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PUBLIC ACCOUNTS COMMITTEE

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IN CONNECTION WITH

OVERSEAS ACCOUNTS

No. 1—THURSDAY, MAY 4, 1922

NAMES OF WITNESSES:

General Fiset, Deputy Minister, Militia and Defence, Ottawa.
General MacBrien, Chief Overseas Forces, Ottawa.
Wm. Kearns, Assistant Auditor General, Ottawa.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

MINUTES OF EVIDENCE

COMMITTEE ROOM 424,
HOUSE OF COMMONS,
THURSDAY, May 4th, 1922.

The Select Standing Committee on Public Accounts met at 11.00 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The committee proceeded to the consideration of the following:

“(A) The accounts opened in our books in favour of the British Government; (B) the accounts opened by the British Government, in favour of the Canadian Government; (C) the payment of those accounts; (D) the war material sent over to England at the opening of the war; (E) the war material sent over to Canada after the termination of the war; (F) the determination of the balances either in favour of Canada or against it; (G) particulars of expenditure of \$8,411,800 last year for Demobilization or adjustment of war claims.

The CHAIRMAN: We will ask General Fiset to come forward.

Major-General Sir E. Fiset called and sworn.

By Mr. Vien:

Q. General, you are Deputy Minister of Militia and Defence?—A. Yes, sir.

Q. At the opening of the war a certain amount of war material was sent from Canada to England?—A. Yes sir.

Q. Which included artillery equipment, cannons, stores and the like?—A. I have the full list here of the equipment, including guns and ammunition, and it was sent overseas in 1914 by special request by cable from the War Office.

Q. Have you a copy of the War Office request?—A. I am afraid I have not. The request was made by cable, and we will have to search numerous files to find it.

Q. Was there an agreement between the Canadian Government and the Imperial Government in respect to that material?—A. None sir.

Q. No agreement?—A. No sir, a request came that the guns were badly needed at the front as fast as they could come, and they asked Canada to send anything we could supply in the shape of guns and ammunition.

Q. Was an inventory taken?—A. Yes sir, it is here.

Q. Was there a descriptive inventory?—A. We have the complete inventories in our possession, certified by the War Office, and the request.

Q. Was there any valuation?—A. No actual valuation. A valuation of the Minister was based on the vocabulary prices of 1912; it amounted to \$1,272,000.

Q. Canadian vocabulary prices?—A. There are no Canadian vocabulary prices, Imperial.

Q. Is that copy available for the committee?—A. Certainly. I have no objection whatever. I can make it available for the committee.

Q. That is a copy that you can leave with the committee?

The CHAIRMAN: We will produce it as exhibit No. 1 with the evidence of General Fiset.

Document filed as exhibit No. 1.

By Mr. Vien:

Q. Did the War Office accept the valuation and undertake to pay or credit us for such an amount of money?—A. All the negotiations that took place between the 40601—1½

War Office and the Overseas Department were made not through the Militia Department here in Ottawa but through the Overseas Minister with the War Office in England. So far as what is contained in the files is concerned it cannot possibly be established what took place unless you have the evidence of the officers who dealt with the War Office. I have taken the trouble to ask General MacBrien to be here in order to explain exactly what took place over there.

The CHAIRMAN: I have to go to the Committee on Agriculture because I am one of the sub-committee which is presenting its report and I would ask Mr. McIsaac to take the Chair in my absence.

Mr. McIsaac took the Chair.

By Mr. Vien:

Q. Then General MacBrien is the proper authority to give evidence on the agreement which took place in respect of the credits to be given to Canada for the material sent over?—A. That would be rather a tall order for General McBrien himself. I think he can explain part of what took place but if the committee wants full information it will have to subpoena the ex-Deputy Minister of the Overseas Department, Col. Harrington, and their Auditor, Col. Dowie. These officers should be allowed to peruse the files which cover bushels and bushels of files and which at present are being assorted to give evidence before this committee. Gen. MacBrien could give you a fair idea of what took place.

Q. We do not want all the files of the Overseas Ministry; we want simply those files which respect this shipment of war material.—A. We have those files here and Gen. McBrien will be able to explain that, sir.

Q. At a certain given moment, if I understand rightly, we sent on request of War Office a certain amount of material which is contained in your list, and war material was valued from the vocabulary price list?—A. So far as munitions are concerned.

Q. And so far as guns are concerned?—A. So far as guns are concerned we cannot give a proper valuation because they had been in this country for years. We started buying guns in 1906, and we bought guns every year after that up to 1914. Therefore the valuation of those guns had depreciated to a very great extent when they were shipped to the War Office in 1914. Taking these vocabulary prices I am afraid would not give the exact valuation.

Q. I do not contend that we should take the vocabulary prices; my contention is that the guns were material given to England. Outside of the munitions which were listed under the vocabulary prices, what valuation was put on the rest?—A. We will have to establish it. I do not remember it. I do not know exactly. The War Office probably made a valuation of those guns. Perhaps Gen. McBrien will be able to tell you.

General McBRIEN: I do not think a valuation was made. A large proportion of the guns were obsolete and others were obsolescent.

WITNESS: I may say that the number of guns sent overseas was not very large.

By Mr. Vien:

Q. No sir, but the war material sent from Canada must have been listed and valued?—A. The war material that was sent from Canada formed part of the first contingent that left Canada, and that was the only list sent to the War Office.

Q. Can you tell us the date of that cable that requested Canada to ship all the cannons that we had available?—A. I cannot tell you exactly the date, it was sometime in August, 1914, August or September, one or the other I think, because those guns were shipped on board the same ships that transported the first contingent overseas.

Q. It was understood at that time that the Canadian Militia went over with their small arms?—A. Small arms, and all the guns we had.

[General Fiset.]

Q. The guns were not part of their equipment; they were sent for a special purpose to the War Office?—A. Part of the artillery units that went overseas had guns with them. Those were the guns that went with them, 42 eighteen pounders, and we had 82 in this country.

Q. If I understand you rightly, our field artillery batteries went equipped with their own guns, particularly the Royal Canadian Horse Artillery and the Royal Field Artillery?—A. Yes, sir.

Q. And in addition thereto there was a certain amount of war materials, guns and other equipment, which we sent in a special shipment to the War Office at their particular request?—A. It all depends on what you mean by a special shipment. Do you mean on the same ship?

Q. I mean distinct from the equipment which went with the artillery?—A. Yes, sir.

Q. So that as a matter of fact, this surplus equipment which was not part of the equipment of the first division was sent as a loan or as a sale to the War Office?—A. Well, you may call it a sale if you like. It was sent at the request of the War Office because of the emergency of 1914. Part of this equipment was used then for the training of our own troops on Salisbury Plain.

Mr. VIEN: We do not mean that part.

Mr. LEWIS: What is the object of all this? I would like to get at the object of all this inquiry.

Mr. VIEN: The reference to the Public Accounts Committee is here, and it is within its jurisdiction to investigate all public expenditures.

Mr. LEWIS: No matter how far back?

Mr. HANSON: I would question that statement. There must be some limit, and I believe there is some limit.

Mr. LEWIS: It is eight years ago that he is speaking of now.

Mr. VIEN: It is not eight years.

Mr. LEWIS: Nearly.

Mr. VIEN: If my hon. friends will listen for a minute they will understand my object. On the 16th February, 1921, by an Order in Council, P.C. 408 of that date, a settlement took place between the Overseas Department of the Militia and Defence and the Imperial Government. This settlement covered not only the last operations of the war, but covered the whole operations as between the Imperial Government and the Canadian Government in respect of our dealings, whether advances from the Canadian Government or from the Imperial Government or from the Overseas Department. This is contained in documents which were tabled by the Prime Minister the other day in the table of the House and the questions I am putting to the witness now are in relation thereto. They form part of the statements which were ratified by an Order in Council on the 16th of February, 1921.

Mr. LEWIS: In regard to the accounting that took place in 1921, is it possible to get all that on file without asking these questions in regard to matters going back nearly eight years. If the transaction has been made, there must have been an accounting which has been verified somewhere by an auditor, and it would facilitate matters if they could be brought forward.

Mr. VIEN: My questions were purely preliminary as to how we could deal with the situation and my honourable friend will see by the answers of the witness that he is not himself able to discuss some of the questions which we are putting to him, which are relevant to the questions involved by P.C. 408 of the 16th of February.

Mr. BOYS: I understand all you can investigate is the Auditor General's report.

The CLERK: Four witnesses were requested to appear this morning.

Mr. BOYS: By whom?

The CLERK: Major Fiset was requested to appear; the Auditor General, the Deputy Minister of Finance, and another whose name I now forget. The items supposed to be considered are

- (a) The accounts opened in our books in favour of the British Government;
- (b) The accounts opened by the British Government in favour of the Canadian Government;
- (c) The payment of those accounts;
- (d) The war material sent over to England at the opening of the war;
- (e) The war material sent over to Canada after the termination of the war;
- (f) The determination of the balances either in favour of Canada or against it;
- (g) Particulars of expenditure of \$8,411,400, last year for demobilization or adjustment of war claims.

Mr. BOYS: Those items appear where? Do they cover a period of years?

The CLERK: They are not mentioned.

Mr. BOYS: May I just make my point clear and I will sit down. I well recall that this very feature has been discussed many times in this Committee during the last year or nine years, during which time I have been a member of the Committee. It has always been common for this Committee to investigate the items of the Auditor General's report for the last year unless there is a further extension authorized by the House. If there is such an extension I am unaware of it. So I can only say if I am right in my surmise, this investigation at this stage at all events, must be confined to all items appearing in the Auditor General's accounts of last year.

Mr. VIEN: If my honourable friend will allow me a few minutes, I will bring that under that item.

Sir HENRY DRAYTON: What item in the account now?

Mr. VIEN: I will put a few questions to the witness which will elucidate the matter.

Sir HENRY DRAYTON: What item?

Mr. VIEN: I will take one item, General Fiset. A settlement took place between the Departments.

Sir HENRY DRAYTON: Surely we should know what we are here for. Surely we should know what items we are called upon to consider. I am asking the Colonel to tell us what particular item he wants. It seems to me so far, the only point that is raised by the questions is the advisability and propriety of this country sending over to England at the time England wanted munitions.

Mr. VIEN: The other day in the House, the Prime Minister laid down an Order in Council, P.C. 408, for the settlement of all our accounts, the settlement of accounts between the Imperial Government and Canada which were authorized by an Order in Council of February 16, 1921. This settlement of accounts showed that we were indebted to the Imperial Government in an item of £391,000 as the full settlement of all our claims against the Imperial Government or of the claims of the Imperial Government against Canada. I am now asking General Fiset from what appropriation that item has been paid and I want to investigate the settlement of accounts between the Imperial Government and the Dominion Government in respect to the Order in Council which was laid on the table attached to the settlement of accounts authorized thereby, and I say I am fully justified in putting the question to the witness as to from what appropriation that item of £391,000 which represented the balance owing by Canada to England in respect of all adjustments of war claims came under.

Mr. MARTELL: It is a part of a continuous transaction and I submit that the evidence would be relevant to show the system by which this was arrived at.

[General Fiset.]

Mr. VIEN: If the Deputy Minister can tell us from what vote or appropriation the item of £391,000 came under in the settlement between England and Canada we will then elucidate the matter before the committee.

Sir HENRY DRAYTON: Are we really not getting away from the question? Mr. Boys has raised a point of order and the question is what we can do. Now Colonel Vien is either right or wrong in it. There has been no answer made whatever to the statements. As I understand it, we are here to consider the Public Accounts of 1921 and to ascertain if possible if anything is wrong in connection with them.

Mr. VIEN: I will withdraw my question.

Sir HENRY DRAYTON: Surely we can make some progress. The honourable gentleman, I suppose, knows something of his brief here.

Mr. VIEN: To make a further step, I will put another question to the witness.

Sir HENRY DRAYTON: An appropriation of \$8,411,000 was voted last year for demobilization and adjustment of war claims, that is at page what of the estimate?

Mr. VIEN: You might see it in the Public Accounts.

Sir HENRY DRAYTON: Can you give me the item?

Mr. VIEN: \$8,411,800 was voted last year for demobilization or adjustment of war claims.

Sir HENRY DRAYTON: Where does it appear in this account?

Mr. VIEN: You can look for yourself.

Sir HENRY DRAYTON: I am told it is not here.

Mr. VIEN: It is surely in the Public Accounts. I have a right to investigate the public accounts.

Sir HENRY DRAYTON: It is in part two. If my recollection is at all correct, the item he is referring to is an item in this year's estimate, something which is not before us at all. It is the public accounts of last year we are interested in just at the moment.

Mr. VIEN: I am not talking of the item voted for this year. I am talking of the item voted last year.

Sir HENRY DRAYTON: Perhaps you can give me the reference. The items you have mentioned are voted for this year. It is not the same vote at all.

Mr. VIEN: Last year's appropriation for demobilization.

WITNESS: It is \$8,000,000.

By Mr. Vien:

Q. What was last year's appropriation for demobilization and adjustment of war claims?—A. There was no adjustment of war claims. It was demobilization, \$9,302,769. That is what we have spent.

Q. Referring to page 101 of the Public Accounts for the fiscal year ending March 31, 1921, I see an expenditure of \$16,229,764, giving the total demobilization expenditure of the Department of Militia and Defence in Canada and overseas for the fiscal year ending March 31, 1921. Will you tell us if the item of £391,000 covered by the Order in Council 408 of the 16th of February, 1921, is included in that item.

Sir HENRY DRAYTON: I wonder if we now have the Public Accounts, distributed so the members will know something of what is going on. We have to have them.

Mr. VIEN: That is in the Public Accounts, page 101. In the Auditor General's report there is an expenditure for demobilization, page 409?

WITNESS: Before being able to answer this question, I must explain that the demobilization appropriations were divided in two parts; one part came directly under the administration of the Militia Department in Canada, and the second part came under the administration of the overseas Ministry. It is not included in my own statement at all.

Q. Would you kindly remain within the scope of the question. I am simply asking whether the item of £391,000 is included in that item of \$16,000,000, shown as appendix No. 8 of the Public Accounts, 1921.

Sir HENRY DRAYTON: How can the lesser include the greater?

Mr. VIEN: My honourable friend is totally in error. The item is £391,000 and the total is \$16,000,000. If my honourable friend, who has been Minister of Finance, will take his pencil, he will find out the smaller is included in the greater. I am putting a question to the witness as to whether the item of £391,000 should cover the balance owing by Canada to England and which was authorized by Order in Council of February 16, 1921, was included in the details of the demobilization expenditure of the Department of Militia and Defence ending March 31, 1921. Was it included or not?—A. I say as far as the Department of Militia and Defence is concerned, in the active demobilization it was not, but I do not know if it was included in the overseas Ministry. I can only answer for one Department for which I am responsible.

Q. You are not prepared to say it was included?—A. I am prepared to say it was not included in our own, as far as the Department of Militia and Defence was concerned.

Q. We will make more headway in taking the Auditor General as a witness, and when we have that information, General Fiset will be heard again. I move that the Auditor General be asked to take the chair.

Mr. WILLIAM KEARNS, called, sworn and examined.

By Mr. Vien:

Q. You are the Auditor General of Canada?—A. No, the Auditor General is on leave of absence. I am the Assistant Auditor General.

Q. Will you take cognizance of the details of the demobilization account in respect of the Department of Militia and Defence in Canada and Overseas for the year ending March 21, 1921?—A. Yes.

Q. Did you take cognizance of the item of £391,497 17s. 5d., representing the balance owing England by Canada and which was covered by Order in Council of the 16th February, 1921?—A. Yes.

Q. Will you tell us where, in your report, this item is shown?—A. Of course I will have to look up the report to see whether that item is included.

Q. Yes, do.—A. Mr. Chairman, the overseas expenditure of the Militia Department for the year 1920-21 will be found on page P-180, Volume 2, of the Auditor General's Report, under Militia and Defence, Overseas Services.

By Mr. Vien:

Q. Will you tell us if the item I referred to is included therein?—A. It is not specially included. There is an item "Pay and Allowances, \$451,025" there. Then there is "Separation Allowances," and there is another item "High Commissioner's expenditure in full liquidation of Imperial War Office claims for maintenance, etc., of Canadian troops, \$1,905,289."

Q. Would that fall under this item?—A. I do not think so. That item covers the expenditures that were incurred under an Order in Council which at the request, I think, of the War Office, fixed a certain rate per day per man. I am speaking of this \$1,000,000 item. I think that that payment was made in accordance with an Order in Council. By agreement with the War Office, the Canadian Government consented to pay a certain proportion of the expense, that would be for the expense incurred by the British Government in regard to Canadian troops. They could not very well detail them separately, so the Canadian Government agreed to pay a certain proportion and that is included in an Order in Council which I did not bring with me. But I know it exists.

[Mr. Wm. Kearns.]

Q. On 4th June, 1920, the Deputy Minister of Overseas Militia and Defence for Canada received a letter from the Assistant Financial Secretary of the War Office acknowledging receipt of the amount of £391,000 in payment of a claim they had against Canada for the full settlement of accounts pending between the two governments. Would you tell us under what item that payment is covered in your report?

Sir HENRY DRAYTON: What date would that be?

Mr. VIENS June, 1920.

By Mr. Hanson:

Q. How long prior to the passing of this Order in Council?—A. I cannot tell you where it is, if it is not reported separately, I will have to look this up.

Mr. VIEN: My purpose this morning in calling the various witnesses was simply to get information as to who would be the proper party to give us full evidence in that respect. I took the trouble of going to the Militia Department, of going to the Auditor General's Department, of going to the Finance Department. I was travelling from Charybdis to Scylla and from Ossa to Pelion, and no one seemed to know.

Some hon. MEMBERS: Oh, oh!

Mr. VIEN: I am very serious. If my hon. friends would keep quiet for a few minutes, I think it would be much better for the committee. My purpose this morning was to put these questions, and I think that the committee will appreciate that it would save time if the witness would tell us who are the proper parties, and then we will tell them what we want, and they will be prepared at the next sitting of the committee to give their evidence. This will save the time of the members of the committee, and we will be able to make more progress next time. So my first question to the Auditor General is, where is the detail of that item to be found?

The WITNESS: It does not seem to be reported specially, but I may say that you asked me about different things, and you did not ask me about this particular question. If you had I would have found it. If it was paid in June, 1920, than it is reported here, and if it is not reported specially I would certainly be able to find out within a few hours as to what particular amount is included in.

Mr. VIEN: Take a few notes as to what we want.

Mr. PARENT: What is the amount of the item?

Mr. VIEN: £391,497 17s and 5d paid on 4th June, 1920, to the Financial Secretary of the War Office by the Overseas Deputy Minister of Militia.

The WITNESS: I wonder if the Deputy Minister of Militia paid it under his letter of credit, or did he make application to the Auditor General to pay it?

By Mr. Vien:

Q. That is what we want to investigate, where he got the authority, and what the matter covered.

By Mr. Macdonald:

Q. Who was the Deputy Minister overseas?—A. I do not think it would be the Deputy Minister overseas; I think it would be the Deputy Minister here.

General MCBRIEN: Col. Harrington.

Mr. PARENT: Where is he located?

General MCBRIEN: Sydney, N.S.

Mr. VIENS. I suppose that somebody else would be in a position to advise us.

General MCBRIEN: Col. Dowie, the Overseas Auditor, is I understand in England at the present time, and Capt. Ross, another officer concerned, has been

[Mr. Wm. Kearns.]

demobilized and is living in Scotland. The nearest witness who was intimately associated with this question is Col. Harrington, Sydney, N.S.

By Mr. Vien:

Q. Who was representing the Auditor General with the Department of Militia and Defence overseas?—A. Mr. Fraser himself went over there on one occasion, that is the late Auditor General, and Mr. Sutherland went over twice.

Q. These gentlemen went over only to get a general idea of the system, but who supervised the details?—A. There was nobody in London.

Q. From your department?—A. No.

General MCBRIEN: I think that Col. Dowie was representing the Auditor General.

The WITNESS: He was not an officer of the Auditor General's office.

General MCBRIEN: No, but he was specially appointed Auditor of the overseas forces.

The WITNESS: There was an Order in Council passed after Mr. Fraser had been over to London in which a detailed audit of the overseas expenditures was practically taken out of the hands of the Auditor General by agreement with Mr. Fraser. Owing to the delay that it would cause and the difficulty of examining those accounts and of getting details during the war time, he agreed it was not practicable, and it was agreed that the audit of the overseas expenditures would be accepted by the Auditor General.

By Mr. Macdonald:

Q. In 1920 the war had been over for a year and a half.—A. I am speaking of the general war expenditure.

Q. This item was paid in 1920?—A. That would be paid in the ordinary way if we paid it in 1920. It appears there is a receipt from the Financial Secretary and it must have been paid; it must be here in this report.

By Mr. Manion:

Q. Might it possibly be mixed up there with another item?—A. I can easily find that out.

Mr. VIEN: Mr. Kearns will investigate that point.

Mr. HANSON: It might expedite matters if we hear Sir Edward Kemp, who was Overseas Minister. He is here, and perhaps he could give the information that it is now sought, although he is not a member of the committee.

Mr. VIEN: I wanted to ask a few more questions of the Auditor General, and then I would be delighted to hear Sir Edward.

By Mr. Vien:

Q. You say there was an agreement between the Auditor General and—?—A. The Auditor General consented to the Order in Council and the overseas expenditures practically were not audited in the Auditor General's office here.

Q. Can you quote the Order in Council?—A. I did not bring it with me. I did not think it would be wanted here.

Q. Will you take a note to produce it at the next sitting?—A. Yes.

Q. Can you tell us what was the system which was established under that Order in Council?—A. No, I cannot, I was not in touch with that at all. Mr. Fraser and Mr. Sutherland practically looked after that themselves after their visit to London.

Q. Will you investigate that question, and at the next sitting tell us all the particulars about that item?—A. Alright, sir.

The witness retired.

Sir EDWARD KEMP: Mr. Chairman, I am not a member of the committee, and it is only by the courtesy of yourself and the members of the committee that I can say anything at all. But in view of the fact that I was Overseas Minister of the Military Forces, which was a separate department from the Department of Militia and Defence, and had an organization quite separate and distinct from any other department of the Government; and in view of the fact that you desire to investigate an item which appears in the Auditor General's Report, or which should appear there, for the year ending 31st March, 1921, I think that to facilitate matters for this committee it would be better to bring here the officers who had to do with those matters. They will be able to give you a most intelligent explanation, and will clear up everything that it is desired to clear up. Without them, I do not see how it is possible for officers who had nothing to do with this transaction to clear it up.

Mr. VIEN: Can you make a statement yourself as to the general details of the operations of your Department overseas in respect to this account?

Sir EDWARD KEMP: There was an independent auditor over there, Col. Dowie; there was a Deputy Minister and an Assistant Deputy Minister. It is a very very long story. I presented it to Parliament in a report, covering 500 pages, in 1920, I think, and besides I made a statement to the House which I am sorry to say took up three and a half hours, and which pretty nearly covered every branch of the service. At the same time, I welcome the most exhaustive inquiry, if it is thought desirable, into the final settlement with the Imperial Government. We were desirous of cleaning those matters up and not leaving them hanging over for many years after the people concerned have passed away, and we arrived at a final settlement which I think is covered by the statement which my hon. friend has before him. But it is a matter of tremendous detail, and the Deputy Minister, Col. Harrington, Col. Dowie, and some other officers whose names I do not recall at the moment, should be subpoenaed, it seems to me, before this committee if you are going to have an investigation into this case, because there is nobody else who can do it in a way that would be satisfactory to the Committee. I am most desirous of having a very full enquiry into all those details, which are very considerable, which cover all kinds of documents of a very voluminous character and would fill two or three rooms of this size.

Mr. VIEN: Call General McBrien.

Major-General J. H. MCBRIEN called and sworn.

By Mr. Vien:

Q. General, you were connected with the administration of the Department of Militia-overseas sometime in 1919-20?

Mr. MARTELL: May I be permitted to say that I think it would be well if we could get the full names of the people whom we call as witnesses so that the committee will know with whom they are dealing, their official capacity and so on?

By Mr. Vien:

Q. Will you give us your official capacity?—A. I was appointed Chief of the general staff of the Overseas Military Forces on 1st August, 1919.

By Mr. Hanson:

Q. And you continued, how long?—A. Until the forces were demobilized.

By Mr. Vien:

Q. What date?—A. I think the actual date that I ceased to be chief of the general staff was in November, 1920. I would not be quite certain. I acted in a dual capacity here for a year or more.

[General MacBrien.]

Q. What is your present capacity?—A. Chief of the General Staff, Canadian Militia.

Q. What was your capacity at the opening of the war?—A. At the opening of the war I was stationed at the Staff College at Camberley, Surrey.

Q. You took service when?—A. On the first day of the war, in the War Office. I was in the War Office the first two months of the war and joined the first Canadian contingent when it reached Salisbury Plain.

Q. So you had nothing to do with the agreement made or passed between the Canadian Government and the Imperial Government as to the war material which was sent?—A. No.

Q. Did you have anything to do in the capacity of chief of General Staff with the settlement of these cases?—A. Not actually with the settlement. I had certain things to do with the actual preliminary arrangements towards settlement.

Q. Will you tell us your activities in that regard?—A. I was not connected in any way with the actual task of settlement. When I took over my duties of Chief of the General Staff of the Overseas Forces, my chief work was in connection with the closing up of the camps and the returning of the Canadian personnel to this country. In the course of those duties I became familiar with certain work which was being performed, chiefly by the Overseas Ministry, Sir Edward Kemp, and his Deputy, regarding getting the troops home and the disposition of any material which the Canadian Government owned overseas. I then became aware of the actual arrangements that had been made whilst I was still in France, regarding the disposal of the Canadian owned war material. I knew that this had been turned into depots in France, but I was not aware until I actually took charge at Argyle House as to what the definite arrangements had been, but as far as I understood the arrangement, it was this—

Q. Have you got any documents relating thereto?—A. There are documents in existence, yes.

Q. Can they be had?—A. They can be produced, yes.

Q. Are they under your control?—A. Yes, I have extracts here which I could read if you wished.

Q. Yes. What are they? I would not like them to be too voluminous, and I would not like to limit the production to the point in question. Have you got a copy of that telegram from the War Office asking us to send all surplus equipment we had?—A. No, I was in England, in the War Office at that time.

Q. Can that be found in the documents of which you have charge?—A. No, not any documents I would have. Now what you originally asked me was if I could give you a copy of the original letter to the War Office.

Mr. THURSTON: Would it be in order to ask the witness to stand up while he is answering those questions? We cannot hear him very well, and it would be an advantage if we could see his face?—A. On the 11th of November, 1918, the Deputy Minister sent to the Secretary of the War Office the following letter. Some of the arrangements were made as early as that, Armistice Day (reads):—

“As you are aware, under the financial agreement between the Canadian and Imperial Government, the Canadian Government paid for the initial equipment for all Canadian units in France, and the same has been maintained by the Imperial Government under the capitation agreement. The equipment of Canadian troops remains the property of the Canadian Government at the end of the war.

“It is apparent that it would cause great difficulty to keep Canadian equipment segregated for return to this country or to Canada. It would also be very difficult for the Imperial authorities to take this equipment over at a valuation of each different type. It is therefore suggested for your consideration:—

[General MacBrien.]

1. That the equipment in possession of Canadian troops in France be handed over to the Imperial authorities in France, with the exception of the special articles above mentioned, and any further articles that the Canadian Government should in the future desire to retain.

2. That the Canadian Government be credited with 50 per cent of the initial cost of this equipment, less the equipment retained by them."

Q. What are you reading from?—A. I am reading from extract from these files.

Q. That was on the 11th of November. It says here "said to the Secretary of the War Office." I cannot say offhand whether that was the account confirming the verbal conversations or not.

Q. Have you any reference to tell us the document?—A. I think the actual document can be got from the files.

Q. You have no reference to it? You could not say "it is a letter from Mr. so-and-so to Mr. so-and-so?—A. No, it is to the Secretary of the War Office, to the Deputy Minister of the Overseas Military Forces. Then the War Officer's reply to that was this (reads):—

"The Council cannot, however, commit themselves at this stage in the matter of the credit to be given in respect of those stores. Your Ministry will understand that in view of the vast quantities of equipment of all kinds which the Imperial Government will have left for disposal, and the present uncertainty as to the scale of the future army, the value of the stores of which Canada desires to dispose is necessarily problematical, and the credit to be given must be determined by the proceeds of sale or by the value to the Imperial Government. The Council would be happy to have the matter discussed between the two Departments."

Then it goes on (reads) "The Deputy Minister, O.M.F.C., wrote to the Secretary, War Office on December 27th, 1918, and stated in part—

"It is assumed that the Canadian Units in France are all complete with serviceable equipment, according to Mobilization Store Tables for the different Canadian Units. This equipment is the property of the Canadian Government.

"It is now suggested that the total equipment of the Canadian Units in France, including those Articles mentioned in our letter of the 11th November, excepting the personal equipment of the men, and rifles, be turned in to the Imperial Ordnance Department in France, and that Canada should receive serviceable equipment in lieu of such quantities and at such time as Canada requests the same to be issued.

"The above does not apply to the Canadian Forestry Corps or Railway Troops, nor to horses in possession of Canadian Units, as these horses are not included in the capitation agreement."

Mr. HANSEN: Are these extracts for the information of the members of the Committee? I would like to have that?

The CLERK: Yes.

Mr. HANSEN: That is understood.

Mr. MARTELL: I submit that the extracts cannot be evidence. They are only extracts made from copies, and they are certainly not evidence. The extracts can be taken from the standpoint of the witness, but if you read those extracts in the light of the witnesses, they may have a vastly different meaning.

Mr. VIEN: The files are available.

Mr. HANSEN: I think these should be marked by the Stenographer.

Mr. VIEN: I would like to have you refer to the documents from which the extracts were taken if at all possible.

WITNESS: It is very difficult. There is not a complete file on any one subject. That is the difficulty. You will find it in the various files, but it is a great deal of work searching them through, but I can produce without difficulty, certified copies of everything I have read, giving the exact number of the file, either the overseas number or the Militia Department number.

Mr. HANSEN: That is all that is necessary.

By Mr. Vien:

Q. Will you do that at the next sitting?—A. Yes. In a letter dated January 30th, 1919, the Assistant Financial Secretary stated in part (reads):

“If again, Canada desired the Unit equipment of certain Units to be handed in to Imperial Stores in order to be disposed of without replacement, then the situation referred to in the last paragraph of our letter of the 9th instant would arise, namely—Canada would be entitled to a cash credit on the basis of the full unit equipment of those units in a serviceable condition, but that value would have to be determined by either the value of such equipment to the Imperial Government, or by the current disposal value of such equipment.”

“The Q.M.G., O.M.F.C., on December 18th, 1918, in letter to the Deputy Minister, O.M.F.C., stated that he had discussed the matter of equipment with General Elliott of the War Office, and that it would appear to be best to allow the Imperial Authorities to take all our equipment, and then to give us what we require.

“When Canada has received all that she desires, the matter of the financial transaction can then be taken up with the Imperial Government and a settlement come to between the two Governments.

“This scheme is on the lines of the one which has been agreed to by the Imperial and Australian Authorities, with the exception that it is the Australian intention to take complete equipment for a Corps.”

Q. This covers the actual settlement in respect of the equipment which was in the hands of the Forces when the Armistice was signed?—A. Yes.

Q. Did you have further dealings in respect of the settlement of our claims for the material which was sent to England at the request of the War Office at the opening of the war?—A. No, I had personally none. That was sent from Canada to England.

Q. Yes.—A. No, I had personally nothing to do with that.

Q. In the settlement was that war material which was sent at the opening of the war taken into account?—A. I believe so. There is an item in that Order in Council, in the financial statement, where Canada obtained a credit for £372,000.

Q. At the opening of the war?—A. For the material which was sent over.

Q. In the Order in Council?—A. In the financial statement. This is the item here “Stores received from Canada, £374,654 12s. 6d.”

Mr. MARTELL: Don't you think it would expedite the matter a whole lot if we had subpoenaed Colonel Harrington who was the Chief Executive officer over there? He would know how to get at his files and how to explain all these things.

By Mr. Vien:

Q. Who is Colonel Harrington?—A. He is a barrister, practising in Sydney, Nova Scotia.

Q. And Colonel Dowie?—A. He is a member of a firm of chartered accountants. He is in England at the present time.

Q. He is in England now?—A. I understand so. He was a short time ago.

Q. As to the valuation of the war material which was left in the hands of our Canadian Militia, I understand that the first proposal was to value it at 50 per cent of its initial cost, as you read in the letter, but that was not admitted at the time

[General MacBrien.]

by the War Office?—A. No. The War Office at the commencement was, I understand, disinclined to allow it or to take over any equipment from us.

Q. Do you know on what basis it was finally arranged?—A. I do, regarding specific items in particular, that I personally carried on negotiations with the War Office for.

Q. Do you remember what it was?—A. The first item was mechanical transport. It was decided by the authorities in Canada that no mechanical transport would be brought back to Canada; therefore, we either had to sell it on the public market in England and transport it from France. It had been turned into the Army Service Corps Depots in France. It had to be brought to England and sold there, or some arrangement made for taking it over. I personally paid two visits to the War Office regarding that settlement, regarding the agreement which eventuated from that. They were not disposed to take it over at all to start with, but by explaining to them we would sell it without reserve and compete with them in the English markets, they finally agreed to take over the whole of the mechanical transport, at the average price, according to the type of vehicle that they had obtained during the months of July and August, 1919, and you will see a credit in the financial statement of around £350,000, for the mechanical transport, which is nearly a million dollars more or one-half anyway of the total amount more than it cost the Canadian Government, for the reason that mechanical transport more than doubled in price from the beginning of the war when this had been purchased.

Q. Did the Imperial Government allow us a credit for all the balance of the equipment which was left on their hands?—A. Eventually, yes.

Q. Eventually they did?—A. Yes.

Q. Outside of the mechanical transport, you would not be ready to say on what basis?—A. Yes. It was on the basis of 50 per cent.

Q. Fifty per cent of the initial cost?—A. Yes, with this stipulation, which I also have personal knowledge of, that we drew the bulk of what we were entitled to. They would not have anything to do with taking over the bulk of our equipment, but provided we would take the bulk, they were willing to take it off our hands.

By the Chairman:

Q. What is vocabulary price?—A. It is a price placed by the Ordnance Department on the manufacturing value.

Q. Is it a price corresponding to the book value on manufacturers' books?—A. It is a price corresponding to manufacture. It would be the cost of manufacture.

Q. It is the cost to the Government?—A. Yes.

Q. There is a book published containing a price list of articles of equipment and armament, and that is the cost to the Government. If anybody in charge of any stores is deficient of any article he is charged so much, according to the vocabulary list, the vocabulary price.

Sir HENRY DRAYTON: Government cost?

By Mr. Manion:

Q. Supposing it went up in value would that have any effect on the vocabulary price?—A. No. They would fix it according to the year it was manufactured in. If it was manufactured in 1919 it would be taken at that.

By Mr. Vien:

Q. But the vocabulary list is amended from time to time?

By the Chairman:

Q. That is the price at which the articles are carried in the books of the country?

Mr. VIEN: Carried by the Government.

[General MacBrien.]

The CHAIRMAN: Not necessarily carried by the Government.

WITNESS: It is the cost to the country.

The CHAIRMAN: It is the cost to the country. There is a difference between the book value and the initial cost. It may be more or less.

WITNESS: I think Mr. McMaster is right in this way, because sometimes in ordnance they do add to the actual cost of production, certain overhead charges which would bring it slightly higher.

By the Chairman:

Q. Supposing you manufactured a gun carriage, let us say, and it cost you \$100, and you put that in your vocabulary price as \$100,—supposing the cost of building such a thing, went up about 50 per cent in two years, would it appear in your list as \$100 or \$150?—A. For the purpose of this settlement the business of the actual manufacture is not considered because there had been such increases in the prices.

Q. It is the term I wanted to get clearly in my mind. Does it mean the price or cost of production, or does it mean the cost of production plus the increase of reproduction cost or minus depreciation. What does it mean exactly, vocabulary cost?—A. I have a record of whatever vocabulary prices were available in 1918-19 regarding this equipment.

By Mr. Manion:

Q. Supposing these things cost you \$100 in 1918 and in 1921 you had that still, you went after the general vocabulary price for that. I suppose the same thing might cost you \$200 in 1921. What would be your vocabulary price in 1921 of that thing you had bought for \$100 in 1918?—A. You have to take the valuation basis.

Q. Less depreciation?

Mr. VIEN: The depreciation was valued at 50 per cent because they paid 50 per cent of the price.

By Mr. Martell:

Q. In the sale you say you got 50 per cent of the value of the vocabulary price at the time it was purchased by the Government, now supposing it was \$100 when it was purchased, three years after you only get 50 per cent—A. We actually worked on vocabulary prices in 1918-19. There was a good deal of confusion about it at that time, as to what we should work on, and we had not complete vocabulary prices for all the articles.

Q. As a matter of fact, what you did get was 50 per cent of the vocabulary price at which you had purchased.

Sir HENRY DRAYTON: But not the vocabulary prices of 1919?

The CHAIRMAN: Order. It is very hard when a member bursts in on the witness or on the member examining the witness. Will you ask your question again, Mr. Martell?

By Mr. Martell:

Q. I will probably make myself clearer if I take an illustration. Supposing a gun carriage were bought in 1916 for \$100; in 1918 a similar gun carriage would cost \$200. You stated at the outset that you sold or disposed of them at 50 per cent of their vocabulary price?—A. I would like to amend that.

Q. That would be 50 per cent of the 1916 price of \$100, not 50 per cent of the \$200, which would mean that you got the same amount as you had paid?—A. I am sorry if I conveyed a wrong impression.

Mr. MEWBURN: The witness did not say that.

The CHAIRMAN: Give the witness an opportunity to answer.

[General MacBrien.]

The WITNESS: I think I will put it this way: To the best of my belief the prices were computed from the mobilization store tables and the vocabulary prices for the years 1918 and 1919. They had not complete sets in any one year.

By Mr. Martell:

Q. Do you mean to say then that you absolutely ignored the price at which it was purchased and that you sold it at the price for that particular year, 1919?—A. Yes.

By Mr. Lewis:

Q. Was this material new, or had it been used?—A. The material had been in use by the Canadian troops in France, the bulk of it, or by Canadian troops in England.

Q. Fifty per cent would seem good value and far more than it would be worth if it had been used.

Mr. MANION: A lot of it must have been used.

The CHAIRMAN: Let the witness answer.

The WITNESS: In my opinion it was a most generous price that the War Office gave us for the balance of the equipment which Canada had.

By Mr. Lewis:

Q. If Canada had brought that material home and tried to sell it there would have been a material loss?—A. I would not like to say that. I did not come back to Canada until the middle of 1920, and as I do not know what the conditions were I cannot say.

Q. Was there a market in Canada for it?—A. I cannot say.

By Mr. Vien:

Q. Was any part of that material that was left over and sold new?—A. Practically none new.

By Mr. Martell:

Q. Are you in a position to give a statement as to what amount was new and what was old?—A. No, I do not think that any man would have that knowledge.

Mr. BOYS: The question of vocabulary prices has been mentioned freely, and there is a feature of it that I do not quite understand, but it is important. I understand that when an article was purchased, the vocabulary price was fixed for it and it was listed. Now, are these vocabulary prices changed once a year?—A. The vocabulary prices are revised usually yearly.

Q. Very much as a store-keeper would take his inventory?—A. Yes.

Q. So it is a varying price from year to year, either appreciating or depreciating as the case may be?—A. Yes.

By Mr. Martell:

Q. Was there no inventory taken with the description of the things you were selling?—A. Yes, the inventory was really done in this way: We had so many units in the Canadian forces and each unit had a mobilization store table which shows to the last article what that unit is supposed to be in possession of, and we worked on the store tables yearly. We assumed that every unit was complete after the armistice came because we had paid an amount per capita per soldier in France to keep him complete and the equipment complete. Therefore, we assumed that they were actually complete. Now, what they possessed was turned over into the big depots in France, and then when we wanted to draw them out again we worked on those mobilization store tables which are really huge inventories of what each unit is supposed to have in its possession.

Q. Those inventories are non-existent?—A. No, they could be turned up.

[General MacBrien.]

Q. They would show what were the articles and what you sold?—A. Yes. It took quite a large staff quite a number of months to make out the list and to work out what the balance would be. That staff worked under my orders in Argyle House.

By Mr. Lewis:

Q. Did Canada reserve anything of that for her own use?

Mr. MEWBURN: The mechanical transport.

The WITNESS: No, the mechanical transport of the Canadian Corps was all sold.

By Mr. Vien:

Q. Can you tell us what the result will show?—A. You mean the mechanical transport?

Q. Yes.—A. I can tell you in this way: I will give one or two specific items. The Cadillac car, which was perhaps the thing most in use with the forces overseas cost, I have been informed, the Canadian Government, somewhere about \$1,700 wholesale price, and they were sold under this agreement to the war office at as high as £800.

Mr. HANSON: I think we had better refund them something.

The WITNESS: I am mentioning both the minimum and the maximum. The usual price was from £500 to £600 for that type of vehicle, and taking the same vehicle all the way through the Canadian Government made a very large profit and had the use of the vehicles in addition.

By Mr. Hanson:

Q. Were they worn?—A. Very much worn.

By Mr. Vien:

Q. If I understand rightly your statement, it is that in respect to the mechanical transport the Government got from the Imperial Government more than what they had paid for it?—A. Yes.

Q. And made a profit?—A. Yes.

Sir HENRY DRAYTON: Fifty per cent?

By Mr. Vien:

Q. Not on the mechanical transport. The 50 per cent does not apply to the mechanical transport?—A. No.

Q. It applies only to the balance?—A. Yes.

Q. Was all the mechanical transport equipment sold to the Imperial Government?—A. Not all. That portion which was in France was sold; what was actually in our possession with the troops in England was sold on the public market at auction sale. A purchasing commission was established there by Sir Edward Kemp and it carried out public sales.

Q. None was sold by private sales?—A. None was sold at private sales.

By Sir Henry Drayton:

Q. What was the result of that? Was it advantageous or not?—A. Yes, it was sold in 1919-1920 as it could be dispensed with when the market for mechanical transport was high, and we realized very high prices on all those vehicles that we sold.

By an Hon. Member:

Q. At a profit?—A. I cannot say a profit on every vehicle, but generally speaking a profit on the whole transaction.

[General MacBrien.]

By Mr. Vien:

Q. Where are the details of this transaction to be obtained in respect to the mechanical transport?—A. We have a complete statement showing every vehicle that was handed over to the War Office.

Q. In the mechanical transport?—A. Yes.

Q. Have you the same in respect to that sold by auction?—A. Yes, I think that could be all worked out too.

Q. Would it be a long work?—A. It would. I may tell the Committee that if all those things are to be dug out it will be necessary to have a special staff to go into it. Unless you have been associated with those files, you have no idea as to the amount of work entailed. I feel certain that I can get you without much difficulty a summarized statement in regard to the mechanical transport. But, for instance, the mechanical transport sold in England—that would be most difficult to get because you would have to go through all the different dockets for the sales. It would take a week's work.

Q. Would it be possible to have a statement showing, first, what the mechanical transport has cost, the total cost to Canada of the mechanical transport equipment; secondly, the result of the various sales, a summary of the various sales to the British Government by auction, in France by auction and in England?—A. I think probably that could be worked out in time.

Mr. HANSON: And the wear and tear?

The CHAIRMAN: Order. In order to have a clean record, if remarks however interesting and valuable are going to be interjected when a witness is being examined it is very hard to get them on the record; so I would ask that when one member is examining a witness he be given a fair chance, and that will apply to all members of the Committee.

Mr. BOYS: May I interrupt at this stage to ask whether any of the reports of this Committee are going to be printed?

The CLERK: If you move that they be printed they will be printed.

The CHAIRMAN: It is apparently within the discretion of the Committee.

Mr. VIEN: Would it not be wiser to wait until the next sitting to determine whether it should be printed or not?

Mr. MANION: It depends on who sees the advantage.

Mr. BOYS: The investigation will not be very long and will not be too costly. I take the liberty of making a motion that the proceedings of this committee be printed and distributed to the members of the Committee in the usual way.

Mr. VIEN: I move as an amendment that the question stand over till the next sitting of the Committee.

The CHAIRMAN: Any discussion on the motion and amendment?

Mr. LEWIS: How can we ask intelligent questions unless we know what has gone before? We cannot carry in our minds the statements of witnesses for future examination.

Mr. VIEN: I will withdraw my amendment for the reason given by the hon. member.

Mr. HANSON: I second the motion.

The CHAIRMAN: It is moved by Mr. Boys, seconded by Mr. Hanson that the proceedings of this Committee be printed and distributed to the members of the Committee.

[General MacBrien.]

AN HON. MEMBER: In your statement, Mr. Chairman, you spoke of having all the proceedings of this Committee printed.

THE CHAIRMAN: I said, "The proceedings." That would mean all the proceedings.

Motion agreed to.

By Mr. Vien:

Q. Would you kindly file as an exhibit in this investigation the summary of operations in respect to the mechanical transport?—A. Yes.

Q. Was there any part of that equipment sold in France?—A. No.

Q. Everything was brought back to England?—A. I presume that the War Office eventually brought it back. Are you speaking of the mechanical transport? We had nothing further to do with it after it was turned into the Army Ordnance depots in France. What the War Office did with it I do not know, whether they brought it back to England and sold it there. When I last visited France in November, 1919, it was still there rotting in the depots.

Q. What proportion of the total mechanical transport equipment that was sold to the War Office was in your hands at the conclusion of the war?—A. I think—speaking roughly—I cannot do better than give rough estimates—I should think three-fourths, 75 per cent.

Q. So you had the best part of it?—A. I did not have a chance of compiling the actual state because I was serving in France, and I did not see the equipment in England until after the war. It was the same sort of equipment but I cannot give any useful evidence as to the relative value of that in France over that in England.

Q. So that in your estimation, not more than 25 per cent of the equipment was sold by auction?—A. Not more than 25 per cent, I do not think. All the mechanical transport was in possession of the Canadian troops in England and sold there. I think that would be it.

Q. You say "in possession of the troops in England?"—A. Yes.

Q. Would that not include the equipment in France?—A. No.

Q. In possession of the Canadian troops?—A. The equipment that was in France was turned into the depots. The mechanical transport for the Canadian Corps in France was turned into the depots in France and there taken over by the War Office, and it is the inventory of it taken that I hope to produce here showing every vehicle that was handed over. The credit is shown in that statement there for those vehicles which we eventually got. Now, the mechanical transport which the Canadian troops had in England in all the various depots there was sold by public auction in the various parts where they happened to be. That is going to be the most difficult thing to get, the actual figures regarding that. The sales went over a long period of time but I think it can be all eventually dug out.

Q. The mechanical transport in France was turned over to the ordnance there?—A. Yes.

Q. Were they valued separately, or did they come under the general statement of 50 per cent?—A. No, they were valued separately. There is a separate item in that financial statement of mechanical transport, because as I stated earlier, they were sold on the basis that Canada was to receive the average price realized by the British Government for the sales which they had carried out during July and August, 1919. We accepted the average price for similar vehicles which had been obtained in London.

Q. So that the whole mechanical transport which was in France at the time of the armistice was handed over to the British Government?—A. Yes.

Q. In respect to the equipment of the mechanical transport in England, part of it, 75 per cent of it, was sold to the War Office?—A. No, none of what was in England was sold to the War Office.

[General MacBrien.]

Mr. MEWBURN: I think the witness made that very clear. The mechanical transport may be divided into two parts: The mechanical transport used by the Canadian troops in France, an inventory of which was taken according to what each unit would be in possession of at that time. The mechanical transport was under an arrangement with the War Office turned over to the Imperial authorities, and they allowed us a certain price for it.

Mr. VIEN: I would prefer to have the witness answer.

Mr. MEWBURN: Is that statement not correct.

Sir HENRY DRAYTON: He has said it several times.

Mr. VIEN: I am sorry if I am so dense.

By Mr. Mewburn:

Q. With regard to the mechanical transport equipment which the Canadian troops had in England, there was no arrangement with the War Office, but the Overseas Ministry sold that equipment in the open market in England?—A. Yes. You asked me, Mr. Vien, as to what proportion of the Canadian mechanical transport had been disposed of in England. I grouped the two together, and I gave an estimate which I think was 25 per cent.

By Mr. Vien:

Q. That part was not handed over to the War Office?—A. No.

By Mr. Martell:

Q. All this transaction would be under Col. Harrington?—A. Yes.

Q. He could probably tell more about the whole details than anybody else?—

A. Yes.

Mr. McMASTER resumed the Chair.

Mr. HANSON: Would it be in order to move that at this stage Col. Harrington be subpoenaed and also Col. Dodds.

The CHAIRMAN: Yes. Let us find out where these gentlemen are.

Mr. HANSON: Col. Harrington can be here in 24 hours, I believe, or 48 at the outside.

Mr. VIEN: We are trying to simply go into the general disposition of the whole of the material.

The CHAIRMAN: As a matter of fact, this Committee's raison d'être is to examine whatever the members think is wise to examine.

Sir HENRY DRAYTON: Anything with regard to public accounts tabled.

It was moved by Mr. Hanson, seconded by Mr. Martell, that Col. Gordon F. Harrington of Sydney, C.B., N.S., be asked to attend.

Mr. HANSON: When? Next session? Next Wednesday. Mr. Chairman, you better leave it until Friday, because Col. Harrington wants to have an opportunity of going over the files in relation to it, in order to allow him to refresh his memory.

The CHAIRMAN: I think that is right.

Mr. HANSON: Friday of next week.

Hon. Mr. MEWBURN: It is hardly fair to ask Col. Harrington to give evidence the day he gets here, because he has no documents in his possession, and he will probably have to go over some of the records.

The CHAIRMAN: He will be advised of what point he will be expected to give evidence on, and he will be told by the Clerk who writes the letter that it should be for Friday, in order to give him an opportunity of getting here a day or so in advance,

[General MacBrien.]

that he might refresh his memory regarding the point on which he will be examined. I think Col. Vien or General McBrien between them could probably well indicate what points the Colonel can give evidence on, with the help of Mr. Martell, too.

Mr. MARTELL: My chief object was, I was under Col. Harrington and I know him well and I would like to see him here in order that he might give an account of his administration. I have every faith in Col. Harrington.

Mr. VIEN: With that object in view might we not summon him for Wednesday and he will be advised what he is going to be asked; and on Friday he will be examined.

Sir HENRY DRAYTON: All right, send him a wire.

The CHAIRMAN: The motion is amended accordingly, and we will proceed.

(Motion agreed to.)

By Mr. Vien:

Q. Outside of the mechanical transport, in respect of the rest of the equipment on hand, Canada gave to the War Office a statement of all their requirements?—A. Yes.

Q. And these requirements were filled and the war material was taken over to Canada by Canada at Canada's expense?—A. Yes.

Q. The balance of it, if I understood you rightly, was sold to the War Office at 50 per cent of the cost price?—A. Yes.

Q. Valued on the vocabulary list of 1918-19?—A. Yes, correct.

Q. Could you table before this Committee the list which was ordered from the War Office, that is the statement of our requirements?—A. I can give you a list of the units. It was roughly the equipment for four divisions and the cavalry brigade.

Q. Have you got a detailed statement?—A. I can give you a statement of every unit, the equipment which we asked for, that Canada asked for.

Q. Have you got it ready?

(Detailed statement of equipment required was produced before the Committee.)

Q. You will be able to go over that and see if you want it in. This might be left with the Secretary until the next sitting? Then you determined what your requirements were?—A. Personally I did not know. They were determined here in Canada.

Q. They were determined here in Canada?—A. Yes, but they were informed here that we had to draw the bulk of the equipment. The War Office was not agreeable to taking over the bulk of our equipment from us at all.

Q. Did I not understand you to say—A. I mean they took it over from us, holding it, but they were not agreeable to purchase from us the bulk of our equipment. We had to take the larger proportion of it.

Sir Henry Drayton:

Q. Just at that point, to clear up what you are saying, did this equipment include shells, ammunition and military equipment?—A. Sometimes the term is used loosely. If you wanted to include a thing you would include war material.

Q. Sometimes equipment covers everything, but your expression is "War material."—A. Yes.

Q. In speaking of war equipment, what are you referring to?—A. Actual vehicles and rifles in possession of the troops proper.

Q. Are you including in that, shells and ammunition?—A. No, sir.

By Mr. Hanson:

Q. Those are war-like stores?—A. Yes.

[General MacBrien.]

By Mr. Vien:

Q. Was it the same agreement in respect to war-like stores, or was it a different agreement altogether?—A. The first agreement was general, I think probably could be put down as war-like stores. I think it could be comprehensive enough to include war-like stores.

Q. But were the war-like stores covered ultimately by the same agreement?—A. No. We had to take up special negotiations regarding certain articles, the mechanical transport, the horse transport; we had to have special negotiations for that.

Q. Then you had special negotiations regarding ammunition. What was the agreement in respect to ammunition?—A. You mean about sending it out here?

Q. No. You said that you made several agreements, one in respect of horses, one in respect of mechanical transport, one in respect of mechanical equipment, and one in respect of ammunition.—A. Yes. The final agreement regarding the ammunition was this: that if Canada would drop her claims to ammunition or for ammunition, the War Office would supply us with 500 rounds per gun, for all the guns which we were shipping back to this country, provided Canada would drop any financial claims she might have against the War Office for ammunition.

Q. What do you mean by that? What claims could Canada have against the War Office for ammunition?—A. She could have several claims, and there was great difficulty about establishing them definitely. First, she had a claim with respect to ammunition sent from this country at the beginning of the war; secondly, she had a claim for ammunition purchased in England by the Canadian Government for the Canadian Units that went from England to France.

Q. Prior to 1917?—A. Up to the end of the war, any units that went. Some came over in 1918, for instance.

Q. After 1917 the arrangement was a per head basis?—A. The third claim which Canada might have had and would have been able to submit probably would be the capitation agreement which they originally started at 5s. per soldier and 1s. for ammunition. That continued for a time when they raised the ammunition charge to 4s. 4d. for a soldier in France, and later in 1918 the actual cost of ammunition was charged against the Canadian Government according to the expenditures of different army fronts. Supposing a Canadian Corps was in the second army for a certain month of the war, and 2,000,000 rounds of ammunition was expended during that time, there were five corps in that army; the Canadian Government would then be charged with one-fifth of the cost of this 2,000,000 rounds of ammunition. That was the basis of the ammunition. It is not really the way we were paying for the ammunition which was used. An accurate account could not be kept, and the faulty part of some of the bases of that claim are these: first, we had not paid for all the ammunition which had been taken by the Canadian Troops in France.

Q. We had been paid?—A. Had not. I failed to find evidence or proof that we had actually paid for that initial ammunition which the Canadian Units took to France, but I found evidence we had paid for the five divisional artillery Units but none of the others we dropped. We found difficulty in establishing that claim. The second part was, on payment according to the cost of the ammunition. We only paid for that on expenditure returns at the end of each month, and we had roughly 500 rounds per gun with the guns when the Armistice came, and we based our claim to 500 rounds of ammunition for the reason we had it in our possession, but on searching we found—

Q. What do you mean by saying you had it in your possession?—A. They were either in ammunition wagons, or dumped beside the guns when the Armistice came. We turned that 500 rounds into the various Depots, but at the same time, the Canadian Government had not paid for all that ammunition. First, we had not paid for the regimental reserves. We could find no trace of that, which amounts to 200 rounds per gun; then there was the dump ammunition which we were going to pay for on

[General MacBrien.]

expenditure returns. It had not been expended, therefore Canada was never asked to pay for it and our claim for ammunition as far as I have been able to trace it, was a very weak one indeed, and in consideration of our dropping this claim, the War Office said "we will issue you 500 rounds per gun, for the guns you are taking back to Canada, and you will drop your claim."

Q. What would be our claim in respect of the first item you mention. You said our first claim would be the ammunition that was sent from Canada to England?—A. Yes.

Q. What would that be?—A. That is enumerated in the statement of General Fiset.

General Fiset: \$1,270,000. That is in that statement there.

By Mr. Vien:

Q. That is the total cost of the ammunition?

Mr. Lewis: The 500 rounds you are speaking of for the guns, is that the ammunition which was returned to Canada?—A. Yes. It is not all here yet.

Mr. Vien: If I understand you—I would not like to be mixed up, even at the expense of being criticised for putting the question twice—on account of my density in such matters, I would like you to explain again if the \$1,272,000 mentioned in the statement covers all the ammunition we sent to England, and for which Canada had a claim against England?—A. I believe so. I believe it is the same item.

Q. Have you actually verified that?—A. Yes, I can assume it is the same item.

Q. You say when the Armistice was signed we had in France what was estimated at 500 rounds per gun?—A. About 200 rounds, I should say, or 175 possibly, what is known as regimental reserve, what is carried actually in the ammunition wagons.

Q. Now these 500 rounds were the property of Canada?—A. No. I said it was doubtful as to whether it was the property of Canada, and I tried to explain that even the regimental reserve, as far as we have been able to find out in the overseas accounts, had not been paid for with the exception of the Fifth Division Artillery.

Q. Was it not understood we paid to the War Office 9s. 4d. a day, 5s. of which covered the soldier and 4s. 4d. covered ammunition supplied to our soldiers?—A. Yes, but not in 1918.

Q. Then in 1918 instead of charging 4s. 4d. a day in respect of ammunition, we were allotted a certain *pro rata* total charged for ammunition to the Corps.—A. According to the expenditure returns.

Q. So that in the final settlement an item was charged to us in respect of our *pro rata* of ammunition returns?—A. No, because for this reason that the ammunition, roughly 300 rounds per gun, had not been expended.

Q. I beg your pardon?—A. Roughly 300 rounds per gun had not been expended, and therefore was not charged against the Canadian Government. May I explain this matter. When a battery of six guns goes into action, it has a regimental reserve of ammunition of roughly, 200 rounds per gun, carried in the ammunition wagon. That was brought from England to France with that battery, and we were chargeable with that. As a matter of fact, I don't think that the Canadian Government has ever paid for it. Then after we got into action, an extra supply of ammunition was brought from the reserves, the divisional and corps reserves, and dumped at the guns for immediate use, and we would often fire away 500 rounds per diem per gun, and we were charged with the extra 300 rounds per gun that was dumped there, on expenditure returns, monthly expenditure returns, so that when the Armistice came, we had our dumps there, but we had not expended the ammunition. Therefore I am of opinion we were never charged with those 300 rounds.

Q. Was it ascertained whether we were charged for it or not?—A. Not definitely, because we came to the agreement that if we would drop all ammunition claims, they

[General MacBrien.]

would give us 500 rounds per gun to bring to Canada, and the whole question was settled in that way, if we would drop all these claims we were putting forward that they would issue us 500 rounds per gun.

The CHAIRMAN: It is almost one o'clock, and I think perhaps we might usefully employ the time between now and one o'clock in deciding what we will do at the next meeting of the committee.

Sir HENRY DRAYTON: I think if my honourable friend translates that item that he could not find, the £391,000 into currency, he will find that the exact amount would be \$1,900.00 odd.

Mr. VIEN: So the item of \$1,205,289 is the conversion at par of £391,497 17s 5d.

Sir HENRY DRAYTON: It is at page 180 of the Auditor General reports.

Mr. HANSEN: You have made a suggestion that we should adjourn now.

The CHAIRMAN: I think we should adjourn now, it is almost one o'clock. Are you finished with the General?

Mr. VIEN: I would like him to come back with the statement.

WITNESS: You have asked for an account of the mechanical transports handled over in France and the list of units for which we have drawn equipment.

The committee adjourned until Wednesday, May 10, at 11 o'clock a.m.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

170
MacBrien &

PUBLIC ACCOUNTS COMMITTEE

IN CONNECTION WITH

OVERSEAS ACCOUNTS

No. 2—FRIDAY, MAY 12, 1922

NAMES OF WITNESSES:

Colonel G. S. Harrington.

General MacBrien, Chief Overseas Forces, Ottawa.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM, 424,

HOUSE OF COMMONS,

FRIDAY, May 12, 1922.

The Select Standing Committee on Public Accounts met at 11.00 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of the following:

(A) The accounts opened in our books in favour of the British Government; (B) the accounts opened by the British Government, in favour of the Canadian Government; (C) the payment of those accounts; (D) the war material sent over to England at the opening of the war; (E) the war material sent over to Canada after the termination of the war; (F) the determination of the balances either in favour of Canada or against it; (G) particulars of expenditure of \$8,411,800 last year for Demobilization or adjustment of war claims.

The CHAIRMAN: Mr. McIsaac, I have to go to the Agricultural Committee this morning and I will be very glad if you will take the Chair.

Mr. McIsaac took the Chair.

Col. G. S. HARRINGTON called and sworn.

The WITNESS: Mr. Chairman, may I make a general statement before I am examined for the information of the committee?

Mr. VIEN: I think it would be better to make a statement to the committee.

The WITNESS: I just wish to say this: It is two years ago since the settlements were made with the War Office upon which I am to be examined. According to the summons I got I am to give evidence regarding the settlements made with the War Office on behalf of the Department of the Overseas Ministry of Military Affairs of Canada. These settlements were made two years ago by me in London where I went upon the instructions of Sir Edward Kemp, the Minister at that time. The Privy Council order that approved of those settlements has attached to it the correspondence that passed between our Department, at that time represented by myself, and the War Office officials. A reference to that correspondence will show that on the payment of the balance found due by Canada to the War office for our tradings, we called upon them and they agreed to consider all transactions that had taken place between our Department and the War Office up to that time, the 31st May, 1920, as closed and incapable of being raised again by either side against either side. That correspondence was confirmed by Privy Council order. When I brought it over here in June or July, 1920, I handed it over with my report to Sir Edward Kemp, and then I left to go to my native province where I have been ever since. Now, considering that the matter was closed, I have been diligently attempting to forget it ever since; and when I got this summons to appear here on Wednesday to give evidence re settlements of accounts of Overseas Ministry of Militia and Defence, it at first seemed to me that I would be of no use whatever to you. But I came here on Tuesday afternoon in obedience to this summons, and your committee was unable to meet on Wednesday, the time set. But I had the advantage of being examined by Col. Vien in his office quite lengthily in regard to it, and I found that my memory is fairly complete, as I think the Colonel will bear me out. So that in all likelihood I am able to give you such evidence as you require in this examination. But I wish to make this statement so that I will not continually have to say "This is to the best of my recollection," or "this is the best of my

[Col. G. S. Harrington.]

memory at the present time." If you will accept my evidence subject to that. I notice that Col. Vien has the Order in Council that produced the settlements that I made, and I think that with their assistance and my memory I can probably supply you with such evidence as you wish.

By Mr. Vien:

Q. What are your Christian names Col. Harrington?—A. Gordon Sidney.

Q. You are a barrister, I understand?—A. Kings Counsel at the bar of Nova Scotia.

Q. And you practise in Sydney?—A. I practise in Sydney.

Q. You enlisted in the Canadian Expeditionary Forces?—A. In the 85th Battalion, in 1915.

Q. When were you summoned to the staff of the Overseas Department?—A. Some time in the summer of 1917 I was summoned to act as Assistant Deputy Minister to Col. Gow who was then Deputy Minister of the Department of Overseas Military Forces of Canada of which Sir George Perley was Minister.

Q. Prior to that date what were your duties?—A. I was serving on regimental and staff duties in both France and England.

Q. What were your staff duties in England prior to your appointment as Assistant Deputy Minister?—A. What you call staff duties in England were in the nature of attachment to the staff of the General Officer Commanding the Canadian Forces in the British Isles for special investigations regarding the Minister's interests in military affairs. I cannot remember the particular matters, but I was attached specially to his staff.

Q. What was your appellation?—A. I merely went by my rank as an army officer at that time.

Q. You had no particularly definite staff appointment?—A. There was no particular appointment on the establishment that I filled.

Q. What did you do prior to being Assistant Deputy Minister? How could you describe your activities? My question is purely to establish whether you had anything to do, prior to becoming Assistant Deputy Minister with the settlement of claims as between the Imperial Government and the Canadian Government?—A. I can safely say that I had nothing whatever to do with it before my appointment at that time.

Q. In 1917?—A. In 1917.

Q. When did you take charge?—A. As Deputy Minister?

Q. As Assistant Deputy Minister.—A. It would be through the summer of 1917, and I acted in that capacity for a short time when Col. Gow of Toronto, who was then Deputy Minister, became ill and had to go to Toronto. I then acted as Deputy Minister for the months, I think, of September, October and November, under Sir George Perley until Sir Edward Kemp came from Canada and Col. Gow came back with him, I believe about the end of December, 1917.

Q. And then?—A. Then I left the Ministry again and went back to army employment of some kind or another.

Q. For how long?—A. Until, I believe, March 1918, when Sir Edward Kemp asked that I be brought back to assist Col. Gow again, who had become very heavily burdened with his office and was not very well.

Q. And you acted in that capacity until?—A. I acted then as Assistant Deputy Minister to Colonel Gow, who was Sir Edward Kemp's Deputy Minister, until Colonel Gow again had to retire.

Q. If you could give us the dates, it would be more useful?—A. Colonel Gow had to retire in October, 1918, and I was appointed Deputy Minister in his place by Order in Council.

Q. And you acted until?—A. I acted until the Ministry expired by operation of the Act, or Order in Council which brought it into effect.

[Col. G. S. Harrington.]

Q. Which was?—A. I think about the time that these settlements were made, or the session of Parliament immediately subsequent to that or prior to it; I am not quite clear on that, Colonel Vien.

Q. You went over the accounts between the Imperial Government and the Canadian Government, to come to the settlement which was covered and ratified by the Order in Council of the 16th February, 1921; you have had to go over all the accounts?—A. In my settlement with the War Office?

Q. Yes?—A. Only such as were then outstanding. Many had been settled before that, and closed.

Q. That is true; but all the outstanding accounts had to be taken into account for the settlement?—A. Absolutely; all the outstanding matters were collected together and I took them over and settled the whole lot.

Q. And I understand that the final settlement as revealed by the Order in Council and the documents attached thereto was that we were indebted to the Imperial Government, to the War Office, in £391,497, 17s., 5d?—A. That is correct. 4

Q. When you discussed this item did you take into account the war-like stores, equipment, armament, etc., which was sent to England on special request at the opening of the war?—A. I remember that we had one or two items of that character that we took into the settlement of these accounts and obtained credit for. I am unable at the present moment to give you particulars of it, but I remember that we had either one or two credits, of which I am sure in that connection.

Q. Did you notice that at the opening of the war a request came by cable from the War Office asking the Canadian Government to send over all the cannons, guns, and equipment available in Canada?—A. I have no personal knowledge of that request, though I believe it existed; I have no personal knowledge of it. 5

Q. Then did you also take notice that when this shipment was made an inventory was taken of all that war material?—A. No; I have no personal knowledge of that, also.

Q. When your final settlement took place were these stores or any credit for them in the books of the War Office taken into account?—A. I believe so, on claims constructed by the Militia Department in Canada.

Q. But you went thoroughly into these claims, did you?—A. Not so thoroughly as I would have gone into claims arising immediately out of our own department, but my recollection of it is that I received from the Militia Department the general claims that they made in this behalf, presented them to the War Office and in return received a credit to our sales for them.

Q. Did you receive from the Militia Department an inventory or a detailed account of the war-like stores which were sent, as I mentioned a minute ago?—A. No.

By Mr. Lewis:

Q. While you are on that point, I would like to ask a question. These guns and this equipment which the British Government asked to have sent over, were they used exclusively for British forces? That would make all the difference in the world as to whether there should be a credit or not.—A. I cannot tell you that, but it is very likely that some of these stores were used amongst our own troops— 6
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Mr. VIEN: Mr. Chairman, I should like to enter objection. The witness, Colonel Harrington, just says that he has no personal knowledge of it.

Mr. HANSON: Then I would submit, Mr. Chairman, that he would not attempt to answer it if he had no personal knowledge.

Mr. VIEN: Will you read the last answer of the witness?

—(Reporter reads): "I cannot tell you that, but it is very likely that some of these stores were used amongst our own troops—"

[Col. G. S. Harrington.]

By Mr. Vien:

Q. Have you any personal knowledge of it?—A. No personal knowledge whatever.

By Mr. Lewis:

Q. Can you tell me, with regard to guns or equipment that Canada used, which came from Great Britain, at the time of the war, whether there would be an inventory of every small item that came along to the front, or in the case of a rush would any equipment from the British Army be used by the Canadian forces of which no account might be taken at all?—A. I believe there are numerous occasions of that kind.

7
Q. In a great war of that description, where the fronts coincided, where they were contiguous, it would be almost impossible to discriminate?—A. It was out of the question; in the areas of operations we made no attempt to account for stores drawn.

By Mr. Vien:

Q. But, Colonel, with the First Contingent we sent guns to equip the Royal Horse Artillery and the Royal Canadian Field Artillery?—A. I believe that is so, but I have no personal knowledge of it.

Q. Then you know that after these were sent over we purchased from the War Office all the guns and equipment which we required for our troops in France and in England, and they were charged in the books of the War Office for same?—A. I will have to answer that in this way, that we obtained full initial equipment for our troops that took the field in going from England to France, but I am unable to say that we purchased absolutely every item from the British War Office. I believe that some of them were supplied gratuitously to us.

8
Q. But I submit that the guns that went to France with our troops were part of their equipment?—A. Absolutely.

Q. And were purchased from the British Government and were charged in their books against Canada?—A. Theoretically that is quite correct, Colonel, but practically I think it did not work out that way, because the British were extending their ordnance organization at that time, and from my subsequent knowledge I am able to say that they did not have it sufficiently complete at the time to make all charges of issues that they did make.

Q. If I understand rightly, that was the basis of our operations, but in the carrying out of the transactions between both Governments they could not trace all the articles to the minutest details?—A. Absolutely; I will say that is correct.

By Mr. Lewis:

Q. In that case, Colonel Harrington, would you say that the benefit would be on the Canadian side or the British side? Would you say that we over-supplied them, or that the advantage was to us in the transaction that took place at that time?—A. It invariably worked to our benefit.

9
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Mr. HANSON: They had the stuff.

The WITNESS: They had the stuff; they were anxious to get us into the field. Whether they could account absolutely for every—

Mr. VIEN: That is not questioned at all.

The WITNESS: Did I misunderstand the question?

Mr. VIEN: No, you were quite right in your answer, but I say that the question is irrelevant, because—

Mr. LEWIS: Is it any more irrelevant than the question he is asking on the other side?

[Col. G. S. Harrington.]

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The WITNESS: I suppose you will have to get the Chairman to say that.

Mr. LEWIS: It is making fish of one and flesh of the other, that is all. Taking all the transactions into consideration, if there has been a little gratuity on the Canadian part, we want to also realize whether there has been a greater gratuity on the other part, and then we will be able to discriminate as to the fairness of the situation.

The WITNESS: I answered your question.

Mr. VIEN: Mr. Chairman, I think it would be well to establish a kind of rule of procedure, to proceed along certain lines. My honourable friend is apparently of the opinion that I am trying to fish for scandals or to fish for anything detrimental either to the staff or the previous administration. That is not my intention at all, but—

Mr. HANSON: Why are we here then?

An Hon. MEMBER: It is your hope.

Mr. HANSON: It is your hope, then.

Mr. VIEN: It is not my hope.

Mr. LEWIS: I call the attention of the Chairman—

Mr. VIEN: If my honourable friend will allow me, I will put my point. We want some information about the transaction. I may say right now, after my conversation with the Colonel I was extremely pleased with the information I got, not from the point of view of scandalous transactions, but on account of the volume of information he gave me in connection with the administration overseas.

Mr. BOYS: We want to get that to the public.

Mr. VIEN: Absolutely, yes, and I have no objection whatever.

Hon. Mr. MANION: Mr. Chairman, sometimes when Colonel Vien asks a question, someone in this audience who is just as much a member as Mr. Vien wishes to elucidate some point, and I think it is the privilege of any member of the Committee to do so. I do not think Colonel Vien should object to questions by my friend on the left.

Mr. VIEN: I was not raising a point of order. The point that I raised was simply to see whether we could adopt some way of proceeding which would let us get along and get a clearer result of the investigation.

Hon. Mr. MANION: Mr. Chairman, with all due respect to the legal fraternity, once in a while a gentleman like myself or the gentleman on the left—neither of us are lawyers—sees a point that is worth elucidating, and which is not being brought out. I think it is quite in order to ask these questions.

Mr. VIEN: My honourable friend knows that it is not a professional point which I raise. It is only a question of getting along and getting proper information.

Mr. LEWIS: Mr. Chairman, I do not know that he has any more right to ask a question than I have.

Mr. HANSON: I submit Colonel Vien is not appointed as a prosecuting attorney by this Committee, and I think I have just as much right to ask questions as he has, and until I am restrained I am going to exercise that right.

Mr. PARENT: At the same time, Mr. Chairman, we must realize that the member takes upon himself to summon before this Committee certain gentlemen to be heard. He is supposed to have made a special study of the case and to be better prepared than anybody else, and no one should object to this gentleman having charge of the case. That does not, of course, prevent anybody else from putting questions.

Mr. HANSON: I do not propose to be muzzled; nobody has done it yet.

The ACTING CHAIRMAN: The members of this Committee will understand, of course, that if this were a Court the lawyer who was directing the examination

[Col. G. S. Harrington.]

would have the floor, and no one should interrupt him; when he finishes the lawyer on the other side puts any questions he likes. That can be done here, but of course the rule is not construed so strictly as that in this Committee. That has been my understanding in the past. I think any honourable member can at any stage ask a question, the same as he could in the House. At the same time I think it should be well understood that Mr. Vien has asked for this witness to prove a particular line, and I think that he ought in a general way to have the right of way.

Mr. HANSON: That is hardly fair. If I recollect we asked that this witness be called.

Mr. VIEN: I would gladly step aside and let any honourable gentleman take the witness and examine him. When he is through, I will have my turn.

The ACTING CHAIRMAN: No member can be prevented from asking any questions but I think it would be more regular and we would save a great deal of time if the gentleman who takes the leading part in examining the witness should finish and any other gentleman has then the right to ask questions of the witness. I think it would be better to wait until he is through.

By Mr. Vien:

Q. You don't know anything then in respect of the inventories which were taken at the opening of the war for war material which was sent over to England?
—A. Nothing regarding the inventories for them, but I find credits in a document which I think is yours.

Q. Do they include the war material to which I have referred?—A. Will you refer to statement A that is attached to the Privy Council Order under "Miscellaneous Accounts", statement A.

Q. Yes.—A. Under "Miscellaneous Accounts" in the debit column, the third last, you will see "Ordnance Stores received from Canada £374,654 12s. 6d". That is the credit we have in our account for Ordnance Stores shipped from Canada to Great Britain.

By Mr. Parent:

Q. Are there any trucks in there?—A. The guns and warlike stores shipped from Canada at the beginning of the war. It is impossible without the files for me to state what that is, as that is not within my knowledge.

By Mr. Vien:

Q. Can we have that item?—A. I think undoubtedly the Militia Department could find that, as they presented it.

Q. Do you think General MacBrien might have it?—A. Colonel, as I stated, that item A attached to the final settlement—there is the item of £374,000 for ordnance stores received from Canada.

Q. We would like to have the detailed amount of that, the voucher for that item.
—A. We tabled the last day here, an inventory of guns and ammunition, and the Quarter-Master General, General Ashton is here this morning with a complete statement regarding that item and we have letters from the War Office to the High Commissioner accepting the claim.

Q. For the stores sent over?—A. For the stores sent over during 1914 and 1915.

By Mr. Clark:

Q. Does that include the shells?—A. That includes everything. Then I believe that account as first presented by the Militia Department was presented to the British authorities through the Canadian High Commissioner?

[Col. G. S. Harrington.]

By Mr. Vien:

Q. A credit was given in money by them?—A. Yes, in the figures you see there in that statement. In the second one, if you look at statement B, the third last item in the debit side "Artillery Vehicles £131,395",—those were artillery vehicles shipped from Canada, for which we got credit. There may be other items but I remember that those were two and I am not able to find others at the present time.

Q. When the settlement took place, if I understand well what was said in the Committee the other day by General MacBrien, that the equipment and ammunition which we had in France, were turned into the Ordnance Stores there?—A. That is correct. They were turned into collecting depots in France and Belgium, all our equipment, together with the British equipment; no distinction made between them, and in return we got an undertaking from the British Government that we could draw similar quantities of like equipment, of serviceable material from their surpluses in England as we desired or required them.

By Mr. Lewis:

Q. Did the British Government bring this stuff from France back to Britain, or is it still there?—A. I know some of their stuff was left there, but whether it has been brought back or is of any commercial value, I don't know.

By Mr. Parent:

Q. As a matter of fact was not a large quantity of stores sold in France?—A. You are asking me about matters on which I have no personal information.

Q. Can you tell us who can give us that information?—A. Nobody outside the War Office.

Q. Any Canadian officers?—A. Except those who were there.

By Mr. Clark:

Q. It is British property?—A. Yes, we handed it over and it became British property and in return we got the right to draw like equipment from British surplus stations in England.

Q. Do you know whether we drew any?—A. Yes.

Q. What condition was it in?—A. A good deal of it was new. The rest of it was all serviceable. Their undertaking was to give us serviceable equipment, in lieu of the serviceable equipment we turned in to the service stations in France and Belgium. When we came to take it over, they had new stocks in their service and they issued quite a lot of new stock to us.

By Mr. Vien:

Q. Is it your personal knowledge what new stock they issued?—A. Not from what I have seen. Some of it I have seen in transit.

Q. My information is to the effect—and that point I would elucidate also later on, but I don't think you are able to give us very much information.—A. No, not much.

Q. Is it not a fact that much of it was not serviceable?—A. If you will request the Militia Department to give you information regarding it, they can produce it at once.

By Mr. Parent:

Q. Do you know anything about the number of motor-trucks, bicycles, ambulances and that sort of thing which had been sold in France. No one in the Militia Department can give us that information.

Mr. VIEN: I think General McBrien the other day gave it.

GENERAL MACBRIEN: You mean by the Canadian Government?

Mr. PARENT: Yes.

GENERAL MACBRIEN: As far as my knowledge goes, none were sold in France by the Canadian Government.

Q. Was it sold anywhere?

GENERAL MCBRIEN: Not the Canadian owned equipment at the end of the war, except what had been in the possession of the Canadian troops in Great Britain. That was sold in England.

By Mr. Vien:

Q. And the Canadian owned stuff in France was turned into the collecting depot and credit for the same as serviceable equipment was given to Canada, and when final settlement took place, this was put in the vocabulary list at, we will say roughly speaking, fifty per cent of the valuation as an adjustment.

WITNESS: Everything except the mechanical transports. In that respect there was a special price list based upon the sales of June and July, 1919, and that price list I have with me this morning, showing the prices the Canadian Government obtained for the vehicles.

Q. If I remember what you said in respect of mechanical transport, it is that we obtained the best prices prevailing in 1918 and 1919 at the sales by the War Office of their own equipment?—A. Yes, for similar vehicles.

Q. And we got more than they cost the Canadian Government?—A. I believe so, yes.

HON. MR. GUTHRIE: Our most important witness is here now. He has to go away at one o'clock. He is here at great inconvenience to himself, and I think the examination should be proceeded with as rapidly as possible.

By Mr. Lewis:

Q. Did the Canadian troops draw this new equipment before the troops left for Canada, or was it subsequent?—A. We drew serviceable equipment.

Q. Before the troops left for Canada, or after?—A. I don't think any of it was drawn before they left for Canada. It has all been drawn subsequent to the time when I fancy, demobilization of the troops was on.

By Mr. Hanson:

Q. Under what circumstances was it drawn?—A. You realize the agreement I have mentioned, with the War Office, allowed us to turn this equipment, including the stocks of ammunition, all artillery equipment, cavalry equipment, everything we had into the British collecting station in France and Belgium, and draw like quantities of similar ammunition in a serviceable condition from their surpluses in England.

By Mr. Lewis:

Q. Was there any extra cost to Canada?—A. The question of costs did not enter into it. When we came to the stage where we were going to draw some, we consulted Canada through the Militia Department, and they informed us of what their requirements in equipment were. They required so many guns, so many artillery vehicles, if any; I am not sure. That can all be produced from the Militia Department, because it is a matter of record from the Militia Council, of what they required.

By Mr. Vien:

Q. Did you get that requisition?—A. We got that requisition and delivered it to the War Office and said "here is the equipment warrant."

Q. Have you got that requisition with you now, a copy of it?—A. No, I have not, but I fancy it can be produced from the Militia Department without any difficulty.

[Col. G. S. Harrington.]

By Mr. Parent:

Q. Do you recall whether there were any Ross rifles to be sent back to Canada?—
A. I don't know. Now, we made this demand from the War Office, that they supply Canada with this equipment in detail as they asked for it, and they pointed out to us that they did not exhaust our entitlements under this heading over agreement. They also left out entirely our entitlements for any munitions for the big guns that we had left in the dumps in France. It was then we came to them again and said, "this surplus that we are leaving with you, we think, should be given credit for to us."

By Mr. Hanson:

Q. In cash?—A. A cash credit in the account. No cash passed whatever.

Q. No. I understand that.—A. At first they were loathe, but eventually they saw our position that unless they gave us a credit that we were in an unfortunate position, probably having to open stores of our own and put guards on them to take care of them or dispose of these stores to the general public in England, wherever we could, so they undertook to take them over and give us in return a credit based on their disposal values of the same classes of material, notwithstanding that their first disposals, generally speaking, were far more favourable than their later disposals, because I presume there was only a limited market in the British Isles for these goods, and for the most of them the market was very limited. I then suggested to them that they give us a credit for our ammunition and contended that each one of our guns were entitled to so much ammunition. According to the War Establishment Military Stores' tables, when a gun takes the field it has to be equipped with a certain amount of ammunition, so much per gun, so much from the regimental reserve, so much from the Divisional reserve, so much at the army dump, so much at railhead. These experts can give you more definite information regarding that, if it is desired, but having added all that up, I contended our guns were entitled at any rate to a certain amount of ammunition. They at once agreed that was so, but when I asked them to give us a credit for it I found I was up against the only stone wall that I had run against in my negotiations with the War Office. There was positively no give. They pointed out that they had those surpluses of ammunition and were cancelling ammunition contracts which cost them £125,000,000, that they were looking for places to dump their surpluses; some had been dumped in the North Sea and it cost more to break down shells than it did to make a special class, so they could in no way justify their position with the British public in allowing us a cash credit and they refused to give me a cash credit, but they said, "You can have all the ammunition you are entitled to and really if you want more you can have it," so then we determined with Canada how much we would demand from them on that basis.

By Mr. Hanson:

Q. That is with the Militia Department?—A. That is with the Militia Department. The Militia Department advised us what number of rounds per gun they wished of the different calibres and different classes of ammunition. We made that demand on the War Office, and so far as my knowledge goes, it ends. But I believe it was being shipped as often as opportunity occurred. That is the general condition under which equipment was turned in in France, redrawn in England, and received here in Canada.

By Mr. Vien:

Q. How many troops had we in France at the time of the Armistice?—A. It is a matter of record, Colonel Vien, and I would not like to say. My recollection is that it was about 250,000, including all reserves, but it is a matter of record.

Q. What became of the rifles the men had with them?

[Col. G. S. Harrington.]

By Mr. Clark:

Q. Before we pass from the shell question, might I ask a few questions in regard to that. During the progress of the war we paid for our shells on an actual expenditure basis, did we not?—A. At one time we did. At another time we paid—

Q. Let us get the three periods. First of all, there was a period when we paid for our shells at a cost of so much per head per day?—A. You probably have the information, but I believe I could state it to you roughly this way. When our troops took the field, we agreed on two duplicate lines of communication and would draw from British stores in France. It was impossible to make any accounting at that time. So that we initially equipped our troops in accordance with the Governor General's telegram of about the 1st August, 1914. We theoretically equipped them fully, and paid for them. They took the field fully equipped, and they maintained that equipment. They maintained themselves, with the exception of pay and allowances, from British stores. That allowed us to maintain them there without the establishment of depots for ourselves. To begin with, our arrangement with the British Government was this, that everything other than big gun ammunition—

Q. Before you proceed, I want to be perfectly clear about your suggestion that our five artillery divisions went to France fully equipped with ammunition?—A. I am suggesting that.

Q. Are you further suggesting that the Canadian Government paid for the ammunition which was taken by those five divisions?

By Mr. Vien:

Q. Initially?—A. Initially. I am suggesting that, and they admitted my claim.

By Mr. Clark:

Q. Can you state positively that the Canadian Government did pay for the ammunition taken to France by those five artillery divisions? Have you any information to the contrary?—A. No; I have no information to the contrary.

Q. Is there any one you know who can give us the information as to whether or not Canada paid for the artillery ammunition which was taken to France by those five divisions?—A. I do not believe there is a soul in the world who can give you that information.

By Mr. Vien:

Q. May I interject to say that at that time there were not five divisions at the front in France?—A. General Clark is not limiting it to any particular time.

Mr. VIEN: May I point out to the committee—

Mr. CLARK: Mr. Chairman, I submit that if Col. Vien desires to come before the Committee and give evidence, he should wait until we have concluded the evidence of this witness.

By Mr. Vien:

Q. Could you tell us about the various agreements which were made with respect to the ammunition supplied to our troops in the field?—A. General Clark is dealing with that now.

Mr. CLARK: I have not interrupted you, Mr. Vien, and I do not think you should interrupt me.

Mr. VIEN: Very well.

By Mr. Clark:

Q. I just want to make this point clear, that there is nothing in our records which would substantiate the suggestion that the Canadian Government paid for the artillery ammunition taken to France by the five artillery divisions?—A. I do not

[Col. G. S. Harrington.]

think you should state it so emphatically as that. As far as I am aware there is nothing in our records to substantiate the statement that we fully equipped our troops in artillery formation taking the field in all particulars and in all instances with ammunition. Some artillery formations we could establish.

Q. Which ones?—A. I think it was either the third or the fifth, but I do not think you should question me upon that, because it is a matter of great detail.

Q. It is quite possible that our artillery divisions, or at least some of our artillery divisions, went to France fully equipped with ammunition which was never paid for by the Canadian Government, and which was drawn from the Imperial Government?—A. It is quite possible that that is the case.

Q. You cannot give us any definite evidence upon that point?—A. No.

Q. So that one of the points upon which you based your claim for a credit is not tenable at all?—A. I do not admit that.

Q. It is, at least, questionable?—A. I admit I was probably not able to substantiate it fully with documents.

Q. Another feature that was brought out before the Committee the other day when you were not here was that the Canadian Government was requested by the Imperial Government to send forward its ammunition that it had here; they were anxious to get all the ammunition possible, and we sent that forward. You have given us definite proof, and you have it available before you, that Canada was paid for the ammunition which we sent over there at the outbreak of the war, by means of a credit?—A. No; the items I gave you did not specifically include ammunition.

Q. I understood you to say that we were given credit?—A. For ordnance stores.

Q. Do not ordnance stores include ammunition?—A. "Ordnance stores" might, loosely used, include ammunition, but I do not think that "ordnance stores" as used there, did include ammunition; I cannot tell you.

Q. Is there anyone who can tell me?—A. I do not think there is anybody.

Q. Was that one of the points upon which you based your claim for a credit?—A. Yes.

Q. And again you could not substantiate your claim?—A. No; in fact I may tell you they controverted it most stoutly.

Q. The British Government controverted it?—A. Yes.

Q. And claimed that a credit had been given?—A. No; they claimed they had not received the ammunition because they had no record of it, and the argument with which I met that statement was merely this: We have positive record that the ammunition was shipped from Canada to you and nobody else got it, therefore you got it. It was rather weak, but I had to use such arguments as I had at hand.

By Mr. Boys:

Q. And you believe it to be correct?—A. Yes.

Q. And you believed it to be correct at that time?—A. Yes.

Q. And you pressed it as a perfectly proper argument although a little lacking in evidence?—A. Quite so; because I knew their ordnance organizations were not fully completed, and that the Director of Ordnance at the Woolwich Arsenal might have received quantities of ammunition concerning which he had been unable to keep satisfactory records, and I took it for granted he had got this ammunition.

By Mr. Clark:

Q. It was a fact that the Canadian Artillery Divisions while in England drew practice ammunition from the Imperial authorities?—A. We drew it out of Imperial stores, factory records, and I took it for granted he had got this ammunition.

Q. We drew it from the Imperial authorities?—A. Yes.

Q. Did we pay for it?—A. I am unable to answer that question. I have no recollection of ever having passed any accounts for payment of ammunition for practice purposes in England.

Q. Let us pass on to the next phase of the matter: When our first artillery division went to France there was an arrangement in existence under which our artillery drew ammunition on a per capita basis, the cost being 1s. per day per man for artillery ammunition?—A. Yes. Our maintenance agreement in France was 6s. per day. We paid that on the basis of strength returns compiled in the office of the Adjutant General of the British Army at the base at Rouen, where we had a Canadian section. That 6s. per day represented 5s. to cover everything that a soldier needs in the field such as rations, clothing, personal equipment, rifles and small arms ammunition; everything that he needs in the field except pay and allowances and the artillery ammunition used with his formation. The 1s. additional was left there to cover artillery ammunition.

Q. That is, for the first Canadian division there would be an allowance of approximately \$6,000.00 per day for artillery ammunition?—A. I would say approximately that, assuming their strength to have been—perhaps it would not be that much.

Q. That is the maximum?—A. You will have to ask some of the experts. I have no recollection of the strength of the first Canadian Division, but I would say that figure is not far out.

Q. When did the 1s. per day period expire?—A. March 2, 1917.

Q. And a new arrangement was then made?—A. Yes.

Q. And we then paid the Imperial Government 4s. 4d. per man per day for the artillery—is that right?—A. Not quite right. We did, for one quarter. I believe the Auditor-General can give you better information than I can because he is very familiar with this matter. I can give you general information upon it. From the quarter April, 1917, to June, 1917, the per diem per capita rate was 4s. 4d.; from July, 1917, to September, 1917, it was 4s. 4d.; from October, 1917, to December, 1917, it was 4s.; from January, 1918, to March, 1918, it was 2s. 3d.

Q. For big gun ammunition?—A. Yes. All these figures I have given represent a per diem per capita rate applied on strength returns of our troops in the field.

By Hon. Mr. Guthrie:

Q. Charged against Canada?—A. Charged against Canada.

By Mr. Clark:

Q. Why were the rates varied?—A. On account of several things; probably primarily the expenditure of ammunition in the field; secondly, very materially affected by the improved methods of manufacture at the munition factories, costs were really coming down. There may have been some other considerations; I believe the Auditor General might give you information on that.

Q. You said subsequent?—A. Subsequent to that last date an entirely new system was inaugurated by which we paid for the actual ammunition consumed by our guns.

Mr. SUTHERLAND: Your statement about the per diem allowance of 4s and 4d is not quite correct. It works out at that, but from the 2nd March to the completion of the war it was worked out on a cost basis. It was for convenience, but the 4s and 4d has no relation.

The WITNESS: That is right, but while the figure I gave is not correct, that figure is arrived at by their having found out the actual cost of ammunition expended at the front, and they turned around and applied that so as to produce a per capita figure—a really unnecessary procedure in my opinion. But that is the way it was done.

By Mr. Clark:

Q. You say that from the 2nd March, 1917, we were actually charged—A. On the cost.

Q. Of the ammunition expended?—A. Yes, but our accounts were not rendered in that form.

[Col. G. S. Harrington.]

Q. Is it not a fact that this cost which you have just referred to represents the average cost of an army corps within a certain area, and not the actual cost of the ammunition which was expended by the Canadian Corps at all?—A. It represents in my recollection the real cost of the ammunition that was expended over the entire British front applied to be paid in the ratio that the Canadian guns at the British front bore to the British guns in the Canadian front. For example, if the Canadian forces had one-twelfth of all the guns that were firing on the British front for a period of three months, their proportion of the total cost of ammunition expended in that three months would be one-twelfth.

Q. That is irrespective of whether they fired less or more?—A. Irrespective of whether they fired less or more.

Q. And it is a well known fact that we fired a great deal more?—A. Yes, I think we fired far more than most troops.

Q. And therefore we were charged less and paid less than we actually expended?—A. We paid for less than we actually expended.

Q. Probably by many millions of dollars?—A. Yes.

By Mr. Boys:

Q. This matter is all covered by a report?—A. Yes, by a report that was made before the Minister would accept our memoranda.

Q. It is all down in black and white and available to the Committee?—A. That is true.

By Mr. Vien:

Q. Were the rifles which were turned in sold and a certain amount credited in the books to Canada?—A. I really have no clear remembrance of the rifles. You asked me that the other day and I was unable to answer then, and I have really no recollection in regard to it; but I am quite sure you can get that information definitely from Major-General MacBrien.

Q. But they would surely have given you credit for a certain percentage of their value?—A. They were handed in to the British authorities under our general handing over agreement of which I have outlined the character before. If in return we failed to draw any rifles from their surplus in England, we would have got a credit in accordance with my arrangement, but what it would be I do not know. Whether we did not draw all our rifles, or otherwise, I am unable to say.

By Mr. Hanson:

Q. That is a credit in kind not in cash?—A. No, if we got a credit in kind it would either be a partial or a total one, and if it was a partial one it would still leave a surplus in the possession of the British authorities in England that I would have to take up in making this general settlement and demand a credit for.

By Hon. Mr. Guthrie:

Q. We got the rifles. Gen. MacBrien is here and he will tell you.—A. That is the case.

By Mr. Vien:

Q. What would be the proportion of the cost which would be paid? Is that covered by the 50 per cent agreement that Gen. MacBrien spoke of?—A. The cost of what?

Q. On what basis would they be credited to us, I mean the surplus not drawn?—A. Which surplus?

Q. The surplus in respect of rifles.—A. I am unable to tell you because apparently I had no negotiations regarding rifles. I cannot tell you what they would have allowed us.

Q. I understood that we had about 250,000 troops in France at that time?—A. That is my recollection, although I cannot say whether it is really accurate.

Q. In England we had also several thousands of men in training?—A. Yes.

Q. And the Canadian troops which came back from England did not bring their rifles with them. They left their rifles in England and they were turned into the ordnance stores?—A. That is correct in regard to some; how general it is I do not know.

Q. In adjusting the accounts was no attention paid to the items of rifles and the item of equipment?—A. I have no recollection of it, but those rifles that you mentioned would not necessarily go to British stores; they would be turned in and retained in Canadian stores in England. Those of them that did not accompany the men on the boat would still be retained in Canadian stores, and, as appears, were shipped in Canadian stores back.

Q. At least part of them?—A. I cannot tell you how much or how few.

Q. Could you find out by the documents which are attached to the final settlement which took place whether the rifles were taken into account?—A. No, I cannot tell from that; it is not sufficiently detailed.

Q. Who could tell us?—A. Gen. MacBrien could, I think, tell you. If they were turned into Canadian stores they would not be in this settlement at all.

Q. All the rifles which were with our troops in France were turned into collecting depots?

Major-General MACBRIEN: All rifles were brought to England by the Canadian troops, and personal equipment, and practically all, with very minor exceptions, were brought back to Canada. You cannot work on the strength of Canadian troops in France because a lot of Canadian medical troops did not carry rifles; so you have to make deductions for units of that sort. Apart from what the Canadian soldiers brought back themselves, we shipped Canadian-owned rifles back to the number, I think, of 140,000. General Ashton has the exact figures regarding the rifles.

By Mr. Vien:

Q. The only point I want to have information upon presently is if any rifles were included, they were covered by the agreement in respect of equipment, and I suppose they must have been covered by the item mentioned in the statement B which says, seventh line before the end, on the debit side \$320,000?—A. Statement B, the seventh item, \$320,000?

Q. Yes, equipment C.E.F. in Canada?—A. No, no; that is the equipment issued to the Canadian Forestry Corps in Canada. In our agreement with the British Government, regarding the Forestry troops it was a charge against British funds.

Q. Where is that item in respect of equipment in France and in England shown?—A. I think perhaps you have in mind the item on the first page of the general summary under "Equipment for Canada."

Q. I mean all the equipment which was turned into the collecting depots, and for which we received credit to draw a certain amount in kind. The surplus that was not drawn was covered by the agreement which General McBrien explained.—A. You will probably find it distributed in several items throughout the statements both A and D and probably as well C and D and the general summary. For instance, if you will look at the general summary that is before you on the first page that is attached to the Privy Council order, you will see the third item in the debit column is "Medical equipment and stores £31,183 12s. 8d." I think in all likelihood that includes medical stores in the equipment that we turned in and that were not drawn. The sixth item, "Mechanical transport accounts £348,577 15s. and 4d., if not exclusively our mechanical transport turned in in that way, certainly includes some of it.

[Col. G. S. Harrington.]

Q. The only point I would like to elucidate is this: Any surplus in small arms equipment—A. The next item that I know is part of it is simply headed "Undrawn equipment and ammunition," which is a general item.

Q. What page is that?—A. That is on page 1, Colonel Vien. It is the third last item on the debit side. It is just pitched in under a general heading.

Q. Undrawn equipment and ammunition?—A. Yes.

Q. And the amount?—A. £403,894, a credit to us.

Q. What does it cover? That means, it covers the equipment which was turned into the collecting depots?—A. Yes.

Q. And which was not drawn by Canada?—A. And which was not drawn by Canada.

Q. That was covered and was paid and the basis of the agreement reached, and we collected £403,000?—A. We got a credit with the British War Office of £403,894.

Q. And any surplus, rifles, which would have been left in England and not drawn by Canada for their requirements would have come under that heading, very likely?—A. If there were any.

By Hon. Mr. Guthrie:

Q. And any undrawn ammunition also?—A. Any undrawn ammunition? No, I have told you that we were unable to get credit for undrawn ammunition, because that was my own instructions to the accountant who was preparing this item for me, to show ammunition included, so that I might perhaps follow out what was a hope with me, that I might get some credit for undrawn ammunition, in which I have explained already I was unsuccessful.

Q. I would just like to ask one or two questions, because the ammunition question is the crux of the whole proposition. At the time of the Armistice there were certain quantities of ammunition reserved with our guns in France?—A. Yes, sir.

Q. And we were chargeable, or had been charged, with the cost of that on the basis that you have told the Committee?—A. Yes; for keeping it up to current expenditures.

Q. Consequently at the date of the Armistice that was our ammunition; it belonged to Canada?—A. That is correct.

Q. The question after the Armistice was how to dispose of it?—A. Yes.

Q. And if I understand aright, Colonel Harrington, you endeavoured to get credit for it from the War Office?—A. That is correct.

Q. But the War Office, having such an enormous accumulation on hand, absolutely refused to give you credit for it?—A. Yes, that is correct.

An Hon. MEMBER: Cash credit.

Hon. Mr. GUTHRIE: Any credit.

The WITNESS: Any credit. They said "You can take what you want to draw or get nothing."

By Mr. Vien:

Q. In respect to ammunition alone?—A. In respect to ammunition alone.

By Hon. Mr. Guthrie:

Q. I want to point clear that it was Canada's ammunition?—A. Yes; they admitted that.

Q. But they would not buy further?—A. They would not give us any credit for it.

Q. And the question came of what to do with it, and after consultation with the authorities overseas and in Canada a requisition was sent from Canada stating how much we could use in Canada?—A. We overseas received that requisition, and delivered it to the War Office.

[Col. G. S. Harrington.]

Q. And you drew out ammunition from the general store in accordance with requisition?—A. Canada did; I believe they were drawing it after our department ceased to function, but we supplied them with inspectors to inspect it and see that it was shipped and so forth.

Q. Now, in your whole accounting there is no charge for that ammunition, in the settlement?—A. No charge by the British Government against us?

Q. Yes?—A. None whatever.

Q. The only cost to Canada, then, would be the cost of shipment?

Mr. HANSON: And inspection.

By the Hon. Mr. Guthrie:

Q. Shipment back to Canada?—A. Yes; inspection probably.

Q. It has been suggested or stated that this ammunition, roughly, was of the value of six million dollars, and if it had not been shipped back to Canada, Canada would have obtained a credit for six million dollars?—A. No, that is not correct; it was not worth six million dollars, and the figures that the War Office gave me were between six hundred thousand and seven hundred thousand pounds, at the time that I was there, but whatever it was worth was a matter of indifference with me in settling these accounts, where we could get nothing for it.

Q. From the War Office or from anybody else?—A. Well, we only tried the War Office, but the market for big gun ammunition is very, very limited.

Q. It is a fact that the War Office was actually destroying ammunition, to get rid of it?—A. Absolutely; they had dumped some in the North Sea when I was there, and that is what I was met with when I asked for a cash credit.

Q. Then there was no possibility whatever of getting a credit for it?—A. None whatever.

Q. And the statement that by the shipment of ammunition to Canada we lost six million dollars or thereabouts is absolutely incorrect?—A. Quite inaccurate, if any such statement was made.

Mr. VIENS: We could not have sold it to the Greeks or Turks or somebody else?

Mr. HANSON: We did not try, anyway.

The WITNESS: I cannot answer that question, Colonel Vien.

By Mr. Clark:

Q. Colonel Harrington, you say that you are quite certain that that ammunition belonged to us?—A. Well, I have already said that the War Office admitted that it did.

Q. But you said to me that the claim was doubtful?—A. Yes, and I say again that I think the claim was doubtful, if they contested it in strictness; but I never had to go beyond the stage, where the War Office once admitted one of my claims then I did not have to clinch it any further.

Q. The point that I am making is this: that we are charged on an expenditure basis; we were not actually charged with the ammunition which we had in our reserves until we had our ammunition expenditure return, were we?—A. After the cost of ammunition in the field was put on an actual expenditure basis there was no calculation made of the ammunition expended until it was actually shot away and the returns came in from the guns.

Q. That is, we were not charged with payment until the returns came in for the guns?—A. We were never charged with what was in the dumps; we were never charged—

Q. You claimed the credit for what was in the dumps?—A. I claimed the credit for what was in the dumps, on the ground that we had theoretically, at least, initially equipped ourselves to that extent. I based it on that, and they very kindly admitted that.

[Col. G. S. Harrington.]

Q. There was no contest over that at all?—A. There was no contest over that at all; it was almost exclusively a matter of good feeling by the British War Office towards the Canadian authorities, desiring to help us out in making a settlement.

By Mr. Vien:

Q. And they said, "Take as much ammunition as you want?"—A. That is about the attitude they took.

By Mr. Boys:

Q. They said, "Take all you want; it is of no use to us; if you want it, take it?"—A. Yes, that is about it.

Hon. Mr. MANION: Mr. Chairman, I think the ammunition question is settled. It is settled absolutely that we got more ammunition, practically, than we needed for nothing or less than nothing. I would like to ask, however, about the other credits, the other goods, the other stores and so forth?

The WITNESS: I understand what you mean.

By Hon. Mr. Manion:

Q. In short, is it or is it not your opinion that in the credits which we got from Great Britain we were fairly treated or not? How were we treated? I would like you to tell the Committee what you think about the treatment we received, laying aside, for the moment, the question of stores altogether?—A. There is no question about that, that we were treated most generously, most generously; there is no question about it.

Q. If there was any error, it was made by the British in treating us too generously; we certainly did not have to treat them too generously?—A. We were treated most generously in that settlement, because the British authorities were very fond of us, they thought we had done well, and we were anxious to settle with them; they got authority to close with me, really against their better judgment, and when they once got the Treasury authority to settle with me, they settled most generously.

Q. One more question, and I am finished. Taking everything into account, ammunition, stores and everything else in which we dealt with the British Government on a credit system, crediting each other, the same statement applies—we were treated most generously on them all?—A. Absolutely; and I will go further, and say that in our capitulation agreement their charges against us for expenditure of ammunition in the field in every particular that you like to take it, where figures ran to four, five, six or eight million pounds a quarter, they treated us with the same spirit of generosity throughout.

Mr. RYCKMAN: I think, Mr. Chairman, that the witness has convinced the Committee that Canada in these negotiations had a very competent and courteous negotiator, who saw that our interests did not suffer.

By Mr. Vien:

Q. Now, Colonel, could we have the vouchers for the undrawn equipment and ammunition?—A. The vouchers that refer to the item of undrawn equipment and ammunition in the general statement attached to the Privy Council Order. First, in regard to that, I have already explained that ammunition was put in there.

Q. But no figures came in under that title?—A. It was put in there largely because I was going to try to get a credit for it.

Q. That means, it was put in as a title?—A. But it was not carried out in actual accounting. Secondly, I would like to say that there is a vast quantity of material in the nature of particulars and accounts in regard to that. Only those that are familiar, as these experts from the Militia Department will assure you, with the particulars of military equipment can realize what it means to carry out the totals of our entitlements under this agreement in accordance with mobilization stores'

[Col. G. S. Harrington.]

tables as applied to war establishments, because we had a diversity of troops; we had horse artillery, we had infantry, we had engineers, we had signallers—we had a regular army equipment in our corps, and each one of these units is entitled to a certain amount of unit equipment, and very frequently that equipment is carried out into details, into parts. I made an estimate when I was over there of the length of time it would take, actually, to check all that with a qualified staff of ordnance officials, to carry out a complete checking and valuation of it, and with five men working I got a minimum of three months' solid work, so that when you ask me if there are particulars regarding that account, I do not believe that full particulars exist—that is, carried out in accordance with mobilization stores' tables—but in dealing with it—

Q. Can we have such a statement as how much small arms— A. There are no small arms, they tell me.

Q. In that item?—A. There are no small arms they tell me; but you could get a statement, I believe; probably the Ordnance Department or the Militia Department could furnish you with a general statement quite easily, under general headings.

Q. Who is the proper official to apply to for it?—A. In the Militia Department?

Q. Yes.—A. If you ask either the Deputy Minister or the Chief of the General Staff to have it prepared they will have it prepared in their Ordnance Department for you.

Mr. VIEN: Well, Mr. Chairman, I am through with the witness.

The ACTING CHAIRMAN: Does anybody else want to ask this witness any questions?

By the Acting Chairman:

Q. Do you want to get away to-day?—A. I would like to if I can.

By Mr. Hanson:

Q. Colonel Harrington, have you anything else to add to your statement?—A. The last question that Colonel Vien asked me, raised something, but I do not think that I have anything material to add. I think I have covered it sufficiently carefully.

Hon. Mr. MANION: Mr. Chairman, I do not know much about the rules of this Committee, but I know that this witness has been brought quite a long distance. Do I understand that all his expenses and witness fees are paid automatically, or has this Committee to arrange that?

Mr. VIEN: Mr. Chairman, the witness has come from Sydney, and he was very extensively engaged in investigation in respect to labour troubles. Your summons came rather suddenly to him, and through courtesy to the Committee he refrained from asking that the sittings of the Committee be delayed on his account, and he came at once. I think it would be only fair and just that the witness be indemnified for the time he has lost as well as for the expenses he has incurred by reason of his attendance here. Of course, the Committee has no right to deal with the matter except by way of recommendation to the Speaker that the thing be done, but I will move, if somebody will second me—

Hon. Mr. MANION: I will second you.

Mr. VIEN: —That his expenses, as well as a fee for attending the Committee, be given to the witness, in consideration of the valuable information he has given us.

Mr. HANSON: The amount of fee?

Mr. VIEN: As to the amount of fee, he will state his loss, and it might be left to the Speaker. I will move that in consideration of Colonel Harrington's having come to the Committee, an indemnity be given to him covering his expenses and all losses incurred.

[Col. G. S. Harrington.]

Mr. BOYS: That he be paid his expenses, and indemnified for his loss of time.

Mr. VIEN: And taking into account the special circumstances under which he had to come here.

The ACTING CHAIRMAN: Gentlemen, you have heard the motion.

Motion agreed to.

By Hon. Mr. Guthrie:

Q. I want to ask out or two questions of General McBrien.

Mr. VIEN: General McBrien will have to be examined much more lengthily.

Mr. HARRINGTON: The question you asked me that I was unable to answer was: "were the stores shipped by the War Office to Canada under the handing over agreement all serviceable, or were some of them new".

Major General J. H. McBRIEN recalled and examined.

By Hon. Mr. Guthrie:

Q. The shells, General McBrien, which have been shipped out of Canada in pursuance of the agreement related by the last witness are for use of the Canadian Militia, I understand?—A. Yes.

Q. Are they in all cases suitable for our requirements in Canada?—A. Yes.

Q. There is a special shell known as an 18 pounder high explosive shell among those shipped out?—A. Yes.

Q. Is such a shell as that used in the training of the Canadian artillery?—A. It is.

Q. Have these shells been used in the training of the Canadian artillery?—A. They have.

Q. Will they be used in the future for the same purpose?—A. They will be, yes.

Q. It has been stated that such shells are never used in military trainings, is that correct?—A. No, that is not correct.

Q. The amount brought out, I believe, represents about 500 rounds per gun for the guns we have in Canada?—A. That is the practical amount.

Q. Would you consider that an unusual reserve to have in this country?—A. It is a small reserve.

Q. Under modern conditions of warfare, what size of a reserve would it be having regard to the experiences in the late war in artillery fire?—A. It would be considered a very small reserve.

Q. How long would it last under modern war conditions in a real pitched battle?—A. Eighteen pounder guns, we have fired 500 rounds per diem with an 18 pounder gun. The heavier guns average from 200 to 300 rounds per diem.

Q. And that ammunition was selected for the requirements of the Canadian Militia?—A. It was.

Q. Not with any thought of immediate war, for training upposes?—A. Yes, the actual request was forwarded from the Militia Department here and no doubt they had the training of the active militia in view in sending that request.

Q. Has any artillery ammunition been purchased since the Armistice?—A. Not to my knowledge.

Q. While you would not know, I assume, would the Deputy know?—A. I think I would know. I have no knowledge of any purchases since the Armistice.

Q. I think that is all I want to ask.

By Mr. Vien:

Q. Have you the statement of your requirements with you, General?—A. Which requirements?

[General MacBrien.]

Q. I understand that after the adjustment of the claim, you were to send, or before the adjustment of the claim, you were to send a statement of the Canadian requirements? the amount of equipment and warlike stores and that your Department sent a requisition to the War Office for those requirements.—A. The actual demand against our credits on warlike material was made in this way. It came to the Overseas Ministry with which I was associated, from the Militia Department, and then we actually made out the detailed indents to these demands and submitted them to the War Office.

Q. Have you this demand?—A. Yes, we have the demand.

Q. Have you got it with you?—A. There was correspondence and cables relating to the demand made by Canada for equipment and ammunition to be forwarded to Canada at the close of the war. This is prepared from originals of the Department of Militia files.

Q. Have you the cable of which you just spoke?—A. The cablegram respecting that?

Q. Yes.—A. Well, it combined letters and cablegrams, enumerating the units.

Q. If I understand well, you said that a cable came giving you the general lines of requirements and that the details were worked out overseas by you or by the staff?—A. You will find both cables and letters there. The demand came in two main parts.

Q. Could you point them out?—A. They were not all submitted at any one time. This is a cablegram to the Overseas Ministry from the Minister of the Militia Department, dated August 5th, 1919 (reads):

“H.Q. 38-72-180 Vol. 1 f.142, 143.

Ottawa, 5th August 1919.

Cominister

Wesdo. London.

“No. 388. Your Z1502 if after all you find it impossible to induce War Office to give effect to proposals contained in my letter May 28th I withdraw them and agree that serviceable equipment on unit basis for *four* divisions and *one cavalry* brigade be sent to Canada. But (1) do not send any mechanical transport (2) having regard to contract with Ottawa Car Company artillery vehicles in excess of those on the list which accompanied my letter May 28th would be surplus to requirements and (3) G.S. wagons if sent could not be utilized or disposed of in the manner you suggest and would prove an incumbrance. Please bear in mind that large number of vehicles practically useless would occupy valuable shipping space and entail heavy expenditure connected with transportation labour care maintenance and storage accommodation which latter is difficult to procure. Also deteriorations would be rapid and present patterns are liable to change. Nevertheless I rely on your making best arrangements possible with due regard to foregoing remarks. Cable.

Mewburn”

Q. That was sent to whom?—A. It was to the Overseas Ministry, addressed “Cominister”.

Q. That is four divisions?—A. Four divisions and one cavalry brigade.

Q. Who decided that we should equip four divisions and one cavalry bigrade? who suggested that?—A. I presume it arose from this Council in Canada, because it was practically the force which we had out in the field. Those units constituted the Canadian Corps.

Q. Could you give us under general headings the quantities of material. Did you prepare a statement of the quantity?—A. Yes, we have a statement of all the material demanded.

Q. And received?—A. And received.

[General MacBrien.]

By Mr. Lewis:

Q. Did the artillery requirements of this country exceed in any instance that which belonged to us?—A. I understood we practically owned in France and Britain an amount of 500 rounds per gun. Did the Militia requirements of Canada which were sent over, exceed that quantity which was sent back to Canada in any instance?—A. No. We drew from the War Office 500 rounds per gun so they were equal.

Q. They never exceeded that?—A. No.

By Mr. Vien:

Q. Does the detail of equipment show the amount still due?—A. That still due would be the balance that you are asking Colonel Harrington about, for which we got a credit for £400,000 odd.

Q. Still due but not shipped?—A. Demanded but not received. That balance of undrawn equipment would have to be checked up. We have that by units.

By Mr. Boys:

Q. Were you in England at the time the settlement was made?—A. No. I left there a month before the settlement.

Q. Were you familiar with the conditions prevailing in England at that time?—A. Yes.

Q. What do you say regarding the sale value of the ammunition shipped to Canada?—A. It had no market value.

Q. I understand the Department is confronted with one or two ways of disposing of it, either to bring it back here and put it to the best use possible, or let it go to waste over there. Is that a true statement of the situation?—A. That is a correct statement of the situation.

By Mr. Stewart (Leeds):

Q. Had it not been brought here, would it be necessary for us to purchase in Canada ammunition of that character for our militia?—A. Certainly, if it was the intention of the Government to train the militia.

Q. Would the cost be greater than the cost of transportation. What would be the cost to manufacture the ammunition we had asked for. The figure which Colonel Harrington gave was over £600,000. What did it cost us to bring it over?—A. I cannot say. It was brought over chiefly on Canadian-owned Government steamers. I don't know what the cost was, as the rate changed.

Q. That would be much less than the cost of the ammunition, would it not?—A. I presume so.

By Mr. Vien:

Q. Did I understand you to say when our troops came back they brought their rifles with them?—A. The majority of them did.

Q. What regulations governed that?—A. I believe all the competent units, those who are normally armed with rifles according to orders, brought their rifles back with them, that is those who came back with the units. The personnel of the units who came back by units brought their rifles with them. Of course there were many thousands not normally armed with rifles and they brought them. There were thousands of casualties came back and they would bring no rifles with them. The Quartermaster General would be able to produce a statement showing the number of rifles we brought back to Canada with us?

Q. Have you got that?—A. No, I have not got it at hand, but it can be worked out.

Q. When they reached demobilization centres, they turned in their rifles with the rest of their equipment to the stores?—A. I believe in the first instance—this is only hearsay—I have been given to understand that some men were allowed to take

[General MacBrien.]

their rifles home, some of the early arrivals, as a souvenir, but later on that was stopped and the rifles turned into the Ordnance Depots.

Q. Was there any equipment, either small arm or other equipment, covered by the agreement that you made with the War Office, in respect of the credit in money to be given to Canada on their books?—A. All claims respecting ammunition on both sides were dropped in consideration of their sending to the—

Q. But in respect of equipment?—A. I don't quite follow your meaning.

Q. Shown on the first page "settlement of equipment and ammunition."—A. Yes.

Q. But I understand that there was no ammunition which came into that settlement; the claims for such were dropped on both sides?—A. That is what I understand.

Q. In respect of the equipment, what was covered by the word "equipment" for which we drew £420,000?—A. One of the largest items in it was general service wagons, both limber and ordinary general service wagons. That was one of the biggest items in it; watering carts, field ambulances, vehicles of all description. We practically brought none back to this country.

Q. Were there any rifles?—A. Not that I know of. None ever came to my notice, of any rifles being included in that, but we could find that out definitely I think, by working out the tables.

Q. This item was covered by the agreement you mentioned at the last sitting of the Committee, that they gave you the best prices prevailing in 1918 and 1919 at their own sales?—A. At their own sales of June and July, 1919.

Q. That agreement covered any surplus equipment?—A. That covered only the mechanical transport.

Q. That covered only the mechanical transport?—A. Yes.

Q. And in respect of the rest of the equipment?—A. In respect of the rest of the equipment, the final negotiations regarding that were carried out by Colonel Harrington and I was given to understand that it was on a fifty per cent basis of the vocabulary prices of 1918 and 1919.

Q. In respect of the rest of the equipment?—A. In respect of the rest of the equipment.

Q. Outside of the mechanical transport—I would like to make that point clear—outside of the mechanical transport, the agreement was for the surplus equipment over and above our requirements, to pay us on the basis of fifty per cent of their vocabulary prices?—A. Yes.

Q. Will you be able to prepare as I said, a statement under large headings of what was covered by equipment in that first page?—A. That is undrawn?

Q. Yes.—A. I think we can get you that information.

Q. I don't want all the details.—A. We can give it to you in a short time, by units, and that gives a very clear idea. There were certain units we did not draw for at all.

Mr. Boys: I missed part of this investigation the other day, but I would like if possible to find out what in the world it is we are driving at here. I understand there is an item of \$1,900,000. Is it the purpose of this Committee to verify all of that, because if so, it is an endless job? If it is the purpose of the Committee to verify certain large items that go to make that up, we might direct our attention to it, but what is the purpose of the inquiry? Is it suggested that the money has been disbursed improperly, that that should be proven or is it to satisfy this Committee it has been disbursed properly? Could we not have some idea of the purpose that is in the mind of whoever is behind the inquiry so that perhaps we could prepare ourselves as to the distinct items that are to be investigated, because we should not take the time of the members of this Committee unnecessarily. If we are going to investigate this matter of \$1,900,000 to-day, to do it properly we must investigate every item that goes to make it up. I think we ought as a Committee endeavour to save

[General MacBrien.]

the country this great expense and this inquiry should be limited to those certain matters and not go ahead and investigate figures of years and years that have already been studied. I do think Canada has been treated fairly by Great Britain in connection with the settlement to be made, and I am very glad to hear my friend Mr. Vien state this. That seems to be pretty well cleared up if there are no more witnesses. What other items are we to investigate?

Mr. VIEN: The only item which is under investigation by the Committee, Mr. Chairman, is the item of £391,000.

Mr. BOYS: That is what you referred to?

Mr. VIEN: Absolutely. It is to get some definite information as to how that settlement took place which involved hundreds of millions of dollars. I went, just as any member of the House of Commons and desired to obtain some information with regard to public accounts generally might go, to the Militia Department, but I had no definite brief to find fault with anybody. They told me they could not furnish the information. General Fiset's statement was that he was not in possession of the facts; that they had been carried out under the authority of the Overseas Ministry of Militia and Defence. I went to the Auditor General, and they furnished me with this copy of the Order in Council and the documents attached thereto. I do not think any member of the Committee or of the House could make out by these documents how this settlement was arrived at, but it can be clearly understood by the evidence of the witnesses who have been heard on the points involved.

Mr. BOYS: Then the purpose of the inquiry was to ascertain how the settlement was arrived at, and also whether it was a fair settlement for Canada?

Mr. VIEN: Yes. You understand that an investigation of this character carried out in a court is governed by certain regulations, but I have tried in this committee to limit my questions to the general principles which were guiding the witnesses who were instrumental in finally arriving at the settlement mentioned.

Hon. Mr. MANION: I think Mr. Vien deserves the praise of the members of the committee for having brought the question up, because there was some doubt throughout this country, as the result of various public statements, that there was something not quite right about this matter. It has been proven, certainly to my satisfaction and I believe to the satisfaction of every member of this committee, that Canada was treated well, that there was nothing underhanded about the matter but that everything was fair and above-board. I think the inquiry has served a very good purpose, and I personally hope that the people of this country will realize that fact. Now has Mr. Vien any other item he is anxious to investigate?

Mr. VIEN: There is one further point I desire to elucidate, and I may say frankly to the committee that I have no particular purpose to serve in so doing. We have the information that the requirements determined by the Department of Militia and Defence were on the basis of four artillery divisions and one cavalry brigade; they asked for the full equipment. In respect of the ammunition, it is quite clear that we could get no cash payment or no cash credit for it, and I do not think anybody will find fault with the War Office for determining their policy on that point. It was only fair.

Mr. BOYS: Then before we incur further expense in investigating the requirements of the Militia of Canada, should we not ascertain whether or not it is costing the country any money? If it is costing the country no money, what is the use of this committee investigating it?

Mr. VIEN: I do not think much expense has been incurred with respect to the investigation.

Mr. BOYS: I mean in the future.

Mr. VIEN: There is no extra expense incurred with the exception of the fees of the reporters, because the witnesses to be heard are officials of the Department.

[General MacBrien.]

Mr. HANSON: Col. Vien said there was another point he desired to elucidate. What is that point?

Mr. VIEN: The equipment requirements. General McBrien made a clear statement the other day that they obtained the ammunition which was required for carrying out the training for a short time—500 rounds per gun. As a matter of fact, we could have had, if we desired to go to the expense of transporting it to Canada 1,000 rounds per gun.

Mr. LEWIS: Do I understand Mr. Vien to say that the expense of the ammunition was nil, and therefore does not enter into this item at all?

Mr. VIEN: I do not say that.

Mr. HANSON: That is the effect of what you have stated.

Mr. LEWIS: It has already been stated that the ammunition was worthless in the Old Land and they would not give us any credit for it. In view of that, it does not come into this statement at all, and I think it is irrelevant to the subject we are discussing.

Mr. VIEN: The statement covered by the order-in-Council covers settlements for ammunition, and the questions put in the investigation thus far were only to elucidate how they arrived at these figures.

Mr. BOYS: I am not attempting to criticize Mr. Vien. I have no right to do so. I merely want to learn what we are going to do in the future.

Mr. VIEN: The only further information I personally require refers to those figures which the witness has undertaken to prepare by statements, which will be filed with the Committee at its next sitting.

Mr. HANSON: What are those statements? Are they in respect to the equipment of those four artillery divisions and one cavalry division which have been mentioned?

Mr. VIEN: Yes.

Mr. HANSON: That is all?

Mr. VIEN: Yes, with the exception of further information as to the general headings of what was covered by "Equipment" in the final settlement.

WITNESS: Undrawn equipment.

Mr. BOYS: Whom do you propose to bring before us in that connection at our next meeting?

Mr. VIEN: The witness says they have that information in the Department and that he will prepare statements.

Mr. BOYS: Then the only witness will be General McBrien who will present the statements?

Mr. VIEN: Yes. The Auditor General also may come.

WITNESS: May I be permitted to hand in two statements now, one concerning Mechanical Transport and also the price lists of vehicles which were allowed to us by the War Office. I see the price for the Cadillac car was £807. The price for the Ford car was £190.

By Mr. Stewart:

Q. What was the cost?—A. £100 or less to the Canadian Government. That was after being used for several years.

Mr. BOYS: Could we get a statement of what these cost us?

Mr. VIEN: The witness has that statement.

Mr. RYCKMAN: I have been rather on the outside looking in on this whole matter, and I am afraid—I do not know whether my fear is well founded or not—that it will develop that we drove too hard a bargain, too favourable a bargain for ourselves. If that is the manifest conclusion to be arrived at from these figures I do

[General MacBrien.]

not think it should be emphasized. I, personally, would not care to give publicity to it. I know something about the price of Ford cars, and if we got the price that has just been intimated I think we were treated very well. I am quite prepared to bargain with anybody outside of my own family to the best of my ability, but if I am bargaining with my own family I do not want to drive a bargain which is unfair.

Mr. VIEN: I do not believe we can say the bargain was unfair. It was a question of the adjustment of accounts between the Imperial Government and the Canadian Government, and in adjusting those accounts they tried to find the middle course on many questions with regard to which they had no vouchers to substantiate the claims by one side or the other. With respect to the Mechanical Transport which was sold in England, in so far as I can view the situation by the evidence adduced, the War Office gave us the prices which had prevailed at their sales in 1918 and 1919.

WITNESS: They gave us those prices for our mechanical transport that we had turned in in France.

Mr. HANSON: 50 per cent.

WITNESS: Then we actually ourselves sold what we had in England and realized much the same prices.

By Mr. Vien:

Q. So that the agreement was fair to both sides?—A. Yes.

Q. But ultimately it turned out that the value of this material had been enhanced by general conditions and it transpired that by the increased value of the Mechanical Transport we obtained a better price than we had paid for it. I understand the point of my hon. friend who says that we should not take advantage of England in a settlement of that kind; but I do not think that any publicity given by the information brought out in this Committee should be regarded as of that character.

By Mr. Hanson:

Q. We got the market value?—A. We got the market value. I was also asked to produce copies of the original letters from which I read extracts and I have them here.

Mr. HANSON: These will be printed.

The CLERK: These go into the record.

Mr. VIEN: I do not think it would be advisable to print all that in the record.

Mr. HANSON: We have not had a chance to examine these documents. I hope that this will be the last of this matter, but it may not be, and I want some opportunity to examine these documents.

The CLERK: These are exhibits filed, and they are here, and the order of the Committee is that these things be printed.

Mr. VIEN: I would move that the exhibits filed should not be printed in the record until such time as the Committee advises otherwise. Just imagine what it would mean in printing costs. I would have the proceedings of the Committee printed for general information, but I would move that the exhibits be left out. They will always be available to any honourable member in the hands of the Secretary.

Mr. BOYS: I second that motion. I think that though they contain valuable and interesting information it would be I will not say a waste of money to print them but a very serious expenditure. The evidence will be printed pursuant to the former motion, and the exhibits are available to the members of the Committee.

The motion agreed to.

[General MacBrien.]

SPECIAL COMMITTEE

Mr. HANSON: When shall the Committee meet again?

The ACTING CHAIRMAN: At the call of the Chair.

Mr. HANSON: I move that this Committee adjourn till next Wednesday and get through with this thing.

Mr. VIEN: I have no objection.

Motion agreed to, and the Committee adjourned until Wednesday, May 17th, at 11 o'clock a.m.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

PUBLIC ACCOUNTS COMMITTEE

IN CONNECTION WITH

OVERSEAS ACCOUNTS AND ALSO A PAYMENT OF
\$2,429,984.08 *re* COAL

No. 3—WEDNESDAY, MAY 17, AND TUESDAY, MAY 30, 1922

NAMES OF WITNESSES:

General MacBrien, Chief Overseas Forces, Ottawa.

R. C. Vaughan, Vice President Canadian National Railways.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 424,
HOUSE OF COMMONS,
WEDNESDAY, May 17th, 1922.

The Select Standing Committee on Public Accounts met at 11 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of the following:

(A) The accounts opened in our books in favour of the British Government; (B) the accounts opened by the British Government, in favour of the Canadian Government; (C) the payment of those accounts; (D) the war material sent over to England at the opening of the war; (E) the war material sent over to Canada after the termination of the war; (F) the determination of the balances either in favour of Canada or against it; (G) particulars of expenditure of \$8,411,800 last year for demobilization or adjustment of war claims.

The CHAIRMAN: It is moved by Mr. Macdonald:

"That all accounts, vouchers, correspondence and other papers relating to a payment of \$2,429,984.08 to Canadian Northern Railway System in connection with coal, errors in calculation, freight and duty as follows:—

Coal, 3,027.35 tons at \$3.29, 1,938.85 at \$3.70, 1,398.4 at \$3.80, 2,699.17 at \$4.60, error in calculation, \$3.13, 244.4 at \$5.25, 13,270.75 at \$5.50, 8,059.7 at \$5.65, 2,119.95 at \$5.75, 1,383.1 at \$6, 1,770.95 at \$6.25, less error in calculation, 50 cents, 32,868.8 at \$6.40, 10,437.01 at \$6.46, 8,513.8 at \$6.50, 1,489.05 at \$6.60, 2,307.9 at \$6.75, 5,061.9 at \$6.80, 10,186 at \$7.38, 224.05 at \$7.50, 32,887 at \$7.55, 3,184.1 at \$7.67, 12,486 at \$7.95, 831.65 at \$8.20, 2,531.85 at \$8.40, 489.05 at \$8.75, 12,927.85 at \$8.95, 5,739.65 at \$9.41½, 590 at \$9.53, 241.45 at \$10.65, 10,803.75 at \$11.53½, 5,553.85 at \$11.56½, 69,543.355 at \$12, 492.95 tons, \$4,334.97; freight, \$217,887.14; duty, \$11,712.26.

as set out at Page W-189, Volume III of Report of Auditor General for fiscal year ended 31st March, 1921, be forthwith produced for the use of the Public Accounts Committee of the House of Commons of Canada."

Motion agreed to.

Mr. MACDONALD: I would like to have this so arranged as to facilitate matters because next week will be a broken week owing to the holidays. I wish to have two witnesses summoned, officials of the Canadian Northern Railway, who had to do with the purchase of this coal. They are R. C. Vaughan and A. L. Graburn, both from Toronto.

The CHAIRMAN: For what date shall we summon them?

Mr. MACDONALD: I would like to have the papers first. I think that the Clerk might be instructed to notify these two witnesses to attend as soon as we get the papers on file, and perhaps the matter could be left that way.

The CHAIRMAN: Your suggestion is that we get the papers and then that we wire for those people.

Mr. MACDONALD: I think that used to be the way in former years. The next thing would be the fixing of a date for examination of the witnesses.

The CHAIRMAN: We can adjourn and meet again at the call of the Chair. Next week we have the Budget on the 23rd, and the 24th and 25th are holidays. That just leaves us Friday, the 26th.

Mr. MACDONALD: Why could we not have a meeting on Tuesday morning?

Hon. Mr. GUTHRIE: The Railway Committee meets on that day.

The CHAIRMAN: Suppose we say next Tuesday to get the papers.

Mr. VIEN: May I suggest that the Committee be convened at the call of the Chair.

Mr. MACDONALD: Perhaps that would be the best way. The papers may have to come from Toronto.

Mr. VIEN: When you see the papers you will be in a better position to convene the Committee.

Mr. MACDONALD: That is so. We will leave it at that if the Chairman is willing. }

The CHAIRMAN: I am quite willing to facilitate the transactions of this Committee.

Mr. VIEN: We summoned General MacBrien to-day for the production of some documents. May we carry on with that?

The CHAIRMAN: Yes.

Maj.-Gen. J. H. MACBRIEN recalled.

The WITNESS: I was asked to produce the original request from the War Office for assistance on the outbreak of war. I have been unable to find a definite request of a comprehensive nature, but I am having typed out a request which we received upon various dates during the early months of the war. Apparently, if there was an original definite request it must have come through the Secretary of State's office, and we have not a copy of it in the Militia Department as far as I can find; but I can give the Committee certified copies of partial requests for certain types of equipment and so on.

Mr. LEWIS: You have not the request that came from the War Office?

The WITNESS: We have not found a request for general assistance yet on the Militia files. We had understood there was such a request, but we have been unable to find it. But here and there in the files there are requests for ammunition and guns. One cablegram may deal with guns, and another with ammunition. I am having these copied and hope to be able to produce them to the Committee without great delay.

The CHAIRMAN: Would you be good enough, Mr. Macdonald, to take the Chair.

Mr. E. M. Macdonald took the Chair.

The WITNESS: I was also asked for a return of undrawn equipment. That would be simple if I could induce the Committee to change the request to producing it by units instead of giving the actual enumeration of articles. If it is to be a return giving the actual enumeration of articles undrawn, then I must have at least four or five clerks, and they will have to be engaged anywhere from one to two weeks.

Hon. Mr. GUTHRIE: I think that for our purposes a return by units would be satisfactory.

The WITNESS: I shall be able to produce that with great ease. Then I can give a return of equipment received in Canada. That is now in course of preparation, every article that has been received in Canada.

[Mr. R. C. Vaughan.]

By Mr. Lewis:

Q. Do you think that Canada might have sent over equipment of her own accord without any request?—A. There is on file a cablegram, a copy of a cablegram, from the Governor General to His Majesty's Government offering general assistance. What prompted that cablegram I cannot say, but there is a copy on file signed by the Duke of Connaught.

By Mr. Vien:

Q. Have you any definite idea as to when these documents could be prepared?—A. I should think, unless the matter is urgent, if you could give me a week's time I could have them ready for the Committee.

Mr. VIEN: Then I move that this matter stand until I get in touch with the General, so that when he is ready I will take up this investigation again and complete it.

Hon. Mr. GUTHRIE: I have no objection to the motion, but I want it to be understood that I was hardly through with Major-General Fiset. He was called, and a few questions were asked, and he was displaced by another witness. I did not have a chance of asking any questions, and as I have one or two to ask I would like to have Major-General Fiset attend at the next sitting.

The ACTING CHAIRMAN: Do you require a motion to that effect?

Mr. VIEN: No, the Committee can adjourn sine die.

The witness retired.

The Committee adjourned.

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

TUESDAY, May 30, 1922.

The Select Standing Committee on Public Accounts met at 11 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the consideration of the following:—

"All accounts, vouchers, correspondence and other papers relating to a payment of \$2,429,984.08 to Canadian Northern Railway system in connection with coal, errors in calculation, freight and duty as follows:—Coal, 3,027.35 tons at \$3.29, 1,938.85 at \$3.70, 1,398.4 at \$3.80, 2,699.17 at \$4.60, error in calculation \$3.13, 244.4 at \$5.25, 13,270.75 at \$5.50, 8,059.7 at \$5.65, 2,119.95 at \$5.75, 1,383.1 at \$6, 1,770.95 at \$6.25, less error in calculation 50 cents, 32,866.8 at \$6.40, 10,437.01 at \$6.46, 8,513.8 at \$6.50, 1,489.05 at \$6.60, 2,307.9 at \$6.75, 5,061.9 at \$6.80, 10,186 at \$7.38, 224.05 at \$7.50, 32,887 at \$7.55, 3,184.1 at \$7.67, 12,486 at \$7.95, 831.65 at \$8.20, 2,531.85 at \$8.40, 489.05 at \$8.75, 12,927.85 at \$8.95, 5,739.65 at \$9.41½, 590 at \$9.53, 241.45 at \$10.65, 10,803.75 at \$11.53½, 5,553.85 at \$11.56½, 69,543.355 at \$12, 492.95 tons, \$4,334.97; freight, \$217,887.14; duty, \$11,712.26.

As set out at page W-189, Vol. 3, Report of Auditor General for the fiscal year ended March 31, 1921, be forthwith produced for use of Committee."

R. C. VAUGHAN, of the City of Toronto, Vice-President, Canadian National Railways, was called and sworn and examined as follows:—

By the Chairman:

Q. I want to direct your attention, Mr. Vaughan, to an item in the Public Accounts for expenditures on the Canadian Government Railways system relating to a payment of \$2,429,984.08 by the Canadian Northern Railway system for coal purchases. I have here the vouchers which appear in the report of the Auditor General's Department. Have you the vouchers for the coal that has been purchased by the Canadian Northern?—A. No, we did not bring that with us. You mean all the payments made to and received from the coal companies? We could do that. A good deal of this coal was spot coal. We could not get coal anywhere else and we had men out everywhere buying coal wherever they could get it. Some of this coal was delivered at Port Arthur and other points on the Government Railways and was, of course, supplied at the actual cost of what we paid for it. I have not the Government vouchers here, but I have copies of the invoices from the coal companies from which we purchased.

Q. I find that there was a total of 24,012.62 tons for which \$120,598.46 was paid, which is at the rate of \$5.02 per ton. I also find that 142,753.66 tons of coal was purchased at a cost of \$1,049,504.95 which gives an average of \$7.35 per ton. I find that 86,635 tons of coal was purchased at a cost of \$1,030,278.20, giving an average price of \$11.89 per ton. This coal was purchased for the Canadian Northern Railway system. Where did the Canadian Northern get it?—A. We bought it where we could and at the best price we could secure, but there were people in the United States getting coal for us, and we were paying all kinds of prices for that coal. The American railroads found it very difficult to get supplies, and had men all over the country looking for it. In fact some railroads in the New England States paid as high as \$17 per ton for coal at the mine.

Q. During what period?—A. During the year 1919 and the greater part of 1920.

Q. I understand that you have with you the vouchers from the parties from whom the coal was purchased?—A. Yes.

Mr. MACDONALD (Pictou): In order to have an opportunity to examine them carefully I would like to have them left with me.

The CHAIRMAN: I think that is a reasonable request.

By the Chairman:

Q. May I direct your attention to this fact: I find going over these vouchers some charging certain persons with coal, the memoranda being in the form of bills to the Canadian National Railways. Many of these contain invoices from different coal dealers, and elsewhere to the Canadian National Railways, but I do not find that is universal. I find some statements of this nature which are not accompanied by any invoices: Perhaps you will explain how it comes?—A. There would be some not accompanied by invoices which would be for coal delivered from the stock pile. The average price would be arrived at by taking the prices paid for the coal in the stock pile built up month after month for long periods back.

By Mr. Macdonald (Pictou):

Q. In other words, the Canadian National Railways sold from their stock pile?—A. Yes.

Q. These papers would not show the parties from whom you got it?—A. No, it might have come from thirty or forty different firms. We could not say what particular coal the railways got, but it is all made out at the actual cost.

Q. Will those papers show the charges for freight and duty?—A. There is a statement here which shows separately the freight and the duty. Some of the coal

[Mr. R. C. Vaughan.]

has been bought at prices not delivered, while in other cases we bought the coal delivered, freight and duty paid.

Q. Why did the Canadian Northern have to act as intermediary when freight and duty was charged on coal which was to go to the Government railways?—A. This coal was all purchased in the name of the Canadian National Railways. Of course these accounts are kept separate. In some cases the company paid, and in some cases the Government paid. That would not apply so much to coal as to other supplies, because this was bought by the railway and delivered and unloaded on a pile and charged at actual cost. The coal would be unloaded on the common Government dock at Port Arthur and from there would be sent by rail to Transcona and other places.

Q. Was this coal all American coal?—A. Yes, all American coal.

MR. MACDONALD: I find an error here in the Auditor General's Report, a very unusual thing. The item is \$65,500. In calculating they put in here 13,270 tons of coal at \$7.50. It should be 1,300 tons of coal. It is a peculiar error and, as I say, one that does not often occur.

By Mr. Macdonald:

Q. I see a statement here that we have a contract with an American coal company for a large supply of coal?—A. Yes.

Q. What is the name of the company?—A. The Youghiogheny and Ohio Coal Company.

Q. When was that contract entered into?—A. June, 1920.

Q. What was the nature of it?—A. The contract provided for 800,000 tons to 1,000,000 tons a year, practically all of it being shipped to Georgian Bay and Lake Superior points.

Q. What was the price fixed?—A. There was a maximum price fixed based on \$3.25 at the Pittsburg mines and the cost of the coal was to be proportionate to the miners' wages, and there was a further agreement that the coal should be sold to us at the lowest price at which it was sold to anybody.

Q. Could you produce a copy of that contract?—A. I have not got it here but I shall be glad to do so.

Q. Was it from that company that this coal was purchased?—A. No, but there was some—very little of it. Most of this was coal that we had to pick up when our coal was confiscated by the American railroads and they fell down in their contract. I think United States railways took from us 750,000 tons which we should have got under the contract.

Q. Who were the agents for that company?—A. They had none that I know of. We always did business with them directly.

By an hon. Member:

Q. With what office did you do business?—A. The head office in Cleveland. We always do business through the Cleveland office.

By Mr. Macdonald:

Q. How long does that contract run?—A. It expires next year, 1923.

Q. Is it terminable on notice from either party?—A. No, it runs so long as either party lives up to the contract. It is a very broad contract.

Q. How much coal per annum are you required to take from them?—A. Close to a million tons. We are not obliged to take coal if we do not need it. Of course, that contract was entered into when coal was selling at \$10 a ton at the mine.

By an hon. Member:

Q. Is there a fixed price under that contract?—A. No, the agreement is to sell the coal to us at the lowest price that it is sold to anybody. It is a very large com-

[Mr. R. C. Vaughan.]

pany with a production of 5,000,000 tons a year, and they supply all the large railways in the United States. We felt that under this contract we would be pretty well protected in the matter of price.

Q. Does that contract cover the whole of the Canadian National Railway system?—A. No, the furthest east that coal is brought is to Georgian Bay. It is taken to the first divisional point west of Ottawa. The coal consumption in normal years calls for 4,000,000 tons a year.

Q. What are you paying now—\$4.93 per ton?—A. No, we have not taken any coal from them since September 4 last year.

By Mr. Hanson:

Q. That is not the answer you gave me?—A. That other coal that you were speaking of was taken from the George Hall Coal Company.

Q. Then that answer we got from you yesterday is not exactly correct?—A. As I recollect, that question was the price of coal we had imported in January, February and March, 1922, and I referred to that contract.

Q. Then you had another contract?—A. That was a case of where a strike was going on and we got in a few tons of coal that way by ferry across Lake Ontario to Cobourg. We had a very cheap freight rate.

Q. You bought the coal very cheap?—A. Yes, and it was very good coal. We have our coal inspected at the mines and know what we are getting. We bought about 30,000 tons and had it delivered at Cobourg. It was brought by ferry from Charlotte and is used on the Central Ontario.

By Mr. Macdonald:

Q. Is that on account of the Government lines?—A. It was used on Canadian Northern lines.

Q. Did you make any coal contracts in March or April 1920?—A. No, the only coal we took was from the Y. & O. Coal Company under our contract.

Q. Have your full requirements under this contract been met?—A. On the occasion to which I have referred they were not. There was such a demand for coal on the other side that the American railroads confiscated the coal we were getting under the contract. The company shipped up 750,000 tons short on their contract, and we had to go out and buy up coal to protect our requirements.

Q. These vouchers will show the different people from whom you purchased?—A. Yes.

Q. St. Malo shops are in Quebec, are they not?—A. Yes, in Quebec.

Q. And the bridge mentioned here is the Quebec bridge?—A. Yes.

Q. What do you call the western line of the Canadian Government railway?—A. That is the way the bills came through west of Armstrong for the second divisional point west of Cochrane.

Q. Ste. Hyacinthe has a large quantity?—A. Yes.

Q. I see here it is 111,197 tons. What was your contract for coal purchased in the Maritime Province? What quantities had you contracted for that year?—A. We contracted for about 1,100,000 tons.

Q. Does that represent the normal requirements down there?—A. Had we been able to get it, we would have taken more Nova Scotia coal that year. We endeavoured to get a good deal more than they could supply us with.

By Mr. Hanson:

Q. When coal is high they do not want to give it to you, and when it is low they want you to take more than you need—has that been your experience?—A. I think there were abnormal conditions in 1919-20. I have correspondence here to show that we made pathetic appeals for coal. I came several times to see Mr. Carvell and visited all the coal companies in the Maritime provinces with whom we had contracts, but they could not give us coal.

[Mr. R. C. Vaughan.]

Q. When was that?—A. The whole of June, July, August, September and October, 1920. Getting on in the fall, about December, 1920, the coal famine eased up and coal was plentiful after that time, but a good deal of that coal to which you have been referring had been bought and had not yet come in, but there were no contracts made after December with American companies for soft coal.

By the Chairman:

Q. Mr. Hanson says that the coal companies in the Maritime provinces were begging you to take coal; what is the answer to that?—A. That was after the 1st January, 1921, when coal became plentiful. Then they wanted us to take all the coal they could produce.

By Mr. Macdonald:

Q. Was there not an embargo on coal that year?—A. Yes.

Q. What was the reason you could not get coal? Was it due to the fact that they were not producing?—A. There were a number of reasons. There was a big demand for bunker coal and export coal.

Q. So far as Nova Scotia is concerned that would apply to only one company?—A. Yes, but the Inverness Coal had foreign contracts and refused to give us coal.

Q. But after the embargo?—A. After the embargo we did not get coal.

Q. Was not that favourable to your company?—A. No, because there was such a demand for bunker coal.

Q. When you buy coal do you buy it delivered at Montreal by water?—A. We buy very little coal for delivery at Sydney—twenty-five to fifty thousand tons.

Q. But there is the Intercolonial Coal Company and there are half a dozen companies in Cumberland county besides. They would not have anything to do with bunker business?—A. No, but we took from each one of them as much as they could give us.

Q. You say that was so all through the financial year?—A. Yes, up to the fall of 1920.

Q. I see from January, 1921, you bought coal for delivery at Quebec bridge at \$12 a ton from the United States, and you paid \$47,547 freight on that coal. Do you think it is a sound policy to go to the United States and pay freight and duty on coal even supposing you get it \$1.50 or \$2 cheaper per ton than you can get it for in Canada? Don't you think it would be wise to encourage the production of coal in Canada?—A. We do everything we can to encourage production in Canada, but in that case the coal was brought in to protect our requirements.

Q. You have raised rates on coal on your own railway—110 per cent on coal from Nova Scotia for delivery at Levis and Quebec; then you turn around and buy coal in the United States?—A. Yes, but we would not have bought that coal if the Nova Scotia collieries could have given us what we required—not that particular year.

By Mr. Hanson:

Q. The coal you are bringing in this season is soft coal is it not?—A. Yes.

By Mr. Macdonald:

Q. What quantity?—A. Thirty thousand tons about.

Q. Could you get any quantity of coal last year from Nova Scotia?—A. The Dominion Coal Company are charging \$6.13 at Sydney, while we are having coal delivered at Cobourg at \$4.56.

Q. The situation is very clear; during the war the Government went to the companies and said whatever wages may be demanded you must grant them, because production cannot be dropped. During the last six months you have been pressed to take coal from these same companies?—A. Yes.

[Mr. R. C. Vaughan.]

Q. And they were willing to deliver coal at a figure subject to what the reduction of wages would work out?—A. They have offered us coal. Of course we sent out inquiries for prices on coal. Some of the companies have not given an answer yet. They will not give any pending an award in settlement of the dispute with the miners, but we took coal last year in larger quantities than we required.

Q. Delivered at what depots?—A. At such places as Chaudiere, St. Leonards, Moncton, etc.

Q. For the Intercolonial Railway service?—A. Yes.

Q. And for use on the Transcontinental?—A. Yes. We have quite a stock of coal at Cochrane and all the way up.

Q. What quantity have you in store on the Government Railway System?—A. A little more than a million tons in stock on the Canadian National System.

By Mr. Hanson:

Q. You have four months' supply?—A. Yes, on April 30 we had four months' supply on hand on the Canadian Government Railway System.

Q. That would be in tons how much?—A. Between three and three hundred and fifty thousand tons.

By Mr. Macdonald:

Q. You have shut down taking coal except in small deliveries?—A. No. We have not made contracts for coal for the year.

Q. Where did you get all that coal last year?—A. From the Nova Scotia collieries.

Q. Delivered by boat?—A. All delivered by boat.

Q. The quantity last year was only 750,000 tons?—A. We took 350,000 tons of that west.

Q. How far west did you haul it?—A. As far west as Cochrane.

Q. What percentage of coal did you get by rail?—A. The normal consumption on the Canadian Government Railways is 1,250,000 tons, and we would get probably 75 per cent of that by rail.

Q. But you have not been taking any for the last four months. You say you were buying American coal down to March, and the Auditor General's Report shows all you got up to that period. You have not been taking coal from mines in Nova Scotia although they have been running only three days a week for six months?—A. We have taken a little.

Q. You do not say that you have taken any between March and October of last year, and you have not a million tons from them in stock?—A. We have taken approximately a million tons of coal from the Nova Scotia collieries from the 1st April, 1921 to 1st April, 1922.

Q. You got 300,000 tons from the British Empire Company?—A. Yes.

Q. That was for water delivery?—A. Yes.

Q. How much for rail delivery?—A. In dealing with the British Empire Steel Company, we closed our contracts with several companies collectively. It was one deal with all of them, because the British Empire Steel controls all those mines.

Mr. MACDONALD: To make the examination short I think it would be better to defer further examination of this witness until I have an opportunity to examine these vouchers, because my information was, with regard to the Acadia and the Intercolonial Coal Companies, that you made contracts for four hundred thousand tons with each and you did not take delivery from them.

The WITNESS: That is quite right; we took less than we ordered because the consumption of coal on the Intercolonial was 25 per cent less than we expected, and 25 per cent less than it had been the year before.

Q. Do you say that it is the policy of your company to limit the supply of coal for our railways to the requirements of the Intercolonial Railway?—A. No, we do

[Mr. R. C. Vaughan.]

not say that, but we say we should not be asked to use coal on the railways in the West when it can be delivered at a much lower price from other sources.

By Mr. Hanson:

Q. How far west can you economically deliver that coal?—A. It depends on the price.

Q. Under present conditions?—A. Under present conditions I should say Montreal and Ottawa and Cochrane are the furthest points west.

Q. Then it is the policy of the Canadian National Railways to use Canadian coal as far west as it is economically feasible to do so?—A. It certainly is the policy. In fact, we have always gone further than that. Where there is a difference of twenty-five or fifty cents per ton we always buy Canadian coal.

By the Chairman:

Q. Wherever the price is not more than 50 cents higher than the price of American coal you give the advantage to the Nova Scotia coal?—A. We have not laid down any specific rule, but we have always pursued that policy. We have brought coal to Levis which has cost us 75 cents a ton more than American coal would have cost us delivered at the same point.

By Mr. Hanson:

Q. That is when it is abnormally cheap?—A. Yes.

Q. And last year it was selling at the Virginia mines for \$1.50 per ton?—A. Yes.

By Mr. Macdonald:

Q. They do not have to go into the earth to get it there; it slides down the mountain. It is not so in Nova Scotia mines and that fact must be considered in the competition. In taking Nova Scotia coal to western points, do you charge the same rates as you would charge ordinary shippers?—A. No, because we never bring Nova Scotia coal by rail to Montreal. We have been bringing it by boat and charging the actual cost of bringing it up. Sometimes we buy coal delivered at destination.

By the Chairman:

Q. When you estimate the cost of carrying coal on ship, how do you arrive at the amount?—A. By the actual wages and other expenses; we do not figure the actual cost.

Q. Then you are carrying it at a loss?—A. Yes.

Q. What was the rate last year?—A. It was \$1.25 per ton.

Q. Just the operating cost?—A. Yes. They charge the public \$4.26 for that, or did in 1920.

Q. What was the charge between Sydney and Montreal by your lines?—A. We allowed \$1.25 per ton for handling that coal.

Q. How did that compare with the charges for this same class of freight by independent companies?—A. It was about the same. The companies told us that it cost about the same.

Q. How much did they charge?—A. We would not know how much they allowed for their own boats, because any contract of that kind was for delivery at the dock. There were very few commercial companies bringing coal there except the Dominion Coal Company.

Q. Are collieries owning their own boats the only people in the business of carrying coal from the Maritime provinces to Montreal?—A. Yes.

Mr. MACDONALD: In order to carry coal at a profit it must be carried on boats specially constructed for the purpose.

By the Chairman:

Q. Where did you get the information that their charge is the same as yours?—

A. I got it in talks with the officials of the Dominion Coal Company.

[Mr. R. C. Vaughan.]

Q. Does that price you have mentioned include overhead?—A. Yes, of course they can handle coal cheaper by having big colliers of 12,000 tons, while we used the mercantile marine boats. Otherwise they would have been idle—doing nothing—tied up at the docks.

Q. You consider that these ships are not as well equipped as private colliers?—A. Certainly.

By Mr. Macdonald:

Q. You say \$1.25 per ton is the charge?—A. Yes.

Q. In normal times that would be about the right charge?—A. Yes.

Q. Wages have come down?—A. Yes.

Q. Do you ever take into consideration that the railways should give special consideration to industries located on their lines?—A. We always do.

Q. You do not seem to do so in this case, because the charges for freight in the lower provinces are higher than in the west?—A. Of course they have not gone up in Canada compared with the United States.

Q. What—freight rates?—A. Not on coal.

Q. How much do you charge for bringing coal from Sydney to Quebec?—A. I have not those rates here.

Mr. MACDONALD: I have them here. The rate for coal from Sydney to Levis is \$4.59; to Montreal \$5.26. The rate from Stellerton to Levis is \$3.65, and to Montreal \$4.59. There has been an increase in freight rates on coal between 1914 and 1922 of 106 per cent from Sydney to Montreal, and an increase of 128 per cent from Stellerton to Montreal.

By Mr. Macdonald:

Q. Are these freight rates based on so much per mile per ton?—A. There are various things they are based on: they are based on conditions entirely. They are probably based on the cost of haulage.

Q. So much per ton per mile?—A. It is usually based on the cost of haulage per ton per mile.

Q. How do the rates compare with the rates charged by American companies from which you get supplies?—A. I cannot say, but our rates are lower.

Q. If I remember well, you say from the Nova Scotia Collieries you get your coal for destination as far west as Montreal, Ottawa and Cochrane?—A. Yes.

Q. In that district do you also get coal from other sources?—A. We have had to when we could not get it elsewhere.

Q. I understand you told us that you purchased between the 1st April, 1921, and the 1st April, 1922, coal transported by river to the amount of 300,000 tons?—A. Yes.

Q. And the total amount purchased from Nova Scotia collieries was 1,000,000 tons?—A. Yes.

Q. During that period did you get for the same district any supply of coal from other sources?—A. The only supply we got east of Montreal last year was about sixty odd thousand tons which we put into Montreal of American coal.

Q. Do you know what the price of that coal was?—A. I cannot give you the price off-hand. It was bought at that time because the Dominion Coal Company gave us high prices for the delivery of coal at Montreal, and we thought we had better protect ourselves.

Q. What was the price at Sydney?—A. The original price was \$8. Of course they reduced that afterwards.

Q. What did they reduce it to?—A. The coal sold at \$7.38, but that price was made in August, because we got our coal there in April.

By Mr. Hanson:

Q. You use these American prices as a weapon to keep prices down?—A. No, I would not say that.

[Mr. R. C. Vaughan.]

Q. When was this purchased?—A. In April, 1921. It was not all delivered in April, it was delivered the following months.

By Mr. Macdonald:

Q. Have you made any contracts for the purchase of American coal this spring?—A. No.

Q. This purchase of coal was prior to the quantity of coal you purchased from the Nova Scotia collieries because the period covered was from the 1st April, 1921, to the 1st April, 1922?—A. Yes.

Q. Now, you say on the first of April, 1921, you purchased some sixty odd thousand tons of American coal?—A. Yes, in April. We in the meantime had closed with the Nova Scotia Coal and Steel Company for a supply of coal.

Q. From what American concern did you purchase coal?—A. From the Y. & O. Company.

Q. At what price?—A. I will have to look that up. I think at that time the price was \$2.90 at the mines.

Q. Could you make a comparative statement as between the supply of coal available and the price at this time and the cost to you of that sixty thousand tons of American coal?—A. Yes.

By Mr. Hanson:

Q. Generally speaking, at that time was the American coal higher or lower than the Canadian coal?—A. Under normal conditions I would say that the Dominion Coal Company can always undersell the American companies at Montreal.

Q. At that time did they?—A. No.

Q. You cannot say off-hand what was the price charged at the mine in Nova Scotia?—A. The Dominion Coal Company was asking \$6.36 at the mine.

Q. As compared with \$2.90 for the American coal?—A. Yes.

Q. Did they give any reason why their charge was higher?—A. Their costs were higher.

Mr. MACDONALD: The wages were far above the wages in the American mines.

By an Hon. Member:

Q. Outside of this sixty thousand tons, did you get any other coal?—A. No, except from Nova Scotia collieries.

Q. In how many districts is your system divided? I mean west of Montreal, Ottawa and Cochrane in respect to your coal deliveries?—A. Three districts altogether—the maritime provinces, which is the old Intercolonial Railway, the central district from Quebec north of the river, including the National Transcontinental Railway as far as Port Arthur and Armstrong. Everything west of that is called the western district.

Q. And there is a certain overlapping in respect to the supply of coal between Quebec and Cochrane, because you say your maritime district is as far west as Cochrane,—that you supply all that district from the Nova Scotia collieries?—A. We take up to the central district.

Q. From Quebec to Port Arthur and Armstrong, where do you get your coal from?—A. All coal west of Cochrane and west of Ottawa as far as Winnipeg we take in that district is American coal.

Q. There is no Canadian supply of coal that could compete with that?—A. No, nothing to approach it at all.

Q. What about the district west of Port Arthur and Armstrong?—A. As I say, we take American coal as far as Winnipeg and we use it out of Winnipeg. We bring Canadian coal from the Alberta mines as far east as Winnipeg.

Q. But as far as Cochrane to Armstrong you do not use Canadian coal, and west of Winnipeg you do not use any American coal?—A. Practically none. We stop supplying American coal at Winnipeg. Some would be put on tenders going west

[Mr. R. C. Vaughan.]

just as far as the engine goes. We may take a little American coal from the division west of Winnipeg at times.

Q. Do you advertise for your supply of coal in the United States—A. Not in the United States now, on account of this contract.

Q. When you entered into that contract, did you advertise for tenders?—A. No, but we got out a coal circular to get at the cheapest price. In 1920 spot coal had got as high as \$17 a ton. I went to Washington several times during that period to get coal because our coal was confiscated by the American railroads.

Q. When did conditions improve in that respect?—A. About the 1st December, 1920.

Q. Did it gradually improve?—A. No, it improved all of a sudden—it went from one extreme to the other.

Q. When did you make that contract that you speak of?—A. June, 1920.

Mr. MACDONALD: Would you bring that contract with you when you come back?

The WITNESS: Yes.

By an Hon. Member:

Q. Does it cover all your requirements?—A. It covers all our requirements to the extent of the contract.

Q. You are bound to take the whole of your requirements from them?—A. To the extent that we can.

Q. When does the contract expire?—A. Next year.

By Mr. Macdonald:

Q. I notice in the Auditor General's Report that you charge freight on 88,000 tons Sydney to Levis at the rate of \$4.00?—A. I may have been misleading there. Last year's charge for carriage of coal between the two points was \$1.25 per ton. This entry would be for 1920. Of course freight rates were very high all over then.

Q. So the rate of \$1.25 was in respect to 1921?—A. Yes.

Mr. MACDONALD: I would like to have the examination of this witness adjourned until we can get an opportunity to examine these vouchers.

By the Chairman:

Q. You say that you use Nova Scotia coal as far west as it is economically sound to do so?—A. Yes.

Q. How do you arrive at the conclusion as to how far west it is economically sound to carry coal?—A. Well, we would take the cost of delivering Nova Scotia coal on cars, we will say at Quebec for example—

Q. Is that cost based upon the freight rate you would charge the public, or is it based on the actual cost of moving the freight?—A. That cost would be based on what the Dominion Coal Company would charge to deliver the coal to us.

Q. On a competitive basis?—A. Yes.

Q. Would it involve a loss to the railways, if instead of estimating the cost on what other people would have to pay you for carriage of the coal, you tried to arrive at what it actually cost you to carry the coal?—A. It would undoubtedly cost us more to carry the coal with the type of boats we have than it cost the company to deliver the coal to us at Quebec.

Q. I am thinking not of boats, but your railway?—A. We do not take freight rates into account in delivering by railway. We figure the cost to Quebec.

Q. Suppose there were no boats there at all, and suppose you were willing to carry the coal at the bare cost of moving it, how far west could you carry Nova Scotia coal?—A. We could not bring it nearly so far west. We would have to figure that out on a basis of the actual cost of haulage. We have never done that, because we take it by water in summer for our requirements.

[Mr. R. C. Vaughan.]

Q. I understand from you that even if you charge the bare cost of haulage of coal that cost would be sufficiently high to prevent it being economically sound to carry Nova Scotia coal further west than you do?—A. Yes.

By Mr. Macdonald:

Q. Have you ever figured out the deterioration of coal in every respect by extra handling—that you would be able to carry it across the bridge without extra handling?—A. In buying American coal we always buy screened coal, and we figure on mine run of coal in Nova Scotia.

Q. You said that during the period from April 1st, 1921, to April 1st, 1922, you purchased a million tons from the Nova Scotia collieries?—A. Yes.

Q. An that roughly 300,000 tons of that was transported by water?—A. Yes.

Mr. MACDONALD: For the last six months I know in my county they did not take within 20,000 tons of what they ordered.

By Mr. Vien:

Q. You told me, if I understood you right, that from the 1st April, 1921, to the 1st April, 1922, you purchased from the Nova Scotia collieries, roughly speaking, a million tons of coal?—A. The deliveries would be over nine hundred thousand tons.

Q. And three hundred thousand tons of that was carried by water?—A. Yes.

Q. So that seven hundred thousand tons would have to be carried by rail?—A. Yes.

Q. What did you charge for your competition cost of transportation by rail on this six hundred thousand tons?—A. We did not charge anything.

Q. But when you come to compute the actual cost so as to compare it with the cost of American coal, you put up something for the transportation from Sydney to Levis?—A. All that coal moves by water. The coal we bring to Levis by water will go back by rail, perhaps a divisional point, to Chaudiere.

Q. I am not talking of water-routed coal; I am talking of the six hundred thousand tons of coal carried by rail.—A. We would not put that up against American competition, because we never thought of taking American coal to the Maritime provinces.

Q. Did you figure what that coal cost you?—A. Coal on our lines always moves O.C.S. (on company service) that is, no freight is charged for it. That is the standard practice of all railways.

Q. How much did you pay for the six hundred thousand tons at the mines?—A. We paid various prices. I think the prices ran from about \$5.50 up to \$6.30 a ton.

Q. If you could have obtained a supply of American coal on the Intercolonial railway at \$5.00 delivered there, that would be a factor that would involve some consideration and prompt you to take the coal from some other source?—A. Well, we never took that into consideration at all, for we never figured that it would be economically sound to pass right by the mines in our own country and bring in coal from the United States.

Q. Did you figure what that coal cost you delivered at Levis?—A. Yes.

Q. You paid \$5.50 to \$6.30 at the mines?—A. Yes.

Q. And what did it cost you at Levis?—A. The freight cost \$1.25 per ton.

Q. That is by water?—A. We do not move any coal by rail west of Campbellton.

Q. You say six hundred thousand tons of coal has been moved as far west as Cochrane?—A. No, of that approximately one million tons, three hundred thousand tons came by water. The balance was moved by rail to Moncton, Truro and other places.

Q. How far west would that go?—A. That perhaps would come one division west of Campbellton. It is cheaper to bring it by water to Levis and move it back by rail.

[Mr. R. C. Vaughan.]

By Mr. Hanson:

Q. In your maritime coal you include the New Brunswick mines?—A. Yes.

Q. In the past you have not taken much coal from there?—A. No.

Q. And that is because it is not on the lines of the Canadian National Railway System?—A. Yes. The situation in 1920 was that we could not get coal from them.

Q. In other places the miners were out on strike, and the New Brunswick mines had a ready market elsewhere?—A. Yes. Coming to 1921 they supplied the Canadian Pacific Railway, and they had not given us coal and the Nova Scotia mines had. They came to us to make contracts when coal was a drug on the Nova Scotia market, and we figured then on getting our supply from the mines on our own lines.

Q. As I understand it, you took from only one company on your line, and the others cannot sell to you?—A. We took several thousand tons; we had not done business with them for some time.

Q. They always supplied substantially part of the Intercolonial Railway?—A. Some of the coal is not very good. There are points at which it is economical for us to use New Brunswick coal.

Q. Would not that be true as applied to Gibson and other points? You have coal shipments as far east as Moncton?—A. We expect to be ordering some coal from them this year, but we are pretty well stocked up with Nova Scotia coal.

Q. What they want down there is that you should give them some consideration, for they will absorb the cost of landing it on your lines?—A. We have made up our minds to give them every consideration.

Q. You ought to give them an order for several hundred thousand tons?—A. If we did not have such heavy stocks on hand we would.

The CHAIRMAN: Are there any coal mines in Prince Edward Island?

Mr. HANSON: The Canadian Pacific Railway Company will not buy from any independent company, and I am anxious to see the little operators live.

By Mr. Hanson:

Q. You are going to give them consideration this year?—A. Yes.

Q. This coal to which Mr. Macdonald has referred was purchased in 1920 when there was a great dearth of coal and you had to protect yourselves wherever you could get coal?—A. Yes, we had to look for it all over the States the same as other railways had to do. Our representative would say "we can get coal at so much" and we had to take it at the price. We would have had to close down all the railways in Canada if we had not done that. Mr. Carvell can tell you all about it, he has travelled in search of coal.

Mr. VIEN: Many of the American railways own their own coal mines.

The CHAIRMAN: Are there any papers that you want Mr. Graburn to produce with his evidence, so that you can look over them.

Mr. MACDONALD: I should like to have a statement of the amount of coal contracted for in 1921-22 and the quantities of coal delivered.

The WITNESS: I will take a note of that.

By Mr. Vien:

Q. Would there be any advantage in the Government railways of Canada owning their own mines?—A. I do not think so. There are good and bad kinds in mines the same as in anything else. For a while during the war the American companies did very well, but they had been selling at very low prices before the war.

Q. How do you reconcile your statement with the fact that the D. & H. Railway Company are large mine owners and operators?—A. They own anthracite mines. The D. & H. is a private corporation and they have made money out of their mines. They are a close corporation.

[Mr. R. C. Vaughan.]

Q. Are they not operating soft coal mines?—A. No. There are very few railways in the United States that own coal mines.

Q. That is bituminous mines?—A. Yes. If you gentlemen will let us buy coal where we can buy it to advantage we can save something.

By Mr. Hanson:

Q. Where you can buy coal locally should you not do so?—A. Yes.

By Mr. Vien:

Q. You say "if you gentlemen will let us buy coal where we can buy it to advantage we can save something"—is there any interference in respect to the purchase of coal for the Government railways?—A. What I want to make clear is that conditions were very abnormal in 1920 and they are not so now. Every company was out buying coal wherever they could get it at almost any price. People forget that coal has been a drug in the market for the last year and a half. Before that we were down to Washington to see the Government about getting coal, and trying in every way to speed up our deliveries. We did everything we could to buy all the Nova Scotia coal possible.

By Mr. Hanson:

Q. Is it not a fact that the colliers all over the country were trying to get the best prices they could for their coal irrespective of the conditions that prevailed in the country?—A. In 1920 the Inverness mines would not give us a ton of coal. The Intercolonial Railway kept that mine alive for years, yet they would not let them have coal in 1920.

By Mr. Vien:

Q. You would not blame them?—A. I would in this way; if they had an eye for business in the future and any recognition of what was done in the past for them they would have acted differently. They were selling the coal largely to Holland which was a neutral country in the war, and letting the Intercolonial Railway go without coal, and forcing them to procure it wherever they could get it.

Q. All interference with trade in the war except in a few items was a bad principle. If there had been no embargo and no interference with any kind of freight, it would have been better? (No answer).

Mr. HANSON: There is a wide difference of opinion on that. If there had not been an embargo you would have been paying \$20 a barrel for flour.

By an Hon. Member:

Q. You took into consideration the mileage. Is the condition of the road ever taken into consideration?—A. In the matter of coal haulage we would not take that into consideration.

Q. In other commodities such as the products of stone quarries, the proprietor of one told me that he could not get rates nearly as favourable where he is located as he could at a main line, and it was only because they could haul cars of a certain capacity over that line.—A. There may be something in that. I imagine that would not be on our lines, because I do not think our grades are such west of here as to affect any question of that kind.

By Mr. Vien:

Q. I understand you have three different districts in respect to your supply of coal—maritime, central and western districts?—A. Yes.

Q. How much did you pay on the average last year in those different districts?—A. I would say off-hand that our maritime prices were the highest.

Q. How much do you figure in your books would be the cost price to you?—A. In figuring out the prices of coal in the central districts we used to figure the cost on

[Mr. R. C. Vaughan.]

car prepaid and in Nova Scotia the cost of the coal at the mine, but we were buying American coal at Port Arthur cheaper than we were buying coal at Nova Scotia at the mines.

Q. And you had to haul it?—A. Yes.

Q. In respect to your deliveries at Cobourg, you said the price was how much?—A. It was \$4.76 as compared with various prices running from \$5.30 to \$5.60.

Q. Do you use American coal from Winnipeg west?—A. We use mostly Alberta coal at Winnipeg.

Q. The first division out of Winnipeg you use American coal do you not?—A. Yes, east of there.

By the Chairman:

Q. And sometimes, as I understand it, you will use American coal for one division west of Winnipeg?—A. Yes.

By Mr. Vien:

Q. How does the Alberta coal compare with the coal delivered in your central district?—A. The Alberta coal would be more expensive than coal delivered east of Winnipeg.

Q. How does the cost to your railways compare?—A. The cost of Alberta coal at the mine is considerably cheaper than the cost of Nova Scotia coal at the mine.

Q. What factors cause that?—A. I do not know except they say that it costs more to mine the coal in Nova Scotia. For instance it costs more to mine under the sea. They have a good many bituminous mines in the West.

Q. Would you give the percentage of difference in cost between the western coal and Nova Scotia coal?—A. I would not say off-hand; the difference is probably 25 per cent.

Q. What did you pay for Nova Scotia coal last year?—A. From \$5.50 to \$6.30.

Q. Did you buy any for less than \$5.50?—A. We bought New Brunswick coal delivered on our line that would have figured less than \$5 at the mine.

Q. You were buying American coal delivered at Port Arthur for less than coal at the mine in the Maritime provinces? You made a very broad statement; you admit now that you bought New Brunswick coal last year at the mine for \$4?—A. It was about \$5.10 on the line.

Q. I am informed that you bought coal last year in New Brunswick at the mine for \$4 per ton?—A. Mr. Graburn has just corrected me. He says \$5.10 was the cost. The total quantity of coal we bought from New Brunswick collieries last year was 10,000 tons.

Q. You did not buy enough; what price did you pay for American coal delivered at Port Arthur last year?—A. We paid \$5.53.

Q. At Fort William?—A. Yes.

Q. What kind of coal was that?—A. That price was paid for screened Pittsburg No. 8 coal. It goes over $\frac{3}{4}$ of an inch screen and a good deal of slack is taken out.

Q. What do you pay at the mines in Alberta?—A. We have been paying from \$3 up to \$5.25, according to the cost of production and the quality of the coal. We buy lignite coal for \$2 for use at the stations, but we are buying coal now at \$3.

Q. At what mine?—A. The Sterling mine. There are only two or three mines working on account of the strike.

Q. Where do you get the lignite coal?—A. We buy some from Souris district, some from Drumheller district—wherever there is a short haul.

Q. Where do you get the charge of \$5 a ton for coal?—A. We bought that from a number of mines—the Blue Diamond Coal Company and others.

[Mr. R. C. Vaughan.]

By Mr. Logan:

Q. Could you not get the whole supply from the mines you speak of?—A. We could but I do not think we would when there was a strike on there. That coal is very high in moisture and under normal conditions it throws out a good deal of sparks and we do not use this coal much in the summer months.

Q. Not so much depends on the cost of production as on the quality of the coal?—A. Yes.

Q. Where do you get your coal that is delivered at Port Arthur?—A. From the Y. & O. Company.

The Committee adjourned until Tuesday, the 6th of June, at 11 o'clock a.m.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

PUBLIC ACCOUNTS COMMITTEE

IN CONNECTION WITH

**PAYMENT OF \$2,429,984.08 TO CANADIAN NORTHERN RAILWAY
SYSTEM IN CONNECTION WITH COAL**

No. 4—TUESDAY, JUNE 6, AND WEDNESDAY, JUNE 7, 1922

NAMES OF WITNESSES:

R. C. Vaughan, and D. B. Hanna



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

TUESDAY, June 6, 1922.

The Select Standing Committee on Public Accounts met at 11 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of "a payment of \$2,429,984.08 to Canadian Northern Railway System in connection with coal, errors in calculation, freight and duty, as set out at page W-189, Volume 3, Report of Auditor General for fiscal year ended March 31, 1921."

Mr. R. C. VAUGHAN, of the city of Toronto, recalled.

The CHAIRMAN: Mr. Macdonald will proceed with the examination of Mr. Vaughan.

By Mr. Macdonald:

Q. Have you that contract with the Y. & O. Coal Company?—A. No, I have not got it with me.

Q. It was understood that you were to bring it with you?—A. I was instructed to take up with this Committee and see whether the inquiry is to be into a general coal contract, or only in relation to the item in the public accounts mentioned at the last meeting. There was no coal in that purchased under the Y. & O. contract. None of it was supplied in any of the items of this bill.

Q. Don't you think you could have brought the contract with you and submitted it to the judgment of the Committee? It is rather unusual for an official to refuse to produce papers or to come here without being ready to obey the rules of the Committee?—A. I have not declined to furnish it. I have not got it with me.

Q. You are declining, because you have not done what the Committee expected you to do. We cannot go on with the examination until you do produce the contract. Here are the circumstances, gentlemen: here is an item of \$2,429,984.08 paid the Canadian Northern Railway Company by the Government Railways for coal. Now on the face of that bill you have a very anomalous charge to begin with. There is no reason why the Canadian Government Railways should purchase coal from the Canadian Northern Railway Company. If they wanted coal they could have purchased it from other people who sell coal instead of buying from the Canadian Northern. Mr. Vaughan produces a number of vouchers showing certain coal was purchased by the Canadian National Railways from the Canadian Northern, and in the course of the examination it developed that the Canadian Northern have a contract with the Y. & O. Coal Company made in 1920; that this company with the unpronounceable name made a contract by which they were to supply eight hundred thousand to one million tons of coal per year for a period of three years. I asked Mr. Vaughan to produce that contract and let us see where the coal was purchased and why it was necessary to get coal in the United States at all, and also why they should make that contract and furnish that coal in such a roundabout way. That is all a matter that we should properly inquire into and investigate.—A. Allow me for an instant to explain. I do not think Mr. Macdonald has put that exactly right.

Mr. MACDONALD: I object to the witness coming here and making such a statement.

Mr. HANSON: I think in fairness the witness should be allowed to explain.

The WITNESS: As I say, you have not presented the facts as I stated them—

Mr. MACDONALD: I resent that.

The WITNESS: I hope I have a right to open my mouth here—

By Mr. Macdonald:

Q. What we want to know is what the facts are?—A. The facts are these: You say the Canadian Northern sold coal to the Canadian National Railways. That coal was bought by the Canadian National Railway System, but not bought in their name. Some of it went direct to the stock pile at Harvey. Now naturally we are obliged to keep a separate account. If the Canadian National Railways got that coal there is a bill for it from the Canadian Northern; some companies must get it. It is a purely financial matter.

Q. Where did I make a statement that was not correct?—A. You enlarged on my statement. The point I want to make clear is you say the Canadian Northern bought coal and sold it to the National Railways. The order was given in the name of the Canadian National Railways. It is purely a financial matter; we are obliged to keep the accounts of the two railways separate.

Q. That only accentuates the matter. You went out of the country to purchase \$2,429,984.08 worth of coal and we want to know all about it.

The CHAIRMAN: I understood that the witness was to come here and bring the contract with him. The reason for postponing the examination was in order that we might have the contract here, and we named this date to suit his convenience.

The WITNESS: That is quite true.

Mr. MACDONALD: At our last meeting I asked the witness if he would bring the contract. My question was "Could you produce copy of that contract?" and the reply is, as shown at page 57 of the report of our last meeting, "I have not got it here but I shall be glad to do so."

By the Chairman:

Q. I think Mr. Macdonald has a right to ask you why you have not got the contract. Why have you not brought it?—A. All I can say is I am acting under instructions.

Q. From whom?—A. From my president.

Q. Are we to understand from what you say that when the Public Accounts Committee of the House of Commons asks for the production of a document, the president of the National Railways may take it upon himself to give contrary instructions?—A. No, I do not understand that at all. I believe there has been correspondence with the Minister of Railways as to whether we should produce documents in cases where they are unnecessary.

Q. We know that you have no desire to be discourteous to the Committee or to go back on your undertaking, but this Committee calls for the contract—did not specifically order you to bring it, because we had your word that the document would be forthcoming. Now, I ask you to produce that document. This Committee is a piece of the House of Commons, which is after all the final governor of the country. It asks you to produce that contract. I take the view that there is no authority in this country that has the right to contradict the order that this Committee has given.—A. I think the only view taken by the president was that it was not pertinent to the inquiry.

Mr. HANSON: Your position is that under authority from your superior you were not allowed to produce it. I think we ought to go back of Mr. Vaughan.

The CHAIRMAN: I am careful not to attach blame to Mr. Vaughan personally. What I say is that when the Public Accounts Committee orders the production of a document no other authority has a right to interfere and say that the document shall not be produced.

Mr. HANSON: The witness says that the document is not relevant to the inquiry.

Mr. MACDONALD: The evidence shows that it is relevant.

[Mr. R. C. Vaughan.]

The CHAIRMAN: I would go further than that. I would say that when a document is to be produced by a witness, it is for him to bring it and say to the Committee, "I have been asked to produce this document for certain reasons, but I am told not to produce it." We could order him either to produce the document or say it was not necessary.

Mr. HANSON: Once it is in his possession. He has not got it in his possession.

The CHAIRMAN: He led us to believe that he had possession of it.

Mr. RYCKMAN: He says he has been ordered not to produce the contract.

The CHAIRMAN: Take the case of a witness who has been summoned to bring a document before the court—and we have all the right to examine that a court has—if a witness is subpoenaed to bring certain documents, it is no answer to say that somebody ordered him not to.

Mr. MACDONALD: He says he is the man who made the contract.

The WITNESS: No, I did not say I made the contract.

The CHAIRMAN: I have been careful not to criticize Mr. Vaughan personally, but he gave us to understand that he would bring the document with him to-day.

Mr. RYCKMAN: There is no doubt of that at all. He now says that his superior officer ordered him not to bring it. Then, the custody is not with him.

Mr. MACDONALD: He has not said anything about custody. He says he has not the contract with him, but nobody expects that he would carry the contracts of the Canadian National Railways in his pocket.

Mr. RYCKMAN: I have no doubt you can require the production of the document, but under the circumstances you cannot expect to get it from this witness.

The CHAIRMAN: My request will be to the witness—I do not want to put it in the form of an order—that the document be produced. Mr. Macdonald, would you like the witness to stay here and telegraph for the document?

Mr. HANSON: I do not think that is a fair order to give to this witness in view of the fact that he is acting under instructions from the president. If we want the contract, let us get Mr. Hanna to come here and produce it.

By Mr. Macdonald:

Q. Who was it negotiated the contract with that company—the Youghioghny and Ohio Coal Company?—A. The contract was negotiated by various people, including the president and myself, and it was submitted to the Board of Directors for approval.

Q. You participated in the negotiation?—A. Yes.

Q. Did you go to Ohio for it?—A. No.

Q. Where was it negotiated?—A. In Toronto.

Q. With whom?—A. With the Vice-president of the Y. & O. Company.

Q. What is his name?—A. Mr. Findlay.

Q. He came to Toronto and made the contract. You being the official having to do with the making of contracts, I assume the burden of negotiating fell largely on you?—A. To some extent.

Q. Not to some extent, but to a large extent?—A. To a considerable extent.

Q. You talked over the contract prices?—A. Yes.

Q. And you were familiar with the sources of supply?—A. Yes.

Q. Not only in Ohio but elsewhere?—A. Yes.

Q. In fact, your information on that subject was more complete than the president's?—A. Yes, it would be.

Q. You thought the price and the terms and other conditions were satisfactory?—A. Yes, they were.

[Mr. R. C. Vaughan.]

Q. Did you recommend that contract to Mr. Hanna?—A. Yes, I recommended at that time when the contract was signed.

Q. Then the contract was signed by the president I suppose?—A. Yes.

Q. Where has it been since—in your particular department?—A. I do not remember off-hand where the contract is. There is naturally a copy of it in my department.

Q. You must have had access to the original, because you were purchasing coal under it?—A. Yes.

Q. It would be in your custody now, would it not?—A. I think the contract is in our office.

Q. That is in your particular coal purchasing department?—A. Yes.

Q. The other day when you were here you expressed your perfect willingness to produce that contract. When did you change your mind?—A. Well, I cannot say anything more than I said a few minutes ago—I am acting under instructions.

Q. I want to question you about those instructions. You told us the other day that you would be very glad to bring the contract? Did you speak to Mr. Hanna about it?—A. Yes.

Q. What did you say?—A. I said that this contract had been called for and asked if I should give it and my instructions were that it was not pertinent to the contract.

Q. What do you mean by pertinent?—A. That the inquiry was for coal in 1920, and there was none of this coal supplied under that contract that year.

Q. But you said here was some. On page 57 of the report I find when you were asked “was it from that company that this coal was purchased?”, you replied “No, but there was some, very little of it.” If there was only a ton of that coal supplied, the contract would be quite relevant to this inquiry. Did you suggest to Mr. Hanna that he should not produce it?—A. I do not know that I did.

Q. You say now that none of that coal was supplied in the quantity to which this account refers: When did you change your mind?

Mr. HANSON: He has not said that he changed his mind.

Mr. MACDONALD: I am examining the witness now, you can examine him when I am through. (To witness.) When did you change your mind?

Mr. HANSON: That is not a fair way to examine a witness. Nothing has been said to show that the witness has changed his mind.

Mr. MACDONALD: He must have changed his mind because he said the other day that he would be glad to produce the contract.

The CHAIRMAN: Why this change of attitude. He may think in his mind that he should produce it, and he says the reason why he has not produced it is because he is acting according to instructions.

By Mr. Macdonald:

Q. Do you think he should produce it now?—A. I would say, Mr. Macdonald, there is nothing in the contract that we are ashamed of, but the point is this—is this a general inquiry into our coal purchases or is the investigation confined to this particular item?—

Q. You know very well that it is not a general coal inquiry. What we are concerned about is to see whether the Canadian Northern Railway supplied the Government Railways with two and a half million dollars worth of coal—which is very anomalous when we know that the company could have secured it elsewhere—we want to find out why the Government should pay \$12 per ton for that coal?—A. Just in that connection permit me to say when the Canadian Government Railways were purchasing that coal at \$12, the Dominion Coal Company was charging \$14 for coal at Sydney.

[Mr. R. C. Vaughan.]

Q. You produce correspondence which shows that you never asked any company but the Dominion Coal Company for coal?—A. We took every ton of coal we could get in 1920.

Q. We will get back to where we were: You say you went to Toronto and told Mr. Hanna that this contract for the purchase of coal in the United States was asked for by the Committee. Did you show him any of the evidence that was taken here?—A. No, I have not seen the evidence myself.

Q. Then he knew nothing about the evidence?—A. No.

Q. He had not seen the evidence reported at the Committee—did he ask for it?—A. No, he did not.

Q. Then he did not know anything about the evidence that had been taken here when you told him you were asked to produce the contract?—A. I told him just what had happened.

Q. Did you tell him we wanted the correspondence with reference to the purchase?—A. Yes.

Q. Did you bring it?—A. It would take half a car-load to bring it.

Q. I mean the correspondence with reference to this item?—A. You asked about the purchase of coal.

Q. I mean the correspondence relating to this item?—A. We have brought some of it here. It will take some time to get the whole of it.

Q. Time ought not to be any object when we are dealing with \$2,500,000 that has been spent. You brought some of the correspondence but not all?—A. No, not all.

Q. You do not mean to say that there would be half a car-load of correspondence relating to this particular item?—A. So far as that goes, we have no objection.

Q. You have not a half car-load of correspondence?—A. I have had very little time to give to this matter since I was here before.

Q. But you have an ample staff in the office and you can say that you want the correspondence for so much coal bought in the United States for the Railways and tell them to hunt up all that correspondence?—A. Yes, but I thought it might be necessary to look into it myself.

Q. Did you tell them to get the correspondence?—A. Yes. I have some of it here.

Q. Is that the car-load?—A. I have some of it ready to submit to the Committee. If you want the whole of it, it will be produced.

Q. That refers to the particular coal purchased in the United States?—A. Yes.

Q. And you have not got all that correspondence here?—A. No.

Q. Mr. Hanna told you not to produce this contract without having seen the evidence taken before the Committee?—A. Yes, but I told him what had transpired.

Q. Did you tell him that you had agreed to produce it?—A. I told him I had been asked for it.

Q. Did you tell him you had agreed to produce it?—A. No.

Q. You bar further examination by saying that Mr. Hanna told you not to produce the contract?—A. I acted under instructions.

Mr. MACDONALD: Mr. Hanna is in town I understand. I suggest to the Chairman that he be asked to appear before this Committee.

The CHAIRMAN: I think he should.

Mr. MACDONALD: I think we should report to the House the position taken by Mr. Vaughan. It is time, when Mr. Hanna takes the stand that a document which the Committee wants shall not be produced, that we should know how the House views it.

The CHAIRMAN: The clerk tells me that the proper procedure where a witness refused to produce a document, is to report to the House, and I think that would be the best thing to do.

Mr. RYCKMAN: That is applicable when a witness has control of the document called for, and there is no superior course. I take it that what Mr. Macdonald suggests is the best course to follow.

The CHAIRMAN: Your suggestion, Mr. Macdonald, is to ask Mr. Hanna to produce it?

Mr. RYCKMAN: Yes.

Mr. HANSON: I think Mr. Hanna should be asked to attend at our next meeting and give his reasons for not producing the contract. He may furnish evidence to show that it is not well to produce the contract.

The CHAIRMAN: It strikes me that it might be pertinent for Mr. Hanna to bring the document with him and he might say that he has it but does not want to produce it for reasons which he could give. It would be for the Committee to say, after hearing his reasons, whether he should produce it or not, but I do not think it is competent for a witness to say that he refuses to produce such and such a document because in his opinion it is not relevant to the inquiry.

By Mr. Hanson:

Q. This is a case of a contract between the Canadian National Railways and the Y. & O. Coal Company?—A. Yes.

The CHAIRMAN: What we are examining into is the details of a certain item which appears in the Auditor General's Account. Money of the people of Canada was used for the purchase of this coal, and therefore I think it is quite appropriate for this Committee to inquire into it.

Mr. MACDONALD: I ask that the witness stand down and that Mr. Hanna, who is in town, be asked to appear with this document and we can decide then whether it shall be produced or not.

Mr. HANSON: Before the witness stands down, I should like to ask him some questions.

The CHAIRMAN: I have no desire that the witness should stand down before the examination is complete, but I think that Mr. Hanna should be brought before us and asked to produce the contract.

Mr. MACDONALD: I move that the Clerk of the Committee summon Mr. Hanna to appear here and to bring with him a certain contract entered into in 1920 between the Youghiogeny and Ohio Coal Company, of Ohio, and the Canadian National Railways.

The motion was agreed to.

The CHAIRMAN: Now we can proceed with the examination of Mr. Vaughan on other matters.

Mr. MACDONALD: As I asked this witness to be called, so far as I am concerned I ask that my examination stand over until we get all the data.

The CHAIRMAN: When shall we call Mr. Hanna?

Mr. MACDONALD: To-morrow morning.

The CHAIRMAN: To-morrow morning at 11 o'clock, and it is further understood that Mr. Macdonald's further examination of this witness stand over.

Mr. HANSON: What course has been pursued in the past in relation to examinations before this Committee? Is it purely informal or do you stand on rules and technicalities?

The CHAIRMAN: As a rule, it is very informal. It would be well if we conducted things pretty much along the same lines as any court. I do not mean that we should regard technicalities, but that a man be allowed to finish his examination that he is pursuing and then let others question. I suggest that to the Committee.

By Mr. Hanson:

Q. This expenditure of two and a half million dollars took place in 1920?—
A. Yes.

[Mr. R. C. Vaughan.]

Q. Was any portion of the coal purchased by the Canadian Government Railways from the Canadian Northern Railway Company part and parcel of the coal delivered by the Y. & O. Company?—A. No.

Mr. MACDONALD: You have already said there was.

By Mr. Hanson:

Q. Was any portion of the coal purchased by the Canadian Government Railways in 1920 from the Canadian Northern which makes up the sum of \$2,429,984.08 any part or parcel of the coal shipped to the Canadian National Railways under the Y. & O. contract?—A. No, there was no coal at all supplied in that item from the Y. & O. Company.

Mr. MACDONALD: I think it is only reasonable for this Committee, if its proceedings are not to be a farce, to let the inquiry stand over until we get the data for which we have asked. It is rather curious that Mr. Hanson should now ask the witness to contradict himself—

Mr. HANSON: I resent that.

Mr. MACDONALD: Because the witness said the other day that there was a portion of the coal purchased under the contract with the Y. & O. Company sold to the Canadian Government Railways in 1920.

The WITNESS: I should like to have Mr. Macdonald show where I said that any portion of that coal was procured from the Y. & O. Company.

Mr. MACDONALD: I want to know, as a member of the House of Commons, where two and a half million dollars of the public money has gone to.

Mr. HANSON: I am just as much concerned as the honourable gentleman is in getting at the facts.

Mr. MACDONALD: Then why do you ask the witness to contradict the statement he made at our last meeting?

Mr. HANSON: I submit that my question does not ask the witness to contradict his statement.

The CHAIRMAN: I do not think I can refuse to allow the question to be put. I think the question is allowable.

The WITNESS: My answer to that question is no. None of that coal was furnished by the Y. & O. Company.

By Mr. Hanson:

Q. Then if you made a contrary statement the other day it is an error?—A. I should like to explain that the last time I was asked about this coal we were speaking of coal in 1920 and 1921 and various other coal, and something may have got into the evidence which was an error.

By Mr. Macdonald:

Q. I will read from page 57 of the report—"Q. Could you produce a copy of that contract?—A. I have not got it here but I shall be glad to do so. Q. Was it from that company that this coal was purchased?—A. No, but there was some—very little of it. Most of this was coal that we had to pick up when our coal was confiscated by the American railroads and they fell down in their contract. I think the United States railways took from us 750,000 tons which we should have got under the contract."—A. All I can say is that this is probably an error in the transcription. It looks the way it is put as if there was some doubt about the question.

Mr. MACDONALD: I do not propose to examine the witness any further at this stage.

By Mr. Hanson:

Q. You say now that no coal was supplied in 1920 by this company?—A. I do.

Q. What coal was supplied, and what was the necessity for the transfer of coal

[Mr. R. C. Vaughan.]

from the Canadian Northern to the Canadian National Railways?—A. So far as we are concerned, it was not a transfer. Everyone knows that the coal situation in 1920 was very acute. Railroads and industries could not get sufficient coal to keep them going.: Mr. Carvell was also acting as fuel contractor and endeavouring to get all the coal he could procure from the Nova Scotia collieries. He had men going through the United States trying to procure coal. We had coal coming from the United States which was confiscated en route. We were not different from other railways so we were obliged to get spot coal. A good deal of it was bought by telephone. We would get a telephone “We can get so much coal at such a price,” and we would say, “buy it.” It would come to Harvey Junction and be dumped there and it was supplied at the actual cost of the coal.

Q. Was any profit made by the Canadian Northern Railways as against the Canadian National Railways?—A. No, not a copper.

Q. There is a great discrepancy here as to the cost per ton. I notice the first item was 3,027.35 tons of coal at \$3.29, and the last item was 69,543.355 tons at \$12. Just explain why there is such a difference?—A. It was due to the market conditions at that time. Coal was sold at all kinds of prices. Some sold as high as \$17.50 at the mines; some American railroads paid that for coal. The New England companies bought all they could get hold of and shot the market to pieces. Some of the prices here includes duty. There is no exorbitant charge there, considering the conditions at the time.

Q. These are market prices?—A. Yes.

By Mr. Lewis:

Q. There is one item there which gives the price of “492.95 tons, and freight \$217,887.14 and duty \$11,712.26.” If freight and duty is included in that price of \$12 why are those figures there?—A. The \$12 coal was principally taken from the stock pile, the freight and duty would be included in that, but in other cases freight and duty are added because it was shipped direct and did not go into the stock pile.

Q. Some of this coal came from the United States?—A. A good deal.

Q. But not under that particular contract?—A. No.

Q. And you had other contracts besides this one with the Y. & O Company?—A. Yes.

By Mr. Hanson:

Q. Or it was spot coal you happened to buy?—A. Yes, spot coal we happened to buy.

By Mr. Macdonald:

Q. You said you had some correspondence with regard to this item of purchase; can you produce that?—A. Yes.

Q. You say this correspondence which you now hand me is with parties from whom you purchased coal?—A. Yes.

(Documents marked as V 1, V 2, V 3, V 4 and V 5—produced by witness and handed for examination to Mr. E. M. Macdonald.)

By Mr. Lewis:

Q. None of this was hard coal?—A. No, soft coal. There may have been a little hard coal in it, I would not say off-hand.

By Mr. Macdonald:

Q. You produced here some correspondence the other day with various companies in Nova Scotia with regard to coal purchased in 1920. I find on examination that there is no correspondence except with the Dominion Coal Company. Had you correspondence with any other companies?—A. Yes there was.

Q. Where is the correspondence,—have you got it with you?—A. No.

Q. Are you willing to produce it?—A. Why, yes.

[Mr. R. C. Vaughan.]

The CHAIRMAN: Are you asking for the production of the correspondence.

Mr. MACDONALD: Yes, I should like to have it.

The CHAIRMAN: Just what is desired—all the correspondence had between certain dates? Tell the witness so that there can be no possible misunderstanding.

Mr. MACDONALD: The circumstances are, the witness the other day intimated to me, according to the evidence, that this was correspondence he had with coal companies he had in Nova Scotia, showing that he could not get coal. I find on going through this correspondence that with the exception of one company there is no such correspondence. I should like him to produce all the correspondence he had with all the coal companies in Nova Scotia relative to their supplying coal in 1920.

The WITNESS: That correspondence has reference to a number of companies that we bought coal from. We made every effort to procure coal. The correspondence that Mr. Carvell had mentions all the companies.

By Mr. Macdonald:

Q. There was only one company shipping abroad?—A. Well, he communicated in our behalf with all the companies we had correspondence with.

Q. Have you any of that correspondence yourself?—A. No, not that he sent.

Q. I am asking about the correspondence you had yourself?—A. I shall be glad to give you all the correspondence.

Mr. MACDONALD: I am not prepared to go on with the examination until I see the contract.

The CHAIRMAN: Are there any other matters that the Committee wishes to take up this morning. There is no desire to examine Mr. Graburn at present.

By Mr. Lewis:

Q. Do you find it cheaper to buy coal in the United States than in Canada?—A. In certain districts we do.

Q. Do you pay for a longer freight haul and duty too and find it cheaper?—

A. It is very much cheaper in Central Ontario and coming up the Great Lakes to buy coal from the United States companies.

Q. The coal is just as good, is it?—A. Yes.

By Mr. Macdonald:

Q. The contract is for three years at the worst time you could have made a contract?—A. That could be explained easy enough. There are no apologies to make for it.

Mr. HANSON: Is it pertinent to the inquiry before the Committee that we should investigate all the efforts made by the National Railways to purchase coal in Nova Scotia that year?

The CHAIRMAN: I have never acted as Chairman of this Committee before, but it would strike me that if we see any charge made in the Auditor General's Report for material, to inquire why could not that be bought in our own country and at as reasonable prices.

Mr. HANSON: Yes, and they ought to buy coal in this country.

Mr. LEWIS: Is there any maximum price which you should not exceed?

The CHAIRMAN: Would not your question be better placed when we have the contract before us?

Mr. HANSON: But none of this coal came up from the Maritime Provinces.

By Mr. Lewis:

Q. Under this contract the Y. & O. Company had to sell you coal at the lowest prices that they charged other people?—A. Yes.

[Mr. R. C. Vaughan.]

Q. And it might have so happened in 1923 that you were forced to buy a million tons of coal at probably four or five dollars higher than it was selling at in Nova Scotia. You would still have to take it?—A. I think that is an impossibility. There is a maximum in the contract, of course; the maximum was \$3.25 at the mine for Pittsburgh run of mine coal. Regardless of prices, under the contract they were selling us coal at the lowest price they sold to anybody, and they are the largest company in the United States, so we were protected by that.

Q. You say here on page 57 that the contract was entered into when coal was selling at \$10 a ton at the mine?—A. Perhaps I did not make myself clear on that point. The maximum was \$3.25.

Mr. MACDONALD: The witness is giving his version of the contract which he should have produced.

Mr. HANSON: The contract will speak for itself if we are to have it.

The Committee adjourned until Wednesday, at 11 o'clock a.m., June 7, 1922.

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

WEDNESDAY, June 7, 1922.

The Select Standing Committee on Public Accounts met at 11 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of "a payment of \$2,429,984.08 to Canadian Northern Railway System in connection with coal, errors in calculation, freight and duty, as set out at page W-189, Volume 3, Report of Auditor General for fiscal year ended March 31, 1921."

The CHAIRMAN: Mr. Hanna is here and he has been asked to produce a certain contract. Mr. Hanna will come forward please.

D. B. HANNA, called and sworn.

The CHAIRMAN: Mr. Macdonald you wish to examine the witness.

Mr. STEWART: What order of reference are we proceeding under?

Mr. MACDONALD: The Auditor General's Report.

Mr. STEWART: As I understand it, it is the Auditor General's Report for the fiscal year 1920-21. That is the only report there is. The report for the following year is not yet out.

Mr. MACDONALD: What has that to do with it?

Mr. STEWART: I am only referring to the possibility of the production of documents being called for which are not yet in existence.

Mr. MACDONALD: But the order to produce the contract is in existence.

By the Chairman:

Q. You are president of the Canadian National Railways?—A. Yes, president of the Canadian National Railways.

Q. The other day in the course of his examination Mr. Vaughan stated that he would produce a copy of a contract providing for the supplying of 800,000 to 1,000,000 tons of coal a year made by the National Railways with the Y. and O. Coal Company. Have you the original of that contract with you?—A. Yes, I have it here.

The CHAIRMAN: My ruling the other day, gentlemen, was that we should have the contract here and then should listen to any objections which any one might raise
[Mr. R. C. Vaughan.]

to its production. Before actually putting it into the record we will hear any one who has any objection to its production.

Mr. STEWART: Has Mr. Hanna any objection?

The WITNESS: May I be permitted to make a statement? It is my understanding that this Committee is dealing with the Auditor General's Report for the fiscal year ended 31st March, 1921. In that report there are included certain items representing coal purchased by the Canadian National Railways for and on behalf of the lines of the National System.

By Mr. Macdonald:

Q. That is not the item. It is an item for coal purchased from the Canadian Northern System.—A. The Canadian National System, but we will let it go at that—say the Canadian Northern System. I want to say here that Mr. Vaughan has not refused to produce any papers in connection with these items referred to in the Auditor General's Report. When he was asked to produce the contract with the Y. & O. Company he was quoted as saying that there was coal involved in the transaction between the Canadian Northern and the Canadian National Railways which came under that contract. He says he made no such statement—that he was incorrectly reported, but whether that is true or not the fact remains that this contract, which I hold, made as it was on the 15th June, 1920, did not become operative until the opening of navigation in 1921, and that no coal was delivered under this contract until that time. Therefore this contract has no pertinent bearing—as I see it—on this particular inquiry. Now do not misunderstand me, gentlemen, the contract is here and I am not ashamed to show it—far from it—but what I submit is this, and I want you to take full note of what I am going to say, that if any committee desires during the operations of the National Railway System which we are trying to carry on free from political interference in every way possible—if the system is to be subjected to the production of contracts while coal is being delivered under them and this contract is being used as a basis for procuring other coal, then I want to show that the present board of management will not be able to carry on. I have the contract here. I say the Committee is not entitled to have it as part of this investigation, but if Parliament wants this contract of course Parliament will get it.

By Mr. Stewart:

Q. Does it cover any deliveries up to the 31st March, 1921?—A. No.

Q. No deliveries at all?—A. No.

By Mr. Macdonald:

Q. How do we know that?—A. I make the statement.

Q. But you are not able to make it.—A. I am in a position to make that statement.

The CHAIRMAN: Let Mr. Hanna finish his statement and then Mr. Macdonald can cross-examine him. Then any one who likes may re-examine him and we can discuss pro and con whether this contract should be investigated.

Mr. STEWART: I do not think it is fair of Mr. Hanna to say that this investigation is carried on with a view of political interference with the management of the railway.

Mr. HANNA: I never said anything of the kind.

Mr. STEWART: But the inference is there.

The CHAIRMAN: This interchange between witness and Committee might be avoided. I understand Mr. Hanna's pretention to be that he does not believe the deliveries under this contract fall under the accounts of the year which we are examining. I placed before the Prime Minister some time ago a suggestion to have the accounts for some years brought under the purview of this Committee. I do not

[Mr. D. B. Hanna.]

know whether an order to that effect has been passed or not, but I asked to have it passed.

Mr. STEWART: That would not cover this case. That would be to cover a year ahead.

The CHAIRMAN: Mr. Hanna has finished his statement I understand and Mr. Macdonald can now proceed with his examination.

Mr. MACDONALD: Then Mr. Vaughan's statement to the effect that there was coal purchased under the contract in 1920 in the item that we are now considering was incorrect.

Mr. STEWART: I object to that statement. Mr. Vaughan did not say so. He said that that was a garbled report of what he stated.

Mr. MACDONALD: I object to that.

The CHAIRMAN: My recollection is that Mr. Vaughan did say there was some taken that was delivered under that contract. Mr. Macdonald in putting his question asked if it was from that company that this coal was purchased, and the reply was "Very little of it." That is borne out by the stenographer's report.

Mr. MACDONALD: There are two things that Mr. Vaughan said on that occasion to which I wish to refer. First, on page 57 you stated that there was a contract with an American coal company for a large supply of coal and I asked what was the name of the company. He answered the Youghiogeny and Ohio Coal Company. Then the examination continued:—

"When was that contract entered into?—A. June, 1920.

"What was the nature of it?—A. The contract provided for 800,000 tons to 1,000,000 tons a year, practically all of it being shipped to Georgian Bay and Lake Superior points."

Then the question was put—

"Q. Could you produce a copy of that contract?—A. I have not got it here but I shall be glad to do so.

"Q. Was it from that company that this coal was purchased?—A. No, but there was some—very little of it. Most of this was coal that we had to pick up when our coal was confiscated by the American railroads and they fell down in their contract. I think United States railways took from us 750,000 tons which we should have got under the contract."

Then on page 58, half way down, he was asked—

"Q. Did you make any coal contracts in March or April, 1920?—A. No, the only coal we took was from the Y. and O. Company under our contract."

It is all very well for Mr. Hanna to make these speeches when he comes here, but we have the definite statement made here that the only coal taken was under that contract. Mr. Hanna cannot take the position that when money is voted by the people of Canada and committed to him for the time being as General Manager of the Government Railways, that we have no right to ask him questions as to what he has done with that money.

Mr. HANNA: No, I do not take any such position and never have.

By Mr. Macdonald:

Q. What do you say?—A. What I say is this that whilst the company is carrying on its business during the current year, when it is making contracts for the purposes of the current year's business that to produce a contract which we are going to use as a basis for making other contracts, if that contract is disclosed and the information goes out, will you gentlemen tell me what value we can expect to secure in making competition prices. That is my whole point.

[Mr. D. B. Hanna.]

Q. The result is you are saying what I say is correct. You say that by virtue of being General Manager of the Government Railways you can make a contract for coal or anything else which contract should not be produced to the Parliament which furnishes the money because you think it would prevent you from making favourable contracts with other people. That would apply to every expenditure in the public accounts whether for coal or anything else.—A. There is not anything we have done that will not bear the light of investigation.

Mr. MACDONALD: Then state the facts.

Mr. HANNA: I am stating the facts, but I must state them my own way.

Mr. MACDONALD: State the facts and do not make speeches. Act as any other witness is required to act and state the facts.

The CHAIRMAN: We hope all witnesses do that.

Mr. HANNA: There is not an article of any value purchased by the National Railway System that is not purchased upon a competitive bid. Now I submit that if we have to come here and produce all our contracts—because if you admit the principle in this one case there is no knowing where we will be put—I say therefore we should not be asked in the interests of the National Railway System to produce our contracts which are current. If we are to get the best figures, whether for coal, steel or cars, we should not have our efforts—how will I put it—our efforts or ability to secure competitive prices defeated by disclosing what our contracts are.

Mr. MACDONALD: We are not asking you to disclose anything with regard to the future. *

A MEMBER: I protest against the witness being interrupted.

The CHAIRMAN: I am endeavouring to prevent the witness being interrupted.

Mr. MACDONALD: Referring to the point you made at the beginning, I want to call your attention to the statement made by Mr. Vaughan at page 58 where he said:

“The only coal we took was from the Y. and O. Coal Company under our contract.”

Then he was asked—

“Q. Have your full requirements under this contract been met?—A. On the occasion to which I have referred they were not. There was such a demand for coal on the other side that the American railroads confiscated the coal we were getting under the contract. The Company shipped up 750,000 tons short on their contract and we had to go out and buy up coal to protect our requirements.”

It would seem to me the inference from that was that coal was delivered under the Y. and O. contract in the period mentioned when this was put in the Auditor General's Report.

Mr. HANNA: May I read one clause of this report?

The CHAIRMAN: It is a question whether the whole contract should go in or none of it?

Mr. MACDONALD: I am calling the witness' attention to the fact that Mr. Vaughan stated in the evidence which I have quoted that the coal under this contract was delivered in the period between April 1st, 1920, and April 1st, 1921, the financial year, under that particular contract, and I am calling attention to statements he made on May 30th to the effect that the only coal taken was under the contract of 1920.

Mr. STEWART: Has not this witness stated that the contract which he has in his hand does not cover deliveries made in the fiscal year 1920-21?

The CHAIRMAN: I think he has said that, but it is fair to ask the witness to explain the apparent contradiction between the statements made.

[Mr. D. B. Hanna.]

Mr. HANSON: Yesterday Mr. Vaughan corrected the statement he had made on the previous occasion.

The CHAIRMAN: We will put it that way if you like. Contradictory statements have been made.

Mr. HANSON: To a limited extent.

The CHAIRMAN: Let us hope that these contradictions are not carried to an unlimited extent. It is a fair question to ask the witness if he can reconcile the statements which have been made.

Mr. STEWART: Mr. Hanna is here and has the contract. We will make progress if we deal with the facts and not with any confusion of testimony on the part of Mr. Vaughan. Mr. Hanna has stated that this contract was made for future deliveries—that it does not cover any coal delivered in the fiscal year 1920-21 and if so the contract does not come within the orders of this Committee. It does not matter what Mr. Vaughan said: Mr. Hanna is here with the contract. Mr. Vaughan made a statement and he came back to the Committee and corrected it. Let us deal with the facts as they are and if it does not include deliveries made in the fiscal year 1920-21, it is not within the reference.

The CHAIRMAN: I was impressed with the knowledge of his business and the intelligence of Mr. Vaughan. He seemed to be quite alive to the facts when he first gave his evidence and on the second occasion, and it does seem to me that we have a right to probe this apparent contradiction. It seems to me that we cannot get the facts better. I am going to ask Mr. Hanna to reply to the question. I think he understands it.

Mr. HANNA: Quite clearly. The contract is dated 15th June, 1920. I should preface by saying that we endeavour to make and do make all our contracts for coal about the date of the opening of navigation. The contract provides:

“Said coal to be shipped in approximately yearly instalments commencing April 1, 1921.”

By Mr. Macdonald:

Q. How long was it to continue for?—A. It continues for three years. The first year's deliveries have been completed. The second year's business has not begun yet due to the strike troubles, and will continue for another year.

Q. When does it expire?—A. The end of the shipping season of 1923.

Q. April 1, 1924, it says?—A. April 1, 1921, to April 1, 1922, that is the first season. April 1, 1922, to April 1, 1923, is the second season and April 1, 1923, to April 1, 1924, is the third season when it is finished. Now if Mr. Vaughan made the statement which you have just quoted he must have made it in error. He tells me definitely that he did not make it, because it would not be a correct statement from the standpoint that there was no coal under this contract delivered among the items under this reference.

The CHAIRMAN: Mr. Vaughan I believe did make the statement. I do not doubt that he made it in perfect good faith and I have no objection to having the correction made. In my recollection it is borne out.

Mr. LEWIS: I maintain that he did not say it. The question was not asked whether any coal was delivered: The question was whether coal was purchased from that company.

The CHAIRMAN: He says “most of this coal that we had to pick up when our coal was confiscated by the American railroads,” I think that refers to deliveries and not to purchases.

Mr. HANSON: But it does not refer to this contract.

The CHAIRMAN: Going to page 58 I find the following—

“Q. Is that on account of the Government lines?—A. It was used on Canadian Northern lines.

[Mr. D. B. Hanna.]

"Q. Did you make any coal contracts in March or April, 1920?—A. No, the only coal we took was from the Y. and O. company under our contract."

I will ask this question—Had you any other contract with the Y. and O. company than the one before you?—A. Yes, we have been doing business with them for the last fifteen years.

Q. Did you have a contract with them?—A. We had a yearly contract.

Q. In writing?—A. Yes, I think it was just an exchange of letters, and I think that was the way we made it.

By Mr. Macdonald:

Q. You have said that you have had a continuous contract with the Y. and O. Company for the last 15 years. On page 57 Mr. Vaughan was asked—

"How long does that contract run?, and his reply was "It expires next year, 1923." Now you say it will not expire until April, 1924?—A. It is easy to explain that.

Q. Where was this coal to be delivered?—A. On the upper lakes.

Q. Were they to deliver it to you there?—A. Yes.

Q. What about the price?

Sir HENRY DRAYTON: What are we trying to do?

The CHAIRMAN: We are investigating a payment made to the Canadian Northern System for coal supplied to the Canadian National Railways.

Sir HENRY DRAYTON: Is there any suggestion of impropriety?

The CHAIRMAN: None at all.

Mr. MACDONALD: I asked for these papers. The situation is this: Looking personally through the Auditor General's report I find that in 1920-21 there was \$2,500,000 of the people's money taken from the Government Railways and paid for the purchase of coal to the Canadian Northern Railway. The charges for that coal range to as high as \$12 per ton. I moved for the papers in the ordinary way and when they are laid down I cannot find to whom they were paying this \$12 a ton. There is nothing in the documents that I have gone through to show. In the course of the ordinary questioning on May 30th Mr. Vaughan produced certain vouchers indicating purchases from different people in the United States with Canadian agents and elsewhere. I cannot find the name of anybody who received \$12 for the coal in the vouchers produced. Mr. Vaughan said that quite a quantity of this coal was taken from the Canadian stock pile and given to the Government Railways. I want to find out who received the \$12 for that coal and where it came from. I have never heard of this three year's contract before. In the course of this examination in the ordinary way it came out that there was a three years' contract with a company in the United States for the purpose of providing coal. Mr. Vaughan stated distinctly that the company furnished part of the coal that is included in this item.

Mr. HANSON: Not coal under this contract.

Mr. MACDONALD: Mr. Hanson knows more than I do about it: I never heard of the contract until Mr. Vaughan spoke about it and expressed his perfect willingness to produce the contract. There was no suggestion that there was any reason why it should not be produced. When we were going through the vouchers yesterday Mr. Vaughan stated that he would not produce the contract. I want to find out who got the \$12 per ton for the coal, where it was paid and under what contract. I have been looking through the statements brought down here, and I find correspondence about the purchase of coal, but not a ton of coal was purchased as the result of it.

Mr. STEWART: You asked for all the correspondence with all companies whether coal was purchased from them or not.

The CHAIRMAN: Every member will be given an opportunity to question the witness.

[Mr. D. B. Hanna.]

Mr. MACDONALD: I want the names of those from whom coal was purchased. I did not want to see the names of persons from whom no coal was purchased. All I want to see is the names of the people who supplied coal to the Canadian Northern Railway Company which is mentioned in this item in the Auditor General's Report. This is the first time in a long Parliamentary experience that we have to be told that Government money voted by Parliament must not be investigated—that we cannot find out who got it and how it was spent. If Parliament is going to surrender the right to find out from anybody—I do not care who he may be—where this money went the people of Canada will want to know why we are sitting here as their representatives. Don't you think it is only fair that we can get from Mr. Vaughan or Mr. Hanna a statement of who got the money under this item? I did not know anything about this contract—never heard of it until Mr. Vaughan mentioned it here in this discussion. He introduced the contract himself. I never heard of the Y. and O. Company in my life until then. He offered to produce the contract. Members of the Committee were led to believe that that contract related to this item of \$2,500,000 paid for coal. If not I would not waste time trying to find out about it.

Sir HENRY DRAYTON: That has nothing to do with it.

Mr. MACDONALD: It has. You cannot, Sir Henry, blow into the Committee at the last minute and tell us that it has nothing to do with it. Mr. Hanna says that he has a contract here which begins April, 1921. I want to find out something about the contract that related to deliveries in 1920. If this contract which he holds does not relate to the deliveries of that year, let him produce the contract that does.

Mr. STEWART: If I remember, Mr. Macdonald yesterday asked not only for the correspondence with this particular company, but the correspondence with every company.

Mr. MACDONALD: With every company that sold the coal.

Mr. STEWART: He wanted to know if there had not been coal purchased from other companies.

Mr. MACDONALD: Mr. Stewart is confusing two things. First, I wanted to get papers relating to the purchase of this coal. Mr. Vaughan said in his examination that the reason why this high price was paid for coal was because he could not get coal in the maritime provinces. He produced correspondence from one company which stated they were not able at the time to sell coal. I never asked for correspondence with people who did not deliver coal in the United States. It was all purchased in the United States—not a ton of it was bought in Canada. I want to know who the people are in the United States from whom coal was purchased. He has only produced correspondence from one Nova Scotia company; I want to know about the others.

Mr. STEWART: Might not all the correspondence be valuable in arriving at the wisdom shown in the prices paid?

Mr. VEIN: Is not the easiest way to get at it to let Mr. Hanna talk about the contract under which the coal was purchased?

The CHAIRMAN: I understand that Mr. Hanna has no objection at all.

Mr. HANNA: None whatever.

The CHAIRMAN: Although a contrary impression may have been given, Mr. Vaughan says the contract under discussion refers to deliveries subsequent to the item we are discussing. He says there were other contracts with the Y. & O. Company, either by correspondence or formal documents, and that these contracts are the ones to which the Auditor General's Report has reference. I am going to ask Mr. Hanna whether he will produce before us the contracts with the Y. & O. under which the purchases of coal represented by the entries on page W-189 in the Auditor General's Report were made, or any other company.

[Mr. D. B. Hanna.]

Mr. HANNA: There is not the slightest objection to producing any bit of paper or contract that we have covered by that reference.

Mr. MACDONALD: That is all we want.

Mr. HANNA: The point I want to impress is this: They represent telegrams, verbal communications and some contracts. As you all know in 1920 it was not a question so much of making contracts as it was to procure coal at any price to carry on our operations. There is no reason in the world why we should not tell you all about that item.

The CHAIRMAN: Then we are all at one.

Mr. MACDONALD: We understand that Mr. Hanna has no objection and will give through Mr. Vaughan the information we require as to the coal which was purchased that year.

Mr. HANNA: No objection at all.

Mr. MACDONALD: I know very well as a member of the Committee that my right of examination is confined to the years 1920 and 1921. I cannot go outside of that.

Mr. MCCREA: We all realize the difficulty of getting coal or any other material in 1920, but this is a contract made in 1920 for the delivery of coal in 1921, 1922 and 1923. What advantage was there in placing a contract for the delivery of coal in the years 1921, 1922 and 1923? Was it wisdom on the part of the management to make such a contract?

Mr. HANNA: We think so. We think it was a very good contract. It has proved so.

Mr. MARTELL: What are the prices to-day?

Mr. HANNA: The prices to-day have not been fixed. This contract is of such a nature that even when the strike ends and the miners go back to work, that no matter what rate they pay the miners our maximum price is here.

Mr. MARTELL: My whole contention is that we have had a ruling under which we are only to get information on the items which appear in the Auditor General's Report. Now you are giving evidence on a contract which is not before us. That may be a matter to be dealt with at a future time, but at the present time let us keep to the items as they appear in the Auditor General's Report.

Mr. HANNA: The question was asked and I was replying.

The CHAIRMAN: This was in reply to a question asked by Mr. McCrea.

Mr. VEIN: In the statement made generally by Mr. Hanna there were a few words which though they may have no bearing on the item under discussion are incidentally connected therewith quite closely. For instance, the question put by Mr. McCrea as to the advisability of binding the Canadian National Railways for a period of three years was to my mind absolutely irrelevant. Mr. Hanna has cleared the ground. He says they have a maximum price at any time. It was in the interests of the Committee that we should know that. I want to ask another question which might clear the ground for further discussion in this respect. Mr. Hanna has stated that it would not be in the public interests to give out, while the contracts are in force, the details of such contracts because it would hamper them in the purchase of supplies. I should like to have information which Mr. Hanna can give in two minutes—I am not quite clear on that point so far as the disclosure of the contract would affect competitive purchasers. It seems to me if the existing contract is known to the public when you are dealing with prospective sellers to your railway, if your contract is known the prospective tenderers will surely be apt to tender at a lower competitive figure. That is a point on which I want to be informed. I admit frankly that I am not an expert in such matters, but I want information from experts. I for one would be extremely reluctant to bring before the Committee or the House anything which would hamper the administration of our

[Mr. D. B. Hanna.]

national roads, but it seems to me in any ordinary business if in 1920, for instance, I purchased coal at \$6 per ton, and I am inviting tenders for the supply of coal for 1921, if it is known that I purchased at \$6 in 1920, it would be likely to result in getting lower tenders. On that point I should like to get information.

Mr. HANNA: Mr. Chairman and gentlemen of the Committee, when we send out our tenders to all of the coal operators in the Maritime Provinces and invite tenders from the American companies, the prices of the coal vary in accordance with the quality of the coal to be delivered. Our experience has been, particularly in the Maritime Provinces, that all the operators hold back and we cannot get tenders in. We are in this position to-day that although we called for bids a month ago not one tender has been received yet.

Mr. LOGAN: You know the reason.

The CHAIRMAN: You are rather getting away from Mr. Vien's point. I will sum up his question: Is it not wise when you are tendering to allow people to know what you paid before in order that they may be led to tender beneath the price you have been paying? Is there a business rule to the contrary?

Mr. HANNA: When all is said and done, when we get the tenders in and we know that we have overlapping contracts if we cannot get nearer the figure the tender is thrown out. We say "you will have tonnage at a lower figure; you can take it or leave it. The result is while we are getting tenders in, we go over them and in 19 out of 20 cases we never close for the lowest figure offered. We try to get a little lower price. If you let these figures be known it will to some extent hamper us and we do not feel that the information should be given out.

Mr. VIEN: That is just the point. You say even if it were known it would not bring the tenderer to offer a lower tender, but I hardly can see how it would bring the tenderer to offer a higher figure.

The CHAIRMAN: It might lead the tenderer to tender just under the price that the railway had been paying before. My own opinion is, Mr. Hanna, that it is not the price which you have been paying before that governs, but the best price they can get for the goods.

Mr. LOGAN: Referring to a statement made by Mr. Hanna about the tenders called for in the maritime provinces, there is a reason for the delay of the mines in tendering. There is a reason which Mr. Hanna started to give when you shut him up. Let me say, as a member of this Committee and suggest to Mr. Hanna that the position he is taking in reference to disclosing the prices of contracts is a position which might have been taken a year ago and I am not sure that it cannot now. If the contract is not disclosed it will arouse suspicion in the minds of the people that there is something wrong. The people want the book open. We must know in this country where the public money is paid and how it is paid and especially in the maritime provinces where we are interested in the sale of coal to the Government railways. We are interested in the contract which extends to 1924. To refuse to produce this contract to my mind is a serious blunder.

Mr. LEWIS: I am just wondering whether those mine-owners in Nova Scotia are waiting for this disclosure before sending in their tenders?

Mr. LOGAN: It is unfair for a member of this Committee to make such an insinuation in reference to the coal mine operators in Nova Scotia. Let Mr. Hanna answer the question and we will see why.

The CHAIRMAN: Mr. Hanna will you please continue your observation concerning the mine-owners of the maritime provinces.

Mr. HANNA: I regret that the discussion should get into the position it has assumed this morning. While we sent out tenders a month ago there has been a strike and the Conciliation Board is sitting, and the definite basis on which miners

[Mr. D. B. Hanna.]

wages are to be paid has not yet been settled. We are not complaining. I do not want to extend this discussion but I want to say to Mr. Logan that after the management has completed its work and has made contracts and these contracts have been fulfilled I have no objection that they should be disclosed. I have no objection to disclosing everything connected with the Government railways. The last thing I want is that a suspicion should be aroused in the country that we have refused to give information. I have taken the ground ever since this was a national system that there should be a small body of parliamentarians who would sit in with us with our annual report, and we will endeavour to answer every question they wish to put. It does not alter the specific fact that the management, if it has the confidence of the Government and of the people as a whole, should not be trammelled or circumscribed in their efforts by the disclosure of information which would have the effect of probably increasing the price of the goods that they have to purchase.

Mr. VIEN: The question is whether it would have that effect. In ordinary business when there is a falling market, if you advertise under what conditions you purchased goods last year and invite tenders, the tenderers will be prompted to underbid the price of last year, considering at all times the conditions of last year and the conditions of this year; and besides if they know that last year's tenders were sent in by so and so and that the lowest was so and so, this year they will be prompted by that very fact—if they have a knowledge of it—to try and underbid the successful tenderer of the previous year and that is a point on which I want expert advice, to know whether it really has that effect.

Mr. DUFF: I think it is only due to this Committee that Mr. Lewis, who made the insinuation that the operators of the maritime provinces were waiting to find out how much is paid for coal under that contract before putting in their bids, should be met. That is a very unfair insinuation and he should take it back.

Mr. LEWIS: I just asked the question.

Mr. DUFF: It was more than a question; it was an insinuation.

Mr. VIEN: The insinuation was met by Mr. Hanna's reply.

Mr. DUFF: In the Auditor General's report there is an item of two and a half million dollars paid for a certain quantity of coal and Mr. Macdonald figures out that this coal cost \$12 a ton.

Mr. MACDONALD: Not all of it. The prices vary from a very small quantity at low figures and a greater quantity at \$6.25 and at other higher figures. Over 150,000 tons were purchased at an average price of \$12.

Mr. DUFF: It seems to me the easiest way to settle this matter is for the Railway Management to produce its invoices. Every purchase must have been accompanied by an invoice and that is the quickest way to find out what has been paid. We will see at once whether that \$12 per ton was f.o.b. at the mines or c.i.m. here. In that way we can get the information and will not be beating about the bush. I suggest that all the invoices be produced for this coal which has cost the country two and a half million dollars.

Mr. HANNA: There is no objection whatever.

Mr. MACDONALD: With regard to your statement about the disclosure of coal prices I find in the Hansard that in answer to Mr. Jones of New Brunswick you gave the prices of freight paid to March, 1922—the Government gave us the information, but it would have to come from the management—you gave the prices of certain coal you purchased in February, March and April in the United States, and you went on to say that the Canadian National Railways had a contract with the Y. & O. Coal Company of Cleveland expiring December 31, 1923, for approximately 1,000,000 tons per annum. I understand from Mr. Vaughan and yourself that you take the position that this coal for which you made this contract is for use in points west?

Mr. HANNA: Yes.

[Mr. D. B. Hanna.]

By Mr. Macdonald:

Q. Therefore the prices would not be of any particular interest to the mine owners in Nova Scotia?—A. Certainly they would not be interested.

Q. Then why not give us the contracts?—A. Because they have no bearing on the question.

Q. You are going to give us the contracts relating to this amount which we are investigating?—A. Yes. What I want to say—and I regret to say it—is that the communication you are reading and some of the replies made by the Government were semi-confidential information sent to the Minister of Railways. When these questions were asked I protested against them being answered. Do not misunderstand me: Any kind of information the Minister of Railways asks for we supply. There is no hesitancy about that. Certain questions come up in the House and we send the information, but we say to the Minister of Railways “We do not think in the public interest the information should be disclosed.” Sometimes that information has been disclosed. We cannot prevent it but we have made our protest: The responsibility is taken off my shoulders.

Q. As a matter of fact you claim that in this particular case the contracts for the supply of coal to Port Arthur and the west if disclosed would not amount to anything so far as Canadian coal producers are concerned?—A. Certainly not. I want to make it clear that I do not wish to cast reflections on the Minister of Railways but it is for the protection of the board of directors.

Mr. MACDONALD: I want to say one thing in conclusion as a representative of the people, I will not waive my right to examine into every item that appears in the Auditor General's Report.

The CHAIRMAN: I understand, there is no conflict about that. We can enquire into anything which appears in the Auditor General's accounts. Let us sum up the situation as I understand it: Mr. Hanna says that the contract which he has been asked to produce does not cover the deliveries of coal under the item mentioned in the Auditor General's Report; that there are agreements in writing by letters which do cover these items and those he is prepared to produce and will have produced before the Committee.

Mr. HANSON: And invoices.

The CHAIRMAN: And invoices.

Mr. MARTELL: And from whom purchased.

Mr. LOGAN: Why should the Chairman make a speech? Let the witness answer the question.

The CHAIRMAN: I do not think I have unduly taken up the time of the Committee. I will try not to talk again. As I understand, Mr. Hanna has undertaken to have produced before this Committee any contracts, invoices, memoranda and papers touching the item in the Auditor General's Report on page W-189 an aggregate of \$2,429,984.08—is that satisfactory?

Mr. MARTELL: Yes.

Mr. MCCREA: Mr. Hanna's objection to submitting this contract is that if the public knows what it contains the competing companies might take advantage of it. I think Mr. Hanna is old enough in business to know perfectly well that while the public may not know what is in this contract, any competing coal or mining company who want to know what that contract contains have ways and means of finding out what is in it.

A MEMBER: How?

Mr. MCCREA: They can get it. I venture to say that I will find out anything that I want to know about what my competitor is doing. The public are not going to take the trouble to find out, but the man who wishes to know the provisions of

[Mr. D. B. Hanna.]

this contract can find ways and means of getting it and there is no reason whatever why it should not be made public. Mr. Hanna is acting in good faith and thinks it is in the best interests of the people that the contract should not be disclosed, but I differ from him and I claim that anybody interested in knowing what the conditions of this contract are, knew it long ago, and if they do not they can easily find out.

Mr. LEWIS: Do you say that this item does not refer to the contract under discussion?

The CHAIRMAN: That is my impression.

Mr. MACDONALD: Mr. Hanna has sworn to that. All this has arisen from Mr. Vaughan's stating that some of the coal was obtained under this contract. In regard to the statement here, Mr. Vaughan said that this coal was all purchased in the name of the Canadian National Railway. He said:—

“Of course these accounts are kept separate. That would not apply so much to coal as to other supplies, because this was bought by the railway and delivered and unloaded on a pile and charged at actual cost.”

Are the items purchased from the Canadian Northern Railway Company charged at more than the actual cost?

Mr. HANNA: No.

By Mr. Macdonald:

Q. Why was it in this particular instance that the Canadian Government Railways did not buy coal from the people who directly sold it? Why should you have your bookkeeping conducted in that way? Why should not the Government Railways accounts show the various companies from which the coal was purchased?—A. For the reason we were dealing with the same firms for coal for other parts of the system. There is no special point in this, as far as I can see about who was paid for it originally.

Q. It is a question of book-keeping: You may charge up against the Canadian Government Railway System what is purchased from the Canadian Northern Railway?—A. It is not kept separate. We are buying coal for the general system of the Canadian National Railways.

Q. You are the general manager of the Canadian National Railways?—A. There is a Board of Management.

Q. But you do not keep accounts for supplies for the Canadian Northern Railway?—A. In 1921 the whole system was consolidated for operating and purchasing purposes.

Q. I do not see why you should have to go to the Canadian Northern Railway when there were other companies that sold coal. The Canadian Northern Railway buys coal and comes in as a middleman. There is nothing to indicate who sold the coal in the first instance and that is what we want to find out.

A MEMBER: The invoices will show.

By Mr. Martell:

Q. Did you charge the Canadian Government Railways any greater price than was paid by the Canadian Northern for the coal?—A. No.

By Mr. Logan:

Q. May I ask, Mr. Hanna, again why was this coal bought from the Canadian Northern Railway Co., and not from coal companies direct—what is the reason?—A. Mr. Vaughan will explain all that to you if you will permit him.

By Mr. Martell:

Q. When you produce these papers will you produce also the cost price of the coal to the Canadian Northern and the cost price to the Canadian National Railways?—A. Certainly.

[Mr. D. B. Hanna.]

Q. Both these lines were owned by the Government at the time the transaction took place?—A. Undoubtedly.

The CHAIRMAN: When would you be able to give us the invoices?

Mr. VAUGHAN: In two or three days.

Mr. HANNA: There are a good many of them. However we will get them here.

Mr. MACDONALD: Let us get the invoices and we will see what further we require.

Mr. MARTELL: Can you bring us a statement showing the prices paid by the Canadian Northern for coal so as to show comparatively how the prices of coal you bought in the United States, taking into consideration freight, duty, etc., will compare with prices you would have had to pay for coal bought in Nova Scotia?

Mr. HANNA: There never would have been an item like that in the Auditor General's report if we could have procured coal in the maritime provinces. That is the position and it should be demonstrated beyond a peradventure when you get the invoices. It was because we could not secure coal in the maritime provinces.

Mr. MACDONALD: We claim that you declined to take coal in the maritime provinces under your contract last year while men were walking the streets for want of employment.

Mr. HANNA: That has been stated before and it is absolutely untrue.

By Mr. Macdonald:

Q. Why not carry out your contract?—A. Because we did not need the coal at the time. The gross earnings of the National Railway system during 1921 dropped away very substantially. Mr. Vaughan will give you the total tonnage that was used on the locomotives in 1921, and he will show you that that tonnage was substantially lower than in previous years. He will also show you that we took coal from the maritime operators and put it in the stock pile and we have to-day four months' supply on the Intercolonial Railway.

Q. What about the Transcontinental?—A. We supply coal from the maritime provinces as far west as Cochrane.

Q. If you will only do that and see that the order is carried out we will forgive you many shortcomings.—A. I have no doubt from Mr. Macdonald's standpoint I have a great many shortcomings.

Mr. MACDONALD: I do not believe in the principle of committing to anybody or any organization the task of running any great enterprise with an annual deficit of \$72,000,000 without a prospect of finding out how the money was spent.

The CHAIRMAN: If there are no other questions I will excuse Mr. Hanna and we thank him for the information he has furnished.

Mr. VAUGHAN recalled, said: On page 58 of the report the question is asked "What are you paying now—\$4.93 per ton?" and the answer is "No, we have not taken any coal from them since September 4th last year." If you read the context to that, of what took place previously, we were referring to 1921 and 1922 coal, but I did not make any statement that we took coal from the Y. and O. Company in 1920. The court reporter came to me after the meeting, however, and said "there may be some inaccuracy in this transcription." I asked our own officers if we took coal in 1920 from the Y. and O. Company and they said we did not. There is another statement made by Mr. Macdonald: He says that I introduced the Y. and O. contract myself. If you will refer to page 57, Mr. Macdonald is reported as saying "I see a statement here that we have a contract with an American coal company for a large supply of coal" and he asks the name of the company. That question had been answered in the House and I was asked for particulars about it.

Mr. MACDONALD: I asked you "what is the name of the company?" I did not know anything about it and did not know anything about a contract with the Youghiogeny and Ohio Coal Company.

[Mr. D. B. Hanna.]

Mr. VAUGHAN: Certain reference is made to the price of \$17 a ton. That included freight, in some cases \$5 from the United States mine, and the duty. A large part of that coal was taken from the stock pile and goes back to the ledger of the previous year. Our books of course are open to examination but it is going to be exceedingly difficult to trace our invoices back for a period of years. The invoices will be furnished without question but I wish to point out that we do not distinguish between the Canadian National Railways and the Canadian Northern Company. All this coal was bought by the Canadian National Railways, and some goes into a Canadian National stock pile, and some into the Canadian Northern stock pile and if the Canadian Northern gets coal it goes to the Canadian Northern, but the coal is purchased by the Canadian National Railways and is for the one organization. The point I would like to bring out is that this coal was delivered from the stock pile and I do not know how we are going to arrive at that.

Mr. MACDONALD: Let me suggest in the first place that you get invoices showing all the coal purchased in the United States and delivered to the Canadian Government railways. The invoices are to the Railway Department and it is very easy for you to find out which coal was purchased from the United States by the Company and turned over to the Canadian Government railway. That information can be sent to the Chairman of the Committee and then if you go on with the process of finding out the particular lots taken from the stock piles we can get that without difficulty at all.

Mr. VAUGHAN: We will be very glad to do that.

By Mr. Macdonald:

Q. Where do you get the coal that is in the stock pile?—A. From the United States companies. The bill is arrived at by the balances from month to month going over a period of years and averaging the cost of the coal. I should like to say with regard to Nova Scotia coal that we tried in 1920 to beg, borrow or steal coal from every mining company. We furnished Mr. Carvell with a list of our contracts and he wrote to every company with which we had a contract in Nova Scotia and telegraphed them to try if they could increase their deliveries.

Q. The correspondence shows that that was previous to July, 1920, because I have here a letter from Mr. Carvell written to you at that date speaking of changing conditions?—A. You will find subsequently correspondence still urging them to furnish coal.

Q. I have also a letter dated the 16th December in which he says they can furnish coal.—A. That was after the coal shortage was over in 1920.

By Mr. Logan:

Q. At the time they could not furnish coal, is it not a fact that the price you offered was \$2.00 below the market price?—A. We were asking for coal at contract prices.

Q. I know one company that could have sold all its coal at \$2.00 more than you were willing to pay. They had an offer from a company on that basis, and they lost \$200,000 because they sold to you at the contract price.—A. They made a contract at a lower price.

By Mr. Macdonald:

Q. When the American companies made a contract price, they did not stand on their price. We had a case where they supplied coal above the contract price and draw on you for the full amount.—A. I am not here to make a complaint against the Nova Scotia collieries in any way but every one in Canada who is running an industry appreciates and knows the difficulty of getting coal in 1920. If you ask Mr. Carvell, Acting Fuel Controller, to tell his experience of trying to get coal for our railways and industries he will tell you how difficult it was.

[Mr. D. B. Hanna.]

By Mr. Lewis:

Q. You had a contract for Nova Scotia coal in 1920?—A. Yes.

Q. And the price under that contract turned out to be lower than the market price?—A. I do not know what the coal was sold at to the people down there, but when a company takes year after year the output of a mine we expect preferential treatment from that mine.

Q. In 1920 in spite of the contract under which the Nova Scotia mines were delivering coal you went down to the States to buy coal at any price you could get it for?—A. Yes, the railroad would have been closed if we had not done so.

Q. Would it not have been fair to enhance the price to the Nova Scotia mines?—A. They could not give us the coal.

Mr. MACDONALD: It was only the mines engaged in the bunker business that could not. The others could.

Sir HENRY DRAYTON: In connection with the Committee's request for invoices, I should like to understand what it is. I assume that you are asking for invoices that cover the items which you are investigating. Am I right in assuming that if those invoices are given under current contracts subject to the difficulties Mr. Hanna speaks of, they are not to be produced, or are they to be produced.

The CHAIRMAN: I would say that all the invoices touching these items in the Auditor General's Report have to be produced.

Sir HENRY DRAYTON: That is whether their production would be detrimental to the public interest or not.

The CHAIRMAN: Yes, this Committee should investigate the figures.

Mr. MACDONALD: And Mr. Hanna says that he does not want to be interfered with in the spending of the public money.

Sir HENRY DRAYTON: He has no objection whatever to producing all the vouchers in connection with past contracts but if you produce vouchers for payments already made in respect to contracts which are still existing you are doing just as much harm, according to Mr. Hanna, as if you produced the contract itself—that is if you have an existing contract. I think we should be clear about this: There is no good drifting about it. Mr. Hanna is not the only person interested: We are all interested in seeing that the promise of the Government to run these railways as a business proposition is implemented. We know that it cannot be done if current business is to be brought up here and enquired into. We know it is perfectly impossible to get cheaper prices for example when other people are paying greater prices. You cannot do it: We would simply ruin the business. All we want to know definitely is exactly where we are—whether this Government system is to be run as a business proposition or whether everything the management are doing is to be published before those transactions are closed to the great damage of the system. I would make another suggestion which might be considered as an evidence of good faith on the part of the Government in connection with their undertaking, and that is this that in dealing with all these contingent matters which may or may not injuriously affect the railway system but which the Management think will injuriously affect the public undertaking, that before the trade generally know exactly every single thing that is being done a suggestion should be made that there is something wrong. It is all very well to say that Parliamentary practice gives us the privilege of enquiring into everything. That is taken for granted: The Parliamentary rules enable you to investigate everything. My suggestion is that the matter should be first submitted to you and the Minister of Railways. The complainant, if you like, should have every opportunity of coming to you and if you find that there is any appearance of anything being wrong of course you can open it up absolutely. The suggestion is made that most of these complaints come

[Mr. D. B. Hanna.]

from competing tenders. We have had experience enough here to-day to know that. I do not want to take the position that because Mr. Macdonald, for example, is very closely connected with the Empire Steel Company that that is what interests him. He has a proper interest to see that the mines of Nova Scotia get all the sales they can and I should like to help him and I did last year as the contracts show, but under all these circumstances it is all the more important that this enquiry should be gone into in such a way as not to imperil the future of the Canadian National System even if the laudable object in view should be selling Nova Scotia coal. I think we should know exactly what our policy is.

Mr. LOGAN: I submit that that speech should have been made in Parliament and not here. It is a matter of policy for the Parliament of Canada to adopt: We are here to investigate certain questions. We have the right to investigate them but we are not here to lay down a broad policy which must come from the Government of the country.

Mr. MACDONALD: Sir Henry Drayton's speech is entirely beside the mark. I do not think he has been following the discussion closely. The situation is that Mr. Hanna has a contract from which he has quoted and which he says is in existence, and we have from Mr. Vaughan the facts in connection with it. What we are here investigating is where this two and a half million dollars went in 1920 and 1921. We have a right to investigate it in full because if we are to be stopped by any high flaunting statements, then we will have coal charged at higher prices than should be paid.

A MEMBER: Is that the gravamen of your charge?

Mr. MACDONALD: I am not making any charge. I want to find out the fact about this expenditure of two and a half million dollars for United States coal which might have been got in Canada. In the gratuitous remarks made by Sir Henry Drayton about my connection with the British Empire Steel Company I want to state to him it is true that while I was not in the House of Commons I acted as solicitor for the British Empire Steel Company in regard to certain special legal matters which had no relation to the business of Parliament, but I have no connection with the British Empire Steel Company now. I represent and was elected to this House to represent specially in this chamber the views of the coal miners of my county who gave me their confidence to an overwhelming degree in the last election contest. I am here by the votes of the coal miners and not by the influence of any company. These are the men who sent me here and I will look after their interests. I am here to find out in their interests why Mr. Hanna and his confreres and others who are spending Government money have gone to the United States this year, last year or any other year to buy American coal while our miners are walking the streets. I will exert my Parliamentary rights to the limit in order to find that out. In regard to the suggestion of influencing Nova Scotia contracts at this time, I say Mr. Hanna has not followed that subject at all. He says there is a contract for coal for the West and he is going to buy coal in Nova Scotia. What we want is that he should buy all the coal he can in Nova Scotia. So far in the documents I have here I find that some coal from the United States went as far east as St. Hyacinthe. These points could be supplied from Nova Scotia and should not be supplied from the United States if he can get it in our own country. I understand Mr. Hanna has undertaken to submit to you, Mr. Chairman, information showing where the coal was purchased that was turned over to the Government Railways.

Mr. HANSON: Do you suggest that the conditions which exist to-day in Nova Scotia, the miners walking the streets, existed at the time this two and a half million

[Mr. D. B. Hanna.]

dollars was spent for the purchase of coal? If so, there is a good deal in it; if not, it falls to the ground.

Mr. MACDONALD: I do not propose to discuss it now.

Sir HENRY DRAYTON: I think I was quite clear in what I said about Mr. Macdonald. I pointed out that so far as I was concerned I was sure that he was actuated by no selfish interest and that I was entirely with him. The fact is, and he is right—he has been very closely associated with the British Empire Steel Company. What I ask is this, whether it is the idea of this Committee in the production of vouchers to include those relating to current contracts or not. All I want to know is what you are going to do.

Mr. McISAAC: I see this is more of a debating club than an investigating committee and I rise to make an observation or two myself. For very many years I have been a member of this Committee, except for a short interval, from 1895 to the present time, and I always felt that it was the duty of this Committee to investigate everything on oath and ascertain where and when and to whom money was paid for articles purchased by any department of the Government. But I see this Committee is attempting to-day to show that such should not be the case. I think the contention is perfectly right that when these vouchers are brought down they should show what was paid and that ends it. I do not see why this debating club should go on and I have got up to show that I am one of the debaters too.

The CHAIRMAN: My decision is that anything relating to this item of \$2,429,984.08, with any vouchers in support of these items, are properly before this Committee, even though they should relate to current contracts. With all deference to what Sir Henry Drayton says my view is that even if it could be shown—which I think it would be difficult to show—that it might possibly hamper the business of running the railway, nevertheless the paramount interest is the retaining by Parliament of its control of the expenditure of public money. I must say in fairness to the officials of the railway they have stated that they are perfectly prepared to bring in all the invoices under this item.

Mr. MACDONALD: I suggest that Mr. Vaughan should undertake to send the invoices with reference to the purchases of coal from the United States companies as soon as possible, and going on at the same time with information as to deliveries at stock piles. As soon as we get the information this Committee should meet at the call of the Chair.

Mr. VAUGHAN: We will send them as soon as we can.

Mr. MARTELL: By Tuesday?

Mr. GRABURN: I do not think we can have them here by Tuesday.

Mr. MACDONALD: What I stated was this, that Mr. Vaughan should send here the vouchers for coal you purchased direct from the American people as you gave them to the Auditor General when you got the money from the Government. You can then follow with the vouchers for the stock pile deliveries, but we should have the others first.

Mr. VAUGHAN: What you want us to submit right away is a statement of what was purchased for the Canadian Northern making up this amount.

Mr. MACDONALD: I was making a distinction between two classes. You say that some were purchased direct from the American people and turned over to the railways. These can be supplied readily I understand and those relating to coal taken from the stock piles will take longer.

Sir HENRY DRAYTON: We should have the whole story with the witnesses in the box. We should not have a few invoices such as my hon. friend wants. What is the good of having a lot of argument on a partial case?

[Mr. D. B. Hanna.]

The CHAIRMAN: We need not meet until everything is before us, but it does seem to me that there is an advantage in having some of the material as soon as possible and I cannot see any objection to the procedure.

Mr. MACDONALD: My suggestion is that the meeting should be at the call of the Chair.

Sir HENRY DRAYTON: We want to help Mr. Macdonald as far as possible but we should not meet until the information is complete.

Mr. MACDONALD: Remember you are not Minister of Finance, and your Government is not in power.

Sir HENRY DRAYTON: I make the suggestion that any direction from the Chair should not be in the nature of a partial investigation.

The CHAIRMAN: Partial means incomplete?

Sir HENRY DRAYTON: Yes.

Mr. MACDONALD: Sir Henry Drayton has not read the evidence. The information is that some of this coal was bought directly from people in the United States. There are also deliveries from time to time at various points from the stock piles. The information relating to these matters might take some time to be prepared. I should like to find as soon as possible, about the first; The others can come later. As soon as I have seen those it may be necessary in my judgment to call the Committee together.

Sir HENRY DRAYTON: In the first instance I entirely agree with my hon. friend but I also hope the Chairman will agree with me that because there has been a change of Government there is no reason why a steam-roller method should be adopted. I am only submitting that the proper practice means that every detail should be covered. I do not appreciate my friend's other suggestion and that is that when he gets some little item which he thinks will support him in his complaint he shall have the right to consult the Chairman and ask him to proceed with it. My opinion is we should have the vouchers as a whole, the invoices as a whole as covered by your ruling, before we take them up.

Mr. MACDONALD: The difference between the two classes of vouchers is this, one would relate to coal taken from the stock pile and the other to direct purchases of coal. The correspondence with regard to them calls for an investigation for one class and another investigation for the other.

Mr. CHAIRMAN: It will be a much easier and shorter job for the railway officials to get together the invoices for coal which did not go into the stock piles. I am asking them to get this information at the earliest possible moment and send it down. If they constitute a sufficient body of documents to warrant calling the Committee together, I will call the Committee for the consideration of those. I will also urge upon the officials to complete the whole thing as soon as possible so we can have it before us at the earliest possible date.

Mr. GRABURN: We have already furnished all the invoices for direct deliveries. We cannot give any more. The only thing we can furnish now is invoices stating our average prices. We have actually given an invoice for every car of coal shipped direct to the Canadian Government Railways.

Mr. MACDONALD: There is not a single voucher here to show how you arrived at the price of \$12 a ton for coal.

Mr. GRABURN: No, because that is for coal from the stock pile.

Mr. MACDONALD: You say now that \$12.00 coal was from the stock pile.

Mr. GRABURN: Yes.

Mr. MACDONALD: You have given me correspondence with people in the United States which did not result in the purchase of coal.

Mr. LOGAN: Have you brought down the Y. and O. invoices?

[Mr. D. B. Hanna.]

Mr. GRABURN: All that went into the Canadian Northern stock piles.

Mr. LOGAN: We are to get these vouchers?

Mr. GRABURN: Yes, that will not take a long time.

Mr. MACDONALD: I will check up those vouchers and see what they cover. I am very much surprised to find all the \$12.00 coal from the stock pile.

Mr. GRABURN: For some of that coal we paid \$13.00 a ton. As I understand it I brought before a copy of every bill made against the Canadian Government Railways for a year. In every case where coal was shipped direct to the Government Railways I brought the invoice. Where it was from the stock pile I could not, because the invoice would not agree with the prices. We can establish that from month to month.

By Mr. Macdonald:

Q. The coal you supplied from the stock pile you fixed at a price that was different from what you paid for it?—A. The prices ran from \$6.00 up to \$12.00. We averaged it up every month.

The CHAIRMAN: How long will it take to get the vouchers for what you shipped out of the stock pile?

Mr. GRABURN: Eight or twelve days.

Mr. VAUGHAN: Is there anything else wanted before we go? I do not want the Committee to think there is anything we do not want to supply.

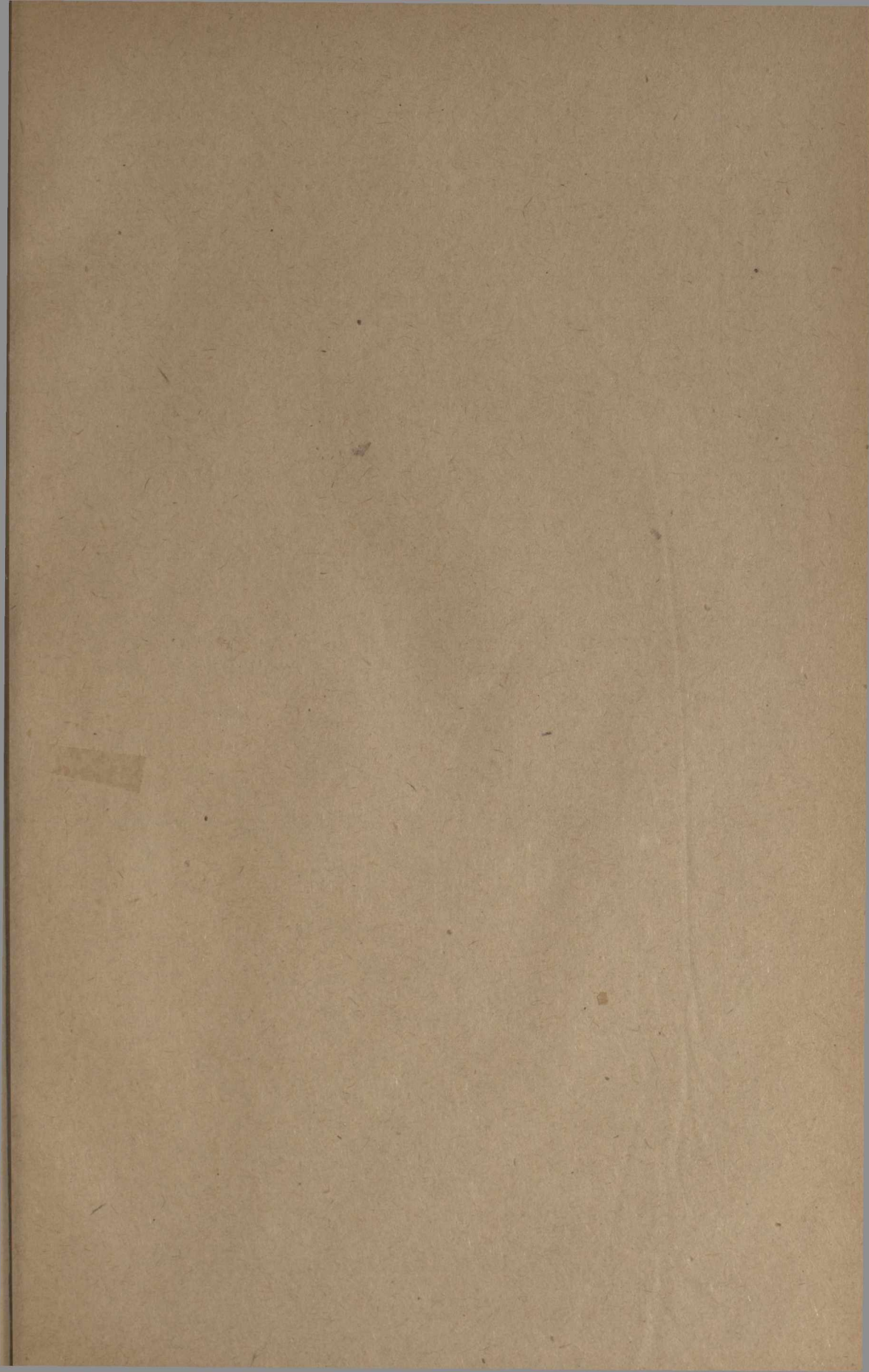
Mr. MACDONALD: I asked for a statement in regard to deliveries for last year.

Mr. VAUGHAN: I have that here. I realized that you would ask for that.

Mr. MACDONALD: Can you give me the details of the different Companies?

Mr. VAUGHAN: I think I can.

The Committee adjourned to the call of the Chair.



OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

PUBLIC ACCOUNTS COMMITTEE

IN CONNECTION WITH

**PAYMENT OF \$2,429,984.08 TO CANADIAN NORTHERN RAILWAY
SYSTEM IN CONNECTION WITH COAL**

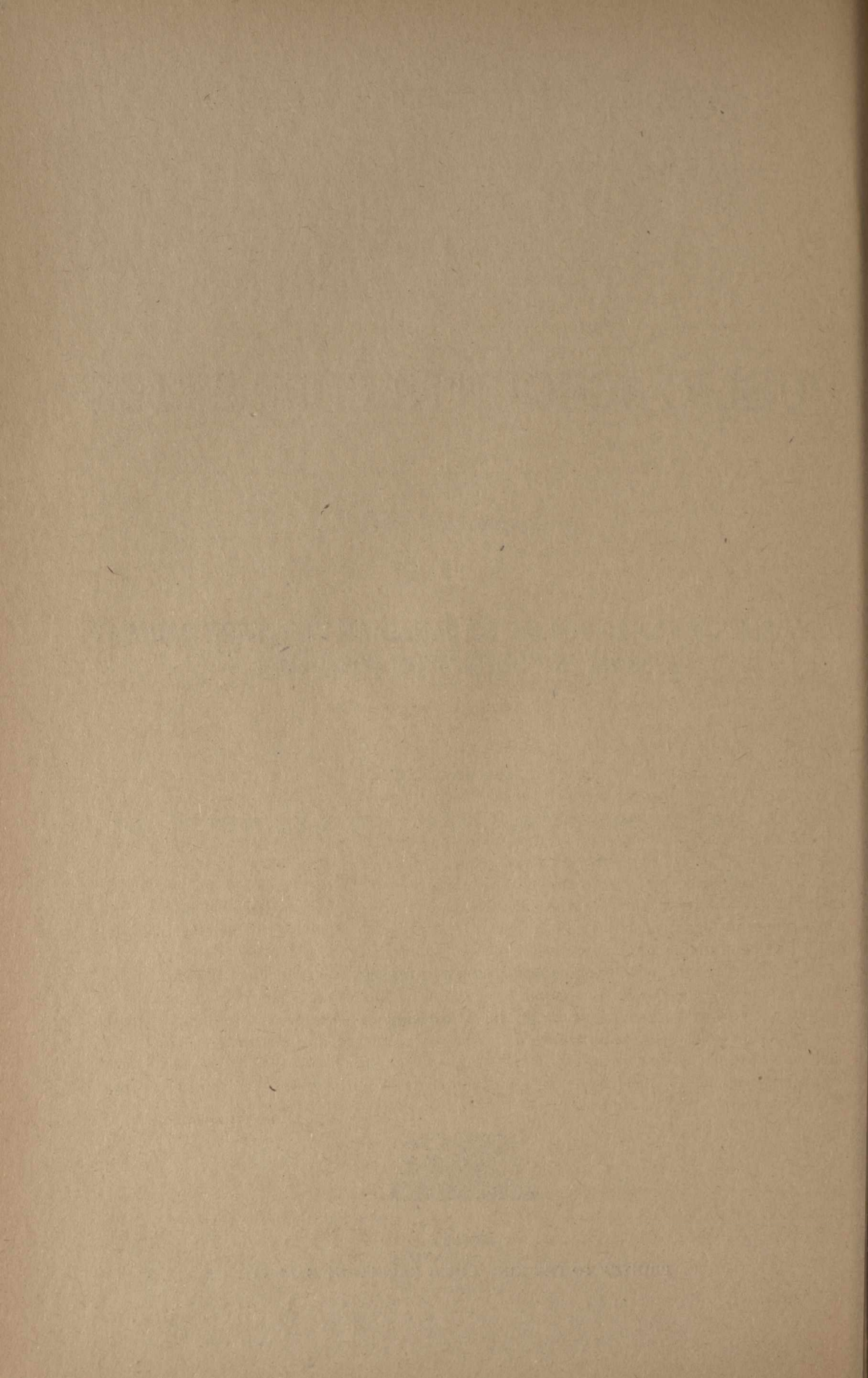
No. 5—WEDNESDAY, JUNE 21, AND THURSDAY, JUNE 22, 1922

NAME OF WITNESS:

R. C. Vaughan



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922



COMMITTEE ROOM 425,

HOUSE OF COMMONS,

WEDNESDAY, June 21, 1922.

The Select Standing Committee on Public Accounts met at 11:00 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of "a payment of \$2,429,-984.08 to Canadian Northern Railway System in connection with coal, errors in calculation, freight and duty, as set out at page W-189, Volume 3, Report of Auditor General for fiscal year ended March 31, 1921."

The CHAIRMAN: The Committee will please come to order. Mr. Macdonald, what do you want to do this morning?

Mr. MACDONALD: If Mr. Vaughan is here, I have some questions to ask him.

Mr. R. C. VAUGHAN recalled and examined.

By Mr. Macdonald:

Q. What is your exact position?—A. Vice-president of the Canadian National Railways, and in charge of all supplies and stores.

Q. Prior to joining the Canadian National, what previous experience had you had?—A. I was with the Canadian Northern for some years, with the C.P.R., and with the Grand Trunk for a while.

Q. How long were you with the Canadian Northern?—A. Nearly fifteen years.

Q. Immediately preceding the combination of the railways?—A. Yes.

Q. And your experience in regard to coal purchases included the purchase of American coal?—A. Yes.

Q. And some western coal for the western lines?—A. Yes, western coal and American coal, because on the Canadian Northern we did not have very much opportunity of using Nova Scotia coal.

Q. And your experience in regard to the question of the purchases of Nova Scotia coal developed after you attained your present position?—A. Yes.

Q. I have here certain documents which relate to the question of the coal situation, and you were to furnish some data?—A. We are preparing that statement. We promised it in ten days, but it has taken a little longer. We have to prepare a statement like that each month separately for the Eastern and the Western lines.

Q. Why did not you send me the statement for the Eastern lines instead of for the Western lines?—A. We are going to send the whole thing when it is completed.

Q. In regard to the question of the purchases of Western coal, I understood you to say on your previous examination that you purchased American coal which you took at Port Arthur and stored in Winnipeg, and that the supply of coal from Winnipeg west was American coal?—A. Not from Winnipeg west. From Winnipeg west is principally Canadian coal.

Q. Western coal?—A. Yes.

Q. Alberta coal?—A. Largely.

Q. I understood you to say before that you used American coal?—A. I said we used American coal as far as Winnipeg, and in Winnipeg itself we used Western coal.

Q. I remember you stated that in engines from Winnipeg West you used American coal?—A. I said the engines going out of Winnipeg would get American coal.

[Mr. R. C. Vaughan]

Q. During the hearing of the evidence by the Committee on freight rates, it was stated that the C.P.R. used Western coal exclusively in Winnipeg for their western engines on the first divisions?—A. I think that may be true, but not always so, because they get in more American coal at the head of the lakes than we do.

Q. They have more lines?—A. Yes.

Q. Of course, you know the quantity that the C.P.R. buys?—A. Yes.

Q. I see in the correspondence that you know the C.P.R. prices?—A. Well, we may not always know what the C.P.R. is paying; sometimes we may get an insight into that.

Q. Apparently you know how much coal they buy. This correspondence shows you knew what they were getting coal for in the United States?—A. I do not remember that correspondence.

Q. In view of the fact that you had this information about the C.P.R., I was wondering whether the C.P.R. was ever able to get any information about what you were doing in these matters?—A. I suppose the C.P.R. could get information the same as we could, perhaps, from some of the individual firms that sell us coal, just as some of them tell us what the C.P.R. are paying.

Q. I understand that the information furnished by your company is very largely based on the fact that you knew what the C.P.R. were doing, and they knew what you were doing?—A. We do not know, generally speaking, what they are doing, but there may be occasional instances when we do.

Q. You have undertaken to say that they take more coal at Port Arthur than you do?—A. Yes. What goes over the docks at the head of the lakes is common property. Everybody knows that the coal there is common property for all the individual companies in Winnipeg.

Q. That is the only reason you have for saying that Mr. Lanigan was incorrect in what he told us a couple of days ago before the Rates Committee, which was to the effect that they used Canadian coal exclusively in the operation of their trains from Winnipeg west?—A. Judging from the amount of coal taken in at the head of the lakes, I imagine they use about the same amount as we do.

Q. Mr. Lanigan made that distinct statement before the Freight Rates Committee, that they used Canadian coal exclusively. He stated that that was their policy?—A. It is our policy, too, when we can get it to advantage.

Q. What do you mean?—A. A good many mines on our lines have been developed recently that were not open years ago.

Q. I am exceedingly anxious to see the use of Canadian coal wherever it can be used?—A. We favour that policy.

Q. And I would like you to emulate the C.P.R. in that respect, and use Canadian coal from Winnipeg west?—A. It is our policy to use Canadian coal wherever we can.

Q. Mr. Lanigan stated that they used Canadian coal on all their engines operating out of Winnipeg west?—A. Do you think the C.P.R. would use Canadian coal at Winnipeg if it cost them more?

Q. Mr. Lanigan said it was the policy of the C.P.R. to favour Canadian industries—

Mr. LEWIS: Mr. Chairman, is this the matter we are here to discuss?

The CHAIRMAN: I ruled the other day that any inquiry which would tend to show that this \$2,500,000 could have been better expended in the purchase of Canadian coal or coal anywhere else would be a proper inquiry.

Mr. MACDONALD: That is my purpose, Mr. Chairman. Not only that, but the statement which the witness has sent to me relates to fuel supply on the western section and not on the eastern section, which was the information I particularly

[Mr. R. C. Vaughan]

wanted to get, and the purchase of 1,000,000 tons of coal a year from the United States is, I submit, germane to this inquiry.

The CHAIRMAN: I have so ruled.

By Mr. Macdonald:

Q. I would like to know from you whether it will be your policy, while you are in your present position, to purchase and utilize Canadian coal in the operations of your railway west of Winnipeg?—A. Yes.

Q. I hope you will carry out that policy. We will watch your future dealings in that respect with interest. Is the Port Arthur Coal Dock Company part of the Canadian National Railway System?—A. There are two docks there. One is called the Canadian Northern Coal and Ore Dock Company, and the other is called the Fort William Coal and Dock Company.

Q. Are either of those companies incorporated or part of the Canadian National Railway System?—A. The one at Port Arthur is part of the Canadian National Railway.

Q. Is that where you get your coal?—A. We get some of it there and some via Fort William. We take as much as we can handle over our own dock, and take the balance over the Fort William dock. We built that dock in accordance with an arrangement with the Grand Trunk Pacific Railway.

Q. What was the total quantity of coal that your company purchased in 1921 from the United States?—A. I do not know; I think that has been given in an answer to the House.

Q. Not in this particular year?—A. I think perhaps I have that here. The total amount of American coal purchased for the year 1920-21, ending 31st March, 1921, was 1,312,872 tons, and the total amount of Canadian coal purchased was about 2,200,000 tons.

Q. Of that how much was purchased in the West?—A. 1,147,280 tons was purchased in the West, and 1,064,690 tons in the East.

Q. How much of that was purchased from the Y. & O. Coal Company?—A. Well, in 1920-21, the year in which we had so much difficulty in getting coal, we obtained, roughly, a couple of hundred thousand tons.

Q. What was the price at the mine?—A. I am not sure. I think it will be shown in that statement you have amongst the vouchers.

By Mr. Martell:

Q. Was any of this American coal used on the Intercolonial Railway?—A. Not any of this Western coal.

Q. But American coal?—A. Yes; there was some American coal.

The CHAIRMAN: Are we not likely to become confused if questions are interjected?

Mr. MACDONALD: I was coming to that, Mr. Martell.

The CHAIRMAN: I do not want to interfere, but it seems to me that we will only become confused if questions are interjected.

WITNESS: I am pretty sure the price was \$3.50 that year.

By Mr. Macdonald:

Q. At the mine?—A. Yes.

Q. That was payable in American funds?—A. Yes.

Q. And the difference in exchange amounted to about 15 per cent?—A. The exchange ran from about 12 per cent to 15 per cent.

Q. What would be the freight on that coal?—A. In 1920 the freight was lower; I think I have those freight rates here. The freight now is \$1.91; it was a little less then.

[Mr. R. C. Vaughan]

Q. \$1.91 at the lake?—A. Yes; in 1918 it was \$1.33.

Q. That is at the lake front?—A. Yes.

Q. What is the cost of freightage to Port Arthur?—A. I think it was then 50 cents; it is about 40 cents at the present time.

Q. And the duty?—A. 53 cents.

By Mr. Lewis:

Q. Per ton?—A. Yes.

By Mr. Macdonald:

Q. What would be the net price on that basis?—A. \$3.50 plus \$1.33 plus 53 cents duty and 50 cents boat freight, and the exchange and freight to Lake Erie.

By Mr. Lewis:

Q. \$6.94?—A. I make it about \$6.46.

By Mr. Macdonald:

Q. What do you make the exchange?—A. I took \$3.50 and added \$1.33 and took 12 per cent on that, 12 per cent on \$5.

Q. The exchange was at the peak in 1920?—A. I beg your pardon, I am wrong. In 1920 the rate was \$1.91.

By Mr. Lewis:

Q. It is \$6.94?—A. Yes.

By Mr. Martell:

Q. You are safe in saying \$7?—A. It would be in the neighbourhood of \$7.

By Mr. Macdonald:

Q. What would be the rail freight on that coal from the mines to Montreal?—A. The freight rate to Montreal in 1920, the local rate, was \$3.30; that was changed some time in 1920, I think.

By Mr. Martell:

Q. Why not give us the rate it would cost to land that coal in Montreal?

Mr. MACDONALD: That is what I want.

Mr. LEWIS: Is that the American coal?

Mr. MACDONALD: Yes.

Mr. LEWIS: \$6.94 to the lakes.

Mr. MACDONALD: Yes.

Q. I now want what it cost to get it to Montreal?—A. Coal came from almost any place in 1920.

Q. Take it from Pittsburg?—A. The rate from the Pittsburg district to Montreal in 1920 was \$3.57.

By Mr. Lewis:

Q. That is the freight?—A. Yes. Of course, coal coming up to the province of Quebec and Montreal was bought at all kinds of prices in 1920.

By Mr. Macdonald:

Q. I know that. I want to get the net cost on that basis?—A. Of \$3.50?

Q. Yes?—A. That coal would cost at that time approximately \$8.25 in Montreal.

Q. You paid very much higher prices?—A. Yes.

Q. \$6 per ton?—A. Yes.

Q. \$6.75?—A. Yes.

Q. \$7.50?—A. Yes; we paid all kinds of prices.

[Mr. R. C. Vaughan]

Q. You have given us the price based on \$3.50 a ton at the mine. What would it be based on \$7 per ton at the mine?—A. Approximately \$11.

Q. At Montreal?—A. Yes.

Q. I am informed by Mr. Carvell that he intimated to you personally that he would undertake to see that you got all the coal you needed in the East from the Nova Scotia coal mines at \$7 a ton?—A. I do not remember that. I remember talking the situation over several times with Mr. Carvell. He did intimate at one time that if we would pay more money for coal we might be able to get more down there, but we had all this coal under contract.

Q. You were making contracts until January, 1921, according to these documents. I was informed by Mr. Carvell only last evening that in the summer of 1920 he intimated to you that if you were willing to pay \$7 a ton for Nova Scotia coal you would get the coal.

Mr. LEWIS: Is that \$7 a ton at the mine?

Mr. MACDONALD: Yes.

Mr. MARTELL: There would be exchange on that.

Mr. MACDONALD: Oh, no; not on Nova Scotia coal.

WITNESS: I do not think it would have been possible.

By Mr. Macdonald:

Q. But you had that interview with Mr. Carvell?—A. I distinctly remember having an interview with Mr. Carvell in connection with the Dominion Coal Company, and he said "Do you not think you would get more coal if you paid more for it?" and I said I did not think so, and that so far as the Dominion Coal Company was concerned they would be quite willing to give us the coal at the contract price if they had it.

Q. I have here a letter from Mr. Carvell to you dated July 30, 1920, in which he intimated to you that he had received the following information from the Dominion Coal Company: (Reads):

OTTAWA, July 30, 1920.

DEAR Mr. VAUGHAN,—I have received a number of replies to my telegrams of yesterday, the most important of which is from the Dominion Coal Company, as follows:—

Your telegram regarding Government Railway coal supplies received. Loading steamer *Sheba* three thousand tons at Louisburg to-day expected sail for Levis this afternoon. Steamer *McKee* now *Sydney* three thousand tons. Have telegraphed to send this steamer Louisburg and load immediately and will also instruct to increase car shipments from Sydney. The Dominion Coal Company have just notified me by phone that a 5,000 ton vessel is now nearing Sydney, which can be diverted to the St. Lawrence with coal, and we have given them permission to load this vessel out of her turn.

I have also notified General Smart, of the British and Foreign Agencies, Limited, Montreal, who claims he has 30,000 tons of coal from the Inverness District, that you are in the market for the whole of it, and, if he has the vessels, you would gladly receive it at Levis or Montreal.

I have no doubt whatever that, with the prohibition of the exportation of coal after to-morrow night, the situation will clear up immediately.

Sincerely yours,

(Sgd.) F. B. CARVELL,
Chief Commissioner.

R. C. VAUGHAN, Esq.,
Canadian National Railways,
Toronto.

[Mr. R. C. Vaughan]

I am instructed that Mr. Carvell intimated to you immediately after that that if you would pay \$7 a ton for Nova Scotia coal he would see that you got all the coal you wanted?—A. (No answer.)

Mr. LEWIS: What is the freight now?

Mr. MACDONALD: They bring it by boat. It is about \$2 or so.

WITNESS: I think it was impossible to get boats at that time, anyhow.

By Mr. Macdonald:

Q. That is what Mr. Carvell has stated to me?—A. If we could have got the coal we would have taken it.

Q. You did not take it?—A. We could not get it.

Q. That is what you say. How do you explain this letter of July 30, which I have read?—A. I think you will find a good deal of correspondence subsequent to that, in which we pointed out to Mr. Carvell that the embargo had not done us any good.

Q. Here is another letter from Mr. Carvell to you, dated December 16, 1920: (Reads):

OTTAWA, December 16, 1920.

DEAR SIR,—I am just in receipt of a letter from the Dominion Coal Company, in which they inform me that they can increase deliveries to your road up to 40,000 tons per month, providing you can arrange for sufficient cars or boats to transport it, and have asked me to officially inform you of this offer.

It would seem that the coal situation is improving very rapidly in the Maritime Provinces.

Sincerely yours,

F. B. CARVELL,
Chief Commissioner.

R. C. VAUGHAN, Esq.,
Vice President,
Canadian National Railways,
Toronto, Ont.

A. I would like to point out that we did not buy any of this American coal at all after November. There had been some contracted for and it was on the way and the invoices came in. This is right in December when the coal situation changed.

Q. You were conducting correspondence with different people in the United States in January, 1921, in which you were proposing to purchase coal?—A. With whom? I do not remember that correspondence. We certainly were not negotiating for any coal for the Quebec line.

Q. You were negotiating with the Century Coal Company in January, 1921, for the purchase of American coal, and also with the Fielder Davis Company?—A. The Fielder Davis Company fell down on some of their contracts. They said the United States Fuel Controller had diverted their coal elsewhere, and they could not give it to us.

Q. They did give you some coal, for which your people paid higher than the contract price?—A. In 1920 we were compelled in many cases to pay higher than the contract price for coal; otherwise it would have been impossible to get it.

Q. How much American coal did you carry over after the season of 1920-21?—A. I could not say off-hand, but after the situation changed in the end of November a flood of coal came in.

Q. I would like to know how much you carried over?—A. I would be very glad to give you that information; I have not got it here.

[Mr. R. C. Vaughan]

Q. It was a pretty large quantity, was it not?—A. I do not think I have any information upon that here; if I had I would be glad to give it to you.

Q. I would like you to give me that approximately.

Mr. LEWIS: Mr. Chairman, when you stated that we might become confused if questions were interjected, did you mean between Mr. Macdonald's questions?

The CHAIRMAN: When Mr. Macdonald has asked a question I do not think it is wise to interject another question until the witness has given his answer.

Mr. LEWIS: But after the witness has answered?

The CHAIRMAN: I do not think Mr. Macdonald desires to monopolize the witness.

Mr. MACDONALD: No; but I have taken some time and care in the perusal of these documents, and while I have no objection to questions being asked, I suggest it is rather difficult to conduct an examination properly if there are frequent interruptions.

Mr. LEWIS: When Mr. Macdonald has asked the witness a question and it has been answered in a way that is not lucid enough for us, could not we follow it up?

Mr. MACDONALD: I think I shall be able to elucidate it fully.

The CHAIRMAN: While I agree with Mr. Macdonald, I will not object to an occasional interjection.

By Mr. Macdonald:

Q. What is your answer?—A. I do not think it is an extraordinary supply. A railway has to keep, for normal requirements, three months' coal in stock.

Q. The other day you gave me a memorandum in which you state that the coal ordered from the Maritime Provinces in 1921-22 amounted to 1,286,800 tons; that you only took delivery of 1,048,007 tons, or 238,800 tons less than you ordered in 1920-21. I understand a statement was made, in the House or elsewhere, that you have a very large supply of coal on hand, amounting to about 250,000 tons?—A. We have more than that on hand; approximately 300,000 tons.

Q. In other words, you took from the Maritime Provinces 238,000 tons less last year than the year before?—A. Yes.

Q. And you have 300,000 tons on hand, the result being that you have 540,000 tons of coal more on your hands in 1921-22 than you required, and you must have had a very large overplus in 1920-21?—A. The reason we did not take that coal was largely due to the falling off in consumption.

Q. I am not asking that. With the shortage of purchases in 1921-22 you have a surplus of 300,000 tons, which makes 540,000 tons of coal that you either did not take or had on hand which you did not use. Therefore you must have had a very large overplus in 1920-21?—A. I do not think that follows. The reason we did not take that coal last year was because the consumption on the I.C.R. fell off.

Q. I am pointing out that you did not take 238,000 tons that you ordered, and also that you have 300,000 tons of an overplus, which means that there was 540,000 tons more coal which you either did not take or had on your hands in 1921-22?—A. The explanation of that is that we overestimated our requirements last year, and the business fell off.

Q. I am pointing out to you that you must have had a very large overplus of coal on your hands in 1920-21 that you either did not need to buy—A. We have to keep in mind that the year 1920 was an abnormal year.

Q. In 1920-21 you purchased about 400,000 tons of coal more than you needed, at high prices?—A. No, sir.

By Mr. Lewis:

Q. You stated that at the end of November the coal situation eased up and coal flooded into the country?—A. Yes.

Q. Would that affect contracts being made?—A. Yes.

Q. That would, to a large extent, account for this surplus?—A. Yes.

[Mr. R. C. Vaughan]

Mr. MACDONALD: What is the point you are raising?

Mr. LEWIS: The witness stated that in November, 1920, the coal situation eased up and coal came flooding into the country, and I asked him if that coal was under contracts he had made previously.

Mr. MACDONALD: He did not need to take the coal if he did not want to do so.

Mr. MARTELL: He was not bound to take it, except in quantities desired.

WITNESS: We only ordered spot coal from time to time. Nobody knew that the coal situation was going to change in the end of November the way it did.

By Mr. Macdonald:

Q. What I would like to know from you is whether you did not over-purchase in 1920-21?—A. No.

Q. Where did you get the surplus of 300,000 tons of coal?—A. That surplus accumulated last year because we took more coal from the Nova Scotia mines than we needed. We over-estimated our requirements and business fell off. We had some stock on hand.

Q. What is the total quantity of coal you took from the Nova Scotia mines in 1920-21?—A. That information has been furnished,—1,112,000 tons of coal.

Q. In other words, you got more coal from Nova Scotia (notwithstanding your statement that you could not get it) in 1920-21, than you got from them in 1921-22?—A. In that year the Intercolonial was doing more business than it has done since, and we had difficulty in getting sufficient coal to keep the railroad running.

Q. In 1920-21 you took more coal from the Nova Scotia mines than you did in 1921-22 by over 100,000 tons?—A. Yes, that is probably true. This question of the difficulty of getting Nova Scotia coal is not confined to 1920-21. In 1916 only 108,000 tons were moved up by the railway; in 1917, 112,000 tons; in 1918, only 30,000 tons; in 1919, only 85,000 tons; in 1920, 102,000 tons and in 1921, 375,000 tons.

Q. You understand the reason, that the British Government had requisitioned all the coal boats, and they could not move the coal in 1917-18. That has nothing to do with it. In this year 1920-21, in which you said you could not get Nova Scotia coal, you got 100,000 tons more than you got in 1921-22?—A. Yes.

Q. Do you mean to say that in 1920-21 you carried over a very large reserve quantity of coal?—A. We certainly had a quantity of coal in stock.

Q. The data relating to 1920-21 is very important?—A. I have tried to explain it, and if you want any further evidence I suggest you call representatives of the other railways to prove that my contention that they bought coal anywhere and everywhere they could is correct.

Q. You are still evading the point. I want you to let me know what the over-plus of your coal was in March 30, 1921?—A. Unfortunately I have not got it.

Q. That is information you naturally ought to have had?—A. (No answer).

By Mr. Lewis:

Q. What is the normal average supply that you always keep on hand at any time of the year for normal consumption?—A. We figure we need approximately three months' supply of coal for safety.

Q. That would be over 300,000 tons?—A. It depends entirely on the consumption.

Q. Your consumption of coal is in the neighbourhood of 3,000,000 tons per annum?—A. Between 3,000,000 and 4,000,000 tons in normal times.

Q. Then 300,000 tons on hand at the end of the year would not be more than a normal supply?

Mr. MACDONALD: He is getting along very well, Mr. Chairman.

WITNESS: 300,000 tons.

The CHAIRMAN: Mr. Lewis, your question was put in the form of an assertion.

[Mr. R. C. Vaughan]

Mr. LEWIS: Mr. Macdonald states that 300,000 tons of coal on hand at the end of the year is too much, that it was bought at a time when prices were high, and that they had no right to contract for it. I was trying to find out what was the normal supply on hand, and the witness stated that it is usual to have a three months' supply on hand. Then if the total supply for the year is about 3,000,000 tons, 300,000 tons does not seem to me to be too much.

Mr. MACDONALD: I think Mr. Lewis might have waited until I ascertained whether that 300,000 tons of coal covered the reserve from the Atlantic to the Pacific, or only the eastern section.

Mr. LEWIS: You are not getting at that, either.

Mr. MACDONALD: You are doing all you can to keep me from getting it.

Mr. LEWIS: I do not think so.

Q. It was stated in a letter to you from Mr. Carvell that the Dominion Coal Company could have supplied you with 40,000 tons of coal per month?—A. Yes.

Q. That means that you could have got from the Dominion Coal Company 480,000 tons that year. How much did you take?—A. I could not say; but we were only offered that 40,000 tons at the end of the season. We took every pound of coal that any Nova Scotia Company would give us during the year 1920.

By Mr. Martell:

Q. You were under contract to buy coal from the United States?—A. Yes.

Q. I understand the contract contained a provision permitting you to take the coal just as you wanted it. You went on to say that the coal situation eased up, did you not?—A. Yes.

Q. Then having the power vested in you to take the coal as you wanted it, why did you take American coal when you could have got Nova Scotia coal from a Canadian company?—A. We were buying spot coal. We might buy 500 cars or 250 cars from a man.

Q. But after the coal situation eased up in Canada you went on buying American coal?—A. No, sir; we did not.

Q. Did not American coal come in after that?—A. Yes; but it must be remembered that some of this coal takes two or three months to reach its destination.

Q. But even after the situation eased up you continued taking coal under that contract when you had the power to refuse it?—A. No; we did not take a pound of coal unless we were obligated by contract to take it.

Q. Your contract was of such a nature that you did not need to take the coal unless you wanted to do so?—A. Where we had a contract that gave us a way out we never took a pound of coal unless we were forced to do so.

By Mr. Lewis:

Q. Were you forced to take the coal after it was loaded and standing at its destination?—A. Yes; we have to live up to our obligations.

By Mr. Martell:

Q. You have not explained why you continued to take American coal when you had the power under your general contract, without violating your obligation, not to take any more American coal when the Canadian coal situation eased up?—A. I do not know what you mean by "general contract"?

Q. You had a contract to take coal as required at a certain price?—A. We did not have a contract of that nature.

Q. What was the nature of your contract?—A. As I say, we were buying spot coal; we bought spot coal as we needed it. We would buy a specific tonnage, perhaps 100 or 1,000 cars.

Q. Take the Y. & O. Coal Company?—A. It does not enter into this at all.

[Mr. R. C. Vaughan]

Q. You had stated contracts with certain companies in the United States whereby you could get a certain number of tons of coal at a certain price. You also had the right to take this coal as it was required, and if you did not require it you did not take it?—A. Wherever we had a contract of that kind we did not take one pound of coal that we did not require.

By Mr. Chisholm:

Q. Are your contracts with the American companies the same as your contracts with the Canadian companies with respect to deliveries?—A. They are now; they were not then.

By Mr. Martell:

Q. Why not?—A. We have the same contract all over now.

Q. What was the difference between your contracts with the United States companies and your contracts with the Canadian companies at that time?—A. Practically no difference.

By Mr. Macdonald:

Q. Can you produce the contract with the Y. & O. Company?—A. I have not brought it with me.

Q. It was understood you would bring it with you?—A. For 1920.

Q. Yes.—A. (No answer).

MR. MARTELL: It seems to me there was discrimination against Canadian coal companies.

By Mr. Macdonald:

Q. There was a discussion here about contracts made for deliveries in 1921, 1922 and 1923. It was stated in evidence that there was a contract with the Y. & O. Company, and you have already told me you got 250,000 tons of coal in 1920?—A. Yes.

Q. Have you got that contract here?—A. No; I did not know it was required.

Q. You must have known it was required. I can turn to the record and show that I asked you particularly to bring it?—A. I will be glad to supply anything you require.

Q. You have furnished me with a lot of documents relating to coal purchases in 1920-21, but you have not produced the Y. & O. contract for 1921?—A. I did not understand that you wanted that Y. & O. contract. I knew there was a great deal of discussion about this bigger Y. & O. contract.

Q. You did not bring me the Y. & O. contract, that we have had all the discussion about.—A. There is no objection to bringing it.

Q. I hope we won't have any objection from Mr. Hanna.—A. I don't know whether there was any coal supplied under this contract or not.

Q. You had some dealings with the Anglo-Coal Company in Nova Scotia?—A. Yes.

Q. That was the coal company in which Mr. Douglas was interested?—A. Yes, I think he was.

Q. You gave them a contract for 8,000 tons and they shipped you 6,819 tons, over 2,000 tons more than they produced. Do you know where they got that coal?—A. No.

Q. Have you made any inquiries about it?—A. No, I made no inquiries about it. I don't recollect that at the present time.

Q. The Anglo-Coal Company according to the terms of that contract could not have produced 4,706 tons of coal. They got a contract for 8,000 tons of coal and they delivered 2,113 tons more than they produced. Do you know whether they went into the market and bought it?—A. I could not say. It was a case of us going into the market and getting all the coal we could.

[Mr. R. C. Vaughan]

Q. That was the company that Mr. Muggah of Cape Breton was interested in?—
A. Yes.

Q. You have not got that contract showing the Y. & O.—A. No.

Q. Have they any agent in Toronto?—A. No, not to my knowledge. We always do business with their people in Cleveland. Their vice-president comes over and transacts the business in Toronto.

Q. You were doing business with that company a long while?—A. Yes.

Q. Who were the chief officers?—A. Mr. Robbins was president and Mr. Finlay was vice-president. Those were the men we always transacted our business with.

Q. Are they Americans?—A. Yes.

Q. Are there any Canadians in it?—A. Not that I know of.

Q. You never had any discussion with any representatives of theirs in Toronto?—A. Not that I know of.

Q. Who is the Standard Coal Company in Toronto?—A. That is a retail concern in Toronto.

Q. Who has to do with that?—A. I think Mr. Marshall is president.

Q. Did you ever buy any coal from them?—A. A little hard coal once or twice.

Q. No soft coal?—A. Not for a good many years. We might have bought black-smith coal or something of that kind.

Q. As against American mines?—A. Yes.

Q. Who were in that company?—A. The Standard Fuel.

Q. Yes.—A. It is a Marshall family affair. I don't know who the officers are outside the president.

By Mr. Lewis:

Q. Sometime ago you were asked a question with regard to trains leaving Winnipeg. As far as possible they used western coal and you bought western coal for them?—A. Yes.

Q. That was the policy of your company?—A. Yes.

Q. Is that irrespective of price?—A. I would not go so far as to say that. We always give a little preference in price to western coal.

Q. As far as possible all over Canada you take Canadian coal?—A. Yes.

Q. As far as possible?—A. Yes.

Q. Even though in some instances it may be a little higher in price?—A. We frequently buy Canadian coal when it is possible to buy American coal cheaper.

Q. I notice here that you say that you could have got coal from Nova Scotia for \$9 a ton in the year 1920, that is if you had paid that extra dollar.

Mr. MACDONALD: \$7.

By Mr. Lewis:

Q. And \$2 freight?—A. Yes.

Q. Yet the same coal in the United States cost you in the same year anywhere from \$6.95 to \$10.75?—A. Yes, but we could not get Canadian coal.

By Mr. Macdonald:

Q. Mr. Carvell says you could. You agree he told you you could?—A. Yes, but we could not get it.

Q. Notwithstanding what Mr. Carvell said?—A. Mr. Carvell is no doubt sincere in his statement. We could not get the coal.

Q. Would it be possible for the Nova Scotia mines to supply you altogether if the price was right? Would it be good economy to buy that coal?—A. We would certainly buy it if we could buy it as cheap as American coal, but I don't think there is a district in Canada where they can compete.

Q. That would be in Ontario?—A. Ontario and the West as far as Winnipeg.

[Mr. R. C. Vaughan]

By Mr. Martell:

Q. I don't think anyone is contending eastern coal should go west of Fort William, but our contention is that Nova Scotia coal should be used as far as Montreal. It would be cheaper and it would practically compare favourably with the price of American coal on the line running to Ontario east. Under normal conditions it would be cheaper to use Nova Scotia coal in Montreal. Did you ever send American coal on the I.C.R.?—A. There was a lot of American coal sent down there before the Canadian Northern and the Canadian Government came together.

Q. At what time?—A. That was during the war years.

Q. Not prior to 1914 and 1911?—A. No, I don't think so, but the point I want to make is that the war years were abnormal.

Q. Don't you think it would be in the interest of the railways to buy Maritime coal even if it were a little higher on account of the traffic it would produce?—A. As I say, we always give the preference, even at a little more, to Canadian coal.

By Mr. Lewis:

Q. What is the quality of the coal as far as steam capacity is concerned?—A. There is good and bad coal in all districts. I think it would average up.

By Mr. Macdonald:

Q. I think after having devoted some time to this matter I am entitled to a little courtesy.

The CHAIRMAN: I don't think there is any desire to show anything but perfect courtesy. I was going to make a suggestion that Mr. Macdonald be allowed to continue.

By Mr. Macdonald:

Q. Before you start I would draw Mr. Vaughan's attention to page 86 of his evidence, taken on June 7, as follows (reads):

"The CHAIRMAN: Although a contrary impression may have been given, Mr. Vaughan says that the contract under discussion refers to deliveries subsequent to the item we are discussing. He says there were other contracts with the Y. & O. Company, either by correspondence or formal documents, and that these contracts are the ones to which the Auditor General's Report has reference. I am going to ask Mr. Hanna whether he will produce before us the contracts with the Y. & O. under which the purchases of coal represented by the entries on page W-189 in the Auditor General's Report were made, or any other company.

"Mr. HANNA: There is not the slightest objection to producing any bit of paper or contract that we have covered by that reference.

"Mr. MACDONALD: That is all we want.

"Mr. HANNA: The point I want to impress is this: They represent telegrams, verbal communications and some contracts. As you all know in 1920 it was not a question so much of making contracts as it was to procure coal at any price to carry on our operations. There is no reason in the world why we should not tell you all about that item.

"The CHAIRMAN: Then we are all at one." You heard that?—A. I heard it, but I must say that perhaps I am at fault, but when the discussion was over the last time there were certain questions raised and I asked what information was wanted. There was freight of course referred to all through here.

Q. You know very well the crux of the question was the question of the production of the Y. & O. contract for a long term and that was disposed of by it being understood you were to produce the contract of the Y. & O. for 1920, which you have not done.—A. All I can say is that when this matter was brought up—and I thought

[Mr. R. C. Vaughan]

this supplemented all the discussions before the Committee—I was hoping to get a reply stating what was wanted.

Q. You must have known that. Getting back now for a moment to another question, to this question of American coal supplied in 1920, I find here that on December 10, 1920, you wrote Mr. Carvell as follows: "We have sufficient American coal coming in to take care of our requirements from now until April, between Mount Joli and Drummondville. We estimate our requirements at Campbellton and east between now and the 1st of April at 172,000 tons." So that you were sending American coal as far east as Mount Joli when the last letter showed Mr. Carvell intimated to you you could get all the Nova Scotia coal you wanted. You do not produce those contracts and let us know what your obligations were. You say while you always take care of all the Canadian companies east and west, limiting your right to put the thing in such position to take advantage of the coal as you wanted it—you tied yourself up with the Y. & O. to take further coal from them.—A. This contract we have now in Canada is similar to what most of the railways have in the United States with all the mining companies

Q. You therefore used American coal as far east as Mount Joli in 1920 and 1921. How much of that did you store there?—A. I cannot tell you the proportion of American and Nova Scotia coal stored at Mount Joli. The reason that was sent down there was because we could not get Dominion coal up to Quebec by water.

By Mr. Martell:

Q. Had you your own railways?—A. Yes, but we could not get the coal.

By Mr. Macdonald:

Q. But 1920 and 1921, you will agree with me that you had a conversation with Mr. Carvell, in which he intimated to you that if you had chosen to pay a certain price for Nova Scotia coal you could get it. You did not arrange to pay that price?—A. We had sufficient coal under contract. We set the price to take care of our requirements. They told us they could not give us any more coal regardless of the price.

Q. That is absolutely in contradiction to Mr. Carvell's letter, or any statements to you. I want to know can you produce to me a single contract that you made in 1920 whereby you were bound to take American coal after December, 1920, whether you wanted to take it or not. Can you produce a single contract?—A. The American contract at that time—

Q. Can you produce any contract. You have given me a whole lot of contracts here. There is nothing of that kind in them. Can you produce any contract that binds you?—A. Our contract bound us to a specific tonnage.

Q. You do not produce the documents so we can see what you really did. We will interpret the contract. We want your document. Can you produce here now or have you in your possession now a single contract you made in 1920-21 which compelled you to continue taking coal from December to April, 1921, and send it down as far east as Mount Joli when you could have got Canadian coal which you would pay the same price for?—A. It is very doubtful whether it went to Mount Joli at that time.

Q. Very doubtful, when you wrote to the Chief Commissioner at that time?—A. That simply goes to prove the difficulty we had getting coal and we used Mr. Carvell's influence to get all the Canadian coal we could.

Q. You told me that letter was written in December, 1920. At that time your coal difficulties were over. Coal was rushing in from all quarters.—A. Certainly.

Q. And you took American coal?—A. We took Nova Scotia coal to the extent of our contracts that year.

Q. When did you take it? I thought your complaint was you could not get it.—A. We could not get it when we wanted it, but we got it when we did not want it.

[Mr. R. C. Vaughan]

Q. You have a peculiar system of making your contracts in regard to coal. Here we are at the end of June. Why don't you let your contracts in the winter time so that the coal may move?—A. Because that is a good time to let coal contracts.

Q. Why don't you let it in April?—A. We do let it in April. This is an abnormal year. The coal companies have only in the last ten days given us quotations.

Q. You know you fix the price by virtue of your position, and in regard to the operation of this railway, say for the last 20 years, that the price to be paid for the coal you purchased east was ultimately fixed by yourself. It was not controlled by the coal company.—A. It was controlled absolutely.

Q. I want to know why with the Nova Scotia coal miners walking the streets you would not take coal from them instead of taking American coal?—A. We have been taking it right along to the extent of our requirements.

Q. Don't you arrange to take any stock in advance?—A. I say we have four month's stock now on hand.

Q. Where is your stock now?—A. It is distributed all over from Chaudiere east.

Q. What is the total amount of it?—A. I think I said it was 300,000 tons.

Q. This 300,000 tons in the east only relates to the coal in store. How much have you got in the west or in the centre?—A. At the end of May we had for the system approximately a million tons of coal.

Q. At the end of May?—A. Yes.

Q. A million tons?—A. Yes.

Q. And you had bought short during the year so far as the east was concerned, 200,000 tons?—A. Yes.

Q. So you must have on hand as a result of your 1920-1921 purchases a very short stock of coal if you had a million tons?—A. We would not exceed three month's supply.

Q. Is that three months' supply?—A. Under normal conditions, yes. It is a little more than three months' supply. It would be about three and a half months.

Q. You have not got that statement for 1920-1921 even?—A. No, I have not got it.

Q. It is very singular that you take exception to be asked about 1921-1922, when you know the information about 1920 that is distinctly relevant to this item, that is the thing you don't have.—A. It is not always possible to see the trend of an inquiry.

Q. You have information about 1921-22 and you have not got it about 1920?—A. No, I don't think I have. This is all 1921-22. As I say, I will be glad to give the stock on hand at each place.

Q. You don't want this examination to go on until next summer.

The CHAIRMAN: Would it be possible for Mr. Vaughan to telegraph for these papers when we go to lunch and have these papers here tomorrow. Some one in your office could pick them out?—A. The unfortunate part is that Mr. Graburn is in Winnipeg at the present time. These are on file in his office.

Mr. LEWIS: I just want to ask a question.

Mr. MACDONALD: Let me finish my examination. I am right at the crucial point.

Mr. LEWIS: You have been at it a long time.

Mr. MACDONALD: If you had taken as much time to study these public documents you would not be so fresh about this affair.

The CHAIRMAN: I don't like that language used by one member to another.

Mr. MACDONALD: I examined this witness. If honourable gentlemen want to interrupt a member speaking in the House, it can be done with his consent.

The CHAIRMAN: Just take note of what you want, Mr. Lewis.

[Mr. R. C. Vaughan]

Mr. MACDONALD: I want to settle about these documents. I understood you to say, Mr. Chairman, that Mr. Vaughan would phone or wire to his office in Toronto and he could get the information by phone as to the quantity of coal that was in stock on March 31st, 1921. He can get it by phone but I want him to get the contracts with the Y. & O. company which were made in 1920-21 and I hope there will be no mistake about it this time.

The CHAIRMAN: Don't you want some supply of coal.

WITNESS: Coal in stock March 31.

By Mr. Macdonald:

Q. There has been given me a statement of the fuel bill rendered by the Canadian Northern Railway System. I find here that there were 33,911 tons of coal which was charged to the Canadian Government Railway at \$12 a ton for delivery at Hervey Junction and the price was f.o.b. Montreal \$12. Where did that coal come from to Montreal?—A. That would come from the United States.

Q. How did you bill it from Montreal at \$12 a ton?—A. I don't just remember that item. I don't remember if I have a copy of that bill here or not. That was for April, was it not?

Q. That was in November, 1920. Bill No. 631, coal for Hervey Junction, \$12, Montreal; freight, \$40,878; another item of freight \$18,744.—A. If that coal were billed at \$12 Montreal I have not got a copy of that now. It would move over the C.N.R. from Montreal to Hervey Junction.

Q. Why was it billed to Montreal? You had no stock pile in Montreal.—A. The coal must have been re-consigned from Hervey Junction to Montreal.

Q. You have no stock pile in Montreal?—A. No. We have one at Longue Pointe.

Q. I want to call your attention to January, 1921, 24,221 tons at \$12 a ton billed from Montreal to Transcona Bridge on which there is a charge of freight of \$47,577. If that coal was billed from Montreal to this point east, why does the Canadian Northern Railway send a bill to the Canadian Government east. Why is not the bill sent directly to the Canadian Government railways east?—A. I don't get that?

Q. We understood from Mr. Graburn at the last examination that the \$12 coal came largely from the stock pile?—A. Yes.

Q. Here are two items, most important items, amounting to 58,000 tons of coal that were billed out from Montreal in December and January, 1920-21, for points along the Transcontinental east. I want to know first as to why that coal was billed from Montreal?—A. The reason it would be billed from Montreal—

Q. It did not come from any stock pile?—A. I don't remember that. I would just like to see that document for a minute. I don't remember that. If it were billed at \$12 Montreal, that would be the average price on tracks at Montreal and these were cars that were diverted to Hervey Junction. That is the only way I can account for that.

Q. Can you give me the invoice from the people from whom you got the coal?—A. Yes, I can do that.

Q. I would like to know why if coal was purchased directly from the United States, as apparently that was, and brought to Montreal and then sent to those points, why it was not charged up directly in the Public Accounts to the parties for whom it was purchased, the same as you do from the Nova Scotia Coal Company.—A. The only way I can explain that is this would be coal that came in at Montreal, a number of cars of coal.

Q. There are 60,000 tons of coal.—A. It would be sent on to Hervey Junction for unloading.

Q. Here is 58,000 tons of coal?—A. Yes.

Q. Within a period of a few weeks of each other, which are charged here at \$12 a ton, was shipped through Montreal, against which you charge freight?—A. Yes.

[Mr. R. C. Vaughan]

Q. Now that coal did not come from any stock pile as Mr. Vaughan told us the other day here.—A. You mean Mr. Graburn told you.

Q. Mr. Graburn told us the other day that this high priced coal was coal that came from the stock pile. I find from the statement it did not come from any stock pile but that 58,000 tons of it came in, that very late in the year, at the time the correspondence shows, you could have got coal from Nova Scotia. I want to call your attention to the fact that in September, 1920, 15,000-16,000 approximately tons of coal at \$12 appears in this statement as having been sent to Hervey Junction and the price is said to be f.o.b. Montreal.—A. Yes.

Q. And freight amounting to \$27,000 is charged?—A. Yes.

Q. That did not come from any stock pile.—A. Of course there was coal coming all the time. Perhaps a hundred, two hundred, three hundred, four hundred or five hundred cars of it.

Q. That did not come from any stock pile.—A. It is not likely it would.

Q. You have no stock pile in Montreal. Therefore it could not come from it.—A. That might have been consigned to Longue Pointe originally and might have been diverted.

Q. You and your officials said the other day it came from your stock pile and the reason for this cost was because you took the average price of what the coal at the stock pile was. I find there was a very anomalous situation that 73,000 tons of \$12 coal was charged here as against the Canadian Government Railways, that being the price at Montreal f.o.b. cars, no stock pile business about it, and I want to know where you got the coal and from whom you got it, too.—A. We can trace back where it came from.

Q. You have given me a statement here. Here is an invoice. You say here "bill No. so-and-so, I have not got it."—A. The copies of all the bills are in the Office of the Auditor General.

Q. Those were simply bills which the Canadian Northern Railway made out to the Canadian Government Railway but give no information. That is what this is a copy of and I want to know where you got—and I want you to remember that this is no child's play—that we propose to find out these things. Mr. Graburn told us it came from the stock pile and we find it never came from the stock pile at all?—A. You can appreciate in dealing with three or four million tons a year, when it is passed and gone, every item cannot be remembered.

Q. Let us see what the situation is. \$12 a ton f.o.b. is an abnormal price at any time. It was an abnormal price in 1921, in January, when you say the coal was piled in. You say you could have got all the coal you wanted in Nova Scotia at \$7 a ton?—A. I wont recede from the position I have taken, that we took every pound of the coal we could get from Nova Scotia.

Q. Notwithstanding what Mr. Carvell says?—A. Yes, I will not recede from that position.

Q. Notwithstanding that you were buying \$12 coal you cannot tell us who you got it from.

The CHAIRMAN: Mr. Vaughan will, I understand, give us for to-morrow if he possibly can, by getting in touch with his office in Toronto, the particulars of this shipment of 75,000 odd tons of coal which did not come from the stock pile but which cost \$12 a ton f.o.b. Montreal. Now I think Mr. Lewis is waiting patiently.

Mr. MACDONALD: There is just one thing I want to say further, those are the only items that show \$12 coal, those three items.

By Mr. Lewis:

Q. Mr. Vaughan said he will not recede from the position that he took all the coal he could get from Nova Scotia?—A. Yes.

[Mr. R. C. Vaughan]

Q. In answer to Mr. Macdonald's question you said that they told you that they could not deliver any more coal. Was it in a telegraphic form?

Mr. MACDONALD: Who is "they"?

By Mr. Lewis:

Q. The people in Nova Scotia. Have you got any written correspondence to that effect that they could not supply you with it?—A. Yes. I would like to say Mr. Graburn made several trips and interviewed each mine individually in the Maritime Provinces to see if we could not get more coal.

Q. Have you any written evidence to that effect?

By Mr. Macdonald:

Q. The evidence of Mr. Carvell is to the contrary. You concede you could get all the coal you wanted in Nova Scotia in December, 1921, until April?—A. Yes, we could have got all the coal we needed.

Q. Instead of that you took American coal and the reason you say you did it was because you were tied up with contracts?—A. We took delivery of the spot coal we had obligated ourselves to buy. They were small orders. They were not contract. A good many of them were given over the phone and were confirmed by an order.

By Mr. Lewis:

Q. You have repeatedly said after November you never entered into any more contracts here?—A. Yes.

Q. And you took the coal you had under contract that you were obliged to take?—A. Yes.

By Mr. Thurston:

Q. At what time previous was this spot coal bought?—A. There was some bought in November.

Q. How long before that?—A. It was bought all during the year.

By Mr. Macdonald:

Q. Don't you think you had better get the contract and then we will know. Was this coal by contract?—A. We place an order for so many hundred tons of coal.

By Mr. Lewis:

Q. Can you put in evidence that they could not supply you any more coal?—A. (No answer).

By Mr. Macdonald:

Q. He told us in November he could get all he wanted.

By Mr. Lewis:

Q. I mean at the time of the coal shortage?—A. If there is any doubt, I would suggest that you get the Dominion Coal Company officials to see what they have to say.

By Mr. Macdonald:

Q. I know all the smaller coal companies, the Springhill Company, the Maritime Company could give it to you?—A. Not until the fall. You cannot run a railroad on a shoe string and keep your supply running from day to day.

By Mr. Macdonald:

Q. And have a surplus so big that you cannot buy any coal?—A. We did not have as big a surplus as our neighbours.

[Mr. R. C. Vaughan]

Q. It was so big a surplus that you had 230,000 tons in the next year and when people are starving in the coal mines you cannot take any from them.—A. It was on account of the consumption of the coal.

Q. Your falling off was due to the fact that you took 230,000 tons less but you still had a surplus?—A. We had a surplus for about three months, which is a normal surplus.

Q. You said the other day you spoke to the stenographer and you told him he was incorrect in certain things.—A. Yes. I said the stenographer came to me and said he did not get down all the evidence, there were so many people talking all at once.

Q. You asked him to correct certain things?—A. No, I did not ask him to correct anything.

Q. Here is the stenographer who came to me and said there was no such interview as you stated. I would like to have him make a statement.—A. I don't see the stenographer.

Q. Mr. Holland, you heard what Mr. Vaughan said the other day to the Committee, did you not?—A. Yes, I heard it.

Q. And you came to me about the matter?—A. Yes.

Q. What did he say? Did you have any interview with him at all?—A. I did, after the first meeting, but not any after that. I had no further conversation with Mr. Vaughan. Right after the—

Mr. VAUGHAN: That is quite so.

Q. What was the conversation?

Mr. HOLLAND: I said to Mr. Vaughan there had been a good deal of confusion at some points and that some thing might have been omitted and I asked him if he would care to read over the report and he did not seem to be disposed to do it then, and I said, "if possible, I will send it to Toronto to you," but when I consulted Mr. Mathews, he said no, it was not the practice to send away a report, so I turned in the report as it was.

WITNESS: That is exactly what transpired.

Q. We will find exactly what you said about that, Mr. Vaughan. We will find what you said about it and we will direct your attention to it later in regard to certain corrections of certain statements.

The CHAIRMAN: Mr. Lewis, have you any questions to ask? Any other persons any other questions to ask? It seems to me we might continue Mr. Vaughan's examination to-morrow at 11 o'clock. I have a meeting at the Banking and Commerce Committee at 11.

Mr. MACDONALD: Say 12 o'clock.

WITNESS: I was going to say in connection with the \$12 coal that I will give any explanation I can. It was handled in detail by Mr. Graburn, who won't be home until early next week. I will be glad to give it.

By Mr. Lewis:

Q. Can you get that correspondence in regard to what those coal mines said to you about not being able to get any more coal?—A. I will try to get all the correspondence.

Mr. MACDONALD: I have no desire to inconvenience Mr. Vaughan about this thing at all. I want to get through the examination.

The CHAIRMAN: I think what I suggest will suit Mr. Vaughan as well as having it postponed.

WITNESS: I am just as anxious to get cleaned up as you gentlemen are.

The CHAIRMAN: I think perhaps the suggestion I made of Mr. Vaughan getting in touch with his office would be a good one. There are two matters which have been

[Mr. R. C. Vaughan]

brought to my attention which I would be glad to have you gentlemen consider. The Clerk of the House wrote me a letter some months ago in which he said that there were 800 newspapers supplied to the Reading Room. A great many of these newspapers are weeklies and of little general interest at all, and that he has been asked to put further newspapers on the subscription list of the Reading Room. He had refused to do so because he thought in the present conditions of the country's finances it would be a wrong thing to do, and he draws my attention to this and asks me whether it would be possible to appoint a small sub-committee to consider the matter.

Mr. LEWIS: Of course, I am not speaking about my own constituency. There is only one from my own constituency and even though it is only a tri-weekly newspaper, I think I would like sometimes to read the news but some people might go to the extreme in that. So far as my constituency is concerned, it covers about 100 miles by 70, and there is only a small newspaper covering the whole county.

Mr. THURSTON: The majority of the people here attending Parliament buy their own papers here. What is the sense of a lot of these things coming here?

The CHAIRMAN: That is what I want the opinion of the Committee on this morning.

Mr. THURSTON: As far as these weekly papers are concerned, in our own county there are five or six.

Mr. MACDONALD: I think we need to economize, but after all is said and done, my experience in Parliament is that we like to look at a local paper from our own constituencies. I have only two, one east and one west. You get really more information about what is going on at home, and it is very important. As to the question of sending Hansard, I notice one paper in my riding put up a great complaint and stated they had not got a copy of Hansard from the time the House opened.

Mr. LEWIS: I send them myself.

Mr. CHISHOLM: I don't think that you really send those reports to newspapers, because I know the editor of a newspaper published in my own county wrote to me for bluebooks and this, that and the other thing, and complained bitterly that they could not get Hansard, and so I think there is a rule for some class that is not enjoyed by others. I think a general look into the whole question would be a good thing.

The CHAIRMAN: We will take this matter up at the next session.

The Committee adjourned until Thursday, June 22nd, at 12 o'clock.

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

THURSDAY, June 22, 1922.

The Select Standing Committee on Public Accounts met at 12 o'clock noon, Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of "a payment of \$2,429,984.08 to the Canadian Northern Railway System in connection with coal, errors in calculation, freight and duty, as set out at page W-189, Volume 3, Report of Auditor General for fiscal year ended March 31, 1921."

The CHAIRMAN: Mr. Macdonald, when we adjourned yesterday I asked Mr. Vaughan to get in touch with his office in Toronto and secure information on various matters to present to us to-day.

Mr. MEWBURN: Could we not deal with the report on the other matter first?

The CHAIRMAN: I showed to Mr. Vein the suggested report drafter by Mr. Guthrie, and he said there were a couple of matters which had not yet been fully completed. Mr. Guthrie disagrees with him and says it is all completed.

[Mr. R. C. Vaughan]

Mr. GUTHRIE: We were waiting for General MacBrien to put in a couple of statements.

Mr. MEWBURN: Is Col. Vien back?

The CHAIRMAN: Yes, but he could not be here this morning. I took the matter up with him this morning.

Mr. LEWIS: Perhaps the Committee could meet again.

Mr. GUTHRIE: I think you should intimate to Col. Vien that we are going to meet for his convenience, and also request him to see that General MacBrien attends.

The CHAIRMAN: If it is agreeable to the Committee, we can meet at 10.30 o'clock to-morrow morning.

R. C. VAUGHAN recalled.

By Mr. Macdonald:

Q. You were to bring some information to the Committee this morning. Have you got it?—A. Yes; I think I have it all. Here is the Y. & O. contract for the year 1920.

By Mr. Lewis:

Q. Were you able to get the matters for which I asked?—A. Do you refer to the various letters which were mentioned?

Q. Yes?—A. Yes; I have some of them here.

Q. You say you have brought the papers referring to the fact that the Dominion Coal Company and other companies said they could not supply you with any more coal in 1920?—A. Yes.

Q. Could you read an extract—

Mr. MACDONALD: If we are going into that, I would like an opportunity of reading these letters.

The CHAIRMAN: You had better put them in, Mr. Lewis.

By Mr. Lewis:

Q. What business considerations are involved in entering into coal contracts?—A. The only consideration is to buy the coal for the railway at the lowest possible price, having regard to the point of delivery.

Q. The lowest possible price is one consideration?—A. Yes.

Q. Is quality a consideration?—A. Yes.

Q. And proximity?—A. Yes; all those things are carefully considered.

Q. A matter came up yesterday which I would like to speak about for a moment. In regard to the purchase of coal from the United States, it is necessary for you to pay out cash for freight on some one else's railway?—A. Yes.

Q. And also a tariff revenue?—A. Duty. Yes.

Q. Would it not be considered a good business principle to pay that extra, even on your own road where you are utilizing your own services, rather than pay actual cash?—A. The whole question is carefully considered. Of course the Government gets the 53 cents duty that we pay.

Q. There is 53 cents duty on every ton?—A. Yes.

Q. Which would amount to a considerable sum on all the coal you get?—A. Yes.

Q. That is a cash outlay?—A. Yes.

Q. You must also pay out for freight on other Canadian lines than your own?—A. Yes.

Q. Would it not be cheaper even if you paid the same amount of money or a little more on your own line and utilized its services?—A. No; because in working out the price of coal we always figure what it would cost that railway to haul the coal to a common point such as Port Arthur or Fort William.

[Mr. R. C. Vaughan]

Q. You have no other considerations except quality, price and proximity?—A. None whatever.

Q. So your contracts with all companies are based upon an economic business arrangement?—A. Absolutely.

Mr. MACDONALD: The witness has handed me two orders and accompanying letters, which I would like to put in.

The CHAIRMAN: Yes.

CANADIAN NATIONAL RAILWAYS

FUEL DEPARTMENT

Order G.F.A. No. 143.

TORONTO, Canada, April 6, 1920.

YOUGHIOGHENY & OHIO COAL Co.,
Leader-News Bldg.,
Cleveland, Ohio.

Please enter order from the Canadian National Railways for the following:—

100,000 tons
Run-of-mine coal.

Price, \$3.25 N.T. for the No. 8, f.o.b.
3.50 N.T. for Amsterdam.

Consign to
Via

Remarks.—Payable in U.S. funds. Shipping instructions to be furnished by Mr. C. E. Jones, fuel agent, Toronto.

Invoices (and customs invoices when required) to be rendered in duplicate against the Canadian National Railways, and sent to C. E. Jones, fuel agent, Toronto.

CANADIAN NATIONAL RAILWAYS

FUEL DEPARTMENT

Order G.F.A. No. 142.

TORONTO, Canada, April 6, 1920.

YOUGHIOGHENY & OHIO COAL Co.,
Leader-News Bldg.,
Cleveland, O.

Please enter order from the Canadian National Railways for the following:—

300,000 tons
 $\frac{3}{4}$ No. 8 coal.

Price, \$4.83 f.o.b. vessel lake Erie.

Consign to
Via

Remarks.—Payable in U.S. funds. Shipping instructions to be furnished by H. T. Rawlings, lake forwarding agent, 1340 Rockefeller Bldg., Cleveland, Ohio.

Invoices (and customs invoices when required) to be rendered in duplicate against the Canadian National Railways, and sent to H. T. Rawlings, Cleveland.

(Sgd.) A. L. GRABURN,
General Fuel Agent.
[Mr. R. C. Vaughan.]

SPECIAL COMMITTEE

THE YOUGHIOGHENY AND OHIO COAL COMPANY

Miners and Shippers of

YOUGHIOGHENY GAS, PITTSBURGH STEAM AND PITTSBURGH No. 8 COAL

GENERAL OFFICES, LEADER-NEWS BLDG.,

CLEVELAND, O., April 15, 1920.

Sales Department.

Mr. A. L. GRABURN, G.F.A.,
Canadian National Railways,
Toronto, Ont., Canada.

DEAR SIR.—All quotations, orders, contracts and sales are subject to car supply, strikes, accidents and causes beyond our control.

Referring to your favour of the 6th inst., enclosing your orders GFA-142 and 143, we note that you specify the maximum tonnage on these orders and say nothing about the minimums, although you state in your letter that you have shown the minimum quantities. The writer's understanding when he saw Mr. Vaughan and yourself in Toronto was that we were to furnish a minimum of 250,000 tons and a maximum of 300,000 tons by water and a minimum of 75,000 tons and a maximum of 100,000 tons of all rail coal; the option to be with us as to whether or not the minimum or maximum amounts would be shipped. We, therefore, feel this should be definitely understood between us.

We further note that you have specified on the water coal an f.o.b. vessel price of \$4.83; if the order stands in this manner it should be understood between us that this is based on the present rate of \$1.33 on No. 8 coal, which rate includes both the freight rate and the handling charge from car into vessel. The indications are that the handling charge will probably be increased this year commencing the early part of the season and later in the season in all probability the freight rate will advance. We would, therefore, like to have it understood that this f.o.b. vessel price is based on the rates as they exist at present.

It should also be further understood that the shipment of the tonnage contracted for is subject to our usual conditions as to car supply, strikes, accidents or other contingencies beyond our control.

While we appreciate that Mr. Vaughan and yourself understand all these conditions, yet we feel it would be better to have them properly reduced to writing so that no misunderstandings may arise in the future. We are, therefore, submitting for your consideration a letter which we think will cover the situation and if you find this satisfactory, if you will accept same on the part of your company it will be appreciated. We have dated same as of April 6, which is the date of the confirmation of our agreement.

Very truly yours,

THE YOUGHIOGHENY & OHIO COAL CO.,

By H. L. FINDLAY,
Vice-President.

April 6, 1920.

MR. A. L. GRABURN, G.F.A.,
Canadian National Railways,
Toronto, Ont., Canada.

DEAR SIR,—This will confirm agreement entered into between your Mr. Graburn and the writer, whereby we agree to sell and deliver and you agree to purchase, accept and pay for the coal hereinafter specified upon the terms and conditions hereinafter set forth.

Two hundred and fifty thousand tons to 300,000 tons of Pittsburgh No. 8 $\frac{3}{4}$ lump coal for shipment via water during the season of navigation 1920.

Seventy-five thousand to 100,000 tons of either Pittsburgh No. 8 or Amsterdam Mine Run coal to be shipped via all rail between April 1, 1920 and March 31, 1921.

Price on the water coal to be \$4.83 per net ton f.o.b. vessel, Lake Erie ports, it being understood that this price is based on the present freight rate of \$1.33 per net ton which is made up, as follows: freight \$1.27, handling from car into vessel 6 cents. If there is any change in either the freight or handling charges the price will be adjusted accordingly.

Price on the all rail coal is to be \$3.25 per net ton for No. 8 Mine Run and \$3.50 per net ton for Amsterdam Mine Run.

All remittances are to be in United States funds at par in Cleveland, Ohio. Payments for water coal shall be made within sixty days from date of vessel bill of lading and on the all rail coal by the 25th of each month for preceding month's shipments.

On the water coal bill of lading weights shall govern all settlements and on the all rail coal the actual railroad weights of the initial carrier at its scales nearest the point of shipment shall govern all settlements.

The above prices are based on the present rate of miners' wages in effect at the mines from which the coal is to be shipped and will advance or decline the amount of any advance or decline in such rates on all shipments made after the same takes effect. Your company is to pay all taxes or assessments which may be levied by any duly constituted governmental authority on the mining or shipping of the coal herein sold and to reimburse us, if it is considered advisable for the convenience of handling of this coal for us to pay same.

If we are prevented from shipping or you are prevented from receiving any portion of the coal herein specified by reason of strikes, labour troubles, accidents or other causes beyond the reasonable control of either of us, each shall be excused from such performance during the continuance of such hindrances.

If the above agrees with your understanding of our arrangement your acceptance of same is to constitute a binding contract between us.

Very truly yours.

THE YOUGHIOGHENY & OHIO COAL COMPANY.

(Sgd.) By H. L. FINDLAY,
Vice-President.

Accepted:

By THE CANADIAN NATIONAL RAILWAYS.

By Mr. Macdonald:

Q. According to this contract, you ordered 400,000 tons of coal?—A. Yes.

Q. Can you tell me the amount delivered by this particular company that year?—

A. Between 225,000 and 250,000; approximately 250,000.

[Mr. R. C. Vaughan.]

Q. And the balance of the 1,000,000 odd tons purchased from the United States was purchased from other companies?—A. Yes.

Q. Under similar contracts?—A. Yes.

Q. How many mines have the Youghiogheny & Ohio Coal Company?—A. They have a great many, but I could not tell you the number offhand; they have numerous mines in various fields.

Q. Some in Ohio and some in Pennsylvania?—A. Yes.

Q. Have you a list of the other companies from whom you purchased?—A. Yes. Was not that given before?

Q. Not in that year.

The CHAIRMAN: That is the year ending March 31, 1921?

Mr. MACDONALD: Yes.

Mr. LEWIS: Mr. Chairman, may I look over the letters to which reference has been made while Mr. Macdonald is conducting his examination?

The CHAIRMAN: Certainly.

WITNESS: (Handing letters to Mr. Lewis) There are some of them. I got the office on the phone two or three times yesterday, and they said there were one or two others which they could not find. (Documents not filed).

By Mr. Macdonald:

Q. This contract dated October 6, 1920, is with the Buffalo & Susquehanna Coal & Coke Company, 1538 Marine Trust Bldg., Buffalo, N.Y., for 100 cars Run of Mine coal at \$5 per net ton f.o.b. mines?—A. Yes.

Q. Then F. J. McGuinness, Buffalo, N.Y., October 22, 1920, 500 cars Run of Mine No. 8 coal at \$6.25 per net ton f.o.b. mines; Warren Collieries Limited, Toronto, April 20, 1920, 50,000 tons of Run of Mine coal at \$3.80 per net ton f.o.b. mines; W. H. Bradford & Company, Philadelphia, Pa., March 31, 1920, 40,000 tons Run of Mine coal at \$3.40 per net ton f.o.b. mines; Buffalo & Susquehanna Coal & Coke Company, Buffalo, N.Y., July 26, 1920, 100 cars Run of Mine coal at \$5 per net ton f.o.b. mines; W. A. Marshall Company, New York City, N.Y., May 14, 1920, 50 cars of spot coal at \$6.15 per ton; Empire Coal Company, Limited, Montreal, Que., May 14, 1920, 50,000 tons Pittsburg No. 8 $\frac{1}{2}$ coal at \$5.28 per net ton f.o.b. Vessel Lake Erie?—A. Yes.

Q. May 10, 1920; C. W. Young, Philadelphia, 100,000 tons run of mine coal \$4.25; Pittsburg Bessemer Coal Company, March 31, 1920, 100 cars of coal \$3.50; George Hall Coal Company of Canada, March 26, 1920, 100,000 tons run of mine coal at \$3.60 per ton; Dunlop Coal Company, December 6, 1920, 25,000 tons of coal, \$4.20 per net ton; Prudential Coal Company, November 5, 1920, 100 cars run of mine coal, \$5.25 per net ton; Dunlop Coal Company, October 28, 1920, 500 cars coal, 100 tons at \$6, 300 at \$6.25, 100 to apply on completion of contract \$3.85 per ton; Pittsburg Shawmut Coal Company, 100 cars run of mine coal, price not to exceed \$7.75 per net ton, June 18, 1920; July 7th, William McGill Company, 50 cars run of mine coal, \$10.80 per ton. Those prices are all payable in American funds, Mr. Vaughan, I see. I am not putting that in. They are all payable in American funds?—A. Yes. They are all payable in American funds.

Q. Now the next thing I asked you was to get me the quantity of coal remaining in stock March 31, 1921.—A. I have that here. I have not had it typewritten, but it is all there for each section.

Q. Coal on hand March 31, 1921: Eastern section, 259,427 tons; Central section, 148,758 tons; Western section, 332,867 tons; dock 68,340, making a total of 809,392 tons in stock March 31, 1921.—A. Yes. I probably should explain there, Mr. Macdonald, a good deal of that coal in the north has to be taken in during the summer to be carried over during the winter to meet our requirements.

Q. I understand that. Mr. Vaughan, I sent you a note asking you to give me the prices in 1922 of those?—A. Yes. I would prefer, Mr. Macdonald, if you did

[Mr. R. C. Vaughan]

not ask me for that just at this stage, for this reason: we are negotiating now with the coal companies to settle up what is to be paid on this award from January 1, 1920, and we are negotiating for our 1922 coal prices, but we have not made our definite arrangements with them for these awards, as it is going to be applied back to the 1st of January.

Q. Still you had contracts for that all made in March and April last year?—

A. We had contracts made effective as from the 1st of April, 1921.

Q. At fixed prices?—A. At fixed prices.

Q. I don't see how that would affect the question of what you would have to pay them if the price was fixed. What difference would it make if the price was fixed?—

A. It would all be adjusted on about the same basis. I thought on account of us negotiating for the 1922 contracts, you could perhaps wait a little while to get our negotiations completed before the statement was put in.

Q. Can you tell me what the maximum price was?—A. Yes, it was for \$6.35.

Q. Was that for the largest quantity?—A. That was for the largest quantity.

Q. What was the minimum price?—A. I think the minimum price was about—

The CHAIRMAN: I don't want to limit this.

Sir HENRY DRAYTON: I am just waiting to see how far in our idea to assist the business management of the railway this is going. We recognize we are in the minority.

The CHAIRMAN: I have ruled and as a matter of fact I don't think that Mr. Macdonald is anxious to press this matter too far. I have ruled that anything that is in the Auditor General's report can be looked into and scrutinized right to the bottom. I would rule, if I have to rule, but I have not been asked to rule yet, but if I am asked to rule I will rule that unless the matters of inquiry come under this two and a half million item, I will rule it out of order, because I do think when the management says, "we are in negotiation of a contract—"

Mr. MACDONALD: I am not particular about it.

The CHAIRMAN: I understand that.

By Mr. Macdonald:

Q. I am dealing with this particular item. Let us pass on. I don't want to take up too much time on these matters this morning. With regard to the \$12 coal at Montreal this year, do you remember Mr. Graburn told us that the \$12 coal came from the stock pile?—A. Yes.

Q. But the vouchers we have here showed that the \$12 coal was charged from coal that was delivered f.o.b. Montreal for various points, freight and duty added.—

A. The explanation I have on that is this, that that coal came into Montreal and there was a shortage of power at Montreal, that is on the C. N. Lines, so it was sent down over the Intercolonial and across the bridge. That is the reason it was billed out at \$12 to the Intercolonial at Montreal. It went down over their lines from Montreal.

Q. It did not come from any stock pile?—A. No. That was the average price that the coal cost on cars at Montreal.

Q. The average price?—A. Yes.

Q. Have you got any vouchers indicating where you paid for it?—A. I have not got exactly who supplied that coal, but I think it is there in some of those accounts you have got.

Q. There is no \$12 coal here. There is no \$12 coal in these various items.—A. That \$12 would include freight and duty, everything of that kind paid up to Montreal.

Q. What is that?—A. It would include freight and duty.

Q. No it has not, because here—A. There is an item there for freight, Mr. Macdonald, but that covers freight from Montreal to Quebec.

[Mr. R. C. Vaughan.]

Q. Let us see now, the first item is January 1922, for coal delivered at the bridge, the Quebec Bridge, 24,221 tons, \$12, Montreal. Total \$290,654.16. Freight, \$47,577.32. There is nothing indicating you are charging freight on your own lines.—A. No, but the explanation I got of that was that that coal went over the—

Q. You are giving evidence under oath, but as a matter of fact, apparently you don't, of your own knowledge about that.—A. That coal was all distributed by our General Fuel Agent, and I would rather give you an actual report on that.

Q. You don't know of your own knowledge?—A. No. I cannot say off hand how it was arrived at. Coal was coming in at large quantities at that time and we were short of power, and some of it moved over the C.N.R. from Montreal to Quebec, and some of it moved down over the C.G.R., but I would be very glad to write you an explanation as to how it was arrived at.

Q. Who does know it if you don't?—A. Mr. Graburn has the information in his office. I was talking to his Chief Clerk on the long distance yesterday, and he said Mr. Graburn was handling that matter personally and he won't be home until Monday from Winnipeg.

Q. He won't be home until Monday?—A. No.

Q. You of your own knowledge cannot give under oath any explanation of how that price of \$12 a ton for that 75,000 tons of coal contained in this statement was charged f.o.b. Montreal?—A. No, I don't think I can give you a satisfactory explanation for it here.

Q. There is no use your giving us any explanation unless you can give it of your own knowledge.—A. No.

By Mr. Lewis:

Q. In looking over these reports that you have given to us, I notice that they cover the period of the year 1920, but there are one or two instances where it seems that a discrimination has been made. For instance I understand that during this year you bought stock coal for anywhere from \$6.75 up to \$11.75?—A. Yes.

Q. And there seems to me two instances in the paper you gave to me where the mine owners wanted \$6.25 but because the contract price in the first place was \$5.25 and \$5.75, you endeavoured to hold them to their original contract?—A. Yes.

Q. And as a result of that they did not see fit to give you the quantity?—A. You are talking about United States coal now.

Q. No, I am talking about the Nova Scotia coal.—A. Nova Scotia coal? yes.

Q. To me it would seem that you have been justified in raising the price from \$5.25 and \$5.75 to \$6.25 and \$6.75 if you could have gotten the coal, considering you were paying in excess of that for spot coal in the United States.—A. We had no indication, Mr. Lewis that we could get the coal down here at all. The price did not convey very much. The file of the Dominion Coal Company, from whom we have to get our principal supply was put in some time ago, showing our correspondence with them. It was not a question of price that was taken up with them. It was the question of not having the coal.

Q. I notice one of the coal mines in Nova Scotia changed hands and they claim they were not responsible for the price that had been entered into by the old company with the C.N.R. and they wished to raise the price?—A. Yes.

Q. 50 cents a ton?—A. Yes.

Q. But Mr. Hanna replied he did not wish to confiscate the coal, that the mines must necessarily fulfil the contract?—A. Yes.

Q. Had the Government the power to confiscate the coal under the original contract when the mine owners changed?—A. Any coal we felt was due us we took under legal advice.

Q. On the other occasion on which they asked for a higher price, I notice on December 10, 1920 they asked for \$6.25. Had coal resumed its normal condition?—A. Yes.

[Mr. R. C. Vaughan.]

Q. So you did not feel justified—A. We did not feel justified because all the companies wanted to give us coal at that time.

Q. It did seem to me since you were buying coal to be taken at \$7, \$8 and \$10 you could have conceded the point to the miners in Nova Scotia and given them the extra 50 cents a ton.—A. As a rule, they did not ask for more money. It was a question of not being able to supply the coal.

Q. In the majority of cases it was absolutely impossible to pay more?—A. Yes.

Q. But in two instances I find they could have supplied you with coal at a higher price, or would have made an endeavour to do so.—A. The coal consumption for two or three years had been heavier than previously and the railways called on the coal company for more coal than the previous years probably.

Q. How many coal companies are there that you deal with in Nova Scotia or up in the Maritime Provinces?—A. I suppose there are twenty.

Q. Of course those records which you gave to us only cover the larger mines. They do not say anything about the smaller mines.—A. We could not get any coal from the smaller mines at all. Our general Fuel Agent was down there.

The CHAIRMAN: If you want to listen to this, Mr. Gardiner, you better come forward.

Mr. GARDINER: I was going to say this is a great inquiry. The members cannot hear anything at all.

The CHAIRMAN: I don't think that is quite a fair remark, because all the gentlemen at the back of the room have been talking to such an extent that they cannot hear. If they will keep silence and come forward, I will ask the witness to speak a little louder. Will you speak a little louder?

WITNESS: Yes, I am sorry.

Q. You say you dealt with about 20 coal companies in the Maritime Provinces?—A. Yes.

Q. And in the case of the smaller companies you could not get any satisfactory evidence in 1920 that they could supply you with coal?—A. No. I think I have a memorandum here of our contracts for 1920 which shows just exactly twenty companies that we placed orders with.

Q. And the form of contract you have given us covers four of the larger ones?—A. Yes.

Q. Did they supply you with the amount of the original contract,—the smaller companies?—A. They did, yes, pretty well; some did not. For instance, there was a contract with the Port Hood Company for 60,000 tons and they gave us 15,000 tons that year.

By Mr. Macdonald:

Q. They were in financial difficulties?—A. Yes

By Mr. Lewis:

Q. I notice that apparently the Fuel Controller practically dictates the price to the mines, in the letters I have just read?—A. The Fuel Controller did set a maximum price that year.

Q. When you send out tenders for original contracts, do you say what the price is that you can pay?—A. In normal times we usually get quotations from these companies, and if we feel the quotations are too high, we make them an offer of what we consider a reasonable amount for the coal.

Q. And the coal companies could not possibly exist without they supplied coal to the C.N.R.?—A. Some could and some could not.

Q. And you have to some extent a whiphand over those that could not?—A. I Would not say that.

SPECIAL COMMITTEE

Q. You take their normal supply, and if they do not supply you with coal at \$5 a ton you can get it somewhere else, possibly, and they have to come to your terms?—A. But consideration should be given to the fact that we buy from small companies that have very inferior coal simply with the idea of giving them tonnage.

Q. It is your policy to get as much Canadian coal as possible if the price and quality are right?—A. Yes.

Q. None other than business considerations enter into the matter?—A. Absolutely not.

By the Chairman:

Q. There is a little patriotic sentiment in your dealings, too?—A. Yes.

By Mr. Macdonald:

Q. The situation is that there were 13 coal companies in Nova Scotia from whom you purchased, and 5 in New Brunswick?—A. For 1922, I think?

Q. Yes?—A. I have a statement here for 1921, if you would like me to put it in?

Q. For 1920-21?—A. Yes.

Company	Tonnage	Rate	Tonnage Shipped
Port Hood Collieries.....	60,000	\$5.00 f.o.b. Mines.....	15,477
Milford Mining Co.....	30,000	5.25 " Tracks, Coalburn.....	10,424
Intercolonial Coal Mining Co.....	125,000	5.65 " " Westville.....	118,254
Maritime Coal, Railway and Power Co...	125,000	5.65 " " Maccan.....	127,523
Minudie Coal Co.....	5,000	5.50 " " Maccan.....	322
Emmerson Coal Co.....	10,000	5.50 " " Maccan.....	9,220
Anglo Coal Co.....	2,000	7.40 " Souris or Georgetown.....	1,660
Greenwood Coal Co.....	50,000	6.00 " Cars our tracks.....	41,038
Chimney Corner Coal Co.....	5,000	7.40 " Docks, Souris.....	322
Lanark Engineering Co.....	20,000	5.35 " Mines, Thorburn.....	20,088
Indian Cove Coal Co.....	40,000	5.25 " Mines.....	27,121
Acadia Coal Co.....	125,000	5.75 " Mines.....	179,592
Dominion Coal Co.....	300,000	6.00 " Springhill or Sydney ..	277,239
Nova Scotia Steel and Coal Co.....	125,000	5.50 " Mines.....	134,112
Bras d'Or Coal Co.....	30,000	5.75 " Mines.....	26,922
New Jubilee Mine.....	2,500	5.50 " Maccan.....	Nil
The Marsh Mine Co.....	1,000	5.65 " Maccan.....	553
Dominion Coal Co.....	100,000	6.00 " Springhill and Sydney.....	111,692
Export Coal Co.....	20,000	5.25 " ".....	6,043
Inverness Railway and Coal Co.....	5,000	6.00 " Inverness Jet.....	5,040
	1,180,500		1,112,642

By Mr. Macdonald:

Q. Mr. Graburn is not here?—A. No, and he is not in Toronto.

Q. Then we cannot get any explanation from you about this \$12 coal?—A. I would rather have Mr. Graburn make that explanation personally. He is the one that has knowledge of it. He was distributing the coal at that time.

Q. I understand your position is that you have no personal knowledge of the facts?—A. No.

The CHAIRMAN: Is it understood quite plainly that Mr. Vaughan will get from Mr. Graburn a statement?

Mr. MACDONALD: No. If the House sits long enough I would like Mr. Graburn to come before the Committee. The question as to how that \$12 is made up is a very vital one. If the House does not sit long enough to permit Mr. Graburn to come before the Committee, we shall have to let the matter be closed and report on it as it stands. It is not much use speculating about a matter of this kind. I would like to have the man who knows about it come before the Committee and tell us what he knows.

[Mr. R. C. Vaughan.]

By the Chairman:

Q. Mr. Graburn will not be back in Toronto until Monday?—A. No; he has been in Winnipeg for the last ten days.

Q. If we are sitting on Wednesday next I suppose we could have Mr. Graburn here on Tuesday?—A. Yes.

Q. Will you please take that as an instruction, Mr. Vaughan, that if we are sitting on Wednesday you will have Mr. Graburn here?—A. Yes.

By Mr. Lewis:

Q. With regard to these coal contracts, I notice some at \$5 and some as high as \$7.40. Have you taken into consideration the extra freight?—A. They pay the boat freight and land it at that price.

Q. But at the mines it is pretty much all the same?—A. Yes. Of course, we buy to the best advantage in every case; we always endeavour to negotiate the best price.

The CHAIRMAN: Are there any other questions? If not, we shall now adjourn until 10.30 o'clock tomorrow morning.

The Committee adjourned at 12.45 o'clock p.m., until 10.30 o'clock a.m. on Friday, June 23, 1922.



