partner \$14,196.21, as his full share of the profit. The purchaser who received this half share was no other than B. F. Pearson, M.P.P., now a member of the Nova Scotia Administration, and proprietor of the *Halifax Chronicle* and the *St. John Sun*, leading Government organs in Nova Scotia and New Brunswick.

### AS STATED IN THE PUBLIC ACCOUNTS.

The Halifax Land Deal is represented by the following statement in the Auditor-General's report, under the head of "I. C. Railway capital account; increased accommodation at Halifax" (Auditor-General's report, 1906, part W, page 25).

#### For land and damages:

Henderson, J. R. land near cotton mill siding (\$45,400).	
Windsor street, lot 1, 28,600 ft.; land, \$1,500; damages, \$1,000 . . . . .	\$2,500
Windsor Street, lot 2, 25,800 ft.; land, \$1,300; buildings, \$1,700; damages, \$300 . . . . .	3,300
Windsor Street, lot 3, 239,780 ft.; land, \$7,800 . . . . .	7,800
Windsor Street, lot 5-5a, 252,352 ft.; land, \$3,150 . . . . .	3,150
Kempt Road, lot 8, 942,135 ft.; land, \$26,000; buildings, \$600; damages, \$500 . . . . .	27,100
Kempt Road, lot 9, 25,852 ft.; land, \$1,050; damages, \$1,000 . . . . .	2,050
<b>Total . . . . .</b>	<b>\$45,400</b>

### AS BOUGHT BY THE MIDDLEMAN.

The following table shows what these lots of land were bought for in the open market a few days before they were sold to the Government:

Lot 1 . . . . .	\$ 500
Lot No. 2 . . . . .	2,500
Lot No. 3 . . . . .	4,000
Lot No. 5-5a . . . . .	3,099
Lot No. 6 . . . . .	7,289
Lot No. 9 . . . . .	1,200
<b>Total . . . . .</b>	<b>\$18,588</b>

### HOW IT WORKS OUT.

The middlemen claim to have paid \$330 taxes in addition, but on the other hand, the most of the payments were made by notes falling due after

the land was sold to the Government, and the cost includes interest. Thus the total cost to Joseph R. Henderson and Hon. B. F. Pearson, M.P.P., was between \$18,500 and \$19,000. They received from the Government \$45,400. A portion of the land bought by the middlemen was retained by Mr. Henderson at a valuation of \$5,000, the property having greatly increased in value by the Government's purchase of the remainder. In this adjustment the division of profits gave the partners profits of \$14,196.21 each, as stated by Mr. Henderson on oath before the Public Accounts Committee, and corroborated in his testimony in a libel action against the *Halifax Herald*.

#### THE AFRICVILLE SCHEME.

We now take up the history of the deal in the order of time. In 1903 the Department took up the question of building a new round-house at Halifax. Then the chief engineer of the I. C. R., the engineer of maintenance, the superintendent, with six other expert officers, examined all convenient sites, and decided that a place called Africville was the only available place. The chief engineer prepared plans and estimates. This was in September, 1903, but nothing was done until September, 1904, just before the election, when the authorities began to discuss a rectangular engine house at Richmond.

#### THE RICHMOND IDEA.

Plans of this work were prepared about election time and served their campaign purposes, and then the matter went to sleep until August, 1905, when the general manager was writing to the engineer on the assumption that Richmond would be the place. Mr. Carney, one of the members for Halifax, was in danger of being unseated, and was active in the matter. Replying to one of his inquiries on September 4, 1905, Mr. Pottinger said,

"We are endeavouring now to secure the land for it (the engine house) and our people are at work on the plans.

A week later Mr. Carney was still anxious, and the manager wrote him:

"We are now endeavouring to get the land matter settled, and just as soon as this is done the other work will be gone on with as soon as possible."

On the same day Mr. Pottinger wrote to the chief engineer:

"Mr. Pearson, jr., telephoned to the Minister to-day that the land question at Richmond was in shape to close if a valuator be sent out at once, and the name of Mr. H. C. Read was suggested as valuator. The instructions of the Minister are that Mr. Read be instructed to go and appraise property to be taken for the engine house and yard at Richmond. Have Mr. Read go there without delay."

#### HAD PEARSON OPTIONS AT RICHMOND?

Mr. Read is Hon. H. Emmerson's uncle, and he proceeded to make a valuation of \$40,300. There is nothing to show whether Mr. Pearson had obtained an option on the Richmond properties; but the interest which the Pearson firm showed in the transaction, and what happened afterward in regard to the other property, would indicate more than a friendly interest in Mr. Pearson's intervention. As the Government made no purchase, Mr. Pearson did not close his options, if he took any. On a sudden change of Government policy in favor of purchasing land in another place it was found that Mr. Pearson rose to that occasion also, got in ahead and secured options there.

#### COTTON FACTORY SITE.

November 7, 1905, Mr. Pottinger wrote to Deputy Minister Butler that he had written to the mechanical manager recommending him to examine

some ground on the Cotton Factory siding. The Minister and Mr. Butler, with his principal officers, visited this spot January the 19th. It seems to have been decided at this visit, if not sooner, that the land would be purchased. On the 9th of March Mr. Butler wrote to the Minister giving a description of the property required at the Cotton Factory siding, and closing his letter with these words:

"The whole of this property should be secured for the purposes of the Mechanical Department at the earliest possible moment. It is a fairly level piece of ground and one where the shops can be constructed at reasonable cost, and no other parcel of ground in the vicinity of Halifax is at all comparable with it for such purposes. It is not advisable that it should be known that the railway is desirous of securing this property until the purchase is closed; and I therefore recommend that immediate steps be taken to secure firm options, and to complete the purchase of the property above described. (Sgd.) M. J. Butler."

#### THE MIDDLEMEN WERE AHEAD.

But while Mr. Butler may have thought that he was proceeding with secrecy, the parties who were to have the rake-off seem to have been well informed of the proceedings and possibilities. On the 16th of March, one week after Mr. Butler's letter to the Minister, the Deputy wrote to Mr. Pottinger, issuing the following order:

"Please instruct Mr. Macilreith to go ahead and close the matter, using Mr. Henry Read as valuator. I understand that we can secure the whole of the property for between thirty-five and forty thousand dollars . . . the matter should be pressed and closed as quickly as possible."

It will be observed that the same valuator was chosen as in the other case. Mr. Read arrived at Halifax on the 12th of April to make his valuation. Some time before options on the whole of the property required had been obtained by Messrs. Henderson and Pearson, aforesaid.

#### THEY WERE SHARP ON TIME.

Now, consider a few dates.

Lot No. 1 was acquired in February for \$750 an acre by Mr. Henderson for himself and partner. The purchase was completed later. Mr. Henderson's testimony concerning his purchase is as follows:

I had it understood in February with my partner, and he and I own about seven-eighths of the concern; and I explained the matter to him that Mr. Pearson and I were desiring to own all that district, and he agreed that I should have passed a minute of sale by Henderson and Potts to Henderson at the rate of \$750 per acre."

Mr. Henderson testified concerning lot 2: "I purchased it outright about the middle of March." The negotiation had commenced about February 20th.

Mr. Henderson testified that he bought lot 3 on the 14th of March. Negotiations with Mr. Stephen, who held the mortgage, began shortly before. He had been discussing the matter with Mr. Stephen previous to the 10th of March, but was not clear as to the exact time. Mr. Stephen, who testified in the Halifax libel suit on this subject, swore that negotiations were opened in February.

Mr. Henderson testified that he took options on lots 5 and 5a about the 9th of February. The purchase was completed, as the documents show, the 26th of March.

For the Veith's properties, lots 6 and 9, the options were obtained February 8th.

#### OTHER DATES.

The purchases were completed by Henderson and Pearson as follows:

Lot No. 1, April 6, 1906.

Lot No. 2, March 26, 1906.

Lot No. 3, March 27, 1906.

Lot No. 5, 5a, March 28, 1906.

Lots No. 6 and 9, April, 6, 1906.

It was on the 9th March that Deputy Minister Butler wrote to Mr. Emmerson that the property should be secured before the intention to buy should be known. It was on the 16th of March that Mr. Butler asked Mr. Pottinger to instruct Mr. MacIlreith, as lawyer for the Department, "to go ahead and close the matter, using Mr. Harry Read as valuator."

Thus, the middlemen secured their options after the official visit of the Deputy Minister and before public notice was given that the property would be bought.

#### A VALUATION TO MATCH.

Keeping these dates in mind, we go back to the routine. Mr. Read went to Halifax on the 12th of April and proceeded to make his valuation, giving the value of each lot. If Mr. Read had gone to the late owners he would have learned exactly what the lots were worth in the open market, since everyone of them had just been sold. Mr. Read testified that he did not go to the registry office to learn at what price these lands had been recently transferred. Mr. Read, did not go to the office of Mr. Pearson, the partner in the transaction. He learned that Mr. Henderson had acquired about all the property that the Government needed, and was willing to sell it at 3 cents a foot. Mr. Read submitted his valuation of lots. These valuations totalled up to exactly the figure reached by Mr. Henderson's proposal to sell at 3 cents per square foot, and was considerably more than double the price for which Mr. Henderson and Mr. Pearson had just purchased the land.

In his examination Mr. Read testified that on the first day he went on the land he discovered that Mr. Henderson had recently purchased the properties. Yet he did not ask what price had been paid, nor inquire about the assessed value. His valuation included damages for compulsory taking, though the land was bought for the purpose of re-selling. The valuation turned out to be more than 50 per cent. higher than Mr. Butler expected, but the Department put the deal through on that basis, though it was, in respect to the largest property, 300 per cent. above the recent selling price. On the 25th of May vouchers for \$45,400 were sent to the Auditor-General in favor of J. R. Henderson and the agent of the Department of Justice.

#### LITTLE CAPITAL REQUIRED.

Now, Messrs. Henderson and Pearson made the payments as follows to the persons from whom they bought the land:

Mr. Robinson was paid for Lot No. 2, \$2,500 some time in March.

For the Reeves property, Lot No. 3, \$1,000 was paid in March and the remainder after the money was received from the Government.

For the Hendry property, Lot 5 and 5a, \$300 was paid in March, \$100 in May, and the remainder after the money was received from the Government.

For Lot No. 6, the Veiths were paid \$105 in May, and the balance after the money was received from the Government.



It will be seen that the middlemen did not require much capital to finance the transaction. Mr. Henderson stated that he received the cheque on June the 11th, 1906, and on the same day paid his partner, Mr. Pearson, \$14,196 as his share of the profit.

#### THE HALIFAX "HERALD" EXPOSURE.

The inside story of the Halifax land deal was first disclosed by the *Halifax Herald*, which ascertained on the spot the price paid by the middlemen for the land. The *Herald* strongly denounced this graft, and mentioned the name of Mr. R. T. MacIlreith, agent at Halifax for the Department of Justice, who was in duty bound to protect the public interest. According to the Auditor's statement, Mr. MacIlreith received in that fiscal year from the Government, \$10,314.78 as legal expenses and taxed costs.

As the result of the *Herald's* criticisms, Mr. MacIlreith, who is one of the Liberal leaders, instituted libel proceedings against that journal. The case was tried out at Halifax, before a jury, and the whole facts disclosed. The result was a complete triumph for the *Herald*. The jury found in favor of the defence, and Mr. MacIlreith paid the costs of the trial.

#### BEFORE PUBLIC ACCOUNTS COMMITTEE.

Meanwhile, the deal had been investigated by the Public Accounts Committee at Ottawa. The facts were established on the evidence of Mr. J. R. Henderson, one of the two partners who purchased the land and sold it to the Government. Mr. Henderson personally had no political pull. He had the advantage of being in possession of a small part of the land required, and was in a better position than Mr. Pearson to buy the rest. Mr. Pearson, on the other hand, had the political influence, and contributed this to the partnership, with splendid financial results to himself. Mr. Henderson, before the Committee, told his story freely and frankly, though Government supporters in the Committee did the best to head off the disclosures.

#### PRICES AND PROFITS.

It remains to set forth in convenient form the price the Government paid for each lot with the price received from the middlemen by the previous owners. In regard to the first item it may be explained that the intermediaries paid \$750 an acre for the lot of which it forms a part, and which was not all sold to the Government. The price of this lot is worked out proportionately. The small additional profits divided come from the land left over.

Previous Owner.	Partners paid	Government paid	Profits.	Profit Per Cent.
Henderson and Potts.. . . .	\$ 500	\$ 2,500	\$ 2,000	400
A. Robinson.. . . .	2,500	3,200	800	32
James Reeve.. . . .	4,000	7,300	3,300	82.5
James Reeve.. . . .	4,000	7,300	3,300	82.5
W. A. Hendry.. . . .	3,099	3,150	51	2
Vleth Estate.. . . .	7,239	27,100	19,811	272
Susan Velth.. . . .	1,200	2,050	850	71
Total.. . . .	\$18,588	\$45,400	\$26,812	141

The evidence in this case will be found in the Reports of Public Accounts Committee, 1907, pages 487 to 545.



## TRURO LAND DEAL.

### Rake-Off in Money and Land.

This story begins in 1903 when a vote had been passed for increased accommodation at Truro. In July various sites for a proposed engine house were examined by the engineers and superintendents. They reported against the site finally chosen. In October, Hiram W. Yuill submitted an offer of this property for \$11,000. Trackmaster Archibald reported "I do not consider the price reasonable." Mr. Yuill had acquired an option from the previous owners and was the middleman in the case.

The Chief Engineer reported favorably on the "Doggett" property, which was offered at \$100 per acre, regarded by the engineer as a reasonable price. This officer prepared plans showing that the completed building on the "Doggett" site would cost \$180,510, while, owing to increased excavation, etc., it would cost \$233,200 to furnish the accommodation on the site offered by Mr. Yuill.

#### A CAMPAIGN PURCHASE.

This was in the beginning of 1904. Nothing happened until June of that year, when the elections were in sight, at which time B. F. Pearson, M.P.P., the principal figure in the Halifax deal, came in sight. He invited the Chief Engineer to meet him in Truro to consider the land purchase, adding: "I am very anxious to get this settled before I leave for Newfoundland." At the end of June Mr. Pearson, Mr. Laurence, afterwards Government candidate, the General Manager of the I. C. R., and Chief Engineer, had their meeting at Truro. August 30th Mr. Pearson's son sent forward a certificate from certain local people that the land was worth as much as Mr. Yuill asked for it, and on the 19th September Mr. Emmerson, after meeting the Pearsons, gave orders for the purchase of the land. There was a hitch in the proceedings, and on October 3rd, a month before the election, Mr. Emmerson telegraphed to the General Manager of the Intercolonial

"Secure that land for Truro round house immediately at price named in paper appraising value. Get Mr. Laurence to search the title. Rush the work with all possible speed  
Sgd. H. R. EMMERSON."

So the General Manager was obliged to take the land which his engineer had condemned, and of which his district officer had said, "I consider it not worth our while to further consider the place." There was some re-adjustment of boundaries, and the price paid was \$11,500.

Mr. Yuill's option was at a considerably lower price for a still larger lot. He had besides his cash margin a block of land 893 feet on Queen Street and 130 feet deep.

## ST. BONIFACE LAND DEAL.

### Rake-Off \$161,887.00—Transaction Carried Through By Commissioner Young.

In the Summer of 1905, it had been decided by the Government Commission which is building the Eastern section of the Transcontinental, and by the Grand Trunk Pacific Company, that the terminals and shops of the railway system should be near the City of St. Boniface, across the Red River from Winnipeg. Mr. O. A. Young, one of the Commissioners, who is a brother of Senator Young, and was, before his appointment, an active politician in Manitoba, assumed the duty of purchasing the land required.

Mr. Young did not hurry about it. He allowed the Autumn of 1905 and the following Winter and Spring to pass. In November of 1906 he considered that matters were ripe for a land purchase.

#### MARKET VALUE \$125 PER ACRE.

Meanwhile the middlemen were moving. John Henry Kern, of Moosejaw, who kept a saloon in his own town and had a business of the same kind in Winnipeg, appeared on the scene about the time the location of the terminals was settled. At the end of September he had sized up the situation, and bought from Finley McIntosh 160 acres for \$120 an acre, or \$20,000 for the lot. Apparently there was some reduction made, as the amount paid was only \$19,200. Half the money was paid when the option was taken.

About the same time Mr. Kern took an option on 480 acres adjoining. At the same price, \$125 per acre, or \$60,000 for the lot. He made a small payment down. This purchase was made from the Arctic Ice Company, composed of clever business men, who thought they were making a good sale.

In May, 1906, Mr. Kern took an option from James Hamilton on 320 acres more at \$125 per acre, which seemed to be the current price of this land. This time he took in another Moosejaw saloon keeper named E. C. Matthews, as partner in the deal. He assigned his option to Mr. Matthews, in whose name the land was afterwards transferred, but retained a half interest.

Kern had now 640 acres in his own name and a half interest in 320 more. These options had been taken in the open market, under the eye of Commissioner Young, who lived in Manitoba, knew where the shops and terminals were to be, and could have bought at the same price.

#### GOVERNMENT PAYS \$250 TO \$325 PER ACRE.

In November, 1906, Commissioner Young proceeded to buy the land he wanted. He concluded that he needed 800 acres and he first bought 480 acres from Kern. Mr. Kern kept back 160 acres, and agreed with Mr. Young on a price for the other 480 acres, on condition that the workshops should be placed within 500 feet of Kern's remaining quarter section. On this condition Mr. Young paid Mr. Kern \$287.50 an acre, with the understanding that the price was to be \$325 an acre, or \$18,000 more if the shops were not so located. So we have the following transaction:

Mr. Kern paid.. . . . .	\$ 59,200
Government paid Kern (at least) . . . . .	139,000
Profit.. . . . .	79,800

Or 133 per cent.

Next came the purchase by the Commissioner of the 320 acres held under option by Kern and Matthews. In November, 1906, Mr. Young bought this land for \$84,000 (\$250 an acre for one 160 acres, and \$275 for the other). Kern and Matthews had held their option only since May, and had paid only one-third of their purchase price of \$40,000. The other two-thirds was not paid until the Government had made an advance of \$30,000 to Kern and Matthews to enable them to acquire their title. So, not only did the Commissioner allow the middlemen a profit of 110 per cent., but he furnished them the capital to carry through the operation. The two deals together work out as follows:

#### RAKE-OFF 125 PER CENT.

Paid by the middlemen.. . . . .	\$ 99,200
Paid by the Government.. . . . .	222,000
Profits.. . . . .	122,800

Or 123 per cent.

There was never the slightest need of these intermediaries. The Commissioners knew better than Kern or Matthews what land they would require. They could have bought from McIntosh, the Arctic Ice Company and Hamilton at the same price that the middlemen paid. If lands increased in value afterwards, it was because of these terminal works, and even if the property had been expropriated the Government would not have been made to pay for the prospective value caused by Government operations.

It is a clear case of unnecessary and improper expenditure for which no decent excuse was or can be found. This \$122,800 was simply taken from the people of Canada and given to middlemen who were not required in the matter at all.

Taking the five transactions together we have the following:

#### THE FIVE DEALS.

	Paid by Government	Rake-off
1st. Moncton Deal.. . . . .	\$ 12,580	\$ 2,505
2nd. Moncton Deal.. . . . .	10,490	2,190
Halifax Deal.. . . . .	45,400	28,392
Truro.. . . . .	11,500	cash and land
St. Boniface.. . . . .	222,000	122,800
Total.. . . . .	302,970	161,887 plus Truro, cash & land.

That is to say, the original owners of the land got a good deal less than half what the Government paid. Evidently it is better to be a middleman than to own land. Pull is worth more than property.

# MARINE FINANCE.

## A DEPARTMENT WITHOUT A CONSCIENCE.

So Said Commissioners Fyshe and Bazin. Charge Borne Out by the Minister's Travelling Bill—The Falconer Deal—The Merwin Accounts—The Arctic and Montcalm Scandals and the Transactions With the International & Canadian Fog Signal Company.

The Department of Marine and Fisheries offers numerous and startling illustrations of graft and extravagance. Many scandals brought to light during the Sessions of 1906, 1907 and 1908 were connected with this Department. These instances go to show that the astonishing increase in Marine expenditure is largely due to negligence, extravagance and waste, and perhaps still more largely to methodical, systematic and continued plunder.

After some examination of the condition of this Department, Mr. Thomas Fyshe and Mr. P. J. Bazin, Royal Civil Service Commissioners, both life-long Liberals, reported that "zeal for the public service and regard for economy are conspicuous by their absence"; that there was no sign of "an intelligent purpose unless it be that of spending as much money as possible"; that there was "a lack of conscience"; that "Government officers were serving two masters."

Let us see how much the expenditure in this Department through its various branches has increased during the decade. (Public Accounts, 1907, pages 62 to 66, and Estimates and Supplementary Estimates of 1908.)

1896.. . . .	\$427,251	\$466,057	\$36,683	\$181,452	\$26,321	\$1,137,764
1897.. . . .	443,587	445,743	38,131	183,258	26,838	1,137,557
1898.. . . .	441,725	474,217	38,163	145,553	26,342	1,126,000
1899.. . . .	412,368	545,645	37,353	330,254	28,035	1,353,655
1900.. . . .	411,470	523,485	37,741	247,785	27,966	1,248,447
1901.. . . .	491,351	578,618	36,141	233,162	29,248	1,368,522
1902.. . . .	548,895	696,311	51,827	496,191	27,494	1,820,718
1903.. . . .	527,829	964,144	48,750	417,137	30,172	1,988,033
1904.. . . .	634,319	1,275,017	50,302	566,547	33,609	2,559,794
1905.. . . .	979,889	2,507,307	51,732	1,052,677	50,188	4,641,790
1906.. . . .	968,702	2,530,308	50,731	1,013,683	37,576	4,601,000
1907 (9 mos)	693,686	2,026,642	38,156	679,155	32,460	3,470,099
1908 (voted)	1,356,306	3,040,173	70,500	1,064,916	47,500	5,579,395

There is a great amount of patronage in an expenditure of five or six millions a year, most of it controlled by the Minister and his friends, and practically all except the salaries were paid out to favored persons without tender or competition.

### MR. BRODEUR SETS THE EXAMPLE.

Hon. Mr. Brodeur, Minister of Marine, is not in a position to check lavish expenditure. He is too reckless in his own spending out of the Public Treasury.

In 1907 this Minister went to England as a delegate to the Imperial Conference, proceeding thence to France as a Commissioner, to negotiate

a commercial treaty. Mr. Brodeur departed at the beginning of April and returned the 1st of October. He took a run to Hamburg to inquire about ice-breakers and made holiday excursions into Switzerland and Italy. Delegates to the Imperial Conference with their staff and their families were entertained while in England as guests of the Imperial Government. Mr. Brodeur left there May 20th.

#### SEVENTY DOLLARS PER DAY.

For the remaining period of four months which Mr. Brodeur was on the other side of the water, the expenses charged to the Country were as follows:

Advanced before he left Canada out of the vote for ice breaking on the St. Lawrence.. . . .	2,700
Paid to the Minister in Paris.. . . .	2,500
Paid to Mr. Brodeur on his return.. . . .	4,000
Paid later by the Trade and Commerce Department \$2,500 out of which the Paris advance of \$2,500 was re-couped, leaving.. . . .	1,000
<b>Total.. . . .</b>	<b>\$9,500</b>
Less refund January 1908.. . . .	680
	<b>\$8,820</b>

This does not include the fare to England, which is a story by itself.

We find Mr. Brodeur receiving \$2,200 a month. From May 20th to September 24th is 126 days. The expense come to exactly \$70 per day. (See Mr. Brodeur's evidence in Public Accounts Committee.)

#### LIKE AN EASTERN POTENTATE.

Not only is the Minister extravagant, but he is careless in his public accounts. His account as charged, audited and paid, included the passage of ladies in his party. Afterwards this was refunded. His travelling expenses seemed to have included those of his pleasure trips. His Secretary, whose bills ran up to \$1,954, or over \$15 per day, for the whole trip, tried to explain to the Public Accounts Committee that his large expenses were partly due to cab hire and tips. Apparently these were for Mr. Brodeur's whole party, as the tips were on an Oriental scale. The Secretary swore that he paid \$41.50 in one day, and \$40 in another, all for tips.

#### HARD TO GET THE FACTS.

It was not until near the end of the long Session of 1908 that the full details were obtained. Mr. Brodeur had promised to make a general statement concerning his European expenses before asking the House to vote further supply for his Department. Notwithstanding this pledge the Minister insisted on having his vote, stating that the information was not ready but would be provided afterwards. As other Ministers had estimates ready and could have proceeded while the Minister of Marine was obtaining his information, the Opposition proposed to hold him to his promise. Mr. Brodeur persisted in demanding his vote, and actually kept the House from doing any other business during a 57-hour sitting, from 3 o'clock in the afternoon of Thursday until midnight on Saturday. But not a dollar was voted during those three days, and in the end Mr. Brodeur had to furnish a general statement before he obtained further supply. It is, perhaps, not surprising that this information should be withheld as long as possible. The details of tips, etc., were given in evidence months afterward.

A Minister who sets a pace like this, and transacts business in such fashion could hardly be expected to carry through with success any economy

or reforms in his Department. It is not surprising that the Civil Service Commission, composed of Liberals, should report of this Department that "organization, discipline, zeal for public service and regard for economy are all conspicuous by their absence"; that there is "constant blundering and confusion," with "no sign visible of a single directing head or intelligent purpose unless it be that of spending as much money as possible."

#### THE FALCONER BOOK-KEEPING DEAL.

But Mr. Brodeur devised one reform scheme. In 1906 he engaged a New York book-keeping firm to re-organize the accounting of the Marine and Fishery Department. This contract, made with the Montreal agent of the New York establishment, turned out to be an extravagant and reckless transaction, which was itself condemned by the Royal Commission. Mr. Brodeur made an indefinite contract with the agent. There was no price fixed for services, no limit to the total cost, no question whether the work was to be performed by alien laborers. The result was that payments were made, on account, as follows, for the services of persons mentioned. (Hansard, 1907, page 511, and Auditor-General, 1906-7, pages 77 and 78.)

#### THE PAY LIST.

Name and Residence	Paid per day	Total Paid
J. M. Gunn, New York . . . . .	\$75	\$ 182.12
W. B. Richards, New York . . . . .	75	2,277.61
W. F. Russell, New York . . . . .	50	2,310.89
George T. Fawcett, New York . . . . .	50	504.89
Kenneth Falconer, Montreal . . . . .	40	7,032.04
L. R. Apton, New York . . . . .	30	1,180.64
F. H. Leland, New York . . . . .	30	5,861.65
George Pare, Montreal . . . . .	25	1,378.26
M. Pooley, New York . . . . .	25	2,231.23
H. A. Marven, New York . . . . .	20	5,282.06
A. T. Dowd, New York . . . . .	15	163.41
F. B. Whittet, New York . . . . .	15	1,524.95
S. Kettbridge, New York . . . . .	15	3,407.55
J. J. Moorman, New York . . . . .	15	476.04
A. B. Murray, New York . . . . .	15	1,551.04
L. B. Come, New York . . . . .	15	546.61
H. H. Petse, New York . . . . .	15	1,044.48
H. Hipwell, New York . . . . .	15	3,275.55
J. R. Ellis, New York . . . . .	15	748.82
H. B. Cross, New York . . . . .	15	73.98

#### PADDED ACCOUNTS.

There were also payments to stenographers at \$9.50 per week, and to others at \$3.50 per day. Notwithstanding the high rates the Government was charged with the transportation from New York to Montreal, and with board of the experts while at Ottawa. The board charges for the principal imported bookkeepers were as follows:

For four men . . . . .	\$5	per day each.
For five men . . . . .	\$4	per day each.
For nine men . . . . .	\$3	per day each.

After the bills were paid it was learned that some of these men were boarding at private places at the moderate charge of \$1 per day.

The bookkeeping job was never completed. In the absence of Mr. Brodeur, Acting-Minister Templeman made up his mind that the affair was a waste and an extravagance. He said that no bookkeeper was worth the amounts paid, and closed out the business abruptly. W. B. Richards, one of the New York partners, testified in the Public Accounts Committee,



that they were stopped in the midst of their work, whereby a great part of the benefit would be lost.

The total payments to the New York firm were \$42,315.81. (Hansard, 1908, page 10516.)

#### BOODLING AND WASTE.

A sidelight on the condition of the Department is afforded in the report of Mr. Leland, one of the above accountants, who stated that he found at the agencies and branches "no proper record of any sort"—there was no assurance that the materials paid for were received—there is no doubt whatever that the Department has paid for materials which were never received.

The condition of the Department is much more fully described by the Royal Civil Service Commission.

#### MERWIN AS A FAVORED CONTRACTOR.

George T. Merwin, who came from the United States a few years ago and opened an office in Montreal, has been one of the most fortunate Government contractors. He has done a large business with the Government in lighthouse outfits, buoys and other supplies, of a special character, and also in common machinery and ordinary goods generally dealt with by the trade. In all these transactions Merwin seems to have made his own terms and received very special prices. Part of his business was done in his own name, and part in the name of F. L. Brooks & Co., represented to be a New York concern of which Mr. Merwin is the Canadian partner.

The following, among other amounts, have been paid to George T. Merwin:

In 1904.....		\$134,359
In 1905, in his own name ..	\$157,851	
In 1905, as Brooks & Co. ....	37,268	195,119
In 1906, in his own name ..	114,662	
In 1906, as Brooks & Co. ....	119,417	234,079
In 1907, in his own name ..	50,641	
In 1907, as Brooks & Co. ....	56,679	107,320
Purchases continued in 1908.		

In March, 1906, Mr. Brodeur stated that \$404,308.87 had been paid to George T. Merwin down to that time, and none of the goods had been bought by tender (Hansard, 1906, page 767). This method of purchase has held good to the present time.

#### A MAN WITH A PULL.

The Department showed a remarkable preference for Mr. Merwin and his firm. It bought from him gas buoys, spar buoys and all kinds of buoys, fog-signalling apparatus, lanterns for lighthouses, and all sorts of apparatus. It took from him wire and shafting, pumps, boilers, engines, cranes, derricks, capstans, turning lathes, pillar shapers, hoisting engines, underfeed stokers, lumber, cement, store holders, planing machines, ropes, smokestacks, drilling machine, and general hardware, all without tender, at any price the contractor demanded.

Undoubtedly a large line of merchandise bought from Merwin without tender could have been obtained in the open market anywhere in Canada at much lower prices.

#### STRUGGLE TO GET THE FACTS.

During the Session of 1906 members charged that on standard articles the Department was paying Merwin from twenty-five to one hundred per cent. above the real value. These charges were supported by price lists and letters from manufacturers and dealers.

These charges the Minister of Marine contradicted, but very little information could be got from him.

Mr. Merwin, summoned by the Public Accounts Committee, absolutely refused to disclose the manufacturer's price of the articles in question. He was supported by Mr. Fielding and other ministers in his refusal. Government supporters in the committee backed up the contractor at every stage. Government supporters in the House denounced the Opposition charges. For weeks Opposition members of the Public Accounts Committee struggled with the officers of the Department and with Mr. Merwin to obtain a statement of the current price of the articles, and labored in the House to get some decent explanation of the transactions.

#### A PARTIAL DISCLOSURE.

At length it was ascertained that Mr. Merwin had bought certain engines, boilers, pumps and other common machinery from Williams & Wilson, a Montreal firm regularly handling these articles. Mr. Wilson of this firm was called as a witness. Before he reached the stand he was seen by Mr. Merwin, and when questioned he declined to give the prices Merwin paid him, unless Merwin should consent. Once more the Government supporters in the Committee stood out for suppression. But Mr. Northrup, who was conducting the examination, announced his intention of appealing to the House and making the affair a matter of record. In the end, Mr. Merwin and his associates surrendered, and Mr. Wilson's story was told. His evidence covered a list of 15 articles sold by him to George T. Merwin's firm and forwarded direct to the Marine and Fisheries Department. The following table gives the price at which these articles were bought by Mr. Merwin and the price which the Government paid to him:

THE TABLE OF PROFITS.

	Merwin paid Wilson.	Government paid Merwin.	Merwin's Profit.	Per Cent.
1 Hendey Norton lathe, etc.	\$ 995.00	\$1,250.00	\$255.00	26
1 Underwriters' pump . . . .	1,024.00	1,550.00	526.00	51
2 Underfeed stokers . . . .	1,880.00	2,550.00	670.00	36
1 Tubular boiler . . . . .	660.00	975.00	315.00	48
1 Sturtevant engine . . . .	335.00	960.00	625.00	187
1 Sturtevant engine . . . .	265.00	550.00	284.50	107
1 Beaty hoisting engine . . .	770.00	1,100.00	330.00	43
1 Hendey pillar shaper . . .	505.00	800.00	295.00	58
1 Steel derrick . . . . .	756.70	1,250.00	493.30	65
1 McG. & G. boiler . . . .	660.00	975.00	315.00	48
1 Capstan . . . . .	390.00	650.00	260.00	67
1 Sturtevant engine . . . .	262.50	550.00	287.50	109
1 O. & S. boiler . . . . .	575.00	852.50	277.50	48
1 Travelling crane . . . .	1,640.00	2,500.00	860.00	52
Bitumastic solution . . . .	1,120.00	1,500.00	380.00	34
Total . . . . .	\$11,838.70	\$18,012.50	\$6,173.80	52

#### A DROP IN THE BUCKET.

This little bill of goods should be studied carefully. It shows that on a list of articles such as are bought and sold every day, in every city of Canada, the prices of which could be ascertained from agents in Ottawa or by telephone to the jobbing firm or the manufacturers, the Department paid Merwin from 27 to 187 per cent. above the jobbers' price. The goods could

have been bought by the Department from the makers at the same price that the Montreal house paid.

But this \$18,000 affair is a trifle out of the whole transactions which the Government has had with Mr. Merwin and his associates. It is a matter of arithmetic how much out of that three-quarters of a million went into the pocket of the middleman, assuming the proportion of rake-off to be the same.

#### WHERE HE HAS HIS MAIN CHANCE.

There is every reason to believe that the profit would be much greater on articles which Merwin claimed to be specialties of his own than on those which are handled every day in the regular course of trade by all dealers. If the middleman is able to make as high as 187 per cent. on an ordinary engine, such as is bought and sold every day in sight of the Department, how much does he make on his imported gas-buoys, his store-holders and his lighthouse equipments? Take, for instance, the following list from the last report printed. (Auditor-General's Report, 1907, pages P. 95 and 98.):

16 lenses at \$250.00 each .. . . .	\$ 4,000
12 lenses at \$30.00 each .. . . .	3,600
Flashlight for Sambro .. . . .	18,500
Flashlight for Cape Bauld .. . . .	12,800
Flashlight for Seal Island .. . . .	17,400
Flashlight for Shippigan .. . . .	6,575
5 Lanterns .. . . .	7,150
3 Lanterns .. . . .	1,590
5 Lanterns .. . . .	4,150
28 Lanterns .. . . .	28,040
25 Lanterns .. . . .	12,500
215 buoy glasses .. . . .	451.50

If Mr. Merwin can collect from a department \$960 for an ordinary engine ordered by him from the jobber at \$335, what percentage of profit would satisfy him for his specialties in lanterns, flash lights and lenses? The profits are probably several hundred per cent. on these.

#### CONTRADICTIONARY EXPLANATIONS.

The same officer who certified to the accounts and prices of the engines, derricks and other common machinery, settled the price of the lanterns, flash lights and other apparatus, and doubtless did it with similar generosity.

This technical officer told the Public Accounts Committee that he certified to the price of the underfeed stokers because, after consultation with one Mr. Wiser, he concluded the price was reasonable. He testified that the price of the Sturtevant engines appeared to him at the time to be reasonable. He stated further, that he based the price on the hoisting engine on what was paid for one on the steamer "Scout." Such was the statement made in 1906 in the Public Accounts Committee.

But when this officer was called before Judge Cassels in his investigation of the Marine Department, he testified that he had objected to the price at the time the articles were bought, and that the Minister had ordered him to pay it.

## THE TUG VICTOR.

### How Merwin Bought a Tug, Rented Her to Government and Got Her Cost Back in Five Months.

An example of the Government's dealings with Merwin was furnished in the Public Accounts Committee in 1907. (Report for March 31, April 7th and June 3rd.)

W. H. Noble, Assistant Commissioner of Lights, testified that the Government had been employing the tug "Beaver," paying \$30 a day, the owner furnishing the crew and finding everything. On June 21st, 1905, a contract was made by the Department with George T. Merwin, engaging his tug "Victor" for lighthouse and buoy service. The "Beaver" was thereupon discharged, though she was afterwards re-engaged.

Mr. Merwin was paid \$25 per day, including Sundays, for the "Victor," the Government furnishing the crew and paying all expenses. The pay ran for 147 days, Mr. Merwin receiving \$3,675.

Pay of crew and other expenses brought the cost up to \$6,951.35. (Noble's evidence, page 24.)

For the "Beaver" the cost would have been for the same time \$4,410.

#### OTHER FAVORS TO MERWIN.

Mr. Noble testified (page 25) that the "Beaver" was more seaworthy, larger, having better engines, and was not so old. He swore that the "Beaver" was a better boat, and that he would consider her better value.

When the "Victor" was engaged she was out of repair. She was taken to the Government works and repaired at Government expense, so that though the rent began on the 21st of June, the tug did not go to work until the 29th.

On the 1st of November, Assistant Commissioner Noble, who is in charge of the work at that point, gave notice that the "Victor" would not be required longer and her charter term was out. Mr. Merwin communicated with Mr. Noble's superiors, and Noble was ordered to continue the charter fourteen days longer. The crew were discharged and the vessel tied up, but still the rent went on. She was stopped for repairs during the summer and the Government paid for that.

#### SO HE GOT THE BOAT FOR NOTHING.

The remainder of the story is that Merwin had bought the tug just before he had chartered her to the Government, and he sold her when the charter ran out. Mr. A. W. Stevenson, in whose name the tug was bought for Merwin, testified that the price paid was either \$3,700 or \$3,800.

If the price was \$3,700, Merwin got back from the Government in five months the whole purchase price less \$25. If it was \$3,800, he got \$125 less than the full price, and his tug seems to have been returned to him in much better condition than when he bought her.

## THE ARCTIC.

### Cruise Which Cost a Quarter of a Million—An Astonishing Bill of Supplies and a Partial Investigation.

The steamer "Arctic" was bought second-hand by the Government of Canada in 1903 from Germany. She is a wooden vessel, 165 feet long, 763 tons burden. The contract price was \$70,000. She arrived at Quebec, June 14th, 1904, accomplishing the voyage in 36 days, or a 4 knot gait. Repairs made at Levis and extras brought the cost up to \$93,111.

#### MODEST PROPOSITION OF \$10,500 A YEAR.

The Government proposed sending the "Arctic" to explore the coast of Hudson Bay and other Northern waters to affirm and enforce Canadian jurisdiction. In 1903 Mr. Sifton privately notified Mr. Borden of this intention, requesting him to secure the silence of our own friends in the House as it was an affair of international significance. Mr. Sifton gave the following estimate of cost:

"Outside of the chartering of the steamer and the wages of the crew and the coal the cost was to be per month, for a surgeon \$100, for a photographer \$75, and for maintenance \$700 a month—a total of \$875 per month, or \$10,500 a year. The wages of the crew were estimated at \$1,200 a month and the number of persons to be taken on board was to be 55."

#### STORY OF THE JAUNT.

The "Arctic" sailed from Quebec, September 17th, 1904, and was back in a little over a year, not having succeeded in getting as far as Port Churchill, the ordinary destination of Hudson Bay trading vessels. She discovered nothing, did no patrol work, and accomplished no useful purpose.

Sailing September 17th, the "Arctic" arrived at Port Burwell, Ungava Bay, October 1st, and at Fullerton, October 16th. Fullerton is where Mr. Low of the Geological Survey had wintered with the "Neptune" the previous year. Here the "Arctic" spent a comfortable winter in Company with the United States whaler "Era" and a number of Esquimaux, men and women, estimated at thirty to one hundred, who come to stay with the ships and have a good time. The steward of the "Arctic" gave interesting testimony of the entertainments given to the natives and of the relations established between them and the ship's company.

From October to July the "Arctic" was at Fullerton. Then she tried to go to Churchill, but broke her propellor. A new one was fitted, "when it was found that the slot to take the shaft key was not cut in the proper place." A propellor from Germany was substituted and the ship proceeded to Erik Cove.

Superintendent Moodie, in command of the expedition, says, "With a good steamer, with plenty of power, there will be no difficulty in forcing a passage through almost any of the ice encountered and no danger." But the "Arctic" was not that kind of a ship.

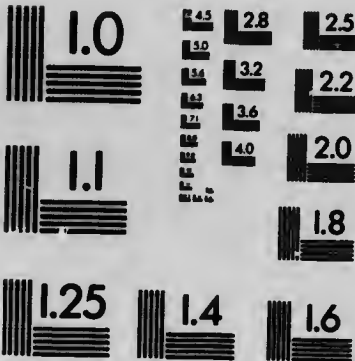
By the 18th of July the ship arrived at a place visited and described the previous year by Mr. Low. The ship had to do something to distinguish the Government, so the place was christened Prefontaine Harbour, and the neighboring headland Cape Laurier. Both names were given with expenditure of champagne.





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For a month the "Arctic" lingered about these well-known waters, anxiously awaiting a relief boat to bring more supplies.

#### HOMeward FOR MORE SUPPLIES.

By the middle of August the "Arctic" got back to Ungava Bay on the Labrador coast. There she had a good time with the British flagship and a Newfoundland steamer, exchanging entertainments and hospitalities. Fearing that the supply ship had gone by, the "Arctic" turned back for Prefontaine Harbour, but finding bad weather and ice returned to Burwell.

She arrived at Quebec after an absence of over a year, having made a voyage which an ordinary Hudson's Bay steamer would have accomplished in a few weeks, and performed no service of value.

The ship's company numbered 47. There was a superintendent with his secretary, an inspector, a sergeant, two corporals, and six constables of the Northwest Mounted Police, a historian, a photographer, captain, physician, two mates, two engineers, electrician, boatswain, purser, quarter-master, chief steward, second steward, three waiters, cabin boy, cook, assistant cook, carpenter, lamp trimmer, two oilers, two firemen and eight seamen. The party ran largely to officers, cooks, stewards and waiters.

#### SUPPLIES BOUGHT WITHOUT TENDER.

As the "Arctic" had arrived from Germany in June, and did not sail for the north until September, ample time was given to purchase by tender the supplies required. But no competition was wanted. An extraordinary bill of supplies was made out and favored dealers furnished the goods. Anyone who had friends in authority and wished to unload additional supplies upon the "Arctic" was given a chance, and the goods were taken at his own price.

Here is part of the clothing supplied for the "Arctic's" crew of 34 men, the members of the police force having been otherwise provided for. (A. G. Report, 1905, pages P. 194-199):

#### SOME OF THE CLOTHES.

1 Uniform at .....		\$ 35.00
25 Uniforms .....	at \$30.00	750.00
12 Uniforms .....	at 8.00	96.00
12 White coats .....	at 1.50	18.00
80 Suits blue pilot cloth .....	at 19.00	1,520.00
40 Camel hair suits .....	at 19.80	792.00
23 Overcoats .....	at 25.00	575.00
40 Fur coats .....	at 30.00	1,200.00
40 Fur pants .....	at 22.00	880.00
40 Coats fur lined .....	at 15.00	600.00
40 Ulsters, rubber with hoods .....	at 14.00	560.00
80 Oil coats .....	at 1.25	100.00
80 Oil pants .....	at 1.25	100.00
40 Jackets, with hoods .....	at 5.50	220.00
40 Jackets, leather .....	at 10.75	430.00
80 dozen shirts and drawers .....	at 16.50	1,320.00
7 dozen shirts .....	at 12.50	87.50
40 Camel hair shirts .....	at 2.50	100.00
10 dozen wool undershirts .....	at 14.50	145.00
20 dozen navy twilled and plain over shirts at	\$15	300.00
10 dozen navy knitted guernseys .....	at 18.00	180.00
6½ dozen pyjamas .....	at 18.00	120.00
7 dozen drawers .....	at 8.75	61.25
40 Pants, fur lined .....	at 3.50	140.00

**\$10,329.75**

The assortment of boots, socks and mittens includes the following:—

80 pairs of rubber boots at \$4.90, less 30 % discount .. . . .	\$274.40
40 pairs of sleeping socks, at \$3.25 .. . . .	130.00
34 dozen socks at \$3. . . . .	102.00
40 pair moose, high top socks at \$4. each .. . . .	160.00
40 pairs of mitts at \$2. . . . .	80.00
40 pairs of mitts at \$3. . . . .	120.00
80 pairs of moccasins at \$5. . . . .	400.00
Seamen's bluchers, 40 pairs at \$2.25 .. . . .	90.00
10 doz. pairs gloves at \$4.25 a doz. . . . .	42.50
40 pairs of Esquimaux skin boots at \$4.25 a pair .. . . .	170.00
120 pairs of buckskin mitts at \$4.50 a pair .. . . .	540.00
120 pairs of shooting gloves at 4.72 a pair .. . . .	566.40
40 pairs of arctic boots at \$5.50 a pair .. . . .	220.00
40 pairs of slippers at \$1.50 a pair .. . . .	60.00
25 sleeping bags at \$70 each .. . . .	1,750.00
3 sleeping bags at 200 each .. . . .	600.00
8 sleeping bags at 225 each .. . . .	675.00
80 sleeping bags at 25 each .. . . .	2,000.00

The clothing bill, as reported by the Minister of Marine, was \$23,998.76, making \$700 each for the 34 men to be provided for by that Department. (Hansard, 1906, page 6519.)

#### PLENTY OF SMOKE AT A HIGH PRICE.

The smoking account includes the following, bought from G. E. Amyot & Fils, Quebec:

500 Havana cigars at 10c .. . . .	\$ 50.00
4,000 Laurier cigars at \$65 .. . . .	260.00
Toronto D.C.C. cigars 4,000 at \$35 .. . . .	140.00
5,000 cigarettes .. . . .	50.00
Tobacco, T. & B. smoking, 805 lbs. at 95c .. . . .	764.75
Tobacco, chewing, 200 lbs. at 78c .. . . .	156.00
Excise dues on 1005 at 39c .. . . .	391.00
Express charges .. . . .	18.90
400 pipes .. . . .	126.99
From C. Gratton & Co., Montreal,	
Tobacco, 528 lbs. at 53c., and 272 lbs. at 60c. . . . .	443.04
From Rock City Tobacco Co. Quebec.	
Tobacco, navy, chewing and smoking, 600 lbs. at 76c .. . . .	\$456.00
Tobacco, navy, chewing, 144 lbs. at 69c .. . . .	99.36
Tobacco, navy, smoking, extra, 342 lbs. at 80c. . . . .	273.60
Tobacco, navy cut, 192 lbs. at 75c. . . . .	144.00
Tobacco, Wlgwam, 70 lbs., at \$1.00 .. . . .	70.00
Tobacco, Poker, 50 lbs. at \$1.00 .. . . .	50.00
Cartage .. . . .	3.00
	<hr/>
	\$1,095.96

#### PART OF THE LIQUOR BILL.

From U. Patry, Quebec 10 cases Champagne .. . . .	\$320.00
From Plouffe & Co., Ottawa,	
5 cases Port .. . . .	65.00
5 cases Salsaparielle .. . . .	40.00
42 gals. Spirits .. . . .	179.82
From Lawrence A. Wilson, Montreal,	
Old Jamaica Rum, 108½ gals. . . . .	434.00
Alcohol, 110 gals. . . . .	495.00
Cognac, 5 cases. . . . .	60.00
Burmesta, fine old crusted Port vintage of 1878, 5 cases. . . . .	60.00
From Lyman & Sons, Montreal.	
Alcohol, 20 gals. . . . .	100.00
Brandy, 5 cases .. . . .	60.00
Jamaica rum, 5 gals. . . . .	27.50
Sherry wine, 15 gals. . . . .	60.00

## SOME THINGS TO EAT.

It would be too long a story to go through the provision bills, amounting to between \$60,000 and \$70,000, according to the Minister's statement. They are all set forth in the Auditor-General's Report for 1905, beginning at page P-194. A list amounting to \$12,931.13, purchased from one Montreal firm, contains the following among many other items:

Preserved fruits, 65 cases at \$3.50 .. . . .	\$227.50
California raisins, 1,250 lbs. at 8 cts .. . . .	100.00
Concentrated extracts, 100 bottles at \$3.50 .. . . .	350.00
French sardines, 50 cases at \$15. . . . .	750.00
Red currant jelly, 1,020 lbs. at 10 cents .. . . .	102.00
Marmalade, 300 tins at 75c .. . . .	225.00
Walnuts 236 lbs. at 13½c. . . . .	31.50
Almonds, 213 lbs. at 13½c .. . . .	28.76
Filberts, 100 lbs. at 10c. . . . .	10.00
Canned fruits 242½ doz. . . . .	424.40

From the Bovril Co. Montreal—Bovril and Pemmican .. . . .	19,780.30
From Kearney Bros. Tea & Coffee .. . . .	3,037.06
From M. Thibaudeau 1,000 pounds of honey etc. . . . .	957.52
With other huge purchases at fancy prices.	

## A RESTRICTED INQUIRY.

In the Commons these accounts called for sharp criticism, with other expenditures of the Marine Department. Sir Wilfrid Laurier was asked to refer all marine accounts to a special committee for investigation. The Premier refused inquiry, except in the matter of the supplies to the "Arctic," and moved a resolution referring the accounts to a committee, to ascertain whether the goods purchased were all put on board the steamer and whether excessive prices were corruptly paid, and pecuniary benefits received by officials of the Department.

Mr. Borden moved in amendment that:

"A committee of seven members be appointed to inquire into and investigate the expenditure of public money in or by the Department of Marine and Fisheries from and after the 30th day of June, 1902, and to inquire whether any abuses, irregularities, improvidence, or maladministration have arisen or occurred in respect of such expenditure, and whether any persons employed in or connected with the said department have profited thereby, and whether any additional safeguards should be provided in respect of the expenditure of public money in or by the said department and to report upon the matter aforesaid."

Mr. Borden's amendment was voted down by a straight party majority, and a special committee was authorized to make inquiry on the narrow lines proposed. It was composed of six Liberals and four Conservatives.

## INVESTIGATION BURIED.

The majority of the committee still further narrowed the inquiry by refusing to allow accountants to be employed "to take stock and examine the quality and report as to the goods reported now on board the "Arctic" as unused, and that they be at liberty to examine such goods as they see fit." They also voted down a motion that "samples of all the different goods on board the 'Arctic' be sent to Ottawa for inspection and examination by this committee."

Other motions calling for an examination of invoices and inventories were rejected, though the officers who certified to the delivery of goods on the ship swore before the Committee that in regard to a large part of the

supplies they had no personal knowledge, but certified as ordered by their superiors. The majority also refused an examination of the goods remaining to ascertain the quality. It was impossible to learn whether the special clothing and sleeping bags, etc., were charged at the right price, or two or three times the correct price, without inspecting the articles, and this was not permitted. The majority also refused to hear the evidence of an expert from the establishment of William Davies Co., Limited, of Toronto, who was brought to testify the price for which pemmican could have been provided by his firm, and also refused to refer to the House the resolution for these further examinations.

As might be expected, the majority of the Committee reported that there was very little wrong. Their report was brief and general, and only found fault with the price of tobacco.

#### THE MINORITY REPORT.

The report of the minority signed by Messrs. Stockton, Bergeron, Bennett and Northrup was much more full and complete. It set forth among other things that though \$125,000 worth of supplies were purchased from various firms,

"No tenders were invited nor prices even asked for from any firm, nor was there any limitation as to price except that the favored tenderers were informed by letter sending the order from the department that the supplies were to be furnished at the usual market price, and this, although the vessel did not sail within two months of the sending of the said letter."

Though Cap. Bernier was promised that the "Neptune" would be sent each year with relief stores, he was instructed to send in requisitions for three years' supply.

"He having sent in his requisition, which was based not on a trip to Hudson Bay, but to the North Pole—these requisitions were wantonly and extravagantly increased by the officials of the Department."

The report proceeds:

#### NO RESTRAINT ON PURCHASE.

"No one seems to have exercised a control or displayed any interest in the regulation of purchases or the determination of prices. The expenditure of over \$22,000 for clothing, of \$7,691.11 for an electric lighting plant whose power was to be furnished by the engines (although it was expected that the Arctic would be icebound for eight or more months each year), of \$4,827.27 for medical supplies and appliances, of \$3,500 for tobacco, cigars, cigarettes and pipes, of about \$2,000 for wines and liquors (not including the liberal supply thereof in the medical stores), and the purchase of seventeen dozen packs of cards, amply justify this conclusion."

#### WANTON WASTE.

"The evidence of the purser, steward and others show that a large quantity of provisions was used in feeding the horde of Esquimaux, at one time numbering 95, but ranging from 50 to 60, who for six or seven months lived around the Arctic. Considerable quantity must also have been used for refreshments at the dances, which were given fortnightly on the Arctic for the Esquimaux men and women during the winter spent at Fullerton.

A comparison, too, of the inventory of medical stores taken on board with that taken after they returned, shows that either a large quantity of specific medicines and other supplies had been extracted, or that an investigation should be held into the conduct of the expedition during the winter at Fullerton, which was refused by a majority of the committee. Your committee also finds that wines, cigars and cigarettes were purchased by the Department of Marine and Fisheries for the personal use of the officers of the Northwest Mounted Police, and were given to them, but no evidence was adduced to justify or excuse such expenditure."

## CARELESS ACCOUNTING.

"Freight on the larger consignment of Bovril was paid by the agent of the department at Quebec, and refunded to him by the department which also added the same amount to the invoice of the Bovril Company and paid the same. An enquiry as to the correctness of the payment was made by the company of the department, but no notice was taken thereof and no demand for repayment was made until after your committee had discovered the above facts, when the money was refunded."

## PEMMICAN AT THREE TIMES THE HONEST PRICE.

"Only two samples of all the supplies were brought before your Committee, namely, Bovril and Pemican. An expert in the same line of business swore that if given an opportunity to tender for Bovril or its equivalent, he would have tendered and would have supplied practically the same article, for \$1.10 a pound, while the department paid \$1.65 a pound for 5,900 pounds. While Pemican as applied to dried Buffalo meat, is a well-known article, the same expert testified that he had never heard of the article purchased under that name which, according to the evidence of Mr. Mitchell, the manager of the Bovril Company, from whom 3,000 pounds were purchased at \$1.25 per pound, was made of ordinary meat dried and shredded, pounded down, and mixed with fat and currants. In the absence of further evidence as to the cost of Pemican, your committee can only regret that the name of a well-known article of commerce was applied to a new production wholly dissimilar, and the price paid for which, judging by the materials used, as given the manufacturer, was grossly excessive. Your committee also regrets the refusal of the majority of the committee to hear the evidence of Mr. Van Bever, an expert from the William Davies Company, Limited, who came from Toronto, was present in the room, and prepared to give evidence to show that the William Davies Company, Limited, if an opportunity of tendering had been afforded, would have tendered for Pemican, so-called, at 35 cents per pound.

In view of the evidence of Mr. Wovendon, and the exercise of their own judgment as to the cost of materials used in manufacturing Pemican, your committee finds that the prices paid for Bovril as well as Pemican were grossly excessive, and that supplies at least equally good could have been obtained at much lower prices had tenders been called for and competition been allowed. Your committee deems it its duty in connection with this purchase to point out that while 5,900 pounds of Bovril were paid for, only 449 pounds were used during the thirteen months the expedition was absent, leaving 5,461 pounds still on hand, showing that at the same rate of consumption a supply of Bovril for over thirteen years was taken on board."

## 100 PER CENT. PROFIT ON TOBACCO.

"Among the items in the invoice of Amyot, Elle & Fils, are 805 pounds of T. & B. smoking tobacco at 95 cents per pound and 39 cents excise, amounting in all to \$1.34 per pound. Being informed that Mr. Cockshutt, M.P., of Brantford, was in 1904 engaged in a business dealing in tobacco, he was called as a witness. He testified that during that year the price of tobacco was practically unchanged, and that he purchased T. & B. smoking tobacco in plugs at 67 cents per pound. Captain Bernier testified that this tobacco was in large plugs. Your committee therefore finds this evidence being uncontradicted, that on this item there was a profit to the vendor of about 100 per cent, over and above the business profit."

The minority of the Committee regretted that they were unable without samples to ascertain whether the prices paid for Arctic clothing, sleeping bags and other special articles was excessive, the majority of the Committee having refused to allow this investigation. But in view of the prices paid "they feel justified in finding that the mere statement of the quantity of "supplies purchased is in itself evidence of corruption, negligence or incapacity so great as to be absolutely incredible and almost criminal." They offer the following reflections:

"No evidence was given to justify or explain the feeding of the Esquimaux band of fifty or sixty men and women on the Arctic for six or seven months out of the stores purchased for the Arctic expedition. As the provisions were



purchased on a basis of feeding forty men for twelve hundred days, it is obvious that to increase this number by from 125 to 150 per cent. for six months would entail a consumption of more than one-sixth of the provisions, which would cost fully \$10,000. As no explanation was even suggested by the Department of Marine and Fisheries, your committee regrets that its efforts to inquire into the reasons for the presence and maintenance of so many Esquimaux was prevented by the majority of its members, who refused to allow questions inquiring into the conduct of the members of the expedition during the winter, and their relations with the Esquimaux."

The last paragraph in the minority report refers to the purchase of \$1,080 worth of an article called Lacto-Globulin. The person who had this to sell hunted up a member of parliament, and the result was the following order, sent by the Deputy Minister in a letter dated August 5th, 1904:

"Sir,—By instructions of the Honourable Minister of Marine and Fisheries and on the recommendation of Mr. Gervais, M.P., I have to request that you will forward to 'Arctic' 10 gross of Lacto-Globulin, No. 174, of samples sent to this department. Yours truly, (Signed) F. GOURDEAU.

The goods were put on board the ship. Of the ten gross two were disposed of in some fashion, and the other eight were brought back.

#### THE FACTS CONCERNING PEMMICAN.

Reference is made in the minority report to the purchase of pemmican, of which the Department bought 8,000 lbs. at \$1.25, or \$10,000.

Four members of the Committee sent a telegram to J. W. Flavelle, of Toronto, of the Wm. Davies Co., Ltd., the largest producers of meat products in this country, asking him to testify as to the cost and value of this article. Mr. Flavelle was unable to go, but when requested to do so, sent the manager of the company, L. C. Van Bever. The majority refused to take his evidence, declaring that the investigation was closed, but the following statutory declaration was made and subsequently read in the House:

"In the matter of the Arctic investigation into the supplies purchased for the Arctic under reference to a special committee of the House of Commons, by a resolution in the House of Commons, on May 18, 1906:

"I, Leon Constant Van Bever, of the City of Toronto, in the County of York, Manager of the Canadian Departments of the William Davies Company, Limited, do solemnly declare:

1. I have been for a number of years engaged in the manufacture of meat products, including meat extracts, such as fluid beef, solid extract of beef, beef cordial, powdered, dried and fresh beef and various products made therefrom.

2. I have examined a sample of the Pemmican (so-called), furnished for the Arctic expedition and the firm with which I am connected would be pleased to furnish to the government, or any institution, or individual, an article similar and equal in quality to such samples in lots of one thousand pounds or over, packed in ten-pound tins, boxed, strapped and ready for shipping, freight prepaid, to any railway station in Canada at the price of 35 cents per pound.

3. My said company have been willing to supply the same article at the same price at any time during the year 1904.

And I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act, 1893."

(Signed) L. C. VAN BEVER.

Declared before me at the City of Ottawa, in the County of Carleton, this 26th day of June, A.D. 1906.

(Signed) F. M. BURRIDGE.  
Notary Public for Ontario

Similarly 5,900 lbs. of Bovril were bought at \$1.65 a lb., which an expert declared he would have been willing to sell at \$1.10 per pound.

So the Department paid \$10,000 for pemmican which could have been purchased for \$2,800, and \$9,635 for Bovril which could have been bought for \$6,490.

It was further proved that out of the 5,900 lbs. of Bovril only 449 lbs. were used during the thirteen months of this expedition, showing that the supply purchased would have been sufficient for thirteen years.

#### PROVISIONED FOR THEIR LIFETIME.

It was shown by Mr. Northrup, that by the quantity used on the ship, they had 8 years' supply of fancy biscuits,  $7\frac{1}{2}$  years' supply of sausages, 264 years' supply of sweet chocolate, 14 years' supply of curry, 9 years' supply of essences, 7 years supply of dried fruit, 21 years' supply of honey, 5 years' supply of Lacto-Globulin, bought at the request of Mr. Gervais, M.P., 18 years' supply of lime juice, 9 years' supply of olive oil, 6 years' supply of dessicated potatoes, 12 years' supply of sago, 6 years' supply of tea, 6 years' supply of chili sauce, 7 years' supply of canned vegetables, and  $17\frac{1}{2}$  years' supply of vermicelli.

The minority report was signed by Mr. Northrup, Mr. Bennett, Mr. Bergeron, and Mr. Stockton, but the majority of the House, by a party vote, whitewashed the whole bill, with the exception of the double price paid for the tobacco.

## A DEAL IN FILES.

### Shipped From France to Rolland Prefontaine—Bought at Less Than Half Price and Sold at Full Price to Government.

In the Auditor-General's Report for 1905 (page 163) the following item may be read:

Strubbe, Charles Montreal:—

Cool steel bars, 4,961.56 lbs. at 45 cents.		
Files, 12 doz. flat bastard .. . . .		\$ 58.77
Files, 18 doz. . . . .		267.57
Files, 30 doz. half round .. . . .		326.34
Files, 30 doz. round bastard .. . . .		326.35
Files, 30 doz. flat half smooth .. . . .		379.67
Files, 60 doz. half round, half smooth .. . . .		759.34
Files, 30 doz. flat smooth .. . . .		425.45
Files, 30 doz. half round smooth .. . . .		425.05
Files, 30 doz. round smooth .. . . .		425.35
Casing .. . . .		5.21
Discount .. . . .	\$844.65	
Amount Paid .. . . .		\$4,786.45

Practical business men in the House were curious about this. Prices for steel files, used in saw mills and machine shops, are much lower. And no one could understand what the Marine Department wanted of 270 dozen files.

Inquiry in the House was useless. Finally the papers were moved for in Committee and officers were summoned. They stated that they had neither made nor received requisitions for these goods. The officer in charge at Sorel, where dredges are built, said a few dozen a year were bought there, but that he never asked for the huge supply sent to him. It was learned that a great part of the files purchased were piled up in these shops, and the rest distributed among the lighthouses, much to the surprise of the keepers. . . . little filing to do.

#### THE HISTORY REVEALED.

File . . . mystery was cleared up by the evidence of Mr. Busteed, a Montreal lawyer, summoned as a witness.

In 1904 Mr. Busteed was asked by a firm in France to collect an account for some \$5,000 worth of files and steel shipped to Mr. Rolland Prefontaine, proprietor of mills at Ste. Agathe. Mr. Prefontaine had refused to take the goods, and they were in the control of the customs broker. The lawyer pointed out to his clients in France that collection might be tedious and costly. Meeting Hon. Raymond Prefontaine, then Minister of Marine, father of Mr. Rolland Prefontaine above mentioned, Mr. Busteed asked him to assist in effecting a settlement, but the Minister declared himself to be in no way responsible.

So the matter stood, until Mr. Charles Strubbe, of Montreal, told Mr. Busteed that he would take the consignment of files and steel if the firm in France would let him have the goods at half price and pay him a further commission of \$500. The shippers decided to accept this offer rather than prosecute the lawsuit.

**THIS RAKE-OFF WAS 107 PER CENT.**

Having acquired the hardware for \$2,315.45, Mr. Strubbe immediately turned the goods over to the Marine Department for \$4,786.45, making a profit for himself, or some one with whom he divided, of \$2,470, or 107 per cent.

We have, therefore, this state of affairs:

Mr. Rolland Prefontaine was asked to pay for goods on an order which he disputed.

The Department of Marine at the same time made an extraordinary purchase of files at an extraordinary price.

The files so purchased were the identical goods which had been shipped to the son of the Minister.

The goods came into the hands of a friend of the Government at \$500 less than half the invoice price.

This gentleman was able to turn them over to the Government immediately at more than double the price that he paid for them.

The Department of Marine thus acquired thirty or forty years' supply of steel files.

**THIS IS SUGGESTIVE.**

A discovery was made in the Public Accounts Committee from an examination of the original cheque for \$4,786.45 given to Mr. Strubbe by the Department. Although this cheque was drawn on the Bank of Montreal, which has an establishment near the Western Block, where the cheque was received, Mr. Strubbe went, with a companion, whose name was not discovered, to the Ontario Bank and presented the cheque. The teller's figures show how the money was paid. Mr. Strubbe, who lives in Montreal, took a draft for \$2,500, payable in that city, and drew the remaining \$2,286.45 in bills and silver. On examination, Mr. Strubbe admitted that he had made this arrangement, and produced his bank book showing a deposit of \$2,500 to his own account. The remainder of the money he could not or did not account for, and the only explanation he gave for drawing this sum at Ottawa was that he had a present need of the money. It will be observed that Mr. Strubbe would have a fair profit out of the \$2,500 draft, even if he had to leave the remaining \$2,286 in Ottawa.

## THE "MONTCALM'S" EQUIPMENT.

### \$2,758 For The Ice-Breaker's Tableware—An Interesting List of Silver, Cut Glass and Cutlery—Four Different Government Policies About Coghlin's Bill.

The "Montcalm," "a screw steel ice-breaker," was built in Paisley, Scotland, and has a gross tonnage of 1,432 tons. It is officially stated that during the fiscal year 1905, the "Montcalm" was "employed in endeavoring to keep open the ice-bridge which forms above the Chaudière near Quebec." The Deputy Minister states that "owing to an accident to the machinery the 'Montcalm' was delayed for three weeks, and during this time the ice accumulated to an immense depth, but the steamer broke through several miles and assisted in hastening the departure of the ice bridge, which finally moved on April 20."

From a detailed statement by the captain, the "Montcalm" started December 23rd and completed her work April 13th. The total number of trips was 39, the total number of hours 208½. This was her first season.

#### DID LITTLE WORK, BUT COST HIGH.

The contract price of the "Montcalm" was \$265,233, and a bill of extras brought the price up to \$271,644. After arriving on this side she required a good many alterations. A Quebec firm was paid \$4,164 to put in heating pipes and radiators. Another firm \$5,842 for work on the engines and boilers. A Montreal firm supplied blades to the value of \$1,503. There were many small bills, including \$3,270 for labor at Quebec. At the end of June, 1905, the charge against the ship was \$301,233 for construction and \$37,190 for half a year's maintenance. Included in the maintenance charge are such items as \$80 for a raccoon coat and \$10 for a silver raccoon cap. The Captain mentions that on April 9th the Minister of Marine and Fisheries and a party of friends were on board, and there is an entry in the Auditor-General's account, "Thibaudeau, M., Quebec, sundry provisions for Minister and party, \$75.15." The following interesting bill of silver, glassware and other table fittings was furnished by B. J. Coghlin & Co., of Montreal, on account of this strenuous ice-breaker. (It will be found in Part P., page 24, of the Auditor-General's Report for 1904-5.):

B. J. Coghlin, Montreal, (\$2,758.32):—

#### AN ICE-BREAKER'S OUTFIT.

Breakfast cups and saucers, 72 at . . . . .	\$1.04 each.
Teas, 72 at . . . . .	.69 each
Egg hoops, 36 at . . . . .	.42 each
Individual butters, 48 at . . . . .	.32 each
Badges, 372 at . . . . .	.08 each
Messens and nappies, 6 at . . . . .	1.18 each
Dessert plates, 3 doz. at . . . . .	3.18 per dozen
Plates (6 in.), 4 doz. at . . . . .	2.20 per dozen
Fruit plates (5 in.), 4 doz. at . . . . .	1.47 per dozen
Dishes, 6 . . . . .	7.30
Fish dishes, 6 . . . . .	13.28
Cover dishes (10 in.), 24 at . . . . .	2.56 each
Cover dishes (8 in.), 24 at . . . . .	2.08 each
Boats and stands, 12 at . . . . .	1.22 each
Jugs, 30 . . . . .	53.28

Jugs, common mount, 6 at .....	.85 each
Plates (6 in.), 6 at .....	1.10 each
Plates, soups (10 in.), 6 doz. at .....	3.43 per dozen
Plates (10 in.), 72 .....	20.52
Plates (3 in.), 6 doz. at .....	2.93 per dozen
Plates (7 in.), 6 doz. at .....	2.44 per dozen
6 dish covers .....	118.00
2 cruets (4 glass) .....	16.50
2 pickle frames .....	15.60
2 pickle forks .....	3.25
2 jelly frames .....	13.00
2 jam spoons .....	3.50
3 coffee pots .....	46.00
2 teapots .....	42.00
4 milk jugs (covered) .....	68.00
4 cream jugs .....	50.00
2 sugar bowls .....	54.00
4 sugar spoons .....	1.16
4 sugar tongs .....	1.82
6 salts, plumed .....	15.00
30 napkin rings, plumed edge .....	23.50
3 table bells .....	5.25
3 fruits stands .....	142.50
3 butters and knives .....	19.87
2 toast racks .....	8.62
3 ice pitchers .....	60.00
3 trays .....	33.00
2 crumb brushes .....	10.50
3 crumb trays .....	8.00
3 doz. e.p. dessert, chased on one side .....	66.00
3 cases for dessert .....	10.50
3 doz. e.p. fish eaters .....	90.00
3 cases for fish eaters .....	12.75
3 e.p. fish carvers .....	13.50
3 bread plates and knives .....	24.50
1 doz. salt spoons .....	3.00
Soup tureens, 2 .....	26.25
Cake baskets, 2 .....	30.25
Afternoon tea, sugar and cream .....	22.50
3 cheese dishes and covers .....	32.00
24 nut crackers .....	27.00
6 spittoons .....	6.00
6 ash trays .....	2.75
36 e.p. table forks .....	38.50
36 dessert forks .....	21.00
36 soup spoons .....	26.25
36 dessert spoons .....	21.00
36 tea spoons .....	12.00
6 gravy spoons .....	9.00
2 soup ladles .....	5.00
6 peppers, plumed .....	22.50
4 dish covers .....	21.62
74 sherries, cut and badged .....	30.01
72 ruby hock glasses .....	52.55
70 champagnes .....	42.58
73 tumblers .....	32.87
73 tumblers .....	14.25
Case .....	3.80
Meat and game carvers, 2 sets each .....	30.82
5 doz. table spoons .....	21.50
5 doz. dessert spoons .....	18.49
1 case fish carvers .....	5.87
5 doz. knives and forks .....	9.35
5 pairs carvers .....	5.10
3 steels .....	1.82



15 spoons	4.40
Case and stamp	6.62
Dessert and soup plates and melissen napples	\$13.18
Plates, 108	17.61
6 dishes	6.38
Cover dishes, 24	20.24
6 boats and stands	4.26
14 jugs	15.14
12 cups and saucers	15.39
Cheese stand and cover	4.89
Small items, packing and engraving	20.47
Ice pitchers, 2	40.00
2 trays	46.00
2 cruets	12.00
2 pickle frames	9.00
Coffee pot	7.00
Tea pot	6.00
2 milk jugs	9.06
2 sugar bowls	5.50
Cornish scoop brush and tray	9.25
6 salt cellars and 6 peppers	15.00
12 napkin rings, plumed	8.00
2 fruits stands	22.50
2 toast racks	4.50
2 butters and knives	8.75
2 doz. table forks	4.50
2 doz. dessert forks	8.00
2 doz. soup spoons	4.50
4 10-12 doz. spoons of various kinds	7.53
Fish knife and fork	6.25
Bread tray and knife	6.75
Soup tureen and ladle	25.35
3 brass spittoons	3.00
Etching plates	17.00
Cases	7.50

Crew:

MORE MODEST.

Table forks, spoons, knives, cups, etc	141.10
Commission at 5 % on \$2,624.07	31.35

#### THE CONFUSED DEPARTMENT.

Mr. Coghlin's bill, which included similar ware in smaller quantities for the "Champlain," brought out a note from the Auditor-General, who wanted to know:

"If it was customary to equip these vessels, which are not passenger or carrying vessels, with silverware, cutlery, etc., of such an expensive nature as that which appears in the account."

But the Department of Marine had already decided that point and paid the bill. So the matter stood when the House met in March. Early in the session a motion was made in the Public Accounts Committee for the papers bearing on Mr. Coghlin's account. What happened elsewhere we have from Mr. Coghlin himself, who appeared and testified.

Mr. Coghlin swore that he was called up at Montreal by telephone from the Department of Marine at Ottawa and told that members of Parliament were making trouble about his bills. He was asked to come to Ottawa at once, which he did, and had conversation with the Deputy Minister and Auditor-General. It appears that Mr. Coghlin was first told that he had no right to charge a trade profit and a commission also, though the department had cheerfully paid both. Mr. Coghlin accordingly refunded his five per cent. commission.

#### A CHANGEABLE DEPARTMENT.

Then the officers concluded that Mr. Coghlin was simply an agent of the Government and should receive a commission without profits. The next question was to find out what the profits were. The Auditor-General tried in vain to get the original invoices from the Department. Finally he obtained them from private sources. As the result of this investigation, Mr. Coghlin made a refund of \$1,171.87.

Mr. Coghlin told the story himself to the Committee, making it appear that the Department was in a rare condition of panic when the Opposition members started out to investigate these accounts.

Before the end of the session the Deputy Minister of Marine announced that he had made another discovery. He found out that Mr. Coghlin was not an agent of the Government, but simply sold the goods to the Department. So, after all, he was entitled to the profits which he had been forced to refund.

We have thus the Department at first paying on demand both commission and profits; secondly, paying the profits and withholding the commission; thirdly, returning the commission and demanding a refund of the profits, and finally, concluding that the previous decisions were wrong.

#### NOT MUCH OF AN ICE-BREAKER.

In two years since then, the "Montcalm" has spent a large part of her time in the hospital, and her repair bills have been enormous. But her silver outfit is probably in good order, and she seems to be employed occasionally on political and official excursions.

The total cost of this ship for purchase, repairs and maintenance is given by the Minister as follows. (Hansard, 1908, page 8441.):

1904-5 .. .. .	\$338,423.86
1905-6 .. .. .	135,638.19
1906-7 (9 months) .. .. .	93,741.56
1907-8 .. .. .	91,921.80
Total .. .. .	\$657,725.41
Of this the contract price was .. .. .	\$265,233.32
Repairs have cost .. .. .	119,377.22
Furnishings .. .. .	6,853.19
And the remainder for maintenance.	

On May 7th, 1908, the "Montcalm" having spent the whole winter in dry dock in consequence of having run against a rock in November, 1907, was making her first trip before going out to break ice for the summer, she got into collision at Quebec and afterwards sunk. She will probably be ready for ice-breaking at the close of the winter of 1909, with another charge of \$100,000 against her. The House had voted \$61,447 for repairs in consequence of her last accident.

So, if the "Montcalm" ice-breaker has not broken much ice, she has broken large holes into the Dominion Treasury, and has enabled a number of Ministers and their friends to pass certain luxurious hours around her well furnished table.

# THE WILLSON CONTRACTS.

**Royal Commission Reports That Willson Ruled the Department Which Paid Him a Million Dollars—Chief Engineer Believes There Was Collusion And That The Contractor Arranged Government Appointments—Auditor-General's Low Opinion of Marine Department Certificates Is Supported by Officer Noble's Testimony.**

The Marine Department has done large business with Mr. T. L. Willson, of Ottawa, in his own name and that of the International Marine Signal Company and of the Ottawa Carbide Company, which are his creations. The following are payments made to these contractors:

Date	To Willson	Carbide Co.	Signal Co.	Total
1902-03 . . . . .		\$ 617		617
1903-04 . . . . .		5,464		5,464
1904-05 . . . . .	\$192,500	11,088		203,588
1905-06 . . . . .	336,105	14,346		350,451
1906-07 . . . . .	14,342	19,117	238,284	271,743
1907-08 . . . . .		23,431	198,921	222,352
Grand Total . . .	\$542,947	\$74,063	\$437,205	\$1,054,215

## THE CARBIDE CONTRACTS.

The Marine Department buys carbide from Mr. Willson for the light and buoy service. At the beginning of this contract Mr. Willson organized the Ottawa Carbide Company. The transactions of this concern with the Government were incidentally discussed by Royal Commissioners Fyshe and Bazin. But some facts concerning them were brought out by Commissioner Cassels, Judge of the Exchequer Court, who was appointed by the Minister of Marine, to hold a second inquiry into the Marine Department.

Mr. Willson testified before the Commissioner that when he organized the Company he retained \$40,000 worth of stock for himself as the value of his patent, and of this he gave \$10,000 to the late Hon. James Sutherland, then a member without office in the Government, with which the company was a contractor. Mr. Willson's statement was that this stock was allotted to the Minister in return for the latter's services in inducing the Bronson family to take stock in the concern. How far the prospects of profit from Government contracts would be an inducement to these and other investors the public may judge in the light of the fact that over \$75,000 has been received by the Carbide Company from that source.

## A MILLION DOLLAR CONTRACT.

But Mr. Willson's richest contract with the Government is for automatic acetylene gas buoys, for which the carbide is used. For these, Mr. Willson and his International Marine Signal Company received, down to the end

of March, 1908, \$980,152. The main business began in 1904-5, and the contractor organized his company in 1906-7. Mr. Willson received over half a million in the first two years and his company nearly half a million in the next two.

The Royal Commissioners made a close examination of the records of these transactions and found ground for stern censure. Their review is given on pages 133 to 170, and 203 to 275 of the report. They point out that the first sample was offered for test in August, 1904, and that it required only two months for the Department to decide to adopt these buoys, throwing out expensive and serviceable apparatus then in use. No less than 46 of Willson's buoys, costing \$148,000, were ordered off-hand, and Mr. Willson was allowed to import material free of duty. Concerning this the Royal Commissioners say:

"This was a good beginning for Mr. Willson and with the splendid facilities extended to him by the Department he has not been slow to better it. It may seem that in taking up with the new idea so largely and so suddenly the Department were hardly acting with the prudence required by the circumstances. New ideas are not apt to reach a perfect development all at once and the most ordinary consideration would seem to have called for more caution."

#### HOW MR. WILLSON BOSSED THE DEPARTMENT.

In opening the discussion, the Commissioners suggestively observed that "the Light branch of the Department has within the last three years come to be almost entirely bound up with a private concern in Ottawa called the International Marine Signal Company of which Mr. T. L. Willson is President and chief proprietor."

After criticizing the first contract the Royal Commission follows up the dealings, observing that by March, 1905, the Commissioner of Lights

"Appeared to be animated by very progressive ideas in regard to these buoys," and "wanted the whole year's appropriation, amounting to \$360,000 invested at once in new buoys without apparently having considered beforehand where they should all be placed or if they were really required."

The officer recommended the purchase of two at \$15,000 each, 30 at \$8,500 each, and 25 at \$3,000 each. The Royal Commission comments on the fact that Contractor Willson had, by October 10th, so far obtained control of the Department, that he "wrote direct to the agent of the Marine and Fisheries Department at Halifax in a style pretty much as if the latter "were an employee of his own" (page 155). The Commissioners charge that the order for \$360,000 for buoys was rushed in without authority of Council, and they point out that while the Ottawa authorities were always satisfied, the local officers and sea-captains who had to deal with these buoys were continually pointing out defects. The Captain of the "Lady Laurier" protested against the large buoys as not practicable, saying, "that the smaller size would be quite suitable." The Royal Commission says that the Department "pretended to think," and the Commissioners "affected to believe" that the Captain's objection arose from his lack of gear to handle the buoys.

#### A PACIFIC "DUMPING GROUND."

The correspondence quoted by the Royal Commission shows that local agents East and West were imploring the Department not to send so many of the Willson buoys, as they had no room to store them. The British Columbia agent hoped "no more buoys would be shipped to the coast until "we are in a position to place them." At one time the Victoria agent had six of Willson's gas beacons and four buoys on the wharf, and only one steamer to handle them. He begged pathetically that no more would be

sent. But seven days later the Commissioner told him that nine more beacons were about to be forwarded, and in another three months orders were given to ship ten buoys to the Victoria agent, at a cost of \$5,000 each. Commenting on this, the Commissioners say, "The Department is evidently determined to make the B. C. agency the dumping ground for all the buoys Willson can wheedle them into buying, whether they are wanted or not" (page 163).

One of the rush orders was for a \$9,500 Willson buoy bought in August, 1906, and promptly paid for. It lay idle at Prescott till July, 1907, and was then returned to the same manufacturer, who had secured an order in Brazil for a buoy of that kind and had none to fill it. So, at Mr. Willson's request the Department took in its place two smaller buoys at \$5,000 each and paid him the \$450 difference. The Royal Commissioners remarked:

"the eagerness of some of the officials of the Department to serve the Company in this matter, without consideration for the Government, was quite remarkable. There were no difficulties at all."

Neither discount nor bonus was suggested. The two smaller buoys were shipped by rail to Parry Sound, the Government, of course, paying the charges. The Commissioners suggest that as it seemed only one buoy was needed there, the other was sent "for the luxury of paying the freight" (pages 165, 166).

#### MR. WILLSON "A BRANCH OF THE DEPARTMENT."

Commissioners Fyshe and Bazin sharply criticize the Department and its deputy for unqualified endorsement and recommendation of the Willson apparatus to the Naval Secretary of the United States and to the British Government. They say that when these endorsements were given the Department had in its possession reports

"calculated to throw the utmost suspicion on the workmanship and design of these buoys and to deepen the impression already gained from a perusal of the correspondence, that the Department has been most imprudent in committing itself so unreservedly to Willson and the International Company at enormous cost to the Country." (Page 169.)

The Commissioners point to a letter from Willson early in 1906, explaining what style of buoys he will make for that year; "as if it depended wholly upon himself, the Department having to take what he says." All of which leads the Royal Commission to conclude:

"It would almost look as if the International Marine Signal Company were regarded by the Department as a branch of the Department of Marine and a favoured one at that."

#### THIS IS A LIBERAL VERDICT.

The language quoted was not written by Conservatives. It is the deliberate judgment of two lifelong Liberals selected by the Government to inquire into the condition of the Civil Service. One has been the manager of two of the leading banks of Canada, and is regarded as a high authority on financial and business matters. He has been a strong party man and would undoubtedly have been glad to submit a favorable report. Mr. Bazin is a prominent business man in Quebec, who has been the Chairman of the Liberal party in his division, and has been offered the Liberal nomination to the House of Commons. After Mr. Brodeur had in the House denounced their report, Messrs. Fyshe and Bazin appeared before Commissioner Cassels, where they both adhered to their conclusions as justified by the condition of the Department.

#### A SECOND INQUIRY.

But Mr. Brodeur complained bitterly of this report and proceeded to appoint another Commissioner to review it. Judge Cassels was named as Commissioner, and Mr. Aylesworth gave him as counsel to prosecute the inquiry Mr. Watson of Toronto, a prominent Liberal lawyer who has done good service for his party in other inquiries, and for assistant counsel Mr. Perron, K.C., of Montreal, former law partner of Hon. Mr. Prefontaine, the Minister under whom some of the Marine scandals occurred. This was not a very promising organization, and from May till September it made little progress.

Yet one of the first witnesses called made some important statements respecting the Willson contract. Col. W. P. Anderson, Chief Engineer of the Marine Department, has been in the public service since 1874, and Chief Engineer since 1880. He had charge of the lighthouse equipment, buoys, etc., down to about 1904, when this part of the service was taken from his control and given to a new officer called Commissioner of Lights. One of Col. Anderson's assistants was placed in charge of this office. It was at this time that the contracts with Mr. Willson were made.

#### MR. WILLSON AND MARINE APPOINTMENTS.

Col. Anderson testified that he was not in favor of million dollar contracts with Mr. Willson. There had been no sufficient test, and much of the plant superceded was satisfactory. He had reported against these wholesale and rapid changes, and they could not have taken place while he remained in charge. So, if Mr. Willson and his partners were to have their way this able and vigilant officer must be got out of the road. Some statements made by Col. Anderson were extracted from him by counsel and were evidently made with reluctance. So questioned, he declared his firm belief that Contractor Willson's influence was used with the Government to have Mr. Fraser placed in charge of this branch. While he had no proof of dishonesty on the part of the Commissioner in the matter of these contracts, he could not help entertaining suspicions. As the court insisted upon his giving his opinions, he did so, though he explained that they were not evidence. They were based upon the fact that the extravagant expenditure and the unjustifiable contracts began when he himself was set aside and Mr. Fraser promoted. Contractor Willson afterwards swore that he had nothing to do with Mr. Fraser's promotion. Of course he could not testify to the influence exerted by important persons whom he had made partners in some of his companies at no cost to themselves.

#### THE AUDITOR-GENERAL'S CONTEMPTUOUS OPINION.

In this connection the evidence of two other public officers given before Judge Cassels is in point. Auditor-General Fraser was closely questioned as to his observations of Marine Department contracts. Mr. Fraser swore that he considered certificates that prices were fair and just to be valueless when they came from certain leading spending officials in the Marine Department. He was led to that conclusion by the Deputy Minister's acceptance of Coghlin's bill for silverware for the ice-breaker "Montcalm" (on which a refund of over \$1,000 was afterwards made); by certificates of Commander Spain's travelling expenses (of which some \$800 had to be refunded in one year), and by the remarkable transactions with the two Fog Signal companies.



#### HOW CERTIFICATES ARE MADE.

Mr. Noble, who has been Assistant Commissioner of Lights at Prescott, gave evidence showing that the Auditor might well be suspicious of certificates. He swore that he had himself been required to certify prices to be "fair and just," when he knew nothing about them. His chief at Ottawa arranged with Mr. Merwin and other contractors the prices for supplies delivered at Prescott, and requested Mr. Noble to certify them. The witness had strong reasons for not doing so, and on the advice of the Auditor-General, certified that the goods were received, "prices arranged by the Department at Ottawa." This brought down on him the wrath of the Deputy Minister and Chief Commissioner, who told him that if he continued to "antagonize" the Department he had better send in his resignation. Mr. Noble says he defied them and continued his course, but suffered heavily in consequence, and finally found a young man promoted over his head. He had made many protests against extravagance at Prescott, but found no sympathy, and concluded that it was "butting against a stone wall" for him to go further.

#### UNHAPPY EXPLANATIONS.

Commissioner Fraser, before Judge Cassels, undertook to explain his excessive payments to Merwin, stating that these bills were paid under direct instructions from the Minister. He admitted that in the Public Accounts Committee he had testified that he believed the charges fair and reasonable. Now he refused to take the blame any longer. As to his course in ordering his assistant, Mr. Noble, to certify accounts that the latter knew nothing about, the Commissioner of Lights said that he would take the same stand if it were to be done again, to which the Judge laconically replied, "then you would take a wrong stand."

It is impossible to say what Mr. Willson's profits have been out of the \$1,054,215, that he had received from the Government down to last March. The buoys must cost him a mere fraction of what he gets for them. His net profits are probably somewhere about three-quarters of a million. Mr. Willson is now counted one of Ottawa's wealthy men.

## CANADIAN FOG SIGNAL COMPANY.

### A Concern Which Gets Over \$600,000 in Five Years And Makes 1,000 Per Cent Profit.

On page 11,837 of Hansard, for 1908, are following question and answer:  
Mr. Taylor (by Mr. Bennett) asked:

How much has been paid by the Department of Marine and Fisheries to the Canadian Fog Signal Company of Toronto, in each fiscal year from 1902 to date?

Answer by Hon. L. P. Brodeur.

1903-4	.....	\$16,600.00
1904-5	.....	428,298.12
1905-6	.....	46,900.71
1906-7	.....	55,015.20
1907-8	.....	59,648.21
Total	.....	\$606,462.24

The Canadian Fog Signal Company, of Toronto, makes a kind of fog alarm called the "Diaphone." The bill of 1905 includes the following, with other supplies:

3 signal plants at	.....	15,750 each
3 signal plants at	.....	15,450 each
1 signal plant at	.....	15,600
1 signal plant at	.....	13,780
7 signal plants at	.....	13,040 each
12 signal plants at	.....	10,980 each
1 signal plant at	.....	8,625
1 signal plant at	.....	8,400
3 signal plants at	.....	8,950 each
1 signal plant at	.....	6,900
1 signal plant at	.....	5,650

In the Attorney-General's Report for 1906 there is an account for substituting 21 low pressure for high pressure Diaphones and for four or five new plants. In 1907 there were bills for three substitutions and twelve new plants, one of which cost \$12,500.

Judge Cassels made a little inquiry into this contract. The secretary of the company testified that instruments sold to the Government for \$4,000 to \$5,000 cost the producer \$400 to \$450 each. Mr. Northy, the head of the company, admitted that he was selling diaphones at ten times what they cost him. He had no other customer than the Government, and as the Canadian Government had given him a patent he had a monopoly. No capital was required as he had no plant but has the diaphones manufactured by contract. He could not, or would not, tell the amount of money made out of these Government contracts, but the Judge was able to partly figure it out from the secretary's statement. When the Cassels' Commission adjourned in June this inquiry had not been completed, but with the information before him Judge Cassels expressed a few opinions.

In Judge Cassels' view, if the Government gave the contractors a patent for diaphones, of which the Government was to be the only purchaser, the price should have been limited. On sales which gave a net profit of \$150,000 the contractor should only have been allowed \$25,000. That is to say, the contractor should have been allowed only 170 per cent. profit instead of something over 1,000 per cent.

This seems to be a reasonable view, but it was not the opinion of the Marine Department, which has paid five or six times the amount to the Canadian Fog Signal Company, that the Commissioner considers just.

## PATRONAGE PRICES.

### Small Transactions Are Like Large Ones.

The Royal Civil Service Commission gave a little attention to the prices which the Marine Department paid for supplies under the patronage system. The Commissioners found large amounts of money paid by all the Departments to merchants on the patronage list, and reported that of late years the evil had become more serious.

Mr. Gourdeau, Deputy Minister of Marine, testifying before Commissioner Cassels, computed that his department had paid \$200,000 too much for supplies bought at retail prices from dealers on the patronage list. Accountant Leland, who assisted in reforming the books of the Department, reported that quantities of goods were paid for that were never received at all. On pages 84 to 87 of the Royal Commissioners' Report a comparison is made between prices paid at Quebec to merchants on the patronage list and those paid at the Sorel shipyard, where goods are bought by tender. Here is a comparison in some articles:

	Quebec Patronage	Sorel Contract
	Price	Price
Washing soda, per 100 lbs. ....	\$ 3.00	\$ .85
Paraffin candles ....	.20	.09
Lanterns, per doz. ....	9.00	4.50
Comfort soap, case ....	5.00	3.65
Manila rope ....	.18	.14½
Galvanized shackles ....	1.25	.67
Lantern globes, doz. ....	1.20	.75
Steel plates, 100 lbs. ....	3.00	1.80
Galvanized nails, per lb. ....	.15	.07
Hammer handles, doz. ....	1.35	.89
White and grey paint, enamelled, per gal..	3.00	2.00
Soft soap, per 100 lbs. ....	10.00	5.00
Scrubbing brushes, doz. ....	3.50	1.75
Corn brooms, per doz. ....	3.50	2.40
Coal shovels, per doz. ....	15.00	9.90

And so on through a long table. Yet all these patronage prices are certified as reasonable and just. This kind of thing leads the Commissioners to accuse the Marine Department of "lack of conscience."

# **NORTH ATLANTIC TRADING CO.**

## **SCANDALOUS IMMIGRATION CONTRACT WHICH COST CANADA A THIRD OF A MILLION.**

**Deputy Minister Gives Contractors Better Terms After Bargaining With Them to Resign Office and Join Their Company, Burns Correspondence, Refuses to Answer Questions. Commissioner Preston's Relations with the Company. Names of Contractors Withheld for Fear They Will Commit Suicide.**

The history of the North Atlantic Trading Co. contract with the Government of Canada is so intimately connected with Mr. W. T. R. Preston, late Commissioner of Immigration, that it is well to begin the record with a sketch of Mr. Preston's political and official history.

### **BEGINS WITH MR. PRESTON.**

Mr. Preston was appointed organizer of the Liberal party in Ontario in 1883, and held that position for ten years. In 1885 he was a candidate for the Commons in East Durham and was defeated. In 1893 he was appointed librarian to the Legislature of Ontario. While he held this office the events occurred which led Mr. H. H. Cook to assert in public, and afterwards to testify on oath, that Mr. Preston had demanded from him \$10,000 as the price of a senatorship.

Mr. Preston resigned in 1896 to contest West Toronto for the Commons, and, after defeat, was re-appointed librarian. He again resigned to resume work as political organizer. He had charge of the campaign machine during a number of by-elections which resulted in some of the greatest scandals that ever disgraced a political party. The last was the provincial election held on January 12th, 1899, in West Elgin. Mr. McNish, the liberal candidate, was declared elected, but afterwards abandoned the seat.

### **HUGGING THE MACHINE.**

The following confession of Mr. McNish shows how his election was won:

"Messrs. Crothers & Price,

Barristers, etc., St. Thomas.

St. Thomas, June 26, 1899.

Dear Sirs:—We beg to advise you that Mr. McNish has discussed at length with his solicitors the charges contained in the petition which has been filed against his return as member of the legislative assembly of Ontario for West Elgin, and that they have to a considerable extent investigated the charges contained therein and other matters which have come to their knowledge in connection with the election. And the subscribers hereto make the following statements and admissions respecting the same:

1. That a large number of persons were specially sent into the constituency by men working on behalf of the Liberal party for the express purpose of taking part on Mr. McNish's behalf in the election held on January 12, 1899, and we believe that fraudulent and corrupt means were used by some such persons to secure his election.

2. That several of the said persons illegally and without authority acted as deputy returning officers at the said election, and in at least three cases so acted

in the names of reputable local men, having, under assumed names, been introduced to the returning officer by local agents of Mr. McNish.

3. That in many of the polling sub-divisions of the riding there were grave irregularities connected with the return of the ballot-boxes and their contents, the voting, and the counting of the ballots thereat.

4. That there were large numbers of persons brought into the riding for the express purposes of personating legitimate voters, and assisted by some of Mr. McNish's supporters, such persons did personate qualified voters in voting for Mr. McNish.

5. That the declared number of votes for Mr. McNish largely exceeded the number of bona fide votes for him.

6. That a large number of ballots cast for Mr. MacDiarmid were in some nefarious and corrupt manner manipulated, whereby the result of the election was rendered doubtful, and that in this connection the voting at Shedden and Middlemarch, and in the several divisions in St. Thomas where said strangers so acted as deputy returning officers, merits special mention.

7. That there are good reasons to believe that there are many special and well-authenticated cases where agents of Mr. McNish concealed at their homes some of the strangers, who there paid large sums of money to electors to induce them to vote for him.

8. That Mr. McNish will forthwith deliver to the Speaker of the Legislative Assembly his resignation as a member thereof for the said electoral district."

Witness,

(Sd.)

DONALD McNISH.

(Sgd.) A. B. AYLESWORTH.

Mr. A. B. Aylesworth, who signs this confession with Mr. McNish, is the present Minister of Justice.

#### MR. PRESTON DELIGHTED.

Mr. Preston, organizer of the Liberal party in this campaign, was so proud of the performance that on the evening of election day, after the fraudulent vote was counted, he sent the following telegram to Mr. McNish:

"Heartiest congratulations. Sorry to the bottom of my heart, I cannot be with you to-night. To be supported by such a noble army of workers should make you the proudest man in Ontario. Shake hands with the boys for me and hug the members of the much abused threshing machine for Auld Lang Syne."

(Sgd.)

PRESTON.

On the day following the West Elgin election and the despatch of the above telegram, commending the workers mentioned in Mr. McNish's confession, Mr. Preston was appointed Commissioner of European Immigration. Since then his activities have been confined to other continents.

#### BEGINNING OF THE DEAL.

Mr. Preston had not been in England long before he was negotiating a contract with certain mysterious persons, whose names have not yet been made public, though they received over \$300,000 from the Canadian treasury.

Mr. James A. Smart, then Deputy Minister of the Interior, afterwards Canadian Agent of the North Atlantic Trading Co., went to England and discussed the matter with Mr. Preston, and with some of the contracting parties whose names he has refused to disclose. Mr. Preston, against the opinion of Lord Strathcona, and without Parliamentary authority, was authorized to enter into an arrangement to cover a five-year term, which was followed by two contracts, extending the time and making the terms much more favorable to the unknown contractors.

By the original agreement the Government undertook to pay to this company as a bonus on all immigrants from continental Europe who were agriculturists intending to settle on farms and were over 12 years of age, a sum per head of 17s. 6d. sterling on all numbers less than 10,000 in each year; 20 shillings per head on any number between 10,000 and 15,000; 25

shillings on any number exceeding 15,000. There was a condition that each head of a family for whom the bonus was paid should be 'possessed of at least \$100. The Government also agreed to spend £500 sterling each year in printing suitable literature.

This agreement was accepted by the Government of Canada, November 4, 1899.

The contracting parties were thus to be paid on all immigrants, whether they were brought by the efforts of the contractors or not. Thousands of people were coming, and Mr. Preston's friends could simply sit still and pocket large bonuses.

#### LORD STRATHCONA OBJECTS.

Lord Strathcona raised this point, and pointed out that the work of educating the people had been going on for a long time and the contracting company would get the benefit. He showed that in three years 25,000 immigrants, exclusive of Doukhobors and Galicians, had emigrated to Canada from European countries. The number in two years and nine months had been greater than in the previous twelve years.

Writing to Sir Wilfrid Laurier in May, 1906, Lord Strathcona again explained the objections he had raised to the contract. He said the contractors "would obtain the advantage without any great expense or effort "to themselves of the movement which was bound shortly to take place as "the result of our continuous educational work with the various agencies "on the continent." (Report Public Accounts Committee, 1806, N. A. T., pages 338-342.)

Six years after the contract had been made, the High Commissioner said:

I do not view the agreement with the North Atlantic Trading Co. with any personal favor for the reasons set forth above, and I am inclined to the opinion that the immigration which has taken place would have been at least as great in ordinary circumstances under the arrangements in force prior to 1899."

#### MISREPRESENTING THE HIGH COMMISSIONER.

The contract was altogether a scheme of Mr. Sifton, of his Deputy Minister, Mr. Smart, afterward an officer of the company, and notably of Mr. Preston, whose relations to the company were part of the mystery.

Notwithstanding Lord Strathcona's objection and hostility to the arrangement, Sir Wilfrid Laurier in defending the deal in 1905 said: "I "now come to the practical side of this contract. It was first introduced by "Lord Strathcona and was then continued by Mr. Preston on the terms "agreed to by Lord Strathcona."

And Mr. Oliver, interrupting Mr. Foster in the course of his speech on the same debate, told him that it was Lord Strathcona and not Mr. Preston whom he should hold responsible for the preliminary negotiations.

Further, we have on page 9322 of Hansard, 1905, the following:

Mr. Foster—What authority was given to Mr. Preston to make the contract?

Mr. Oliver—He is not the original maker of the contract. The original contract was made by the High Commissioner, but the revised contract was made by Mr. Preston.

It was a year later that the truth came out about Lord Strathcona's hostility to the deal.

#### BETTER THAN THE BARGAIN.

The agreement does not authorize the payment of bonuses on children under 12 years of age, but the company was allowed the bonuses on immigrants of all ages. As the number of children in a group of immigrants



was frequently larger than the number of grown people, this concession made a large difference. Later changes were also made in favor of the company.

Auditor-General Mr. J. L. McDougall, noticed these improper payments, and called the attention of the Department to them.

To this Deputy Minister Smart, afterward agent of the company, replied:

"It was the intention of the Department to pay bonuses named to all members of the agricultural or domestic servant class; this would include of course, men, women and children."

On page 67 and pages following of the evidence given before the Public Accounts Committee, in 1906, Mr. Smart was on the stand. Following is an extract from the evidence. Mr. Barker is the questioner:

#### VERY YOUNG AGRICULTURISTS.

Question. Would you call an infant on the breast one that came within these words "coming here as an agricultural immigrant?"—Answer. Yes.

Q. Or a domestic servant?—A. I think so.

Q. With the intention to live in Canada.—A. I would think so.

Q. Now Mr. Smart, do you think that it was a reasonable construction of the agreement that you were going to pay on a baby in its mother's arms?—A. Yes.

Q. As a bona fide agricultural immigrant?—A. Yes.

Q. With the intention of settling in Canada?—A. Yes.

Q. You really think so, that a baby perhaps twenty-four hours' old would have a deliberate intention of settling in Canada?—A. Yes, I do not know what it came here for if it did not.

Q. So that . . . every infant that arrived was worth \$1 to that trading company?—A. Yes.

#### GATHERING WHERE THEY HAVE NOT SOWN.

It has been stated that the contractors received their bonuses on immigrants, even though they had nothing to do with procuring them. An example of this is given by the immigration of Jews sent out by the Hirsch Association. The statement comes out in the evidence of Mr. Smart (page 78 of the Report).

Question. These were brought out at the expense of the Hirsch people? Answer. I think so.

Q. How many came out? A. 200 the first year came out and a little over 100 came out the next year.

Q. And in the bringing of these out the North Atlantic Trading Co. met with no expense?—A. No they had not anything to do with them at all as far as I know.

Q. Did they get any bonus on them? A. Yes.

#### FURTHER CHANGES IN THE CONTRACTORS' INTEREST.

Soon after the agreement was made, the company began to seek changes in their own interest. Mr. Smart explains:

Question. Did I understand you to say that under your first contract of 1899 you paid the company a bonus on children? Answer. Not under the first one. No.

Q. When did you commence to pay on children? A. I think in 1901. I am not certain.

Q. Under what authority? A. I think it was a departmental regulation of the Minister.

Q. What was the duration of the first contract? A. I think it only lasted a few months. There were a number of other restrictions in it which we thought better not to have. For instance, we restricted payment on certain persons unless they had so much money.

Q. That was done away with afterwards? A. I think it only lasted a few months altogether.

In November, 1904, a new and formal contract was made for a period of ten years, with the right of the Government to . . . if the company

failed to carry out its obligations, and subject to the right of either party to terminate the contract upon four years' notice.

The previous contract was terminable on two years' notice.

#### FINAL CONTRACT WITH THE BOGUS CORPORATION.

This last agreement has the form of a contract with "The North Atlantic Trading Co., of Amsterdam, Holland, a body corporate and politic, hereinafter called the Company, of the Second Part."

The last clause of the agreement sets forth that:

"In witness hereof the corporate seal of the company has been affixed hereto, and this agreement has been signed by the Manager and Secretary of the Company, and has been signed and sealed by the Minister of the Interior of Canada on behalf of the Government."

Now the fact is that the North Atlantic Trading Co. at that time had no corporate existence. It was never incorporated in Holland, and when the agreement was made, had no right to use a corporate seal or to pass itself off as an incorporated body. But the contractors had done so in 1902, and they did it again.

#### GUERNSEY INCORPORATION A PRESTON FAMILY AFFAIR.

In June, 1905, after the question of responsibility of the company was raised, a charter was secured in the Island of Guernsey, with the following incorporators, each holding one £10 share (page 117):

	Number of Shares.
Edward Sainsbury, London, hotel proprietor .....	1
Alfred Hindley Alexander, Chiswick, engineer .....	1
John, Alfred Randall, Chiswick, articled clerk .....	1
George Thomas, Hide Downey, solicitor's clerk .....	1
Henry James Whitman, Chiswick, builder .....	1
John Henry Thompson, Epsom, chartered secretary ....	1
Charles Guy Underwood, Acton, W., solicitor's clerk ....	1

The solicitor of the company was E. A. Alexander, son-in-law of Mr. Preston. Mr. Alexander hunted up friends and relatives of his own to act as figureheads in this Guernsey incorporation. Alfred Hindley Alexander, engineer, one of the incorporators, is his uncle. Another incorporator is a family connection, and it is said that some of the clerks in the list belong to Mr. Alexander's office.

Under the various contracts payments were made to the company as follows (Hansard, 1906, page 830):

	As Bonus	As Allowance for Advertising
1901-02 .....	35,482.66	2,433.34
1902-03 .....	34,553.33	-----
1903-04 .....	38,933.33	198.13
1904-05 .....	77,842.33	9,365.38
1905 half year .....	56,287.86	3,483.39

Subsequent payments (including \$61,234.83 paid since 1st June, 1906) bring the total amount up to \$367,245.85. (Statement of Mr. Oliver in Parliament, Hansard, 1907-8, page 167.)

#### WHAT WE PAID FOR.

Of the 8,977 upon whom bonuses were paid in 1901-2, 5,811 came from Austro-Hungary and 1,168 from Russia.

Of the 13,036 on whom the bonus was paid in 1902-3, 7,121 came from Austro-Hungary and 1,948 from Russia.

Of the 12,319 paid for in 1903-4, 6,225 came from the country of the Galicians and 756 from Russia.

In 1904-5 bonuses were paid on 12,384, of whom 5,997 came from Austro-Hungary and 1,350 from Russia.

In each of these years the company made up the maximum number of 5,000 from Galicia, Bukowinia and Poland.

(Hansard, 1906, pages 830-831.)

#### THE IMMIGRANTS WERE COMING ANYWAY.

There is no evidence that the contractors ever induced a single immigrant to come to Canada. Lord Strathcona has stated that the number of immigrants from continental Europe would in any case have greatly increased. In the year before the contract was in operation, there was an increase of 34 per cent. in eleven months over the whole 12 months of the previous year, without including Doukhobors. At no time has the increase been more rapid than immediately before the contract was made. During the whole period in which we were paying Mr. Preston's friends \$5 a head for continental immigrants, the United States were receiving them by hundreds of thousands without paying a cent.

#### PAID FOR ALL CLASSES.

Evidence of officials and other testimony show that thousands of immigrants were paid for as agriculturists without any proof that they belonged to this class, or intended to settle on farms. The statement of the immigrant to some agent of the contractor, or to the purser of the ship, or some officer, seems to have been sufficient.

#### CANADA PAID BUT U.S. GOT THEM.

Again, payment was made on immigrants coming to Canadian ports who crossed the border and settled in the United States. Their immediate destination was Canada, and it was not the business of anybody to see whether they became settlers. Immigrants could reach the Western States more cheaply by way of Canadian than American ports.

Mr. Monk produced evidence from U. S. Commissioner of Immigration showing that U. S. authorities during 1905, examined at the Canadian border 40,488 immigrants coming from Europe to Canada and passing into the United States. Of these 12,881 were manifested through Canada to the United States, 9,142 came manifested to Canada, and within a year migrated to the United States, and 20,076 crossed over to the United States after remaining in Canada a year or more. From the continent of Europe, omitting those countries on which no bonus was paid to the North Atlantic Trading Co., 24,199 came across the Atlantic manifested to Canada and passed to the United States. Of these, 5,778 belonged to the class of agriculturists and domestic servants, on whom the company could claim a bonus.

#### NO PROOF OF EXPENDITURE.

In order to judge of the value of the claim that \$15,000 was expended by the North Atlantic Trading Co. in its general work, it may be noted that the expenses at the head office were put down at 30,529 marks, or about \$8,000. The character of this head office is shown by evidence of Mr. James A. Smart, who, in 1904, went to this head office. The following is his evidence to the Public Accounts Committee (page 57):

#### HEADQUARTERS OF THE CORPORATION.

Question. Have you ever been in Amsterdam since this arrangement? Answer. Yes.

Q. Did you go to their office? A. I did.

Q. What did you find there? A. I did not find anything, at least, I simply found the office was locked up when I went there.

Q. Was it on a business street? A. Yes, sir. I think it was on the first floor.

Q. Above the ground floor, and what was it, a room? A. An office.

Q. Was there a name on the door? A. Yes, the North Atlantic Trading Co.

Q. Did you make inquiry of the neighbours? A. Yes.

Q. What did they say? A. They said the correspondence came there. Some one, they said, came there and the place was visited quite often. It was visited by some person they did not know.

Q. Who took the letters. A. I suppose.

#### CONTRADICTED BY THE SUPERINTENDENT.

Mr. W. D. Scott, Superintendent of Immigration, made a report in June, 1903, in which he called attention to the evident fraud in the company's claims. Mr. Scott says (Hansard, 1906, page 1984):

"Of the whole 105,325 marks which is equal to \$25,067, I find that the main part of this amount is for office rents, salaries of clerks, postage, commissions, sub-agencies, and that out of this total \$4,570 has been actually used for advertising. A large part of the advertising is simply steamship advertising, not directed by the North Atlantic Trading Co. at all, but by Mr. Karlsberg and Mr. Faik. A large portion of the cost of office rent, etc., covers steamship offices established for the general ocean business, not only to Canada but for all portions of the globe."

This simply means that the alleged expenditure by the Company for the promotion of immigration was the outlay of steamship agents connected with their own business.

Mr. Karlsberg is mentioned in connection with suspicious transactions of the Arundel Printing Co.

#### QUITE INDIFFERENT.

The Superintendent of Immigration was called, and following is a report of his examination. Questioned by Mr. Foster (pages 34-35):

Question. What steps have you taken each year to make it certain that they have spent \$15,000, for instance, for the purposes shown in the contract?—Answer. They sent us a statement, together with the vouchers.

Q. Signed by whom?—A. I cannot tell you that, it is the North Atlantic Trading Co.

Q. You get a statement from the company that they spent \$15,000?—A. Yes.

Q. Anything else except that they have spent \$15,000?—A. They send samples of literature and copies of the advertisements. Vouchers from the different printers, covering their statement of expenditure. . . .

Q. Do you take any steps at all to ascertain whether these vouchers are correct?—A. We take them to be correct, they have every appearance.

Q. You make no examination on that head at all?—A. Nothing further.

Q. You do not satisfy yourself that they have distributed these samples for which they claim they have paid?—A. No.

Q. For all that you know every page of printing that they claim that they have paid for may be lying waste somewhere?—A. For all that I know. Yes.

Q. You have never asked?—A. No.

Q. Did you ever communicate with the firms whose names are signed on these receipts to find whether they were genuine or not?—A. No.

Q. Have you taken any pains to inquire what kind of special work they did in Norway, Sweden and Finland upon which they claim they paid £1,000?—A. No, I have not.

#### DEPUTY MINISTER SMART.

Mr. Smart, who had been a political associate of Mr. Sifton in the west, became the latter's deputy in 1897. Two years later he and Mr. Preston made the North Atlantic contract. Almost immediately thereafter he varied its terms by withdrawing the restrictions as to the age of immigrants and as to their possession of a certain sum of money. In 1902 he arranged a new

contract, giving his friends a still better deal, and in 1904 prepared the one in existence in 1906.

Mr. Smart refused to give the names of the persons with whom he negotiated. He visited Europe while the contracts stood, and on one of these trips had his search for the company in Amsterdam. That was in the spring of 1904, and on the 28th day of November, 1904, the final contract with the company was signed.

In his testimony before the committee, Mr. Smart says he first met one of the members of the syndicate in 1901 or 1902, and had correspondence with him afterwards.

"Have you any objection to telling us who that was," asked Mr. Barker.  
Answer.—"Yes, I have."

#### MR. SMART'S DOUBLE NEGOTIATIONS.

At the end of 1904, one month after Mr. Smart made the ten-year contract with the syndicate, he resigned his office in the Government, and a few weeks later entered the service of the company. That he was contemplating such a change before the agreement is shown by the following extract from his evidence.

Question. How did the arrangement between you and the company by which you entered their service originate?—Answer. I fancy it was in my correspondence with the gentleman I speak of.

Q. That led to your being employed?—A. Yes,—I think in a letter to him I told him I was contemplating being relieved of my connection with the department. (Page 64).

It would be interesting to have these private letters between the syndicate and the Deputy Minister, which led up to the latter's resignation of his office and acceptance of the position of agent for the company in Canada, when one considers that the new contract was made just before Mr. Smart changed his relations, and after he had arranged to do so.

But that correspondence is not available. What happened to it is thus explained (pages 86-87 of Mr. Smart's evidence):

#### HE BURNED THE LETTERS.

Question. And you resigned on December 31, 1904?—Answer. I think I had spoken to Mr. Sifton in regard to my intention to resign and I would have left the department during the summer of 1904 or during the latter part of the spring if it had not been for the session. He asked me to remain through the session.

Q. You did have correspondence with members of this syndicate while you were still Deputy Minister?—A. Yes, I did.

Q. Did not that correspondence lead to the subsequent employment of you?—A. It may have, yes.

Q. Have you any objection to produce any of the correspondence that you had with any of the members of that syndicate while Deputy Minister?—A. I have not got the correspondence to produce. I have not kept it. I have kept none of my private correspondence. I destroyed it. . . .

Q. Give me precisely when you destroyed these letters?—A. About the 1st of September, 1905.

Q. Did you burn the press book?—A. Yes, I burned everything that I had.

#### MIGHT BE USEFUL.

Mr. Smart stated that he became acquainted with this man in 1902, that he lived in Germany, and Mr. Smart visited him there. Mr. Smart added that when he told his syndicate friend that it was his intention to retire "I thought I might be of some use to the Government and to the company in carrying on a larger propaganda in Europe."

Q. Well, you were still in office, but were contemplating going out and thought you might be useful as an intermediary between the department and the syndicate?

A. Yes, and to look after the interests of the syndicate generally.

Q. That led to your employment?—A. Yes.

Mr. Smart further testified that he was claiming on behalf of the company payment for a number of immigrants who had not been credited in previous years.

Q. Your accounts are not yet closed with the company?—A. Not for this year.

Q. Not for any year? Have they not an open account?—A. They have not been paid for all they are entitled to.

Q. The company is claiming that they are entitled?—A. I am claiming for the company.

(Evidence, page 107).

#### REMARKABLE TRAIN OF CIRCUMSTANCES.

So we have Mr. Smart, Deputy Minister of the Interior, endorsing Mr. Preston's arrangements with a syndicate, the members of which neither he nor Mr. Preston nor the Minister will name. We find him changing that arrangement in the interest of the contractors, replacing it with another arrangement still more in the interest of the syndicate, construing it in a remarkable way to the advantage of the contractors, making a new contract three years after the first one, entering into negotiations with the contractors with a view of joining them, and then before entering the service of the company negotiating with them as Deputy Minister a final ten-year contract under which in the year following they were able to claim \$100,000 or more. And then we find him carefully burning all the correspondence leading up to this happy conclusion, and presenting a claim to the Government for additional amounts for the past services of the company.

#### PRESTON'S RELATIONS TO THE COMPANY.

The case of Mr. Preston is even more interesting than that of Mr. Smart. On the side of the Government he is the originator of the scheme, though, as Lord Strathcona pointed out, the plan was made by the parties who obtained the contract. They had sought an agreement of this kind with the High Commissioner and he had refused to entertain it. With Mr. Preston they had better success.

#### MR. JURY CONVINCED.

Mr. Alfred Jury was appointed Immigration Agent at Liverpool by the Laurier Government, after faithful party service and one campaign as a Liberal-Labor candidate in Toronto. He has sworn on the stand, his firm belief that Mr. Preston was from the beginning financially interested in the contract. Mr. Jury points out to the fact that Mr. Preston went about Europe in the interest of the company, personally engaged the agents of the company in Scandinavia and other countries, arranged with a Government interpreter in Liverpool to obtain for the use of the company addresses of possible immigrants, personally paying him from time to time for these services with his own cheque, and in various other ways interesting himself in the business of the contractors. So firm is Mr. Jury in his opinion that he swore he would not accept Mr. Preston's sworn statement to the contrary. It was in this connection that Mr. Jury wrote to Mr. Preston in 1905, saying: "I have not got any gold mine in the shape of a Canadian Bureau "or a North Atlantic Trading Co. to draw from." And Mr. Jury further writes to Mr. Preston: "I should like to buy you at my price and sell you "at your own. I would not trade with you then for either of your gold mines."



Mr. Jury is still the Government Immigration Officer at the port of Liverpool.

#### A GOOD MARGIN IN SCANDINAVIA.

Mr. Preston organized the work of the contracting company in Scandinavia. The basis is shown by a letter from Mr. Charles Bennett, February 20th, 1905, and produced in the investigation before the Committee of Agriculture.

"All the propaganda work for Canada that this company has done in Norway has been through me. You will perhaps remember that in 1900, if I remember rightly, Mr. Preston came over to Sweden and Norway to appoint agents for the said company. Mr. M. D. Ennis was appointed for Sweden and I for Norway, and we were to receive a commission of four shillings, to be divided between us for each passenger of the agricultural class who emigrated from Norway and Sweden to Canada.

Mr. Preston made a very good arrangement for the company, to pay the agents in Sweden and Norway 4 shillings each for immigrants, and to receive 20 shillings from the Government for them. But Mr. Bennett made complaint that he had not been paid even these sums.

#### "YOUR COMPANY."

There was a little correspondence between Mr. Smart at Ottawa and Mr. Preston in London in July, 1900, which shows the remarkable interest they both felt in the welfare of the company. At Mr. Smart's end of the line the bonus to the company had been increased in certain cases from 17s. 6d. to 20s. Mr. Smart does not wait to write, but wires the announcement, followed by a letter, in which Mr. Smart says:

"You will observe that the government has re-arranged the bonus so that there will be a decided advantage reaped by your company in connection with all except the Galicians."

These two officials appear to be concerning themselves altogether with the advantage to be reaped by the contractors, whom one of them describes to the other as "your company."

#### MANY LINES OF CONNECTION.

When it was discovered that there was no incorporation in Amsterdam, Mr. Preston's son-in-law appears solicitor for the company and procures the ridiculous Guernsey incorporation with friends and relatives of his own as incorporators. Mr. Preston's friend Lazarus, alias Leopold, became an agent of the company and a beneficiary of his operations about the same time that Mr. Preston and he were working together in the notorious Labor Bureau business. Also, the Arundel Company printing deal, in which Mr. Preston's department was concerned, leads up through one of the payments to the North Atlantic Trading Company connection.

#### SUSPICIOUS SECRECY.

The next point to be considered is the suspicious secrecy and underhandedness of the transaction. All the contracts with the company were made without parliamentary authority, though one of them had ten years to run and obviously required parliamentary sanction.

They were concealed from parliament for five or six years, and any allusion to the arrangement made in the departmental report is so vague as to convey no real hint of the nature of the deal.

Names of the contractors have been concealed, and neither parliament nor public have been allowed to know who obtained the \$367,247.

In 1905 the contract itself was asked for and was obtained after the Minister had made many objections, but the Government refused to give the names of the contractors..

When, after long efforts, the Opposition compelled the Government to bring down the contract, a mutilated paper was produced. The Minister placed upon the table a document purporting to be the contract, but the name of the person signing on behalf of the company had been torn off, evidently by order of the Minister.

At the beginning of the investigation in 1906 Superintendent of Immigration, Mr. W. D. Scott, was asked to procure the names of the contractors. He replied that he would cable for them if the Minister would consent, but at the next meeting he returned stating that he had not obtained consent and did not cable.

Mr. Smart was repeatedly asked to give the names of the members of the company or the persons with whom he negotiated, and steadily refused to do so. Mr. Preston, when asked for the names, declared that he was under pledge not to reveal the names, but would endeavor to obtain consent.

Still later, Mr. Preston announced that the names had been sent to him in a letter, but without permission to reveal them. He had authority to show them to the Premier.

#### BOGUS REASONS.

The only reason given for this mystery was that some of the countries where business was done were hostile to emigration. The single necessary comment upon this is that all the contracts require the contractors to respect the laws of the countries where they operate.

#### OLIVER CHARGES FRAUD.

The final proof that the company was a fraud is the statement of the Minister of Interior, who, after persuading his party in the House to vote down Mr. Foster's motion that the contract was improvident and should be cancelled, announced that he had himself ordered its cancellation on the ground "that the company is not carrying out its agreement in good faith."

Mr. Oliver thus explains his action in his letter of instructions to Lord Strathcona:

"Notwithstanding the plain purpose of the arrangement the returns show that while the claims made as to immigrants from the countries in respect of which a maximum is fixed are kept up to the maximum, the returns of qualified arrivals from Norway, Sweden and Finland show a continuous falling off."

During the nine months of the fiscal year 1906, reported before Mr. Oliver spoke, the returns for Norway, Sweden and Finland, showed that the number of arrivals were thirty-nine per cent. of the total number from those countries in 1905, while those from Galicia and Bukowinia were only seventeen per cent. of the previous year.

Mr. Oliver's reason was therefore bogus, like everything else connected with the deal. The Minister knew that immigration rose and fell without regard to the conduct of the company, which was doing nothing but gathering in the bonus.

The truth was that the disclosures of the investigation had made it necessary for the Minister to cancel the arrangement.

#### WOULD NOT BE TAKEN ALIVE.

After the contract was cancelled the company, through its agent, former Deputy Minister Smart, pressed a claim for further payments. Mr. Beddoe,

of the Interior Department, was sent to Amsterdam to examine the expenditure statements and other claims of the company. In the Session of 1907 Mr. Beddoe was a witness before the Committee of Agriculture and Colonization. Asked whether he had ascertained the names of the contractors, he admitted that he knew them but had promised not to give away the secret. It was on that condition only he was allowed to see the accounts. The Government brought down its statement from Mr. Cohen, Secretary of the Company, who stated that if the names were divulged, some of the persons concerned might commit suicide.

Mr. Monk appealed to the House by moving a resolution declaring that it was the undoubted right and privilege of the House of Commons to have information on public matters within its jurisdiction, and asking that Mr. Beddoe be summoned to the Bar and required to give information as to the business matters which he had investigated. This motion was voted down by the usual party majority, except that Mr. Laverne and Mr. Robitaille, Liberals, voted for the motion. (Hansard, 1906-7, page 5858). In the previous Session, May 1st, 1906, the Government majority had voted down Mr. Foster's resolution that the contract was improvident and absurd and should be terminated. This resolution will be found on page 1816 of Hansard, 1906, and the vote on page 2449.

## PRESTON AND LEOPOLD.

**Leopold's Labour Bureau Works with the Immigration Office.  
Sending Artisans to Canada on False Representations. Ennis  
Letters Show Relations Between Preston and Leopold.  
Mr. Monk Demands Preston's Removal. Oliver Promises  
to Investigate but Preston is Promoted Without Inquiry.**

One of the remarkable episodes in the history of Canadian immigration is that connected with Louis Leopold, whose right name is Leopold Lazarus.

While the declared policy of the Government is to encourage no immigrants except the agricultural and domestic servant classes, the Chief Commissioner of Immigration was for years associated with and giving assistance to Leopold in sending out mechanics and artisans to this country. Generally there was close co-operation between Leopold's office and that of Mr. Preston, and always the treasury of Canada contributed to Leopold's advertising and canvassing.

### STANDING INSTRUCTIONS TO PRESTON.

The professed policy of the Government was announced by the Minister of the Interior in 1906. (Hansard, July 3, page 6870.)

The standing instructions of the department to its agents canvassing for immigrants have been since 1896, to encourage none but persons of the agricultural classes and domestic servants to come to Canada, but until recently the department made no objection to paying bonuses on immigrants who had been mechanics, provided they declared their intention of engaging in agricultural pursuits in this country.

On June 20, 1904, Mr. Sifton was asked if the Government was not aware that certain individuals were making fraudulent representations to intending immigrants to Canada, by holding themselves out as agents of the Canadian Government, guaranteeing positions and committing other frauds. In reply, Mr. Sifton stated that the Government was aware of it, and had issued a warning.

That Leopold, so called, was one of the parties making such misrepresentations is shown by the following circular issued by him. (Hansard, 1906, page 6900.)

### LEOPOLD MAKES PRESTON'S ACQUAINTANCE.

I would draw attention to the fact that there is almost unlimited demand for experienced and inexperienced help of every class, both male and female, in all various towns of Canada.

Good hands are required for the iron and steel trade, the building trade, as well as for mills, factories and other industrial establishments.

Almost every mail from Canada brings fresh applications for help which is urgently needed, and the inclosed list deals with the actual vacancies that this bureau has to offer at the present time for men who are strong, able and willing to work, and who are anxious to improve their position in a country which holds out such excellent prospects as does the Dominion of Canada.

Generally speaking wages are higher than in England, and the cost of living lower.

Nobody booking through this office need be afraid of being without work on arrival in Canada, as it is my principle never to send any one out unless there is a direct opening for him to go to. An introduction from this bureau guarantees permanent work with a reliable firm to suitable men.

Concerning the intimate connection of Mr. Preston and the Canadian Government office with Leopold, Mr. Preston testifies (page 124, Public Accounts Committee Evidence, 1906):

Question. When did you first have these relations with Leopold?—Answer. I became acquainted with Leopold, I think, in the spring of 1902.

Q. What was he then doing?—A. He came to London for the purpose of establishing a booking agency.

Q. Do you know his real name?—A. His real name is Leopold Lazarus.

Q. He is not Louis Leopold?—A. No. He is like many other Hebrews who came there and adopt English names. There are hundreds of them in London.

Q. When he came to you in 1902 was he introduced to you as Leopold Lazarus?—A. No, the Lazarus end of it I only learned about two years ago.

Q. When did you first begin to have relations with Leopold with regard to immigration?—A. Very shortly after he came there. It was when my office was on Victoria Street.

#### THE INTIMACY GROWS.

While the Government office was on Victoria Street that of Leopold was there also. He received bonuses from the Canadian Government on British immigrants sent to this country. He was also receiving bonuses from the North Atlantic Trading Co. for continental immigrants whose passage he booked. Mr. Preston admitted that his son-in-law, Mr. Alexander, solicitor of the North Atlantic Trading Co., had also on Mr. Preston's recommendation been engaged to do Leopold's law business.

In 1903 the Government immigration office was moved to Charing Cross and Leopold's headquarters were transferred to the same building. Direct telephone communication was established between Mr. Preston's office and Leopold's.

It was at this time that Leopold, in his capacity as the Canadian Labor Bureau, was causing trouble by sending out artisan laborers on representations said to be false, and by negotiating arrangements for breaking strikes in Canada.

The Government was insisting that no public encouragement was given to immigration other than agricultural or domestic, while complaints had been made by labor organizations that Government offices were assisting agencies accused of fraudulent representations.

#### THE ENNIS LETTERS.

There was good ground for these charges. The following letters from Commissioner Preston to Mr. J. Ennis, Manager of the Allan Line Co., has a direct bearing on this matter (pages 144-145):

17, Victoria Street, London, Feb. 17, 1903.

Strictly private and confidential.

My Dear Mr. Ennis,—Now that the Elder Dempster line has gone into the hands of the Canadian Pacific Railway, I can confer with you upon the subject, and also act with you in this matter in a way in which it was not in my power at an earlier date.

Of course you are aware that the Canadian Pacific Railway will open offices at Cockspur street in the course of the year. You are also aware that there are one or two agencies whose business is principally drawn through being able to assure those booking through them that positions in western Canada will be found for them on their arrival.

I was called on yesterday by a very responsible fellow who wanted to discuss with me a plan which he thinks he will be able to carry out with the aid of this office and the office at Winnipeg, and also the government officials in Toronto through my influence, so as to be assured of finding employment for all who book through him.

He has also considered the advisability, and with this object in view has had correspondence with a number of large employers of labour in Canada, to furnish them with the labour which they may want from time to time, and which of course, for very obvious reasons cannot be handled through the department.

He wanted to know if in the event of making an arrangement with one of the steamship companies as a booking agent, whether I would be disposed to assist him in respect of finding employment through the government offices at Winnipeg, or Toronto, or Montreal or elsewhere as the case may be, by referring inquirers to him from time to time, provided his office could be situated conveniently to our new offices.

I told him that upon the latter point I had had a confidential conversation with you, suggesting the advisability of your company renting one of the small offices immediately over the new offices of the government on Charing Cross, and that I thought you were considering my suggestion in this particular. As the outcome of my conversation with him, at any rate, I thought I would write you to see whether your company would be willing to share with him the rent of one of the small offices in that building, appointing him as your licensed agent, giving him the usual commission. I think if this can be done it will open an avenue for considerable business being created there for which otherwise there is either a general hunt, or a general scramble now.

Now that the Elder-Dempster people are out of the running, my hands are free to act in a manner that will give evidence of a more sympathetic co-operation with you than formerly.

I would like to have a chat with you on this subject, but it is impossible for me to get away even for a day at present, but I would like very much to have your view on this.

I have very strong reasons for wishing anything of this kind that might be done shall be through the gentleman to whom I have referred. After his conversation with me I would rather feel that I was breaking faith with him if he was to give place to any one else.

Yours very truly,

(Sgd.) W. PRESTON.

J. Ennis, Esq., Liverpool.

#### THE PLOT DEVELOPS.

'Private and confidential.'

June 10, 1903.

Dear Mr. Ennis,—I have yours of the 9th with enclosure from the Plymouth agents. For reason which you can understand, i.e., in view of the opposition of the labour unions in Canada—and you have had some experience in connection with the dock labourers at Montreal—against any propaganda among prospective emigrants who are likely to engage in any other calling in life than agriculture arriving in Canada; and also incident to the fact that they have demanded from the government my recall or dismissal, alleging encouragement on my part respecting emigration other than agriculturists, the department is debarred from furnishing any specific information respecting the possibilities of labour in Canada by mechanics, artisans and others. This has, therefore, led to the establishment of a labour bureau by large employers of various kinds of mechanical and skilled labour which has taken shape in the Canadian Labour Bureau. Although I am NOT SUPPOSED TO KNOW anything about the workings of the company, I necessarily made inquiries as to its bona fides, and also the financial standing of those who are interested in its inception. Having satisfied myself on these points, I have not regarded the subject as of any further concern in so far as its work respecting Canada is concerned.

I am well aware, however, that applications have been received by the bureau for thousands of skilled and trained artisans, not only general but specific requests for particular numbers required in various kinds of manufacturing industries.

It is not necessary that I should say whether I welcome this adjunct to the Canadian work or not, but in view of the action of the labour party in Canada, I am free to admit I am not surprised that an institution of this kind has commenced operations.

Where the labour bureau advertises for any particular trade or calling, I am satisfied that its manager is in a position to place the stated number of these particular trades required, giving them letters of introduction to employers of labour in Canada who will furnish them with immediate employment at stated wages on arrival.



I do not see how a steamship company is going to prevent an employer of labour from advertising his wants and guaranteeing employment and securing the labour he requires, and I am free to admit that I do not see any greater cause for complaint in this particular than, for instance, Cooke's, Gaze's or Lunn's office advertising in towns or localities where they have not stated agencies. Of course I am writing you this fully and frankly on the question, but I do not wish that my letter shall be made public.

Yours very truly,  
(Sgd.) W. PRESTON.

#### MR. PRESTON AND DECEPTION.

These letters were made public through a quarrel between Commissioner Preston and Mr. Jury, Immigration Agent at Liverpool, who obtained possession of the correspondence and assisted in exposing Mr. Preston's double dealing. Mr. Jury had been active in the labor interest and did not hesitate to show that while the Government was professing to discourage artisan immigration, its Immigration Commissioner was, in this underhand way, giving all possible assistance to Leopold's Labour Bureau. Mr. Preston's sneers at the labor organizations in Canada and his efforts to circumvent them were displeasing to Mr. Jury. Mr. Preston was asked in the Public Accounts Committee what he meant by the statements that the labor bureau which Leopold managed had been established by large employers of labor and that he had made inquiries as to its financial standing, when he knew that the labor bureau had not a single employer of labor in it. Here is his own sworn statement (page 127, Public Accounts Committee evidence, 1906).

Question. Where did Leopold establish his office? Answer.—He got an office in the same building as the government office.

Q. Your general offices were on the ground flat and you had one room upstairs. His room adjoined your room upstairs.—A. Yes.

Q. Who constituted that labour bureau?—A. Mr. Leopold, I told you.

Q. Mr. Leopold was the bureau?—A. Mr. Leopold was the bureau.

Q. Nobody else?—A. Nobody else.

Q. You knew that?—A. I knew that.

#### PRESTON AND THE STRIKE-BREAKERS.

About this time there was a strike on the Crow's Nest Pass Coal Company's works, and the management arranged with Leopold to send out 2,000 or 3,000 miners to break the strike. The money for transportation was sent to Mr. Preston, who paid it out for transportation of miners on Leopold's certificates (see Preston's evidence, page 188).

On May 9th, 1906, Mr. Ralph Smith, Liberal Labor Member for Nanaimo, vigorously denounced the misrepresentations of Leopold's Labor Bureau. He showed that Leopold was sending out letters from the same building as the Government Immigration Office in London, that he used the Canadian Coat-of-Arms on his letterheads. He read one of these letters promising work to builders and other skilled workmen at high wages and cheap living. Mr. Smith showed that these letters conveyed the impression that the Canadian Government was working with the Bureau. He protested that "it is an indignity to the Nation as a whole that the symbol of its National authority should be made an instrument of fraud to deceive and injure innocent citizens."

#### THEY WERE LIKE PARTNERS.

Commissioner Preston backed up Leopold in every possible way. He recommended him to the Allan Company and got him appointed as their agent. Leopold was an agent of the North Atlantic Trading Company, his solicitor was Mr. Preston's son-in-law, whom Mr. Preston had recommended

to him. Mr. Preston issued a circular letter stating that the Department did not give advice respecting artisan immigration, and adding, "it is open to you to communicate with the Canadian Labour Bureau, 18 Charing Cross, S.W., if you so desire." (Hansard, 1906, page 5875.)

Deputy-Minister Smart reports in a memo., speaking of immigration offices at London, that he found it "a practise for mechanics or laborers who came to the office to seek for information for them to be referred to the office upstairs" (Leopold's), which, as he said, gave the impression that there was some connection between the Government's office and Leopold's bureau (Hansard, page 6901). Much more evidence was produced showing that Preston officially wrote recommending this labor bureau.

#### THE CASE IN PARLIAMENT.

In view of all these disclosures, Mr. Monk, M.P. for Jacques Cartier, who had charge of the inquiry in the Agriculture Committee, proposed in the House the following resolution:

"In the opinion of this House, for the causes disclosed in the evidence taken before the Committee on Public Accounts, and the Committee on Agriculture and Colonisation, and for other reasons, W. T. R. Preston, Inspector of Immigration, should be no longer continued in that office."

Mr. Monk charged among other things that Mr. Preston "violated his duty by encouraging in a clandestine manner the immigration of mechanics and helping to establish and foster a Canadian bureau contrary to the standing instructions of the government."

Mr. Oliver could not contradict the charge connecting his Commissioner with the notorious labor bureau. He could not justify the transaction. What he did was to ask the House to vote down the resolution and solemnly promised a thorough investigation. He declared that such an investigation would be held, and that the Department would deal with Preston according to the facts. His pledges will be found in Hansard, 1906, pages 6887, 6891, 6895 and 6905.

Three Liberal members, Mr. Guthrie, Mr. Verville and Mr. Johnston, of Cape Breton, excused themselves for voting against the resolution, pleading the Minister's promise to investigate and to dismiss Preston if the circumstances called for it. So the motion was rejected on July 4th, 1906, by a party vote of 89 to 39, recorded on page 6928 of Hansard.

#### NOT DISMISSED, BUT PROMOTED.

Mr. Preston was not dismissed. He was promoted. He was made Commissioner to China and Japan at a salary of \$3,600 and all his expenses paid, whereas his previous salary was only \$3,000.

Mr. Oliver says he held a private investigation, but he refused to produce the evidence, and has never stated whether he found Preston guilty or not. If there was an investigation, it was absolutely private and no record can be obtained. If Mr. Oliver removed him from the Immigration Office because he was guilty of duplicity and fraud in his relations to the labor bureau, or because of collusion with the North Atlantic Trading Company, or of the corruption charged by Mr. Jury, Sir Richard Cartwright was not too delicate to take Mr. Preston into his Department, give him a more conspicuous position and a higher salary.

Meanwhile Mr. Jury, who accused Mr. Preston of corruption and declared he would not believe him on oath, remains Government Agent at Liverpool, and Mr. Just, who exposed the Arundel printing scandal, and was turned out of the office by Mr. Preston has been restored and promoted.

# THE ARUNDEL CONTRACTS.

## IMMIGRATION PRINTING DEALS IN LONDON.

### A Chief Clerk's Discovery, Followed by Dismissal From Office. Cheques Went To Somerville, Karlsberg, and Leopold.

In the Auditor-General's Report for 1901-2, for Printing, Advertising, etc., in Europe, there is a payment of \$22,696.22 to the Arundel Advertising & Printing Co., of London, England. In 1902-3 there is charged for the same services by the same people \$21,125.44, in 1903-4 \$12,761.37, and in 1905 \$1,210.40.

In 1904, Mr. C. F. Just, Secretary in Mr. Preston's office, cabled to the Government in Mr. Preston's absence that the prices paid to this concern had been excessive. He informed the Minister that the Arundel Co. had been paid £2,900 sterling for work that could have been done for £900.

Mr. Preston suspended Mr. Just from his position in the Immigration Office.

#### IT WAS ROY SOMERVILLE.

The Arundel Co. was Mr. Roy V. Somerville, whom Mr. Preston knew as the son of a former Liberal M.P., and found in London acting as agent of a ladies' fashion magazine. Mr. Preston transferred to him without tender a large part of the printing, though Somerville had no printing office, and farmed out the work.

In the Public Accounts Committee, Mr. Preston was shown one account of the Arundel Co. amounting to £2,701 12s. No certificate of the correctness of this account could be found. The cheques showed that £250 was paid in advance. The cheque was endorsed, "Arundel Advertising & Printing Co., per D. Somerville, Manager," and by Roy V. Somerville. D. Somerville, who signed as manager, is the wife of Roy Somerville.

#### HOW ONE PAYMENT WAS DIVIDED.

The balance of the account, amounting to £2,451 12s. was paid by four cheques:

Cheque No. 786, dated May 15, 1903, for £610 0s. 0d.  
Cheque No. 787, dated May 15, 1903, for £612 0s. 0d.  
Cheque No. 788, dated May 26, 1903, for £609 12s. 0d.  
Cheque No. 789, dated May 26, 1903, for £620 0s. 0d.

The receipts were all given on the 26th of May, showing that the four cheques were all delivered together.

#### WHO GOT THE MONEY.

Cheques number 786 and 787 were endorsed to Lloyds' Bank. They were apparently cashed by Mr. Somerville for his own benefit.

Cheque number 788 was endorsed by the Arundel Co., "per D. Somerville, Manager" (Mrs. Somerville). It bears the indorsement of B. Karlsberg, to the order of the Dresden Bank in Hamburg. B. Karlsberg, who

seems to have received the proceeds of this cheque, is a booking agent at Hamburg, a great friend of Mr. Preston, as is shown by the following testimony of that gentleman:

Question. In what way had you connection with Karlsberg?—Answer. Well, I found him enthusiastic about Canada and a very nice fellow, and we had grown to be very intimate.

Q. Did you go to see him?—A. Frequently, yes.

Q. Did he belong to the syndicate?—A. You must not ask me that, Mr. Barker.

Q. Will you say he was not?—A. No, I will not say anything about it. (Page 232 of the evidence).

In this connection it is well to recall the fact that in 1900, when W. D. Scott, Superintendent of Immigration, criticized the North Atlantic Trading Company's claim for expenditure for immigration advertising and canvassing, Mr. Scott pointed out that the outlay for which the claim was made appeared to be the ordinary business expenses of this Mr. Karlsberg.

Cheque number 789 was endorsed by D. Somerville, Manager, and by Louis Leopold, by whom it seems to have been cashed early in June.

Mr. Louis Leopold, who received this £620, is the subject of another chapter.

#### A REASONABLE EXPLANATION.

This remarkable distribution of cheques was not clearly explained by Mr. Preston. He could not say why he paid the balance of this account in four cheques instead of one, or why they came to be divided up among Mr. Somerville, Mr. Karlsberg and Mr. Leopold.

If, however, Mr. Just was correct in stating that £2,900 sterling was paid for £900 worth of work, it will be understood that after Mr. Somerville was more than amply paid, there remained a very sufficient rake-off to cover the other two cheques to Mr. Preston's two very particular friends.

#### JUST RESTORED AND RECOMPENSED.

It has been stated that Mr. C. F. Just, who was Secretary in the Immigration Office at London, was removed by Mr. Preston. This suspension occurred on the 14th of September, 1904. In 1906 Mr. Preston was "promoted" from the Immigration Office and made Commissioner to Japan. For two years lacking six weeks Mr. Just was out of the office. Then he was recalled, restored to his old position with a subsequent increase of salary, clearly establishing the fact that he had done no wrong.

Mr. Just's salary was paid for the whole time he was out. This was done by a special vote as follows, in 1907:

"Immigration, To pay Mr. C. F. Just's salary from the 14th December 1904 to the 31st of October, 1906, notwithstanding anything to the contrary in the Civil Service Act, \$3,572.84."

Mr. Oliver explained that the amount was required to pay the salary of Mr. Just while he was under suspension. The Minister added that,

"It was thought advisable to re-instate Mr. Just, and it was found that Mr. Just could only be legally suspended by order of the Minister, or Deputy Minister, and no such order had ever been issued. We thought the only thing to do was to acknowledge that there had been a mistake and to pay Mr. Just."

The suggestion was made by the Opposition that Preston ought to pay this damage, but the Government preferred to levy it on the country.

# THE WALLBERG CONTRACTS.

## SAMPLES OF TRANSACTIONS WITH A FAVOURITE I. C. R. CONTRACTOR.

Mr. A. E. Wallberg seems to have about the same relation to the Railway Department that Messrs. T. L. Willson and George T. Merwin bear to the Department of Marine. Unfortunately, the Royal Commission did not overhaul the Railway Department and the extent of contractor Wallberg's influence is not judicially stated. The Commissioners found records of Mr. Wallberg's transactions with the Marine Department, and reviewed them to the extent of thirty columns. Some which he carried through and some that he attempted are worthy of notice, but they are small compared with his Intercolonial contracts.

In the nine months of 1907 the Railway Department paid Mr. Wallberg over a quarter of a million dollars, on eight or nine contracts. These contracts, and others made afterwards, ran up to many times this amount. In May, 1908, the Minister of Railways announced that Mr. Wallberg had thirteen contracts running with his Department.

### INVESTIGATION UNDER DIFFICULTIES.

The Public Accounts Committee made an attempt to investigate extraordinary features of a few of these contracts. But members starting these inquiries were always impeded and sometimes blocked by objections from Liberal members. The most interesting inquiry of all was headed off completely by the fact that the contractor allowed his accounts to run on for a year without payment, and the Government supporters took the ground that inquiry into this irregular and improper contract could not proceed. A few Wallberg contracts that are partially investigated may be briefly reviewed. It may be remarked that Mr. Wallberg came to Montreal from the United States not long ago as a manufacturers' agent, and much of the plant supplied by him to the Intercolonial is of American manufacture.

### NUMBER 1—HOISTING CRANES.

The first contract examined was for five hoisting cranes. Tenders were received under specifications, and though Mr. Wallberg's was not the lowest, the department decided that this would be the best value for the money. He was paid \$6,380 for each crane delivered at Levis, the Government kindly remitting the duty. Mr. Wallberg turned over the contract to a Cleveland, Ohio, Company, which sold him the five cranes for \$5,200 each. After paying freight and expenses, his rake-off was \$4,550, as he himself admitted. There seemed to be no reason why the Government should not have bought direct from the Cleveland Company. Moreover, the record shows that the call for tenders asked quotations for one crane only, and the other tenders offered one, whereas Mr. Wallberg figured on five and sold five.

### NUMBER 2—HEATING CONTRACT.

In November, 1905, the Government asked for tenders for a specified system for heating the Moncton Car Shops. Mr. Wallberg tendered at \$5,765. Next day, Sheldon & Sheldon, of Galt, Ontario, tendered at \$4,300. There was another tender at \$4,700. Two days after this first tender, and



one day after Sheldon's, Mr. Wallberg wrote again explaining that his offer was for a Sturtevant apparatus, and saying that he would build a smaller plant for \$3,900. The Government accepted Mr. Wallberg's higher tender, without making further inquiries as to what the other tenderers proposed to furnish, though their offer was in the same terms as Mr. Wallberg's first one.

#### NUMBER 3—WATER TANKS.

The Government called for tenders in 1905 for two tanks. Mr. Wallberg's tender was for \$4,470 each for tanks "made from stock lumber," or \$3,970 each "in case I can procure, saw and dry lumber." The Canadian Fairbanks Company offered to build for \$4,000 each, if given four and a half months to complete the first tank and six months for the second. The department was in a hurry when the tender was accepted, but recovered from it immediately afterwards. It gave the contract to Wallberg at his highest price. The tender was made the 5th of August, 1905. Mr. Emmerson recommended acceptance on the 8th of November, and the contract was signed in February, 1906, or about the time that the Fairbanks Company proposed to complete both tanks. Mr. Wallberg asked for an extension of time to July 31st, 1906, stating: "It is impossible to saw and dry any of this material in the winter, and, consequently, some time must be taken for this drying in the spring." (Evidence, page 86.) As Mr. Wallberg was allowed to procure and dry the lumber his offer of \$3,970 applied. But that question was not raised, and he was paid the larger price, or, more for each tank. The tanks were completed in May, 1907, more a year after the time in which the Fairbanks Company were willing to complete them for \$340 less than was paid Mr. Wallberg.

These were only two tanks, one for Truro and one for Rivière du Loup. Mr. Wallberg built nine others for the Intercolonial, which were not investigated.

#### NUMBER 4—STEEL GIRDERS.

This was a neat private contract. The Department needed two sets of double girders, seven in each, for cinder pits at Truro and Chaudière. The Chief Engineer made a private contract with Mr. Wallberg for this material at 4½ cents per pound, which amounted to \$1,414.80. Mr. Wallberg went to the Locomotive and Machine Company of Montreal, and bought the goods for \$911.76, regular price. The Government paid the freight, and Mr. Wallberg made a rake-off of \$503.04, or 55 per cent., for simply passing in the order which the Government might itself have sent to the manufacturers.

These figures were given in evidence by Mr. Wallberg himself, page 98: Question. By Mr. Boyce. You turned these girders over to the Intercolonial for \$1,414.80, the stuff that you bought from the Locomotive and Machine Company for \$911.76?—Answer. Yes, Sir.

And Mr. Wallberg testified that the Government had paid the freight. The Chief Engineer of the I. C. R., who made this private bargain with Mr. Wallberg, said that the rolling mills were all so rushed that it was useless for the Government to try to get this material. But Mr. Wallberg could get it, and it might be supposed that a Department which is paying hundreds of thousand every year to rolling mills should be as well able to get a favor from them as one of its own contractors.

The Auditor-General has testified that he would not accept the certificates of certain Marine Department officers that the price was reasonable.



What would he say to officers of the Railway Department who certify that  $4\frac{1}{2}$  cents a pound is a reasonable price for girders sold at the time in the open market for less than 3 cents a pound?

#### NUMBER 5—PICTOU ENGINE HOUSE.

This was put up to tender and awarded to Mr. Wallberg at \$13,790 for the structure, and with foundation on schedule tenders. The Government figured out the tender making the whole offer \$62,523.55. The next lowest offer was worked out by the Department at \$65,099.95.

When the Public Accounts inquiry was held, a letter was produced from General Manager Pottinger to the Department, on January 20th, 1908, stated that the amount then paid on this contract was \$100,221.99. (Evidence, page 106.) That was under a contract which the Department had figured out at \$62,523.55, and was \$35,000 more than one of the rejected tenders.

The Department had figured that stone ballast at Mr. Wallberg's price of 79 cents per yard would cost \$1,185. Mr. Wallberg was paid for stone ballast \$14,990. It was estimated that his tender for concrete masonry was \$16,005. He was paid \$32,868. Mr. Wallberg was not the lowest tenderer for stone ballast or concrete masonry.

#### NUMBER 6—MONCTON BUILDINGS.

These are four, of which three were let in one contract, and one separately. The price for the three was \$154,945, and for the one \$56,630. Mr. Wallberg's tender for the single building was not the lowest sent in, but the Deputy Minister explained that the lower tender was withdrawn by telegram before it had been opened. Yet the officers of the department opened this tender and set it forth on the statement of tenders. The Minister instructed that it was not to be considered, and Mr. Wallberg got this contract along with his others. When the last report was made the work on the \$154,945 contract was not nearly completed, but the contractor had already received \$10,088 for additions outside of the specifications.

Among the changes was an increase in foundation which was carried two feet deeper than was intended and made wider. This extra work, for which most of the \$10,000 was paid, was mostly excavation and concrete.

	Per yard.
Wallberg was paid for concrete .. . . .	\$12.75
He was paid for excavation .. . . .	.58
But the Rhodes, Curry Company, were paid for another building on the same ground .. . . .	
For concrete .. . . .	8.00
For excavation .. . . .	.35

#### THE SEWER DEAL.

But there was another job. This is a sewer over half a mile long, 20 to 23 feet deep, with a trench 8 feet wide at the bottom and 14 feet at the top. This work was given to Mr. Wallberg by a private contract, which the Deputy Minister admits was made improperly and without authority. (Evidence, page 186.) Deputy Minister and Chief Engineer Butler, who testified about the sewer, supposed it would cost about \$18,000 to \$20,000. But he thought then that it was only 2,000 feet long, and 5 to 8 feet wide at the top. It turns out to be 2,800 feet long, and twice as wide as Mr. Butler supposed.

As this sewer is not in the specifications, and is not a part of the building, it should naturally be let by tender as a new contract. But, according to the statement of the Chief Engineer, the top or easy part of the sewer

is included in the shedule contract (page 135). The hardest and principal part is worked by a new scheme.

#### THE FIFTEEN PER CENT. BONUS.

Mr. Wallberg, under this bargain, hires men and teams and charges the cost to the Government, with 15 per cent. extra as his own profit. He is carrying on his other contracts and places men on this job as it suits him. He has his own teams on the ground and hires these teams from himself, pays himself their wages and 15 per cent. extra. With fifty men and sufficient teams, hiring his own foremen plus 15 per cent., using his own material plus 15 per cent., there may be \$20 to \$30 a day profit for a year or two in this business.

#### THE INQUIRY BURIED.

The Committee tried to find out what check the Government had, and the Chief Engineer, after much persuasion, produced a tough looking sort of time book. It was a marvellous exhibit. The whole sheet was hardly legible. Men and teams were mixed together. No names were given. It would be utterly impossible to prove by this book what men were engaged on any day. So negligent was the whole procedure that the obstructionists in the Committee found the inquiry was getting inconvenient. With one consent they began to find objections. They objected to the time-book and had the unfortunate record withdrawn or concealed quickly as possible. Finally they discovered that though the sewer job had been going on for a year, Mr. Wallberg had never presented an account. The obstructionists insisted that there was therefore nothing to investigate, and so the whole inquiry was choked off. Nobody knows whether it will be a job of \$25,000, or \$50,000, or \$100,000.

#### NUMBER 7—CHARLOTTETOWN STATION.

This is a contract for \$58,900. After the contract was made, reductions in the work were ordered, and Mr. Wallberg's deposit was reduced to \$5,000, implying that his contract would be for \$50,000. At the time of the investigation he had received \$70,000.

On the eight contracts mentioned, including the two in Moncton, four had been completed when the investigation took place. Outside the other four, Mr. Wallberg had nine contracts running with the Railway Department. According to the testimony given he had also several with the Marine Department.

#### HIS GENTLE PLEADING.

The correspondence produced by the Royal Commission shows the charming way in which Mr. Wallberg went about attending business with the Marine Department. After submitting tenders, he wrote to the Chief Engineer who had to deal with them:

"I trust that you will be able to recommend our tender as I fear there may be some people who do not understand this class of work who may quote less than it is worth. . . . We will be glad to call on you at any time if you consider it advisable."

To the Deputy Minister, Mr. Wallberg wrote, trusting that the Department will consider "our experience in doing this class of work." (Royal Commission Report, page 173). Again (page 183) Mr. Wallberg wrote to Mr. Templeman, then Acting Minister, reminding him that "the Hon. Mr. Brodeur has given us contracts for three towers at various times recently without calling for other tenders, and I have no doubt that he has found our prices quite reasonable. We trust you will be able to do likewise on other work."

# THE HODGINS' CHARGES.

## INQUIRY ORDERED BUT NEVER COMPLETED.

### Major Hodgins Charges False Classification And Over Payments On Transcontinental, And G. T. P. Engineers Confirm The Accusation.

This is the history of an unfinished Parliamentary inquiry. Serious charges were made by an engineer who had been in the Government service, and the same accusations were subsequently made in stronger terms and greater detail by the Assistant Chief Engineer of the Grand Trunk Pacific. They stand to-day unrefuted and uninvestigated.

#### WHO IS MAJOR HODGINS.

Major A. E. Hodgins graduated from the Military College in 1882, was engineer on C. P. R. construction till 1889, and afterwards on the Mexican Inter-Oceanic, and in British Columbia until he volunteered for South Africa. He served in the War, was promoted to the rank of Major, became chief officer of construction on Imperial Railways and later Superintendent of Government railways in the Transvaal. Returning in 1905 he was appointed District Engineer for the 400 miles east of Winnipeg. In September, 1907, he was asked to resign, and the following April made statements to the *Victoria, B.C., Colonist*, which led to the pretended investigation.

#### THE CHARGES.

These charges, as afterwards formulated, were substantially as follows:

That the Government Commissioners constructing the Transcontinental authorized or permitted improper classification of contracts so that sand and loose rock were paid for as solid rock.

That when Major Hodgins refused to allow higher classification than the contract provided the contractor appealed to the Commissioners, or one of them, who advised him to use greater liberality, and Commissioner Young asked him to go to Quebec and get an object lesson from District B. where the contractors were satisfied.

That on visiting Quebec district Major Hodgins found serious over classification and refused to permit that method in his district.

That the Commissioners sent Mr. Gordon Grant to inspect Major Hodgins' district, and this officer told the contractors and subordinate engineers that the classification was too severe, whereupon the division officers under Major Hodgins raised their classification, changing sand and loose rock to solid rock.

That, finding contractor McArthur making unsatisfactory progress, Major Hodgins suggested to the Chief Engineer that, if the Commissioners approved, the matter might be adjusted as to those places where there was disputed classification, by paying McArthur his actual outlay plus 10 per cent, as a quick settlement. This suggestion was not accepted by the Commissioners nor acted upon in classification and was made by Major Hodgins only as an alternative to false classification.

That Major Hodgins was dismissed without investigation although he asked for inquiry. In his statements to the press Major Hodgins practically charged that his dismissal was in consequence of his refusal to over classify.

#### COMMISSION ASKS FOR A COMMITTEE.

On the 23rd of April, Hon. S. M. Parent, Chairman of the Commission, wrote to the Premier declaring Major Hodgins' statements without foundation, and asking that the whole matter involved be referred to a Committee

of the House, and that Major Hodgins be assigned to appear and substantiate his charges. On the 28th Sir Wilfrid moved that the statements of Major Hodgins and of the Commissioners be referred to a special committee. The five members named were Messrs. Geoffrion, Carvell and Macdonald of Pictou, Liberals; Messrs. Barker and Lennox, Conservatives. The Conservatives had made no charges in this matter, and had no share in the proceedings except to consent to them and to urge that the inquiry be as complete as possible. The Committee met April 29th, and at the second meeting Major Hodgins was present.

#### UNFAIR ATTITUDE.

Liberal members of the Committee at once showed the frame of mind with which they approached the question. The Transcontinental Commission has a salaried lawyer on the staff, but engaged Mr. Charles Murphy, K.C., of Montreal, at public expense, to defend the Commissioners. Mr. Frank Hodgins, K.C., appeared for Major Hodgins, and asked that the Committee provide counsel to conduct the inquiry. He pointed out that the Government had ordered the investigation in the public interest, but had thrown the burden of it on Major Hodgins, who had no personal interest in the outcome. Major Hodgins could not be expected to employ prosecuting counsel for a protracted inquiry. It was shown that the Conservative Government had paid the fees of counsel employed by Mr. Tarte for the prosecution in the McGreevy investigation, and that in this case, where many witnesses were to be examined and much documentary evidence produced, services of skilled counsel were absolutely necessary.

#### JUDGMENT IN ADVANCE.

Messrs. Geoffrion, Macdonald and Carvell refused. The two latter began by treating Major Hodgins as a kind of criminal. Mr. Carvell said:

"It is possible that Major Hodgins may feel his position to be a hardship to some extent, but he has himself to thank for it. Nobody asked him to do it." And again: "If a man deliberately puts himself in a position which may be unpleasant, I see no reason why the Country should go to the expense, at least at this stage of the proceedings, of perhaps hundreds of thousands of dollars to enable this man to make political capital."

Mr. Macdonald offered the further remark, that "Major Hodgins appears in the category of an official who had been dismissed from the service," and added that in a court "the charges of a gentleman in that position would naturally be viewed with suspicion." (Page 74.) Again, Mr. Macdonald said to Mr. Hodgins, K.C.:

"Your client, in his letters and interviews to the press undertook to malign public men including the Commissioners and Sir Wilfrid Laurier" (page 79.) Further (page 81). "I do not think Major Hodgins has any right to make such insinuations regarding public men of this Country."

Lastly (page 84) we have this from Mr. Carvell. "This matter arises out of certain charges by Major Hodgins in which he made reflections of the most severe character upon prominent public men, and that part has been referred to us. Now his counsel will say whether he is going on to prove that or whether he is not. I notice that Mr. Barker does not indicate whether he thinks he can prove it or not."

Mr. Barker. "Do you know whether he can or not?"

Mr. Carvell. "We know he cannot."

#### THE BLOCKERS AGAIN.

These pronouncements of the majority members of the Committee were made before a word of evidence had been given. They show what prospect of a fair inquiry Major Hodgins had to face.

Agreed before the evidence was given, the majority of the Committee declared they were not concerned in any matter of over-classification. They only wished to hear evidence connecting the Commission or some minister with deliberate interference to procure over-payment.

Since the over-classification alleged would mean millions of Government money improperly paid, it would seem worth while for the Committee to get the facts in that regard. The contract with the G. T. P. Company provides for arbitration between the Government and the Company on these matters, but it makes no provision for recovering from contractors any over payments made to them, while it does provide that the G. T. P. Company may escape payment to the Government of these excessive sums. The tax payers of Canada are left in the gap, and a committee of the tax payer's Parliament might have been expected to ascertain these matters when appointed for that purpose; this is what the majority of the Committee refused to do.

The next obstruction thrown in the way was the refusal to order the production of all reports and documents before Major Hodgins testified. The majority insisted that Major Hodgins must go on at once and testify. Counsel for the prosecution was not allowed to determine for himself in what order he should call witnesses or in what manner he should produce evidence.

#### OBSTRUCTION BY THE MAJORITY.

Major Hodgins on the stand re-affirmed the statements of over-classification made in his charges. One day's sitting and part of two others was occupied in Major Hodgins' direct evidence.

Mr. Murphy began the cross examination May 20th. He continued May 21st, two sittings. The Committee adjourned to June 3rd, when Mr. Murphy continued through two sittings, and two on June 4th, when the enquiry was adjourned for eleven days. On June 14th Mr. Murphy resumed and continued through two sittings. There were two sittings on the 16th, Mr. Macdonald taking a hand on the latter date.

By this time it was easily seen that one purpose was to tire Major Hodgins out. He had been kept forty days at Ottawa at his own cost. He had been refused assurance that counsel prosecuting would be paid by the Government. He had been treated at the beginning, by the majority of the court as a culprit, and he found the resources of the country employed in prolonging the inquiry without permitting him to bring in evidence to support his charges. The engineers who had made the classifications, and who could give important evidence had been summoned and were kept day after day waiting while counsel for the Commission went over and over the same story again and again.

It was stated by Mr. Murphy to Mr. Hodgins that the Quebec cut, which the Major represented as having been classified as 86 per cent. solid rock had been classified much lower. The witness said that if Mr. Murphy's statement was correct he would admit that he had been misinformed.

#### THE MACDONALD PROGRAMME.

Then followed a peculiar proceeding. Mr. Macdonald took the witness in hand, and offered him an opportunity to avoid further expense and drop the case without taking back the charge of over-classification. Some legal opinions and engineers' opinions had been produced, and Mr. Hodgins was asked whether the questions involved were not technical. Witness admitted that there might be differences of opinion, and that he could not offer evidence



to show that Mr. Parent tried to influence Sir Wilfrid Laurier. Then followed this question:

"You made use of the expression the other day that you did not regard this Committee as the proper tribunal to determine the questions at issue.

Major Hodgins answered. "With all due deference to the Committee I do not."

Replying to further questions Major Hodgins was willing to accept Mr. Macdonald's view that a board of engineers would be a better tribunal, a reasonable view after a few weeks' experience with Mr. Macdonald and Mr. Carvell.

Question. "Have you any desire to go on giving evidence here or do you not think that the proper tribunal to determine this question is a board of arbitrators composed of Mr. Woods, Mr. Lumsden and a third arbitrator?—Answer. I think it is for the Committee to decide that.

Mr. McDonald. I understand you to say you do not desire to press before this Committee any charge of wrong doing on the part of the Commission so far as their interference with the engineers is concerned?—Answer. That is right.

Q. And so far as that phase of the inquiry is concerned, you do not offer any evidence for our consideration?—A. It is simply this that I do not see why I should stand the expense of finding out whether this specification is right or wrong.

Q. Or whether the academic question between engineers should be settled at your expense? That is the position you take.—A. Yes.

#### POSITION OF MAJOR HODGINS.

Major Hodgins' position was simply this: If the Government chose to pay out the people's money improperly and to treat him as an offender and make him pay thousands and waste his whole summer fighting obstruction to prove that he was right, he was willing to drop the case before a Committee which he had found obstructive and partisan and to turn over the investigation to a commission of engineers. He was led to believe that there would be such a commission with some one to maintain the public interest before it. In this he was deceived. There has been and will be no inquiry such as he expected for the protection of the people, though there will be arbitration for the protection of the G. T. P. Company from excessive payments, and what the Company escapes the people will pay.

#### DUTY OF THE COMMITTEE.

When Major Hodgins was driven to the conclusion that he could obtain his vindication from a competent commission at far less expense the question arose what the Committee should do. The three Liberals proposed to abandon the inquiry and report the charges unproved. They were now willing to recommend payment of Major Hodgins' counsel by Government. That is, they were ready to pay for Major Hodgins if he threw up the case and allow his charges to be reported unproved, while they had refused to recommend payment when he proposed to go on with his proof. This was one way of making it expedient for Major Hodgins to quit.

The two Conservative members took another view. They held that they were bound to find out if they could whether there was false classification and over payment. They pointed out that Major Hodgins did not institute the inquiry, but was only a witness. The investigation was not in his charge and he had no authority to stop it. His evidence had been taken. Other witnesses had been called and it was the duty of the Committee to examine them.

#### STRONGER CHARGES THAN HODGINS'.

There was, in fact, more reason to continue the inquiry than there had been to begin it, for the papers brought down contained accusations from the



highest source, much stronger than those originally referred to the Committee.

H. A. Woods, C.E., Assistant Chief Engineer of the Grand Trunk Pacific, was charged by his company with the duty of watching classification. The following is one of the statements made officially by Mr. Woods after Major Hodgins was retired. The document was given in evidence and is printed on page 393 and 394 of the proceedings.

Montreal, Que., Oct. 7, 1907.

Mr. P. D. Lumsden,  
Chief Engineer, Eastern Division,  
National Transcontinental Railway,  
Ottawa, Ont.

Classification of Material, District 'B.'

Dear Sir,—At the request of District Engineer Armstrong, he was furnished recently with a statement of classification for the heavier work on the above section, which were, when given in detail, so different from his expectations that he requested the writer to visit the work.

During the past week we passed over portions of the work from the Batiscan river west for fifteen or twenty miles, and later from 115 to 132.

With reference to the former portion, the classification was given in distances of from three to five miles, and as we did not have total quantities of graduation, could not judge with reference to any particular cutting, although percentages for entire distance seemed excessively heavy in both loose and solid rock.

With the latter portion we had detailed percentage for each cut, and were greatly surprised at the allowances made for solid and loose rock. In nearly every case where the cuttings were not entirely all ledge the estimate given for solid rock is double, or more than double, what it should be. In fact, the specifications had been entirely ignored and an excessive allowance made, not by reason of an error in judgment, but, as I understand, by special instructions from the assistant district engineer.

A FEW SAMPLES.

Let me give you some illustrations:

Take the cutting from stations 5818 to 5826, estimated 71 per cent solid rock and 29 per cent loose rock, slopes taken out  $1\frac{1}{2}$  to 1. Very little ledge in this cut. Some large boulders, but a very large percentage is common excavation.

Station 5842 to 5860.—Classified 94 per cent solid rock, 6 per cent loose rock. Slopes taken out  $1\frac{1}{2}$  to 1. Solid rock over-classified at least 100 per cent.

Station 5866 to 5875.—Estimated 80 per cent solid rock, 20 per cent loose rock. No rock in place in this cut. Many large boulders, but a large amount of earth.

Station 5882 to 5901.—Estimated 78 per cent solid rock, 22 per cent loose rock. A large amount of this cut wasted with slip scrapers, and ploughing being done with two horses. There are hundreds of yards of earth here without a stone, large or small.

Station 6030 to 6046.—Estimated 40 per cent solid rock, 10 per cent loose rock. This is the large sand cut west of O'Brien's camp. Of the 95,000 yards moved to August 31st in this cut, at least 80,000 yards was pure sand.

Station 6071 to 6078.—Estimated 40 per cent solid rock, 1 per cent loose rock. Very little solid rock in place. Slopes out  $1\frac{1}{2}$  to 1.

WEST OF ST. MAURICE RIVER.

Station 6391 to 6394.—Estimated 46 per cent solid rock, 33 per cent loose rock. Sand cut with few boulders, and possibly 1,500 yards ledge in bottom of cut not yet taken out.

Station 6493 to 6504.—Estimated 20 per cent solid rock, 49 per cent loose rock. No evidence of ledge and very few large boulders; nearly all sand.

Station 6506 to 6512.—Estimated 16 per cent solid rock, 44 per cent loose rock. This is purely a sand cut, with very few boulders. Upper slope nearly 100 feet high, material wasted into river. Certainly not 10 per cent of this should be classified.

Station 6522 to 6548.—Estimated 26 per cent solid rock, 49 per cent loose rock. This is borrowed material from the side. Very little rock shown, except what was used for blind drains, but some large boulders not placed in embankment.

On account of heavy rains we were not able to go west of station 6600, but we understand that classification is made about as noted above.

In every case where cuttings were not entirely in ledge we find the material overclassified very largely. Mr. Armstrong has been over this work at different times, perhaps quite as often as the assistant district engineer. His estimate and my own are not very different as to the amount of classified material, and until he received detailed quantities he had no intimation that such heavy classification had been given. In many cases, particularly in sand and gravel cuts, he had supposed that no classification would be given, except perhaps for a few boulders as loose rock.

I am informed also that on the work east of the St. Lawrence river heavy classification is being made in borrowed material where ploughing is done with one team and material moved in slip scrapers.

As before stated, these over-classifications are not made through error in judgment, nor upon the decision of the resident or division engineers, who are fully acquainted with the character of the work, but by arbitrary orders from their superior. To such classification as mentioned above, increasing the cost of the work to such an alarming extent, we most seriously protest, and respectfully request that either yourself or the assistant chief engineer visit the work and pass judgment upon the classification as made. Please note that the percentage given above indicate the work done to August 31st. We are not advised what the September estimate will show.

Your truly,  
(Signed) H. A. Woods,  
Assistant Chief Engineer.

#### NOTE THE PRICES.

By way of explanation it may be said that when the engineer gives the slope as  $1\frac{1}{2}$  to 1 where the estimate is 99 per cent. of solid rock and 1 per cent. of loose rock, he proves that it could not be a true rock cut which would be nearly perpendicular. It is necessary to make a slant where the cut is through earth, but not through solid rock. The term "wasted" means that the material excavated is not used in making fills or embankments, but is thrown away, and the contractor is paid for filling besides. When the engineer says that not more than 10 per cent. of the material should be classified, he means that there is only this percentage of both solid and loose rock, and that 90 per cent. is common excavation. Notice how this works out on the contracts to which Mr. Woods' criticisms refer.

From Quebec for 151 miles West on two contracts the prices are as follows:—

For solid rock .. . . . . .	\$1.50
Loose rock .. . . . . .	.50
Common excavation .. . . . . .	.21

Down to March 1907 there was paid on these contracts:

For solid rock .. . . . . .	\$2,069,673
For loose rock .. . . . . .	311,140
For common excavation .. . . . . .	211,389

On the McArthur contract the following payments were made:

Solid rock at .. . . . . .	\$1.70	\$2,150,032
Loose rock at .. . . . . .	.60	148,940
Common excavation at .. . . . . .	.30	291,966

#### WHAT IT MEANS IN DOLLARS.

It will be seen by these figures that it means to classify a cut 71 per cent. solid rock at \$1.50, 29 per cent. loose rock at 50 cents, and no earth, if there was practically no solid rock, and a very large percentage of common excavation which should be charged at 21 cents.

Or to classify 94 per cent. of solid rock at \$1.50 when there should be only 47 per cent. at that price, and the rest charged at 50 cents or 21 cents.

And what it means to charge 78 per cent. solid rock, 22 per cent. loose rock, and no earth, when a large part is common earth without a stone in it and is ploughed up by two horse-teams and thrown out by the scraper. Most people know that two horses cannot plough solid rock.

Take the work reported by Mr. Woods, stations 6030 and 6046, for the month of August, which may be calculated because the exact quantity is given. Here was 95,000 yards charged as follows:

38,000 yards at \$1.50 .....	\$57,000
9,500 yards at 50 cts. ....	4,750
47,500 yards at 21 cts. ....	9,975
<b>Total .....</b>	<b>\$71,725</b>
Mr. Woods says that 38,000 yards was pure sand worth 21 cents .....	\$16,800
If the other 55,000 was solid rock it would be worth .....	22,500
<b>Total .....</b>	<b>\$39,300</b>
But probably half of it would be loose rock, making the value of the 15,000 yards .....	\$15,000
<b>In this case the total would be .....</b>	<b>\$31,800</b>
But the Government pays .....	\$71,725

So that Mr. Woods' statement as applied to this portion of the work is that the cost has been doubled. It would probably work out the same with the other samples.

#### THIS CONFIRMS HODGINS.

These statements of the Grand Trunk Pacific Engineer and many others of the same kind from him and his subordinates were on record when the Hodgins charges were referred to the Committee. Their existence was known to the Government but not to the House. They were stronger charges than those of Major Hodgins and certainly equally worthy of investigation, coming as they did from the representative of the company with which the people are dealing.

In addition to these statements, which were repeated and re-affirmed, there was the testimony of Major Hodgins as to his own district, that after a visit to his division by an inspecting engineer, sent out by the Commission, his subordinates, whom this inspector had interviewed, immediately began to raise the classification. They changed common excavation into loose rock and loose rock into solid rock. One of these subordinate engineers explained that he transferred certain amounts to the higher classification because of the cost of working. This subordinate engineer was reported by Major Hodgins as having changed muskeg in solid rock and having made various other improper classifications. Mr. Hodgins had added in his letter to the Chief Engineer that "if common excavation and loose rock are to be dumped wholesale into the column for solid rock against my orders I wish to be relieved of all responsibility."

#### COMMITTEE SHOULD HAVE GONE ON.

With these statements of Major Hodgins re-affirmed in his evidence, and with the stronger and more authoritative and precise charges of Mr. Woods before them, it was clearly the business of the Committee to go on and find out the truth. The thing in which the public was most interested was the matter of over-payments, and that question was not affected by Major Hodgins' desire to have the case transferred to another tribunal, especially since that tribunal will be of no service in the matter. Mr. Barker and Mr. Len-

nox desired to examine Chief Engineer Lumsden and other other officers of the Transcontinental and Grand Trunk Pacific, who had been summoned and were waiting to testify. Messrs. Geoffrion, McDonald and Carve" Liberal members of the Committee, refused to go a step farther, and brought the inquiry to an end.

The majority of the Committee reported that Major Hodgins had failed to prove his charges, and had withdrawn some of them, and that the questions of classification should be referred to another tribunal.

#### THE REJECTED REPORT.

The minority of the Committee drew up a report, which, after reciting the history of the case, concluded:

As shown by the papers and documents produced by the said commissioners to your committee and set forth in the printed minutes of the proceedings of your committee now reported, many charges of over-classification, of excessive allowances, and undue payments by the said commissioners to the contractors, of a like description to those charged by Major Hodgins, have formally been made by and on behalf of the Grand Trunk Pacific Railway Company, which charges involve and are examples of enormous over payments out of the public funds, and are of serious concern to this Dominion. They cover and include not only the charges made by Major Hodgins, but other specific and more serious complaints of the like nature and description; and not merely for the period dealt with by Major Hodgins but are continuous up to the time of the order of reference to your committee.

Such complaints and charges are within the scope of the order under which your committee have been conducting this inquiry and should be investigated by them.

On the 16th day of June, 1908, certain statements and opinions having been elicited from Major Hodgins as to the attitude he then assumed and his wishes in the premises, as appears of record in the said printed evidence a majority of your committee despite the protest of the minority ruled and thereafter maintained that the matters and charges referred to your committee of investigation be not further proceeded with by your committee.

Your committee, therefore, humbly make this interim report and recommend that the subject-matter of the investigation be remitted to the committee with instructions to proceed therein until completion.

The majority report, blocking further investigation, was, of course, adopted, and presented to the House.

Mr. Larnox moved an amendment that the minority report be substituted and a straight party majority voted down the motion and accepted the resolution, blocking the inquiry.

#### THE END OF IT.

L

So the whole inquiry was blocked and ended, and the public can get no further light on the subject.

One thing the public does know and this is that the Government now estimates the cost of building the railway from Moncton to Winnipeg at \$114,403,219, whereas five years ago the Ministers produced statements that the cost of exactly the same work would be \$51,300,000.

How much of this additional cost is due to over-classification is not known, and the majority of Parliament has decided not to allow the people to find out.

## SUB-TARGET DEAL.

**Government Pays \$250 Each For Machines That Cost \$64.**

**—Profits Go To Dead-Head Stockholders, And Perhaps  
To Campaign Contributions.**

In the Session of 1907 an investigation was commenced into the transactions of the Militia Department with the Ontario Sub-Target Company, Limited. The inquiry was prolonged into 1908, and was then headed off by obstructors. The sub-target is a machine used for instruction in shooting. It was exhibited in 1904 by Mr. J. H. Jewell, who obtained various testimonials in its favor from officers, some of whom afterwards received blocks of stock. H. H. Dewart, K.C., of Toronto, a prominent Liberal politician, joined Mr. Jewell in urging the Department to buy these machines. It was managed quickly. A contract was made on the 30th of June, 1904, for 200 machines at \$250 each, with a possible purchase of 2,000. On the 2nd of July Sir Frederick Borden wrote to Mr. Jewell:

**WOULD WANT 1,000.**

"I have looked somewhat carefully into the requirements of the militia force in this regard, and have satisfied myself that it would be money well expended to supply each of the units in Canada with one or more of the machines. I am satisfied that in the matter of enlistment of recruits alone great saving could be effected by the use of this machine, and I hope that regulations will be issued before long requiring every recruit on enlistment to be tested with one of these machines. I think therefore that it is probable that we shall require to repeat the order already given, annually, until at least one machine is in the possession of each military unit of the militia in Canada. I have not myself carefully calculated the number of units, but I believe it is approximately 1,000.

Yours very truly,

(Signed) **F. W. BORDEN."**

This signified the intention of buying at least 1,000, and the contract itself holds out the hope of still larger purchases. One clause states that "the Government shall be bound and entitled to purchase from the contractor all sub-target gun machines required" for five years, the contractor agreeing to deliver "not more than 2,000" if the Government desires, within a year following the order. Mr. Jewell and Mr. Dewart seem to have thought that they had a good agreement for about 2,000 machines. That would have been a \$500,000 deal.

**SAME AS THE ROSS RIFLE.**

The contract set forth that the machines were to be manufactured in Canada, but in less than two months Mr. Dewart asked the privilege of importing portions of the machine, and that these parts might be admitted free of duty. The Minister at first declined, but afterwards agreed that imported parts might be used.

It has been stated that the Government paid \$250 each for these machines. As the Company farmed out the work it was a simple matter to figure up the profit. The cost of machine was stated in the evidence by Mr. George I. Riddell, Manager of the Sub-Target Company. He was asked:

Question. "What is it you pay for the work done?—Answer. \$64.

Q. For each machine?—A. Yes Sir.



Q. "§44 includes all material and all work?—A. Yes Sir.

This indicates the profit. The next thing is to find out who got it.

#### DEAD HEAD STOCK.

The promoters organized a Company. Cash capital was not required. Only \$4,500 was paid in, and this was given in nine notes, by nine directors. But the concern was capitalized at \$1,000,000, of which \$504,500 was declared to be paid up, though the actual amount was only \$4,500 in notes, some, if not all of which were never collected.

This Company undertook to give Mr. Jewell \$60,000, plus \$500,000 of this "paid up" stock, for his patent rights, but this was after reduced to \$50,000. Mr. Jewell, however, handed out shares in well assorted blocks to various persons of influence in financial, official and military circles. The full list will be found in public accounts evidence, 1907, pages 422 and 423. It included:

H. H. Dewart .. . . .	\$60,000
W. G. Hurdman .. . . .	26,000
Col. Lawrence Buchan .. . . .	1,000
Sir Adolphe Caron .. . . .	25,000
F. O. Lewis, Montreal .. . . .	45,000
C. L. Panet, Ottawa, private secretary to Sir Fred Borden .. . . .	2,000
Sir Henry M. Pellatt, Toronto, and his firm .. . . .	142,000
A. G. Peuchen, Toronto .. . . .	65,500
James W. Woods, Ottawa .. . . .	10,000
H. H. Wickwire, Barrister, Kentville, N.S. .. . . .	25,000
Major S. T. Laborn, London .. . . .	1,000

Mr. Dewart was a director of the Company, one of the party leaders, and an occasional candidate in elections. Mr. Woods is a contractor with the Government, and rents to the Militia Department the buildings which it occupies in Ottawa. He also takes a large interest in politics. Mr. Wickwire was Sir Fred. Borden's chief political manager in King's County, Nova Scotia, representing the same constituency in the local Legislature.

#### INQUIRY OBSTRUCTED.

An attempt was made in the Committee, to find out whether anything was paid for this stock and to follow up the transfers. Hon. Mr. Emmerson, then Minister of Railways, Mr. Pardee and others objected, and the investigation was blocked in this direction.

One of these directors was H. H. Wickwire, M.P.P., who appeared as witness on January 30th, 1908. He testified that he was one of the original incorporators and directors, and that he gave a note for \$500, which he never paid (page 3, 1908). He also received a block of \$25,000 worth of stock. The following are extracts of his testimony:

Question. "What consideration did you give for the stock?—Answer. I gave a note for \$500 and the other consideration was that I was a promotor and organizer of the Company the same as the other Directors."

Mr. Macdonald, of Pictou, objected to further examination on this line. Mr. Wickwire stated later that he had sold his stock.

#### A COINCIDENCE.

This issue and distribution of stock was made in the Summer and Autumn of 1904, which was election year. In 1906 a writ was issued in the High Court of Justice between J. H. Jewell & Co., plaintiffs, and the following defendants:



F. Orr Lewis, H. H. Wickwire, William North, Charles N. Panet and Sir Frederick Borden. The statement of claim was as follows. (Evidence, 1907, page 454):

1. The plaintiffs are bankers and brokers carrying on business at the City of Toronto in the Province of Ontario.

2. The defendants are all British subjects, and with the exception of defendant North, residing within the Dominion of Canada.

3. On or about the 12th day of October, 1904, the plaintiffs loaned to the defendants the sum of \$9,000 by draft payable to the defendant H. H. Wickwire, and which draft was endorsed by the defendant Wickwire to the defendant North, and the proceeds of which draft were jointly received by all the above named defendants.

4. On or about the 18th day of June 1906 the defendants, through one J. H. Jewell, repaid to the plaintiffs the sum of \$7,000 an account of said indebtedness.

5. Amount still due to the plaintiffs by the defendants on account of said loan is the sum of \$2,722.75 and interest thereon at 5 per cent on the 22nd day of May 1906.

Points to be noted in this are that the plaintiff was the promoter of the sub-target contract and the distributor of the stock.

That two of the defendants were directors and three of them shareholders in the Company, a fourth was the Minister of Militia, and the fifth a gentleman living in Boston, with whom Sir Frederick Borden testified that he was acquainted.

That the \$9,000 draft was made payable to Mr. Wickwire, M.P.P., who had a great deal to do with Sir Frederick Borden's campaign organization in King's County.

That the time was shortly after the sub-target contract was made, and a few days before the elections.

#### INQUIRY BLOCKED.

Mr. Wickwire was questioned concerning this matter. Mr. Foster asked him if he had any recollection of two telegrams sent by him to Mr. Jewell. One was on July 31st, 1904, reading:

"Leaving via Boston. Get letter forthwith and wire that same has been sent proper party. Will arrange meeting next week by wire. Must be prepared for business on delivery of papers."

The next was in August 9th "Trust you appreciate the necessity of having letter before prorogation and Ministers leaving Ottawa."

Mr. Wickwire could not remember anything about these, and on the objection of Mr. Macdonald further questioning on the subject was ruled out. Mr. Foster proposed to read a letter from Mr. Jewell to Mr. Wickwire, dated September 30th, 1904, when Mr. Macdonald objected that Mr. Foster only professed to have a copy. Mr. Foster explained that Mr. Wickwire had failed to bring the original. The acting Chairman, Mr. Carvell, supported the objection and also decided that the Committee could not go into transactions between different members of the Company, but must confine itself to the question whether the Government got value for the money paid to the Company.

Mr. Foster appealed from the decision, which was supported by the Government majority in the Committee.

Mr. Foster moved that the ruling of the Chair and the action of the Committee be reported to the House and a decision be asked thereon.

Thereupon Hon. Mr. Pugsley, Minister of Public Works, made his appearance with a new form of obstruction. He took the ground that there could be no appeal to the House until the sub-target inquiry was closed. The answer to this was that the appeal would be no good unless the inquiry could

go on. But Mr. Pugsley's views prevailed with the majority, and finally on the Minister's motion the Committee adjourned and the inquiry was finally blocked.

#### THE PRIVATE SECRETARY.

The public will therefore have to draw their own conclusions as to the Kentville draft transaction. A copy of the writ in the suit above mentioned was served upon Mr. Panet, private secretary, who had \$2,000 worth of stock, for which he gave a note which was never paid. Mr. Panet states that Mr. Jewell afterwards returned him the note, and that he intended to give back the stock that he had left, after selling 10 shares. He had not thought that at the time there was anything wrong in taking it, and innocently remarked "if I thought I was doing anything wrong I might have had the stock put in some one else's name." Mr. Panet is evidently an observing official.

#### THE PROFITS.

As it has been shown who got the profits, it only remains to figure out what the profits would be. Unfortunately for the Company, the transaction was never completed. After 450 machines had been supplied, orders were delayed; then came the investigation and exposure, and no more orders were given. The account for the 450 machines stands as follows:

450 machines at \$250 each .. . . .	\$112,500
Cost the Company \$64 each .. . . .	28,800
Balance .. . . .	83,700
Less price of patent right .. . . .	50,000
Balance, profit .. . . .	33,700

So on the first 450, Mr. Jewell got his full allowance for the patent, with whatever profit there was in that, and the Company of dead-head stock holders got \$33,700, including their promotion expenses.

Had the 1,000 machines mentioned in the Minister's letter been taken the account would have stood:

Government would pay .. . . .	\$250,000
Machines would cost .. . . .	64,000
Profit .. . . .	186,000

Leaving \$136,000 after paying for the right.

The second 1,000 mentioned in the contract would have yielded the gratuitous stockholders another \$186,000.

# DREDGING CONTRACTS.

## Many Millions Spent In a Free And Easy Way With Political Contractors And Easy Inspectors.

Out of some \$14,000,000 which the Public Works Department is authorized to spend in 1908-9, \$3,000,000 or more will be for contract dredging, in addition to amounts expended on the Government's own dredging plant. Dredging contracts given out by the Government in recent years represent an enormous expenditure, a very large part of which has gone into the hands of political groups and friends and families of members of Parliament.

It would be extraordinary that with so many lines of activity open to politicians so many of them should gravitate to this particular business if it were not for the other fact that they seem to have found it exceedingly profitable.

Corporate names disguise the connection of most of these politicians with Government contracts.

### POLITICAL DREDGERS.

For instance, the Penetanguishene Dredging Company means Dr. Spohn, ex-M.P., and former Ontario office holder.

The Owen Sound Dredging Company stands for Hon. A. G. Mackay, formerly Minister in the Ross Government, and now Leader of the Ontario Opposition, and certain relatives of Dr. McDonald, ex-M.P., former deputy speaker.

The Great Lakes Dredging Company is composed of Mr. Bowman, M.P.P., and his brother, with the son-in-law of James Conmee, M.P., and his brother.

In another company the son of a senator, and the brothers of an M.P. were the chief persons concerned.

In the Dominion Dredging Company the dominant power is Mr. Gordon Stewart, son of the member for Ottawa.

The Windsor Company includes several active politicians and has for president a former member of the Legislature.

Another contractor is one of the men mentioned by Pritchett, the instructor of ballot switching, as having introduced him to prospective students in the art.

When it is considered that one dredging company has received over \$3,000,000, another \$1,300,000, and several others between a quarter of a million and a million each, we begin to understand the extent of the financial relations between the Minister of Public Works and his political friends.

### QUEER TENDERS.

The Government contends that this work is generally given out by contract to the lowest tenderer. This seems to be true in exactly the same sense that timber limits are sold to the highest bidders. In 1906-07 and 1908 Mr. Bennett and others made persistent attempts, by examination of original documents, to investigate these tenders. Various interesting discoveries were made, in spite of the obstructionists in committee.

It was found that alleged competitive tenders for work about Port Arthur and Fort William were from the same parties. Mr. A. F. Bowman

put in a tender in his own name, and also joined the Great Lakes Company, of which he was a director, in putting in another tender. He admitted on the stand that the two tenders were in the same interest. But it is remarkable that one of these tenders was just twice as high as the other; 18 cents where the other asked only 9. Mr. Bowman explained that in one case it had come to his knowledge that a tender forty per cent. lower than theirs had gone in and that they put in the second offer to beat it.

In another case two companies tendering for two contracts seem to have concluded that there would be no other competitors. They put in tenders, one a little the higher for the first job, and the other a little the higher for the second. Unfortunately, an unexpected offer came in for the second contract lower than either of them. But ultimately the outsider divided his contract with one of the first two.

There was a third case where two alleged competing companies put in tenders, and the tender of one was found to be enclosed in the envelope of the other, indicating collusion.

A curious instance is shown in the tenders for 1907 dredging at Midland. The Owen Sound Dredging Company had been associated in dredging contracts with the Canadian Dredging Company; and had been at work on this ground at 15 and 16 cents per yard. When tenders were called for, the Owen Sound Company, though it had a plant on the spot, put in no tender, while its associate company raised the price to 53 cents a yard, and another friendly concern asked 57 cents. It was suggested in Parliament that these three had an understanding among themselves, and the statement was made that several of the tenders were written by the same hand. But an outside company dropped in with an offer of 30 cents per yard, but declined to go on with the work. New tenders were asked, and then the Owen Sound Company came in and took the work at 26 cents, or less than half the price asked by its former partner.

Again, it was found that the Government paid by private contract for years 15 cents a yard for dredging which the same contractor under free competition was ready to take at 9 cents a yard.

#### MANAGING A MINISTER.

To show the easy way with which dredging concerns manage the Department mention might be made of the 1908 dredging contracts. At the beginning Dr. Pugsley stated that the contractors would take the work for 1908 at the prices received in 1907. Objection was made in Parliament that these were new contracts and could not properly be let in that way, and the Minister afterwards stated that he had reached the same conclusion. Yet Mr. Pugsley announced that if the work were put up at tender again the prices would undoubtedly be higher. Naturally the contractors took him at his word, and sent in very much higher tenders, evidently accepting the hint that the lowest tenders would be accepted no matter how high they were. It was an easy matter to raise the scale high enough to meet the Minister's anticipation as there was work for all and it could easily be divided.

Accordingly, Mr. Pugsley was able to announce, after the tenders were opened, that the Owen Sound price had been raised from 20 cents to 25 cents, Hamilton price from 13 to 15 cents, Cobourg from 11 to 18 cents, Goderich from 25 to 35 cents, Midland from 26 to 28 cents, Blind River from 18½ to 23 cents, Trenton from 14 to 26 cents, Toronto from 13½ to

19½ cents, Penetanguishene from 14 to 19 cents, Port Burwell from 15½ to 39 cents, and Thames from 13 to 20 cents. Mr. Pugsley stated that the call for tenders would increase the cost of the work by \$175,000 to \$200,000 over what it would have cost had he accepted the proposal to go on at the same price.

The singular thing is that the Minister calmly pays the increased price as if he were obliged to accept any tender no matter how far above a previous offer by the same man for the same work. Mr. Bowman was doing work at 14 cents. When tenders were called for his was the only offer and he got the contract at 19 cents without apparent question. Had the Minister invited him to take it or leave it at 14 cents, what would have been the result? In another case there was a tender at 39 cents, and another at 26 cents, while the price paid last year was 14 cents. The Government decided that the man who bid 26 cents was not satisfactory, so the work was given at 26 cents to the man who had bid 39. It was accepted, which shows that his tender need not be taken seriously.

#### A ST. JOHN OPERATION.

Taking now the dredging at St. John, New Brunswick. In 1905 Mr. Mayes, of St. John, tendered for Sand Point work at 55 cents, and received the contract. Next year he tendered at 90 cents, which seems to be a highly profitable rate. Though his was the only offer it was accepted, notwithstanding the great advance in price. Then the Department concluded that an additional dredge should be put on. Having given Mr. Mayes the contract it might have been expected that he would have been allowed to increase his plant, or that if a new contractor came in he should compete in prices. Instead, the Department made a private contract with the Dominion Dredging Company, of which Mr. Stewart is the man in sight. This concern was paid 90 cents a yard without competition, and proceeded to buy a dredge in the United States. In ten months this company received \$375,000. It was stated in Parliament, on authority of persons said to be conversant with the facts, that the profits out of this \$375,000 paid for the dredge, which cost about \$150,000, and left the owners a net margin of \$127,000 besides.

#### THE INSPECTOR.

In addition to this rough and tumble way of fixing prices on dredging contracts the Department is negligent or worse in the matter of inspection. Contractors are paid by quantities supposed to be measured in the scows. An inspector who is partial and measures freely may make their profits whatever he likes. Not only are the contractors usually politicians, but the inspectors are, as a rule, recommended by members of Parliament in their district. Two examples may be given showing the character of the inspectors sometimes chosen.

#### A SAMPLE INSPECTOR.

Mr. J. W. Gendron was inspector of dredging around Penetanguishene for a number of years, beginning in 1901. Before that time he was a boot and shoe cutter. Mr. Gendron testified that Dr. Spohn asked him if he would accept this appointment. Later he was employed as inspector on Dr. Spohn's own contract. He inspected for the Government in the summer, receiving regular pay, and in the winter he was employed by the contracting company looking after the dredges. This Government inspector testified that during the summer when he was inspecting for the Government, he also acted as timekeeper for the contractor, and he sometimes signed cheques for

Dr. Spohn. He admitted that he did not see all the scows for which he certified, and explained that in those cases he took the word of the engineers. He also admitted the truth of the Eastwood story given next. His evidence will be found on pages 21 to 43 of the dredging evidence in the Public Accounts Committee in 1908.

#### ONE WHO DID NOT INSPECT.

The second example is that of C. S. Eastwood, appointed inspector on the recommendation of a former member for his county. During the year 1905-6 Mr. Eastwood was paid for 65 days inspection at \$3 a day, 64 hours overtime at 30 cents, and \$33.33 boat hire.

Mr. Eastwood told his own story to the Committee. It will be found on pages 655 to 664 of the Committee reports of 1907. He confessed that he did not inspect. He simply took his \$3 a day, and remained at his work keeping books in the neighborhood. He paid Mr. Gendron, the inspector previously mentioned, \$1.25 per day, and Mr. Gendron undertook to inspect both his own dredge and Eastwood's. He certified in Mr. Eastwood's name and the contractors were paid on these certificates. Mr. Eastwood kept the other \$1.75 for himself. He displayed a splendid imagination when he charged for overtime, and showed still finer qualities in his claim for boat hire, supported by vouchers from "L. L. Hubbard," from whom he was supposed to have obtained the boat. When questioned on this, Eastwood explained that L. L. Hubbard was the maiden name of his wife, and that the boat was her canoe. He added that he adopted this little device, because if he had presented the claim in his own name it might be questioned.

The public may judge of the value of inspection in the hands of officers of this class, or generally of local officers appointed as a matter of local patronage to protect the public interests against local politicians who have dredging contracts.



# GOVERNMENT WHARVES.

One Where There Are No People—One Where There Is No Public Business—One Where There Is No Water.

The expenditure of the Dominion of Canada for public works (which do not include railways and canals) was seven times as great in the fiscal year 1906-7, and eleven times as great in 1907-8 as in the year 1895-6. The figures are as follows:

## INCREASED ELEVEN-FOLD.

In the last year of Conservative rule:

Public works chargeable to current account .. . . .	\$1,299,768
Public works chargeable to capital .. . . .	114,825

Total .. . . . \$1,414,593

Expenditure for public works in 1905-06:—

Public works chargeable to current account .. . . .	\$7,484,715
Public works chargeable to capital .. . . .	2,359,528

Total .. . . . \$9,844,243

See Public Accounts, 1906 pages 65 and 84.

The year 1906-7 was a short year of nine months, but the public works expenditure was \$7,318,442.

The appropriation for 1907-8 was:

Public works chargeable to current account .. . . .	\$12,161,484
Public works chargeable to capital .. . . .	3,629,600

Total .. . . . \$15,791,084

Much of this increased expenditure is due to the Department of Public Works, largely abandoning the practice of letting out works by tender.

Secondly, there has been a perfect carnival of construction of public buildings where none are needed; wharves and breakwaters where there is no traffic, and often where there is no water.

Three wharves were under discussion in Parliament on the 16th of May, 1906 (Hansard, 1906, pages 3428-3501).

## A WHARF WHICH THE COMMUNITY DID NOT WANT.

One was a wharf at St. Joseph, on Lake Huron, which the Minister of Public Works built to satisfy some friend who had vast projects. A Liberal newspaper in the neighborhood declared that the place "needs a harbor as badly as a goose required side pockets, and any such expenditure is just so much money thrown away." The grant was opposed by the Liberal member, who, begged that the business be stopped until the matter was investigated. But the work was rushed on, with the promise that it would cost \$5,000, and afterwards \$8,000.

The expenditure reached \$14,921 in 1905, and over \$1,000 since. There is no business done at the wharf, which is on an exposed shore and projecting from a high bank, where the Government did not even purchase the land.

The net receipts of the post office of the village supposed to be served by this wharf, were, in 1905, \$16.14. The wharf will never be used. But the contractor who built it rendered some return. He assisted with work and money in the scandalous London election of 1905.

#### A WHARF FOR PRIVATE USE OF A POLITICIAN.

The next wharf is the Grand Vallee Pier, which is simply a private wharf on the Gaspé coast, built at the request and for the accommodation of a member of Parliament, who had a lumber property there. The pier serves no public purpose, but is simply used for this business. It cost \$57,488.13, and after it was constructed the lumberman was able to sell out his property at a handsome profit.

#### THIS WHARF IS A BRIDGE.

Number three is the most absurd of all. It is called a wharf, but is really a bridge across a creek at a place called Disraeli, in the County of Wolfe, Quebec. The creek itself is dry except at freshet times or when the water is backed up by a mill dam at the foot of a lake. If there were shipping on Lake Aylmer it could not reach this wharf, because there is a low railway bridge on one side, and a highway bridge on the other. The bridge is condemned. That explains the Government wharf, which is really half of the proposed new highway bridge. The other half is to be built by the municipality. But it is interesting to notice that the portion built by the municipality, some 400 feet, cost \$2,875, while the Government end, 310 feet, cost \$7,250. The contract for the municipal bridge calls for a railing along the side, and in conformity with this the Government wharf has a similar railing which is not common with wharves. The gentleman who owned the first mill built at that place, who has been mayor of Disraeli, makes this statement:

#### TESTIMONY OF THE NEIGHBORS.

"I know there is no need for the expenditure of public money upon a wharf outside the village or near it, and that wherever and whenever the structure above referred to has been or is referred to or described as a wharf, it is a distinct subterfuge adopted for the purpose of diverting government money to an improper use." (Hansard, 1906, p. 3440.)

The following affidavit read in the House further explains the situation: Province of Quebec, City of Sherbrooke.

To wit:—I, Robert Nathan Arkley, of the City of Sherbrooke, in the Province of Quebec, millwright, do solemnly declare and say:—

That I have been in the habit of being at and working in Disraeli frequently during the last twenty-nine years.

That there never has been a steamer or vessel of any kind carrying produce or goods, or any vessel of any kind except a pleasure boat plying to or from Disraeli at any time, or is there water for such purpose except at flood time and when water is dammed back.

Solemnly declared, and I take this solemn declaration conscientiously believing the same to be true, by virtue of the Canada Evidence Act—

R. N. ARKLEY.

The estimated cost of this alleged wharf was \$5,000, the actual cost was \$7,250.

The bills for stone alone were \$1,291.67 and these were supplied at election time by fifty different people.

#### HE WILL DO IT AGAIN.

The member for the county, on whose recommendation the Government built this so-called wharf, said in the House: "At my election I had 133 majority in that small town of Disraeli, where I suppose the entire vote is

but 300, and in the next election, let me tell my hon. friend I shall probably have more wharves to build in the County of Wolfe and Richmond."

In opening the discussion on these wharves and kindred matters, Mr. Blain, M.P., for Peel, offered the following motion:

(Hansard, 1906, page 3441).

The estimated cost of this alleged wharf was \$5,000, the actual cost is \$7,250.

The bills for stone alone were \$1,291.67 and these were supplied at election time by fifty different people.

This House condemns the expenditure of public money for purposes not contemplated or authorized by parliament, and especially regrets that any sums voted for the construction of public works should have been expended for purposes not so contemplated or authorized. (Hansard, 1906, p. 3428.)

The motion was rejected by the usual Government majority.

# AN ABODE OF LUXURY.

## A COSTLY SORT OF TOW BOAT.

### What It Costs To Provide And Maintain The Speedy.

The little steamer "Speedy" of the Public Works Department is a rather costly toy. Some of her bills were before the Public Accounts Committee, February 21st, 1908. The Department of Public Works makes it appear that the boat is used chiefly to tow dredges from place to place on the St. Lawrence and other inland waters. She is rather a luxurious boat for this purpose, and is apparently a favorite for Ministerial junketing trips.

#### SECOND HAND AT START.

The "Speedy" was purchased in New York second-hand in 1904. The Government paid \$35,000 for her and gave an additional \$1,750 commission to the agent who made the purchase. It is true that Captain Howden, Superintendent of Dredging, swore that he made the purchase himself (page 3 of his evidence), but the commissions were alleged to be paid to a New York broker.

But the purchase money was only part of the cost. One of the first bills presented afterwards was the following:

Mahogany table . . . . .	\$100
11 dining room chairs at \$12. . . . .	132
Arm Chair . . . . .	16
Total . . . . .	248.

#### CRUISE OF THE PIANO.

This seems a rather costly dining-room furniture for a craft engaged in towing dredges. The Superintendent explained that this outlay was made necessary by an accident. On the passage from New York to St. John there was rough weather, the piano broke loose and travelled around the dining-room, smashing the chairs and table, but itself receiving no injury. With these mahogany chairs and table replaced, and the piano in good shape the "Speedy" might be in a position to commence towing.

But it was found that her boilers were not fit, and \$17,500 was paid for a new boiler outfit.

In the fiscal year 1906, apparently before the "Speedy" had done any work, she was taken to the shipyard of the Polson Company and received treatment to the extent of \$22,475, including the following:

#### OUTFIT AND UNIFORM.

New electric outfit . . . . .	\$3,000
Removing and replacing deck, making new scuppers and galley ..	3,500
New deck cabin, new smoking room, new bathroom, new upholstery . . . . .	2,780
New wheel house and chart rooms, mahogany and teak, first class upholstery . . . . .	3,300
New bathroom, new closet, new stateroom, another new stateroom, new electric light fixtures, new steam heaters . . . . .	4,450
New closet, bath tub, linen hamper etc. . . . .	1,500
Plumbing etc. . . . .	1,377
New refrigerator . . . . .	190
New pantry etc. . . . .	463
Extra light in dining saloons . . . . .	397

This is quite luxurious for a tow-boat. But more was needed. The staff must be dressed to correspond. So we have, in 1906, and the same thing repeated in 1907, with some additions:

8 officers suits at .....	\$22.00 each
7 mens suits at .....	17.50 each
Uniform for the Stewardess .....	25.00
8 caps at .....	3.00 each
7 caps at .....	1.50 each
17 reefers at .....	15.00 each

#### INDIRECT COST OF UNIFORMS.

These uniforms are not only a cost in themselves, but an indirect means of expense. The Committee found that this towing boat was paying rather high prices for oranges, pears, plums, French peas, spring chickens, Radnor water and other necessities for crafts that are engaged in towing dredges. The Captain was asked to explain why, for instance, chickens cost 18 cents a pound. He said (evidence, page 14):

"I will explain how the price was increased. If you are dressed in the "Speedy's" outfit, with brass buttons on, and go into the store to buy chickens, invariably they charge you just about double what the chickens are worth."

This witness gave another reason for high prices. He was asked if he had orders to go to some particular place and buy supplies, and testified:

"We have the patronage list but sometimes when they get on the patronage list, I do not say that everybody does it, but any unreasonable party will do that .....when they are put on the patronage list they think you have to buy from them and up goes the price." (Page 14.)

So, between the repairing and the luxurious equipment and the uniforms, and the increased price of provisions by reason of the uniforms, and the patronage graft, the "Speedy" has become wonderfully costly. Her bills in 1906 were \$36,337.55. In the short year, 1907, 9 months, they were \$16,346. Down to 1908 she seems to have cost over \$100,000. Though twelve years old, she is still a very good picnic boat, and may even do a little towing when not required as a yacht.

# PHILIP WAGNER.

## A SPECIAL POLITICAL FRIEND OF MR. OLIVER.

### Public Officer Convicted Of Swindling And Stealing, Reappointed To The Service At Increased Salary.

A sample of the men selected by the Government for special favor at the expense of the country is Phillip Wagner, of Edmonton. This Phillip Wagner has been exceedingly useful to the Hon. Frank Oliver at election times.

Mr. Oliver procured for Mr. Wagner an appointment as Government interpreter at Edmonton in 1899. He had not been long in that position before complaints began to be made that he was imposing upon the European immigrants and extracting money from them by fraud.

On the 30th of October, 1899, Toder Warenka deposited with Wagner \$7 to pay freight charges due the C. P. R. The poor man did not get the clothes, and after a long time it was discovered that the goods were held for payment, and that the money remained with the interpreter.

The Secretary wrote to Wagner about it on November 9th, 1900, and December 1st, 1900, ordering him immediately to pay the \$7 to the local officer. Wagner was told that if he failed it would be necessary "to take immediate further steps in the matter." On the 17th a further letter was sent demanding an instant reply, and Wagner was told that he had already made one false statement to the department. It does not appear that the Galician's money was ever refunded. The department paid the bill to the railway and caused the immigrant's clothing to be delivered to him.

#### A PASTOR'S TESTIMONY.

This was one of many such incidents. Abbe Francois Olszewski, Roman Catholic missionary at Beaver Lake, wrote to the department as follows:

Sir,—I beg to address myself to you to make complaints with regard to the conduct of Mr. Phillip Wagner, official interpreter at Edmonton. For some time I have known, and I am certain of the facts, that the said Mr. Wagner takes advantage of the poor Galicians and abuses the confidence that they place in him. I have proof of this that I can give if necessary. In the meantime I will give you a few instances. It happens, and very often too, that people who have just arrived have to stay three or four days at the land office without Mr. Wagner bothering himself about them in the slightest. Having received from Mr. Jean Krystal \$275 to put in the bank, Mr. Wagner preferred to keep them for him. He sent Austrian money of the value of \$729 to Hamburg to have it changed for Mr. Matwi Gack, Galician, but instead of giving the latter's address he had it returned to himself, and Mr. Matwi Gack has not yet received his money, although I myself received a letter from Hamburg saying it had been sent in June, 1900. Many Galicians give Mr. Wagner money to pay into the land office, and this money is never remitted. Then Mr. Wagner gives a certain slip of paper with the stamp of the land office under the pretext that the land is paid. At the same time I know that this money is never paid into the office. I enclose one of these slips of paper as a proof. These facts and many more oblige me, so to speak, to agitate the question. I beg of you, therefore, to better the condition of these poor Galicians and to punish him who abuses them and to put another in his place who will be worthy of the confidence which the government places in him. You understand why I interest myself with the question. It is of great importance to immigration, and in the second place I am the Roman Catholic missionary to these poor people,



and finally justice demands that this should not be prolonged for any length of time. I place my hopes in you, Sir, and in offering sentiments of gratitude, I am respectfully yours,

ABBE FRANCOIS OLSEWSKI,  
Catholic Missionary.

#### WAGNER'S GROWING RECORD AND OLIVER'S INCREASING AFFECTION.

During 1900 at least three criminal informations were laid against Wagner. He was charged with having received \$75 from Fred Lacuste to be delivered to the said Lacuste's wife, and keeping the money himself; also with stealing ten dollars from one Ilia Chlustawek, and with converting to his own use the sum of \$723 received from Hamburg for one Matwi Gack. In one of these cases the jury disagreed, and in all of them there was a failure to convict.

Early in 1901 the Young Men's Liberal Club of Edmonton forwarded a request to the Government for an increase in Wagner's salary, and this request was supported by a strong letter from Mr. Oliver, who closed with the remark: "I cannot too strongly endorse the resolution of the Association." The Superintendent of Immigration replied, referring to the trouble already experienced with Wagner, and remarking: "Until he replies satisfactorily to the department it would scarcely be possible to recommend him for an increase of salary." Wagner was then receiving \$40 a month.

In March, 1901, Wagner was charged with fraud, "for that he did induce one Aronetz to sign a certain lien note for \$25 on a cow purchased by the said Aronetz by stating to the said Aronetz that the said lien note was only a receipt for the amount paid by the said Aronetz for the said cow."

In the same month he was charged with receiving \$80 from the same Aronetz to be deposited in the Merchants Bank of Canada for the benefit of Aronetz, and "did, contrary to his obligation, convert the said sum of \$80 to his own use and thereby steal the same." He was convicted on both charges, sentenced to two months' imprisonment at hard labor at Fort Saskatchewan for the first, and to three months' hard labor at Fort Saskatchewan for the second.

These convictions took place in June, 1901, but in May, 1901, the Justice Department was seeking witnesses from the Interior Office with regard to other charges respecting payments on homestead entries.

#### WAGNER HAD TO GO, BUT OLIVER HAD HIS PAY EXTENDED.

While the charges upon which Wagner was convicted were pending, and just one week before he was sentenced, Mr. Oliver wired to the Deputy Minister as follows: "Edmonton, N.W.T., June 11. James A. Smart, Deputy Minister of the Interior. Smith writes Wagner not employed since last March. Wagner never notified, has acted continuously. What does Smith mean. Wagner should be paid forthwith until June first."

Again Mr. Oliver had his way, and a telegram was sent from Ottawa to J. Obed Smith, Commissioner of Immigration: "If Wagner has acted continuously during April and May pay his salary."

To make sure of his dismissal this time, the secretary of the department wrote on June 15th, 1901:

MR. J. OBED SMITH,

"Sir,—I am directed to inform you that the services of Mr. P. Wagner, an interpreter at Edmonton, have been dispensed with from the 31st ult., and I am to ask you to kindly notify Mr. Wagner and the local agent accordingly."

Even after this, Wagner declared that he had not been notified and his influential friend, the present Minister of the Interior, caused him to be paid down to the end of June.

On his release from prison, towards the end of 1901, Wagner seems to have renewed his political activity on behalf of Mr. Oliver and his friends. He was on hand and apparently active in the election of 1904, when Mr. Oliver was again a candidate.

#### OLIVER A MINISTER; WAGNER GETS TWO OFFICES.

In April, 1905, Mr. Oliver became Minister of the Interior, and on the first day of July, 1905, restored Mr. Philip Wagner to the public service. But this time it was not a single \$40 a month office, but two offices, that of assistant immigration agent at Edmonton, with a salary of \$25 a month, and interpreter at a salary of \$75 a month, making a total income of \$1,200 a year.

Under the circumstances the appointment of such a man to such offices is surely a grave public scandal. But it is only the whole of the Wagner scandal.

#### THE PREMIER'S PIOUS DECLARATION.

On July 17, 1905, not three weeks after Wagner's appointment, the House of Commons, on the motion of Mr. Lake (Qu'Appelle), passed the following resolution:

"That whilst it is desirable that every official in the employ of the government of Canada should enjoy perfect freedom of political opinion and the untrammelled exercise of his franchise in accord therewith, no official should be engaged or permitted to engage in partisan work of any description in the election of a representative to the Provincial or Dominion Legislature."

Though this motion was moved by a Conservative, it was accepted by the Premier, who said:

"I have no hesitation at all in saying that I am ready on the part of the government to accept this resolution. The only point I had any hesitation about was as to whether this resolution should be limited to Dominion elections or to Provincial elections . . . . . After reflection I have come to the conclusion that we would accept the motion as it reads. Political parties are not so differentiated between Dominion and Provincial politics as to make it advisable that they should be treated in a different manner . . . . . For my part I am strongly of the opinion I held when in Opposition that an official who takes an offensive part in election campaigns makes himself and his party a scandal."

#### CHEERFULLY DISREGARDED.

In November of the same year, a provincial election took place in Alberta and Mr. Oliver went west to take part in the campaign, which he made his own. The law laid down by the Premier, who was Mr. Oliver's chief, and the House of Commons, of which he is a member, was violated at once in the most outrageous fashion by Mr. Philip Wagner, former prisoner at Saskatchewan, now a double office-holder in Mr. Oliver's department. The conduct of Mr. Wagner is set forth in certain affidavits which have been submitted to the Government, and read in the House of Commons. (Hansard, 1906, pages 4446-4447): The formal statements of the notary was attached to them all.

#### CAMPAIGN MEETINGS AND BEER.

1. I, Jacob Baronowski, of the City of Edmonton, in the Province of Alberta, boarding-house keeper, do solemnly declare that I am personally acquainted with Philip Wagner, above mentioned.

2. That on the evening of the 6th of November last, said Wagner came to me and asked me to work in the interests of the Liberal candidate in the City of Edmonton in the election then pending. He further told me that I would be paid for my services. I agreed to work as requested on this understanding. Said

Wagner then asked me to bring as many of my boarders as possible to the meeting to be held that night in the Thistle rink, and as an inducement for them to attend, he instructed me to purchase two barrels of beer to be drunk at my boarding house after the meeting in question.

2. Accordingly, I attended the said meeting and took with me forty men, all of them being Galicians. Subsequently they consumed the two barrels of beer in my house.

4. Said Wagner saw me frequently after this and always urged me to work and redouble my efforts in the interests of the Liberal candidate, as aforesaid.

5. On or about the 8th of November last past, said Wagner called upon me and asked me to bring my boarders and others to a meeting to be held in a room near one Paul Rudyk's place of business and to induce my boarders to attend as before with two barrels of beer.

6. I attended this meeting with my boarders and purchased two barrels of beer which was consumed by my boarders and others on my premises.

7. Before election day said Wagner took me up to the Liberal committee rooms in the City of Edmonton and questioned me as to what I had done. I informed him fully and he then and there promised me \$15 for my services.

#### ENGAGED IN BUYING VOTES.

I, Wasył Ferbył, of the City of Edmonton, in the Province of Alberta, laborer, do solemnly declare that:

1. On or about the first day of November last past I was engaged by the said Wagner to work in the interests of the Liberal candidate in the constituency of the City of Edmonton. I was particularly engaged to secure as many idle men as possible and take them to work in certain coal mines where work and wages were provided for them, as I was informed by the said Wagner.

2. I took 20 to one mine and 17 to another, and 10 others were supplied with employment on the city electric light plant.

3. Twenty of the persons above named boarded and lodged at my house in the City of Edmonton, and 27 others I supplied with wood, coal, water, etc., for a period of five days, being the five days immediately before the election day (November 9).

4. These 47 persons I caused to enter various polling booths for the purpose of voting and I verily believe that they did vote for the Liberal candidate in the said city.

5. I applied to said Wagner for funds to cover my expenses and services and received from the said Wagner on one occasion \$40, and on another occasion \$12, and was to receive the balance due to me after the election.

#### DISTRIBUTES ELECTION MONEY AMONG THE GALICIANS.

I, Prokop Chakaluk, of the City of Edmonton, in the Province of Alberta, merchant, do solemnly declare that:

1. I was engaged by the said Wagner on or about the middle of last October to work in the interests of the Liberal party in the election which took place on the 9th of November last past.

2. Said Wagner engaged a conveyance and drove me to Beaver Creek, in the constituency of Victoria, and there he and I worked together among the Galician and Ruthenian electors in the interests of the Liberal candidate for that constituency.

3. The said Wagner, at the time of my engagement, agreed to pay me the sum of \$50 then and a larger sum after the elections.

4. That I personally know the said Wagner, and I say that he was actively engaged in working for the Liberal candidate in the local constituencies of Edmonton and Victoria for at least the two months immediately preceding the election.

5. The said Wagner paid me for expenses \$25.

#### HAS OLIVER FOR HIS FRIEND.

Though these affidavits and a good many others of a similar character have been forwarded to the Government, no action has been taken upon them. Mr. Oliver practically endorsed the conduct of his official when speaking publicly in Edmonton a few days before the election. The Minister had been told what Wagner was doing and asked about his record. Mr. Oliver admitted that Wagner had been in jail, and that he was an employee of the de-

partment, and he closed with the declaration: "I want to tell Mr. Griesbach "that I will not go back on my friends because of anything that he himself "and their opponents say about them." On the 14th day of March, 1906, some four months after Mr. Oliver's statement in Edmonton, Mr. Foster asked these questions to Mr. Oliver in the House of Commons:

1. Has Philip Wagner been at any time since 1900 in the employ of the government?
2. If so, where, during what period, in what capacity, and at what pay?
3. Was Philip Wagner previous to or during his employment by the government, convicted of crime, and did he serve any time in prison therefor?
4. Has he ever been given larger pay or promotion in office since these occurrences?

The following are Mr. Oliver's replies to these questions in their order:

1. Yes.
2. As Galician interpreter at Edmonton at \$40 per month from 1st of January, 1901, to 30th of June, 1901, and as Assistant Immigration Agent at \$25 per month and interpreter in the Dominion Lands Office at \$75 per month from 1st July, 1905, to date.
- 3 and 4. Nothing on record in the Department of the Interior to show that P. Wagner served any time in prison.

It will be seen that this was a deliberate attempt to deceive the House. The record of Wagner's imprisonment was in another department, but it was known to the Minister and was not then known to the House of Commons. He was asked as to the fact and not as to the record in his department. The equivocation was unsuccessful, because western members afterwards disclosed the circumstances.

#### WAGNER PROTECTED BY THE LIBERAL MAJORITY IN THE COMMONS.

On the 19th of June, 1906, Mr. Fowler, M.P. for King's, set forth in a resolution the circumstances of Wagner's first appointment, his offences, his convictions, dismissal, subsequent appointment, and later offences, closing with this motion. "That in the opinion of this House the said Philip "Wagner should be forthwith dismissed, or if he denies the truth of the said "allegations, an immediate investigation should be held into the matter afore- "said."

This motion was rejected at the request of Sir Wilfrid Laurier and Mr. Oliver, by a straight party majority.

# CASE OF JOSEPH NIXON.

## Public Money Taken, Books Falsified, and Mutilated.

### Officer Appointed to a Better Position—He Was An Election Worker.

On the 3rd of May, 1899, Joseph Nixon was appointed sub-agent of Dominion Lands at Macleod. Until April, 1900, he was paid by commission. After that he had a salary, beginning at \$25 a month, and increased in March, 1905, to \$50 a month. In May, 1904, he was made caretaker of the immigration building at Macleod at \$25 a month, in addition to his other office. One of Mr. Nixon's activities was the energetic service of his party in that part of the Northwest, where he acted as a member of Mr. Oliver's campaign committee.

In 1905 the Department of the Interior found reason to investigate Mr. Nixon's accounts. In March, 1905, Mr. R. E. A. Leach, Inspector of Agencies, was asked to go to Macleod and hold an investigation.

The irregularities discovered covered a period of four years, and were rather complicated. However, he finished his investigation at Macleod in less than 24 hours.

The result of this hasty research set forth in Mr. Leach's report (Hansard, pages 8101-2), contains the following:

#### VARIETY OF FRAUDS.

1. Receipt book, with stubs, used prior to November 18th, 1904, missing.
2. Counterfoils for November, 1904, and February, 1905, also counterfoil No. 23,614 for December 3rd, missing.
3. Stub of receipt No. 33,670 torn out of the receipt book and missing, supposed to be for \$80, paid by M. McNaught on account of some land, and should be dated about February 16th.
4. Very often there was a great difference between the dates moneys were received at sub-agency, and dates of remittance to the Dominion Lands Office, Lethbridge, the moneys being held by the sub-agent.
5. On several applications for homestead entries the dates have been altered, presumably to suit the dates of making remittance. This also applies to dates upon receipt of counterfoils.
6. No application could be found for the following, for which entry fees had been paid to the sub-agent—one of December 3rd, from Burdette, and of February 22nd, from Barber.
7. Timber requisitions could not be found for the following, who paid the fees (giving names of seven men).
8. The following moneys were received, for which apparently no receipts were issued. (Sums mentioned are \$10, 25 cents and 25 cents).
9. For the sum of \$100 reported by the agent of Dominion Lands, Lethbridge, March 18, 1905, on account of one Clifton, there was no entry to show that it had been remitted direct to the department.

But the department receipt of 20th March on form 42 was accepted by me as evidence of the remittance.

10. Items of moneys received by the sub-agent and not noted in his register. (This include six sums of \$10 each and one of \$25).

The following is a list of moneys received by sub-agent Nixon other than the town site lots at Macleod, which were not remitted to the Agent of Lands, Lethbridge, from the 1st of November, 1904, to the 27th of March, 1905, though no stubs are to be found for dates between the 31st of October and 18th of November. (Items amount to \$329.05).



12. Re the lots, Macleod townsite, for which sub-agent Nixon had received payment. For these there are no data whatever in the records of the sub-agency, but I procured sufficient evidence to convince me that the following payments had been made, which were not remitted to the agent of Dominion lands, Lethbridge.

Brought forward . . . . .	\$229.05
1901—	
April 11, G. F. Beere, lot 13, N. 17, W. 5th avenue . . . . .	30.00
1902—	
M. J. Gallagher, lots 10 and 11, S. 37th, W. 5th avenue . . . . .	30.00
J. Struthers, lot 20, N. 20, W. 5th avenue . . . . .	30.00
1904—	
Jane Hoge, lot 7, S. 24, W. 5th avenue . . . . .	30.00
Total shortage . . . . .	\$499.05

#### BLAMED THE BOY AND GOES FREE.

It will be seen that the irregularities included the destruction or loss of a receipt book covering several years, and a number of counterfoils; the mutilation of a book by tearing the stub of a receipt; the withholding of public monies for long periods; the fraudulent alteration of dates; the failure to acknowledge receipt of money; failure to enter receipt of money in the books and the misappropriation of many sums of money received.

Mr. Leach gives the following statement in excuse for all these:

"From the sub-agent we learned, that he had trusted the work entirely to his son, and kept little or no supervision of it. The son had left Macleod about the 15th of March, and at the time I was there his whereabouts was unknown."

Mr. Nixon was not dismissed. He was permitted to hand in his resignation after the facts were disclosed. The amount of money discovered to be missing was \$499.05, and this Mr. Nixon restored to the land office.

It was stated in the House a few weeks later that the Nixon, whose father had accused him of all these thefts and frauds had never left Macleod, except for a few days during the time that the inspector was there. It was well known then that he was a few miles away at Frank, and that he immediately returned to Macleod and was there at the time the matter was discussed in the House. He was not prosecuted or arrested or disturbed in any way. Moreover, it was stated in the House that the young man could not have been more than fifteen years old at the time when the defalcations and irregularities commenced. That they could have been going on for five years to the extent mentioned, with such a variety of different kinds of fraud, and that none of these things should be known to the officer in charge, is an impossible state of affairs. Moreover, it was shown in the House that numerous persons, who had paid money into the office, had personally delivered it to Mr. Joseph Nixon, and had received receipts personally from him. For instance, here are two declarations:

"I, Gerald Frederick Beere, of the Town of Macleod, in Alberta, do solemnly declare that on the 11th of April, 1901, I paid to sub-agent Nixon thirty dollars on account of purchase of lot 13 N., 17th street, West 5th avenue, Macleod townsite."

"I, William Henry Struthers, of the Town of Macleod, in Alberta, do solemnly declare that I am the brother of J. A. Struthers, who holds sub-agent Nixon's receipt for thirty dollars, paid on account of lot 30 N., 20th street, West 5th avenue. Macleod townsite, dated 2nd of June, 1902."

Neither of these two payments was remitted to the Government.

#### NIXON RESIGNS AND GETS A BETTER OFFICE.

But the failure to prosecute either the defalcating officer or the son, whose father accused him of the theft, was not the whole or the worst in this matter.



Mr. Leach made the investigation and the full discoveries on the 27th and 28th of March, 1905. At that time Nixon handed in his resignation.

Mr. Leach's report was sent to the Government on the 3rd of April, and would be received about the 7th. Twelve days afterwards Mr. Joseph Nixon, whose defalcations had thus been made known to the Minister, was appointed to a position in the Immigration Department as a checker of immigrants on the train between Macleod and Fernie, at a salary of \$25 a month. This was on the 19th of April, and on the 4th of May, after an apprenticeship of two weeks, his salary was increased to \$75 a month.

Still later Mr. Nixon was in the employ of the Government Transcontinental Commission.

#### GOVERNMENT HAS NOTHING TO DO WITH JUSTICE.

When the matter was brought up in the House Mr. Oliver made a defence somewhat the same as that for his other friend, Philip Wagner. Mr. Oliver declared that if Nixon had committed a crime it was open to Mr. Foster or any other member to institute prosecution. He assailed Mr. Foster for his "efforts to expose to the gaze of Parliament and the country the misfortunes of a man and his family, who, whatever their shortcomings may be, however guilty he may be of having supported the Liberal party in the past, whatever sin he may have committed in that particular, is not entitled to be alluded to as a thief." Mr. Oliver added: "If there is criminal guilt the courts are established for the punishment of that guilt."

Mr. Foster. "Where does the hon. gentleman come in?"

Mr. Oliver. "The government of this country comes in as administering its public affairs, not as administering justice."

Mr. Foster asked Mr. Oliver whether he took the ground "that as a Minister he has no right to see that his officers are punished when they steal public money," but Mr. Oliver still insisted that the law was open to anybody else to administer, and refused to take any responsibility for the failure to prosecute.

It should be further stated that one of the parties who paid in money personally to Mr. Nixon, which money had not been accounted for, wrote a letter to the crown prosecutor, an officer of the Department of Justice, laying the case before him and asking him to take the matter up. The officer replied, saying that "as crown prosecutor it is not part of my duty to advise in connection with any matters of criminal nature until such are referred to me by the police."

It is unnecessary to state that the crown prosecutor also is a good Liberal and a friend and supporter of Mr. Oliver.

# HOW DID YOUR MEMBER VOTE ?

Some Divisions of the House in 1906, 1907 and 1908.

## SESSION OF 1906.

March 21st, motion of Mr. Andrew Broder, Conservative:

"That this House would be pleased to learn that the volunteers of the several South African contingents from Canada, suffering total disability, incurred in such service, will receive recognition from their country, as part of that Empire on behalf of which they willingly made such sacrifices."

Motion opposed by Government and rejected on a straight party vote. Names recorded in Hansard, 1906, page 434.

March 26th, motion of Mr. F. D. Monk, Conservative M.P.:

"That it is desirable that the Government of Canada should recognize in some substantial manner the services rendered during the Fenian raids of 1866 and 1870 by our Canadian volunteers."

Motion opposed by Government and rejected by a straight party vote; recorded in Hansard, 1906, page 646.

May 1st, motion of Hon. Geo. E. Foster, that the conditions of the contract with the North Atlantic Trading Co. are injurious, improvident and absurd, and that immediate steps should be taken to terminate the existing contract. Motion rejected by a straight party vote; recorded in Hansard, 1906, page 2449.

May 7th, motion of Mr. Lennox, Conservative:

"That it is inexpedient that any member of the Government, or deputy head of a department, should act or appear as barrister, counsel or advocate in an action, suit or proceeding, except where the interests of the Crown are involved, in any court presided over by a judge appointed by the Government of Canada."

Motion destroyed by an amendment proposed by the Minister of Justice, which was carried by a party vote; recorded in Hansard, 1906, page 2808.

May 17th, motion of Mr. Blain, Conservative:

"This House condemns the expenditure of public money for purposes not contemplated or authorized by Parliament, and especially that any sums voted for the construction of public works should have been expended for purposes not so contemplated or authorized."

Motion rejected by a straight party vote; recorded in Hansard, 1906, page 3500.

May 18th, Mr. R. L. Borden, Opposition Leader, moved an amendment to the Premier's resolution for a limited investigation into the "Arctic" affair. Mr. Borden asked for a committee of seven to inquire into abuses and mal-administration in the Marine Department. Amendment rejected by a party vote; recorded on page 3669 of Hansard, 1906.

June 19th, Mr. Geo. W. Fowler, Conservative, moved a resolution setting forth the record of Philip Wagner, and closing as follows:

"That Phillip Wagner should be forthwith dismissed, or if he denies the truth to the said charges and allegations, an immediate investigation should be held into the matter aforesaid."

Motion rejected by a straight party vote; recorded on page 5612, Hansard, 1906.

June 21st, Mr. H. B. Ames, Conservative, moved a resolution condemning the Moncton land deal. Motion rejected by a party vote; recorded on page 5856 of Hansard, 1906.

June 28th, the House divided on the minority report of the Committee for the Investigation of the "Arctic" outfit. Motion of Mr. Northrup, Conservative, for the adoption of that report was rejected by a party vote; recorded on page 6525 of Hansard, 1906.

July 3rd, motion of Mr. Monk, Conservative:

"In the opinion of this House, and for causes disclosed in the evidence taken before the Committee on Public Accounts and the Committee on Agriculture and Colonization, and for other reasons, W. T. R. Preston, Inspector of Immigration, should be no longer continued in that office."

Rejected by a straight party vote; recorded on page 6928 of Hansard, 1906.

#### SESSION OF 1906-7.

December 10th, 1906, motion of Mr. Herron, Conservative, that coal lands owned by Government should be alienated only under such conditions and regulations as will provide for an immediate supply of coal for the people at a reasonable price. Motion was headed off by an amendment, which was carried by a straight party vote; recorded on pages 800 and 801, Hansard, 1906-7.

January 9th, 1907, Mr. Borden moved for the appointment of a select committee to inquire into the matter of legislation to prevent strikes and lock-outs and other labour troubles. Motion killed by an amendment, adopted on a party vote; recorded in Hansard, page 3696.

February 28th, motion of Mr. Borden, condemning the course of the Government in holding Judgeships vacant for nearly a year, rejected by a straight party vote; recorded in Hansard, page 3546.

March 6th, motion of Mr. Northrup, Conservative, disapproving of the conduct of Immigration Commissioner Obed Smith, who had been trafficking in lands, and, according to his own sworn statement, had used the reports of Government officers to "make money on the side"; rejected by straight party vote; recorded in Hansard, page 4262.

On Mr. Lemieux's Conciliation Bill, Mr. Borden moved that the measure be referred to a select committee, so that the train hands and others who objected to the measure in its present form might have a hearing and suggest amendments. Motion rejected by straight party vote; recorded in Hansard, page 5008.

Mr. J. E. Armstrong, Conservative, moved that the Conciliation Bill be amended so that railway employers and employees in respect of whom other provision had been made, would be exempt from its provisions. Motion rejected by straight party vote.

March 26th, Mr. Barker, Conservative, moved a resolution authorizing the Public Accounts Committee to inquire into the statements of accounts of the G. T. P. Company, and to investigate the disappearance of certificates which should be in the possession of the Government. Motion killed by amendments, adopted on a party vote; recorded in Hansard, page 5120.

March 26th, Mr. Lefurgey moved in amendment to the Subsidy Act, that the allowance to Prince Edward Island be increased by \$28,000. Rejected by a straight party vote; recorded on page 5373. Several other motions amending this Act to the advantage of Prince Edward Island were rejected.

March 26th, motion of Mr. Bourassa, calling for an investigation into charges against Members of Parliament, rejected by a majority of 109 to 53.

Mr. Bourassa, Mr. Robitaille and Mr. Lavergne were the only Liberals to support it. Division recorded on page 5500.

April 2nd, Mr. Borden moved an amendment to the Tariff Bill, taking away from the Governor-in-Council the power to bring the intermediate tariff into operation without authority of Parliament. Rejected by a straight party vote; recorded in Hansard, page 5772.

April 2nd, Mr. Schaffner, Conservative, moved that the duty on agricultural implements be reduced from  $17\frac{1}{2}$  per cent. to 10. Motion was rejected by 56 to 22, but as it occurred in committee the names were not taken.

April 4th, Mr. Monk moved that Mr. Beddoe, of the Interior Department, who had refused to disclose the names of the North Atlantic Company contractors, be brought to the Bar of the House. Motion rejected by straight party vote; recorded in Hansard, page 5993.

April 17th, Mr. Lennox, Conservative, moved a resolution regretting that the Insurance Commission had lessened confidence in its work by lending itself to partisan purposes. Motion rejected by a straight party vote; recorded on page 6931.

April 15th, Mr. Borden moved a resolution expressing regret that officials had been permitted to engage in campaign work in violation of a rule adopted by the House. Motion rejected by a straight party vote; recorded in Hansard, page 6705.

April 16th, Mr. Borden submitted a resolution asking for effective suppression of bribery and fraud in elections. Motion rejected by straight party vote; recorded in Hansard, page 6898.

April 24th, Mr. Borden moved that Railway Commissioners should inquire and report whether passenger tariff rates should be reduced to a maximum of two cents per mile. Killed by an amendment adopted by a straight party vote; recorded on page 7749.

April 26th, Mr. Foster moved a general resolution setting forth the financial situation and condemning extravagance, mal-administration and corruption. Rejected by a straight party vote; recorded on page 7870.

#### SESSION OF 1907-8.

December 5th, motion of Mr. Cockshutt, Conservative, that the conduct of public business has not been characterized by reasonable foresight, care and prudence. Rejected by a straight party vote; recorded on page 274 of Hansard.

December 10th, motion of Mr. Armstrong, Conservative, for free rural mail delivery. Rejected by a straight party vote; recorded on page 506.

December 11th, motion of Mr. Barker, Conservative, condemning the unbusinesslike arrangements and lack of public control in respect to the Quebec Bridge. Rejected by a straight party vote; recorded on page 552.

Motion of Mr. Cockshutt, Conservative, against assisted immigration, except of agricultural and domestic class. Headed off by Government amendment.

January 28th, motion of Mr. Borden, Conservative, that Canada should not enter into any treaty depriving herself of the control of her own immigration. Rejected by a straight party vote; recorded in Hansard, page 2152.

February 13th, motion of Mr. Blain, Conservative, that the greatest possible freedom of investigation should be enjoyed by the Public Accounts Committee, and any action of the Committee excluding evidence should be

subject to the immediate appeal to the House. Rejected by a straight party vote; recorded in Hansard, page 3145.

March 13th, motion of Mr. Perley, Conservative, condemning public expenditure on works for private advantage and not for public benefit. Rejected by a straight party vote; recorded in Hansard, page 4959.

March 30th, motion by Mr. Foster, that supplies purchased by the Government be bought by public tender through a purchasing commission; amendment by Mr. Fielding, that purchases be by tender as far as practicable and under the direction of Ministers. Amendments carried and motion lost by straight party votes; recorded on pages 5877 to 5882. Amendment of Mr. Blain, that the present system of purchasing from middlemen at excessive prices be discontinued. Rejected by party vote.

April 24th, motion of Mr. Monk, that the time has come to cease paying a bonus of so much per head for immigrants. Rejected by a straight party vote; recorded on page 7092.

April 30th, motion of Mr. Borden, that the departmental inquiry by Judge Cassells is too narrow, and that in view of the Royal Commission report of extravagance, waste, inefficiency, and mal-administration, public interest demands the appointment of a commission with full powers to investigate all departments. Rejected by a straight party vote; recorded on page 7618.

May 22nd, motion of Dr. Worthington, Conservative, that the Ross Rifle transactions were extravagant and improvident. Rejected by a straight party vote, except that Col. Hughes voted against the motion; recorded on page 9090.

May 26th, motion by Mr. Foster, that Civil Service appointments should be made on merit after an examination, and by non-partisan commission. Rejected by a straight party vote; recorded in Hansard, page 9218.

May 29th, motion by Mr. Lennox, Conservative, in connection with Sir Fred. Borden and the St. John Cold Storage deal, that Ministers should not be connected with companies receiving contracts and subsidies from the Government. Accepted by Sir Wilfrid.

July 8th, motion by Mr. Lennox, that the Committee appointed to inquire into charges of over-classification and over-payment on the Transcontinental Railway be instructed to resume and complete the investigation. Rejected by a straight party vote; recorded on page 12388.

July 17th, motion by Mr. Monk, Conservative, for the adoption of the minority report of the Quebec Bridge Committee, setting forth that the Government had dealt negligently and improvidently with the matter, and condemning the policy pursued. Rejected by a straight party vote; recorded in Hansard, page 13414.

Motion by Mr. Foster, setting forth and condemning the reckless and imprudent financial policy of the Government. Rejected by the same vote as in the previous division; Hansard, page 13470.

In addition, there were about a score of motions in the House and in Committee amending the Elections Act, by inserting more stringent provisions against fraud and corruption, against interference by Government officials, and giving greater publicity to election expenditure. These, with the amendment against Federal interference with Ontario lists, were all rejected by the Government majority.





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