

APPENDIX

TO THE

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DOMINION OF CANADA

SESSION 1906-7

PART I



OTTAWA

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EXCELLENT MAJESTY

1908

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No. 1.—REPORT of the Select Standing Committee on Public Accounts as follows: Payments to the Collingwood Shipbuilding Co.; Western Division of the National Transcontinental Railway; J. R. Henderson, of Halifax, *re* cotton mill siding at Halifax; R. W. Hewson and James Friel, of Moncton, for land taken at Moncton for railway purposes; C. S. Eastwood for dredging at Matchedash Bay; C. B. McDougall and N. C. Jones, of Moncton; B. F. Pearson, of Halifax, for "Princess" ties; in connection with Ross rifles; R. T. MacIlreith, of Halifax, in connection with legal expenses; Munroe Commission Co., and the Barber & Ellis Co., in connection with the National Transcontinental Railway; Charles Strubbe, of Montreal, in connection with International Portland Cement; and for 250 sub-target guns to the Ontario Sub-Target Gun Company.

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7 EDWARD VII.

APPENDIX No. 1

A. 1907

REPORTS

OF THE

PUBLIC ACCOUNTS COMMITTEE

SESSION 1907

PRINTED BY ORDER OF PARLIAMENT



O T T A W A

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

[App. No. 1—1907.]

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REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

IN CONNECTION WITH

MUNROE COMMISSION CO. AND BARBER & ELLIS CO.

PRINTED BY ORDER OF PARLIAMENT



O T T A W A

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, 10th April, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

SIXTEENTH REPORT.

Your Committee have had under consideration the accounts, vouchers and other papers relating to the following payments: \$488.48 to the Munroe Commission Company, in connection with the Transcontinental Railway, as set out at W—260; \$1,283.23 to the same company in the same connection, as set out at W—258; and \$504.58 (or any other payment) to the Barber & Ellis Company in the same connection, as set out at W—260 and W—341 to 344 of the Report of the Auditor General for the fiscal year ended 30th June, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses, and the exhibits filed during the said examination; and your Committee recommend that the same be printed, and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 FRIDAY, February 8, 1907.

The Select Standing Committee on Public Accounts met at 11 o'clock, a.m., the acting chairman, Mr. Geoffrion, presiding.

The Committee proceeded to the consideration of the following payments: \$488.48 to the Munroe Commission Company, in connection with the Transcontinental Railway, as set out at W—260; \$1,283.23 to the same company in the same connection, as set out at W—258; and \$504.58 (or any other payment) to the Barber and Ellis Co. in the same connection, as set out at W—260 and W—341 to 344 of last report of Auditor General.

Mr. A. L. OGLVIE, called and sworn and examined.

By Mr. Barker:

Q. You have brought your papers with you?—A. Yes, sir.

Q. What is your position?—A. Purchasing agent of the National Transcontinental Railway.

Q. How long have you occupied that position?—A. Since 1904—the 12th of October, I think it was.

Q. On whose recommendation were you appointed to that office?—A. I beg pardon?

Q. At whose recommendation were you appointed to that office?—A. That is impossible for me to answer. I received a letter from the commission asking me if I would accept the position, I do not know who recommended me.

Q. You do not know who recommended you?—A. I do not.

Q. What position did you occupy in the service of the Dominion before October, 1904?—A. I was superintendent of the Public Works at Ottawa, that is, on works being done in Ottawa for the Public Works.

Q. Had you ever been employed as purchasing agent of goods of any kind?—A. I had been architect before and had been making large purchases, and had an intimate knowledge of the hardware business.

Q. You had made no purchases except what you might need in your own business?—A. You mean previous to going to the Public Works Department, or previous to entering on my present position?

Q. Previous to entering the Public Works Department?—A. No, I suppose you might say my experience was limited.

Q. When you were in the Public Works Department you were engaged simply in the supervision of the construction of buildings for the public works?—A. No, I was purchasing agent as well.

Q. Purchasing agent for the Public Works Department?—A. Everything required for the grounds and the buildings, and everything outside.

Q. About Ottawa?—A. Yes.

Q. You did not look over the public works of the whole Dominion, I suppose, works going on at other places, you mean just for the department in Ottawa?—A. I did go out, quite often, on special works, when my services were required to go outside and look after things.

Q. When you were appointed to your present position were any rules laid down for your conduct?—A. No, all that I was told—when I was appointed purchasing

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agent they thought I had sufficient knowledge to take hold and organize the department thoroughly, Mr. Wade had seen me sometimes, I did not know Mr. Wade at the time, but I met him coming out of the building one day and he said, 'I would like to see you, your name is Ogilvie, is it not?' I said 'yes,' and he said 'I would like to see you.' I called to see him, and found that he wanted to talk the matter over with me, he did not make any suggestion about making an appointment then, but said that I might be able to give him some knowledge that might be useful to him in the organization of the commission. After I had talked the matter over with him he asked me to organize the business in the best interests of the commission.

Q. Let me just say this, that I would like it if you would just answer the questions I put to you, I would like to get an answer to them first and then if you have anything more you desire to say you may, if the chairman permits you, make any further statements you desire afterwards?—A. I beg pardon?

Q. As far as you know there are no rules or regulations governing your department?—A. Well, that is a difficult question to answer yes or no. I do not think there are any formulated rules; it was understood how I was to make my purchases, but no rules were formulated.

Q. You mean that there were verbal directions but no written instructions?—A. I might say they thought I knew more about it than they did, and that I would use my knowledge for the benefit of the commission.

Q. And, therefore, as you understand it, they gave no written directions or rules?—A. There were no written directions.

Q. With regard to the particular account on which you are being examined, I find that on October 20, 1906, the Auditor General wrote to the secretary of the National Transcontinental Railway Commission with regard to the Barber & Ellis account for envelopes. Do you recollect that?—A. I do, sir.

Q. I think that is in the report, is it not?—A. Yes, page W—260.

Q. And thereupon the chairman of the commission addresses you, calling attention to that letter, and asking an explanation, that is, on October 30, 1906?—A. Yes, that is correct.

Q. And that also appears in the Auditor General's Report?—A. Yes.

Q. And on November 3, 1906, you made what might be called a report upon the subject, is that also in the report, Mr. Fraser—that appears at page W—341. Now, in that report, Mr. Ogilvie, you say that on September 26, 1905, a requisition, No. 557, was authorized by the department calling for a quantity of envelopes, have you the original of that?—A. I have. Document produced and marked 'Exhibit No. 1', as follows:—

'The Commissioners of the Transcontinental Railway, Requisition for Supplies.

'No. 577.

'OTTAWA, September 27, 1905.

'I beg to make requisition on the commission for the following:

'A. L. OGILVIE,

'Gen. Pur. Agent.

'12 doz. Arctic socks at \$3.25 per doz.

'6 doz. 10-inch oil tans without heel and toe, \$20 per doz.

'6 doz. Penetang long-legged moccasins at \$34 per doz.

'6 doz. caps S. 248, \$5 per doz.

'6 doz. 10-inch oil tans without heel and toe at \$20 per doz.

'12 doz. suits underclothing at \$15 per doz.

'5 doz. Carter's paste.

'6 only Samson perforators.

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'50,000 No. 8 envelopes, packing boxes	30—30 x 16 x 16.
'50,000 No. 9 " " "	25—36 x 20 x 20.
'50,000 No. 10 " " "	25—25 x 14 x 14.
'50,000 No. 11 " " "	10—30 x 10 x 10.
'50,000 No. 12 " " "	10—30 x 7 x 7.
'12 doz. No. (6) scratch pads.	

'Approved by board, September 28, 1905.

P. D. RYAN,
'Secretary.'

Q. This requisition includes everything, does it?—A. Yes.

Q. This requisition apparently calls for 250,000 envelopes?—A. That is right, sir.

Q. The transaction with Barber & Ellis was for one-half of that?—A. For one-half of that, sir.

Q. From whom did you purchase the other half of those articles?—A. From the La Cie d'Imp. du Bulletin du Travail, of Quebec.

Q. You purchased them from the Imperial Bulletin of Labour, of Quebec—I do not want to go into that at present?—A. Yes.

Q. This requisition having been approved by the board, what did you do?—A. Very shortly after it was adopted the representative of the Munroe Commission Company was in my office, or rather previous to that Charles Davidson, the representative of the Rolland Paper Mills Company, called at my office and wished to quote on envelopes and gave me a price. Mr. O'Gorman, of the Munroe Commission Company, being in shortly afterwards, I offered him the envelopes at the price quoted by the Rolland Paper Mills Company—

Q. First of all you say that the Rolland Paper Mills Company, through their agent, Mr. Davidson, came to you, in your office, and made a bid for these 125,000 envelopes?—A. Well, he gave me a quotation on it.

Q. Was the quotation for the 125,000 or for the 250,000?—A. For the 125,000.

Q. Had you any reason for dividing the bid?—A. No particular reason any more than that a portion of the business should go to Quebec; Ontario gets nearly all of it, and we try to send a little to Quebec.

Q. The only reason for dividing it into two quantities was that you wanted Quebec and Ontario each to get a fair share?—A. That was one of the reasons, yes, sir.

Q. When the Rollands made you a bid, where were they from?—A. From Montreal.

Q. Was that the reason you did not buy from them?—A. They had refused to sell us paper on a previous occasion.

Q. When was that?—A. On January 10, 1905.

Q. You say they had refused to sell paper to you?—A. Yes, they referred us to their agents here, they would not sell to us direct.

Q. You call that a refusal?—A. Well, it is a refusal—I might say their agents for paper to whom they referred us here in Ottawa are Mortimer & Co.

Q. Instead of dealing directly with you they referred you to their local agent here in Ottawa?—A. Yes.

Q. And you consider that a refusal to deal with you?—A. It was a refusal to deal direct with us, we had to deal with an agent or middleman.

Q. You did not believe in dealing with a middleman, that was very proper, I entirely agree with you?—A. I did not say that I did not believe in dealing with a middleman, I must deal with middlemen, because the manufacturers will not deal direct with us.

Q. You considered it a refusal when they refused to deal with you direct and referred you to their agent?—A. I considered it a refusal to deal direct with us—I had to deal with a middleman.

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Q. You call their own agent in Ottawa a middleman?—A. Of course he is a middleman.

Q. And for that reason you did not deal with them?—A. Yes, the Mortimer Bros. prices were higher than the prices given to the Munroe Commission Company.

Q. I want to call your attention to the fact that you are not answering my questions. Did you go to see Mortimer Bros. at the request of the Rolland Paper Mills Co.?—A. I do not remember whether I did or not.

Q. How long was it, or was it after you received the reply from the Rollands that you saw the representative of the Munroe Commission Company?—A. Have you reference to the first letter I am speaking of, or to when Mr. Davidson called at my office?

Q. The first time you saw any representative of the Munroe Commission with reference to this purchase; was that before or after you had received that reply from the Rolland Co.?—A. It was some eight months afterwards.

Q. It was eight months afterwards?—A. Eight months after receiving his letter.

Q. The correspondence with the Rollands that you are referring to as a refusal was early in the spring of 1905?—A. Early in the winter, January.

Q. About January, 1905, and this transaction was in September or October?—A. Yes, I believe it was in October.

Q. And in all these months which had elapsed you had neither got tenders from this firm nor from their agents?—A. Not for this work, we got tenders for other things from them.

Q. I am speaking about these particular 125,000 envelopes?—A. No, I don't think we did.

Q. When did Mr. Davidson call after the requisition?—A. About October 1.

Q. Was that before or after the Munroe Commission Co. had called?—A. That was before, sir.

Q. Can you fix the date when the Munroe Commission Co. called?—A. It would be about the beginning of October.

Q. It would be the early part of October?—A. Yes.

Q. Had you any transactions with the Munroe Commission Co. before that?—A. No, I think this was the first transaction.

Q. Had you sent them any notice that you required tenders or bids on these envelopes?—A. No, sir.

Q. How did they know that you were wanting this quantity of envelopes?—A. Their representative was in town and called in to see me, wanting to get business. I said 'If you can supply them at the price offered by the manufacturing firm you can have the order.'

Q. Who was this representative?—A. John O'Gorman.

Q. Had you had any transaction with John O'Gorman before this as purchasing agent?—A. No.

Q. Did you know him?—A. I knew him slightly.

Q. How long had you known him?—A. I could not say how long it was, it might have been a year before, or two or three years. I do not remember where I met him first.

Q. You had not heard of him for years before?—A. No.

Q. You had not heard of him previously?—A. No, only recently.

Q. Do you tell me that seriously?—A. Yes, I did not hear of John O'Gorman until quite recently.

Q. Are you quite sure of that?—A. Yes, not until within the last two years.

Q. Did he introduce himself to you, or was he introduced?—A. I am not quite sure whether he introduced himself to me or whether he was introduced. I am not certain about that.

Q. Just try to recollect?—A. I do not think he was introduced to me, I think he came up to my office.

Q. Did he tell you anybody had told him to call on you?—A. That is difficult to remember, this was a conversation that took place two years ago.

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Q. You are a business man, this was the first dealing you ever had with this man, and you did not know him at all, or very slightly. When he came in how did he open his negotiations with you? Did he say 'Mr. Ogilvie, Mr. so and so has asked me to come and see you about purchasing goods,' and if so, who was Mr. so and so?—A. I do not think he did. I do not think there is any objection to saying that Mr. Robert Reid had spoken to me at one time about the Munroe Commission Co. He said, 'If you can give them any business at the prices you would pay anybody else, there is no objection to that.' He did not mention John O'Gorman, it was the Munroe Commission Co. he spoke about.

Q. When he told you that did you make any inquiry about the Munroe Commission Co.?—A. No.

Q. Have you ever done so?—A. No.

Q. With a view to finding out what their business is?—A. Well, I have made inquiries as far as this, that I have been in their business place in Toronto, and I know they are commission agents.

Q. That is their ordinary business; on what street are they located?—A. At No. 2 Court St.

Q. Have they warehouses there?—A. No, they are commission agents.

Q. Did you ever inquire what sort of company this was, and when formed?—A. No, sir.

Q. Did you ever make any inquiry?—A. No.

Q. You would be surprised to know there was no such company until months after you were dealing with them?—A. No, it would not make any difference so long as we got the goods at the right price.

Q. Do you know who constitutes this company?—A. No, I do not know.

Q. You have spoken of Mr. O'Gorman as the representative?—A. Yes.

Q. Do you know that John O'Gorman and a clerk named Charles Ross Munroe constitute the company?—A. I do not know the composition of any company I deal with.

Q. I thought you would find out something about the composition of this company?—A. I have no information about them.

Q. I have the official information here that this company was formed—it was ante-dated to cover the interview with you—but it was formed about March 30, 1906, and is constituted of John O'Gorman and C. R. Munroe, and as far as I can find out C. R. Munroe is a clerk in Toronto.

Hon. Mr. FIELDING objected.

A. I saw a letter months before that, I saw letter heads with the name of the Munroe Commission Company on months before that, before I had dealings with them.

Q. They state, when they make application to be registered as a company, that they have been in business from the September previous. They came to you a very few weeks after commencing business?—A. I do not know anything about that.

Q. At all events you do not know who constitute the company?—A. No, I do not know anything about it.

Q. Mr. O'Gorman came to you, and did you ask him what he would furnish, at what price he would furnish those envelopes?—A. No, I agreed to give him the prices stipulated, that is, the price I was paying before. I mean, the price quoted, and the Printing Bureau price.

Q. You did not think it was necessary to try to get any lower price?—A. I had figured it up, and I knew it could not be brought below that.

Q. But if anybody else had figured it out at a lower price, would you object?—A. If they would sell it at half price I suppose we would have to accept it.

Q. You did not seek, however, to get a lower price? You had some figures communicated to you by Mr. Davidson and you asked him to furnish the envelopes at that figure?—A. Yes, but I did not think he could furnish them at that figure.

Q. You did not?—A. No, I did not.

Q. You knew that he was not a manufacturer?—A. Yes, I knew that.

Q. That he was merely a commission man?—A. Yes.

Q. From your practical experience, do you suppose that the commission agent pays the manufacturer the price at which he sells to the buyer?—A. I know that commission men can sell cheaper than the manufacturer does. I have paid the commission man, quite often, less for the same article.

Q. These were printed envelopes?—A. I am not speaking of envelopes more than other things, but of things in general.

Q. Will you please confine yourself to this particular question? To this particular transaction? Did you suppose that the Munroe Commission Company would pay to the manufacturer the whole price you offered him for those envelopes?—A. I had not anything to do with that.

Q. You did not think of that?—A. I knew that the manufacturer wanted to protect the man in the trade, and would have to charge a higher price to me than he would to John O'Gorman or the Munroe Commission Company.

Q. You really thought that?—A. I knew he would have to if he was doing business by the proper method.

Q. Your rule is that you will not deal with the manufacturer?—A. Not always, my experience has been that you cannot buy from the manufacturer as cheaply as you can from the jobber.

Q. And, therefore, you did not try?—A. We have tried often.

Q. Why did you not try on this occasion?—A. Because we had the prices from the manufacturer.

Q. Who are the firms that manufacture these articles most largely in Ontario?—A. The Rolland Paper Mills Co.—

Q. That company is in Quebec, I asked you what companies in Ontario?—A. Buntin Reid & Co. used to, but they are out of that business now, I think; L. P. Bouvier, who do not supply the paper, but only make the envelopes—

Q. Are they Ontario men, Toronto men?—A. Yes, then there is Barber & Ellis, and I would not be sure whether Brown Bros. make them.

Q. What was the ultimate result, what did you find Barber & Ellis were willing to furnish these envelopes for, as against the price you offered to the Munroe Commission Co.?—A. We found that Barber & Ellis had supplied those envelopes at a loss.

Q. We will leave the manufacturers to attend to the loss; you seem to be very anxious that they should lose on the transaction with these envelopes?—A. No, I am not, but these are the facts, and it is hard getting over the facts.

Q. At what price did the Barber & Ellis Co. intimate that they were prepared to sell those envelopes?—A. For No. 8, at \$1.25.

Q. And you told the Munroe Commission Company you would pay \$1.75 for the same envelopes?—A. Yes, sir.

Q. That is 40 per cent advance. At what prices did they offer to supply the other sizes?—A. No. 9 at \$1.90.

Q. And you said you would pay the Munroe Commission Co. how much?—A. \$2.75.

Q. That is about 50 per cent advance, is it not? What is the next?—A. No. 10 at \$2.15.

Q. Barber & Ellis were willing to supply at \$2.15 what you offered Munroe \$3 for. What is the next?—A. No. 11 at \$2.65.

Q. Read the other figures, please, on the same line?—A. \$3.50.

Q. They would supply at \$2.65 what you offered the Munroe Commission Co. at \$3.50. Now, the next?—A. \$3.75, No. 12, \$2.90.

Q. That is for \$2.90 they would supply the article that you offered the Munroe Commission Co. \$3.75 for.

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By Mr. Foster:

Q. Is that right, \$3.75?—A. \$3.75, yes, sir.

By Mr. Barker:

Q. These lower figures you are quoting, they are not imagination, they are what Barber & Ellis actually supplied these envelopes to you, are they not?—A. Yes.

Q. The Barber & Ellis Co. are a reputable firm, are they not, who do good work?—A. Not very good, they run these envelopes off on a Harris press, and they were not printed very clearly. They printed them in a cheap way. We would rather get them printed on an ordinary press. They run them off very very rapidly and they are not printed straight and are not clear.

Q. On October 20 Mr. O'Gorman went away, I suppose, when you told him he could have them if he supplied them at that price?—A. Yes.

Q. I find on October 20, 1905, the Monroe Commission Company per 'J. O'J.', I suppose that is a misprint for, 'J. O'G.'?—A. It may be, I have the originals here—yes, it looks like a 'J,' but it may be 'J. O'G.'

Q. J. O'Gorman, I suppose it would be, 'J. O'G'?—A. Yes, sir—it looks very much like 'J' here.

Q. I do not mean to charge that there was any wrong-doing in this, but I think it is a clerical error. Here is a letter sent to you after the interview:

'TORONTO, October 20, 1905.

'MR. A. L. OGILVIE, Ottawa.

'DEAR SIR,—We submit the following prices for envelopes Empire bond, as per sample.

'No. 8, \$1.75 per M. 25,000.

'No. 9, \$2.75 per M. 25,000.

'No. 10, \$3.00 per M. 25,000.

'No. 11, \$3.50 per M. 25,000.

'No. 12, \$3.75 per M. 25,000.

'f.o.b. Toronto, terms 30 days, shipment 15 to 20 days after order received.

'These prices are close, and we hope will be found low enough to ensure us the order, and you may send order direct to Messrs. Barber-Ellis Co., Ltd., Toronto, who have undertaken to do the work, and they will charge you direct at prices quoted. Please advise us in advance what day you may send order.

'We hope to submit prices for tents in a day or two.'

That, you will observe, was the direction of the Munroe Commission Co. for you to order this work from Barber-Ellis & Co., who, you have just told me, did not do good work?—A. At that time we had not had work done by them—we did not know at that time.

Q. Well, at all events, that is a fact. You did receive the direction from him to send the order to Barber & Ellis, and I suppose you did so?—A. Yes, sir.

Q. Will you produce that order to the Barber-Ellis Co., now, if you have it there? (Document produced and marked 'Exhibit 2').

'THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY,

'OFFICE OF THE GENERAL PURCHASING AGENT AND STOREKEEPER,

'A. L. OGILVIE,

'Gen. Pur. Agent.

Order No. 1203.

Requis. No. 577.

'OTTAWA, October 25, 1905.

'BARBER, ELLIS CO.

'Please furnish and charge to the account of the Commissioners of the Transcontinental Railway the following material, and forward at once to the address given below.

Quantity.	Description.	
'28,500		
'25,000	No. 8 Open side envelopes, 20-lb. Empire linen bond to sample per M. \$1.75.	\$ 49 88
'26,775		
'25,000	No. 9 Open side envelopes, 20-lb. Empire linen bond to sample per M. \$2.75.	73 63
'26,625		
'25,000	No. 10 Open side envelopes, 20-lb. Empire linen bond to sample per M. \$3.	79 88
'26,925		
'25,000	No. 11 Open side envelopes, 20-lb. Empire linen bond to sample per M. \$3.50.	94 24
'24,950		
'25,000	No. 12 Open side envelopes, 20-lb. Empire linen bond to sample per M. \$3.75.	93 57
		\$391 20

'The above prices are f.o.b. Ottawa. Delivery to be made as soon as possible, and not later than December 1. Envelopes to be printed in blue in the left-hand corner "Commissioners of the Trans. Cont. Ry." as per sample previously sent you, and to be packed 250 to the box.

'A. L. Ogilvie, Esq., Corry Building, Ottawa, immediately.

'Date of shipment, November 28.

'Ship via Can. Express, prepaid.

'Terms of delivery f.o.b.'

Q. I see this order was typewritten at first for the Munroe Commission Co., 2 Court St., Toronto?—A. Yes.

Q. Then that was erased and 'The Barber-Ellis Co.' was written over it?—A. Yes.

Q. Did you make that change, and when?—A. We made that change when Mr. O'Gorman notified us that the work was to be done for him by the Barber & Ellis Co.

Q. Then you had prepared the order before you got this letter from the Commission Company agreeing to the terms?—A. Yes. He told me he would do the work even if he did not make a cent on it.

Q. Who did?—A. Mr. O'Gorman, and I knew the prices were very close.

Q. Well, there are some alterations I see in the quantities here, I make no point of that, because I can understand in that business they may make a little more than the strict number ordered; they really supplied some 130 odd thousand, but that was the order sent up?—A. That is a copy of the order, a duplicate that we keep in our book, of course we have not the order that was sent to Barber & Ellis.

Q. Then the order sent to Barber & Ellis would not contain that erasure?—A. It might, I could not say. It was already made out.

Q. Here, Mr. Ogilvie, is your letter to the Barber & Ellis Co.—recollect now I want you to fully understand, you admit the bargain with the Munroe Commission Co., and that these people were simply to do the work for the Munroe Commission Co.?—A. Yes.

Q. It is addressed to the Barber & Ellis Co., Toronto, and is dated November 3, 1905.

'GENTLEMEN,—*Re* order for 125,000 envelopes, I inclose herewith order for 125,000 envelopes to be made to samples submitted. Please advise me at your earliest convenience if you are prepared to take the order at the price mentioned, and to make delivery in the time mentioned.

'Yours truly,

'A. L. OGILVIE.'

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Will you tell me why, having made a contract with the Munroe Commission Co., you did not, in a businesslike way, tell them you had made that contract with the Munroe Commission Co., and that the Munroe Commission Co., having arranged with them to do the work, had requested you to send the order direct to them?—A. No, I did not do it that way. We knew that the Munroe Commission Co. had spoken to them and we sent the order to them as requested. We knew when they got that order they would understand all about it without our mentioning anything about the arrangement between them.

Q. Did you think it was a businesslike proceeding, having made a bargain with another company, to write Barber & Ellis 'Kindly advise me at your earliest convenience if you are prepared to take the order at the price mentioned'?—A. I was only confirming that the arrangement made by the Munroe Commission Co. was satisfactory to them and that they would do the work.

Q. You were not making arrangements with the Barber-Ellis Co. at all. You were simply told to send the order to them so that they might carry it out. Why did you studiously omit any mention of the Munroe Commission Co. from that letter?—A. We did not studiously omit the name of the Munroe Commission Co., there was no intention of omitting them; we simply informed the Barber & Ellis Co. that this order was forwarded to them, and if they would do the work at the price it was satisfactory to us. I did not wish the order to come back afterwards and to find that they had increased the price, I wished them to do the work, but if they could not do it at the price which had been arranged with the Munroe Commission Co. I meant that they were not to execute the order.

Q. You could not trust the Munroe Commission Co.?—A. No, it was not a question of trusting the Munroe Commission Co. at all.

Q. You either trusted them or you did not. Why did you not simply tell the Barber & Ellis Co. what the fact was, and let them deliver for the Munroe Commission Co.?—A. Well, I think that should have been done perhaps.

Q. At all events, that is what you did, as you have told us?—A. That is the way I did it.

Q. And there is no explanation of it. Barber & Ellis Co., Ltd., writing on November 4, 1905, to you as the General Purchasing Agent of the Transcontinental Railway, say:

'We have your esteemed order of the 3rd, which will have our immediate attention. We believe we can deliver all the order in the time mentioned.'

A. They appear to have understood it.

Q. Again the Munroe Commission Co. is absolutely eliminated from this transaction, why?

Hon. Mr. FIELDING objected that question should be put to the Barber & Ellis Co.

A. I do not know anything about that.

By Mr. Barker:

Q. My impression is there was an understanding how this was to be done?—A. There was absolutely no understanding, I did not see Mr. O'Gorman after he left my office, for months afterwards, and had no correspondence with him whatever about it.

Q. Then follow letters with proofs and something of that kind which are not material, all Barber & Ellis, the Munroe Commission Co. does not appear in the letters. Then the Barber & Ellis Co. deliver 133,775 envelopes, somewhat an over delivery on the 125,000, and they charge for them at the prices that you offered to O'Gorman?—A. The prices agreed on, yes, sir.

Q. Their account is here, at the prices agreed upon, and they charge to the Commissioners of the Transcontinental Railway these various quantities of envelopes on order No. 1203, requisition 577, amounting to \$391.20—not a word about the Munroe Commission Co., you know that?—A. I had not anything to do with that, that is simply a matter between the Munroe Commission Co. and Barber & Ellis.

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Q. This is the account the Barber & Ellis Co. sent you for this work?—A. Yes.

Q. There is not a word about O'Gorman or the Munroe Commission Co. in it?—

A. I do not see any reason why there should be.

Q. You know that there is not?—A. I know that.

Q. Did you send the money in payment of the account?—A. No, I think the accountant sent the money.

Q. Did you certify to it?—A. I certified to the account.

Q. The account of the Barber & Ellis Co.?—A. Yes.

Q. Not the Munroe Commission Co.?—A. No.

Q. That money was sent to the Barber & Ellis Co.?—A. Yes.

Q. The whole of that \$391.20?—A. Yes, and there was another account besides that \$391.

Q. Yes, these two go together. But what may be called the Munroe bargain was for \$391.20, and there was a separate one you had running at the same time with the Barber-Ellis people for \$23.38, and you paid the Barber-Ellis Co. the whole of that with a cheque for \$414.58?—A. Well, the accountant does that, he puts the two invoices together.

Q. That is all right, there is no trouble about it, I only mention that to explain the papers. The next paper relating to this is a letter from the Barber & Ellis Co., per J. F. Ellis, managing director, addressed, not to you, but addressed to the Commissioners of the Transcontinental Railway, Ottawa, dated December 23, 1905, as follows:—

'We have been paid by the Commissioners of the Transcontinental Railway the sum of \$391.20, covering a delivery of envelopes made to the commission on November 24, last, the details of the delivery being as follows:—

' 28,500 envelopes No. 8.	
' 26,775 " 9.	
' 26,625 " 10	Order No. 1203.
' 26,925 " 11	Requis. No. 577.
' 24,950 " 12.	

'We find that the prices at which we can make and sell these envelopes are as follows:

Written in ink.	{	\$1 75	'No. 8—\$1 25 per M. printed in Brantford.
		2 75	'No. 9— 1 90 "
		3 00	'No. 10— 2 15 "
		3 50	'No. 11— 2 65 "
		3 75	'No. 12— 2 90 "

'At the prices mentioned by us the above payment is, after allowing for cases and express charges paid by us, \$87.05 too much, and this amount, \$87.05, we beg herewith to return by our own cheque made payable to the Commissioners of the Transcontinental Railway.'

This cheque came to you?—A. No, it came to the commissioners.

Q. Who gave it to you?—A. The secretary sent it up and asked me to deposit it with the accountant.

Q. With what accountant?—A. With the accountant of the Transcontinental Railway.

Q. Where is that letter?—A. Here (document produced and marked 'Exhibit No. 3').

Q. This letter I have just read, of December 23, having been sent to the commissioners, the first action taken, apparently, is that Secretary Ryan sends the letter to you on the 26th, that is almost in the course of the post, I suppose, and requests you to send the cheque to the accountant? That is the first step?—A. Yes.

Q. On January 3, 1906, you wrote to the Barber & Ellis Co., Ltd., Toronto:

'Your letter of December 23, addressed to the Commissioners of the Trans. Cont.

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Ry. inclosing cheque for \$87.05 was received, and we beg to thank you very much for the reduction in prices of envelopes.'

That is very kind of you giving away the Munroe Commission Company's money. You had made a bargain with the Munroe Commission Co., and now you are thanking Barber & Ellis for reducing prices which you had agreed to pay to the Munroe Commission Company?—A. No, we had not anything to do with it; it was a matter between the Munroe Commission Co. and the Barber & Ellis Co.

Q. We are not discussing that now, however.

'We are returning your cheque, and would ask——'

You had been told to send the cheque to the accountant.

'And would ask you to forward us a sufficient number of No. 8 envelopes to meet the amount of the cheque. Our reason for doing this is that we would have to deposit the money to the credit of the Receiver General, and our appropriation would be out just the amount of the cheque, as moneys received cannot be placed to our account, but must be paid in to the Receiver General. Envelopes to be the same quality as those previously submitted.'

By what authority did you divert that cheque and sent it where you were told not to send it?—A. I considered that was the wiser thing to do. We were getting the envelopes very very cheap, below cost.

Q. And you were getting the envelopes instead of putting the cash into the Receiver General and by that means covering up this transaction?—A. There was no intention of that kind at all.

Q. Eh?—A. There was no such intention.

Q. By the method you adopted it would have been covered up by taking these envelopes instead of paying the cash in to the Receiver General?—A. I never thought of any such thing.

Q. However, that is the letter you sent after having had a request from the secretary to send that cheque to the accountant; you did not do that, but you sent it back to the Barber & Ellis Co. and you asked them to send a batch of envelopes that you had no order from the commissioners to get or contract for, is that it?—A. Yes.

Q. You had no authority to order those envelopes and you did not require that quantity?—A. We required them, we are out of the No. 8's again, we have not any left.

Q. Yes, but apparently, as a matter of business routine, you had to get an order from the commissioners before ordering them?—A. No, we were not expending any money, there was no outlay except some 73 cents.

Q. If you could have bought the 125,000 for \$87 less, why not do it? When you took more envelopes you had to spend that \$87, and was not that spending money?—A. We could not have bought them that cheap elsewhere.

Q. That is another phase of it. The Barber & Ellis Co. received that letter of yours, and they say this in reply; on January 6, 1906—this is addressed to you:—

'We have your favour of the 3rd and will be quite pleased to supply you with the No. 8 envelopes to the value of \$87.05. We might point out to you that we have none of the Empire Bond paper in stock out of which to make the goods, and further the mill that makes this grade of paper has been shut down, putting in a new machine, and we cannot get any at present. We will make these out of our Hercules Bond, which is the same grade of paper exactly, but with a different water-mark. We will give you the same weight, namely 20-lb. If this is not satisfactory, you might kindly advise us by return mail.'

So that there the bargain you had made with the Monroe Commission Company was absolutely wiped out, and you ignore Mr. Gorman, you ignore the Monroe Commission Company, and you enter into an entirely different transaction with the Barber & Ellis Co., and you ordered a large number of envelopes more than you had been authorized to order?—A. No, the Munro Commission Co. had their rights just the same.

Q. But you had wiped them out entirely——

Hon. Mr. FIELDING objected.

By Mr. Barker:

Q. I am asking now, is the case as I have stated?—A. My answer to that question is that my action in that connection does not prevent the Munroe Commission Company from suing the Barber & Ellis Co. for their commission; they could still go to the courts to collect that commission. If the Barber & Ellis Co. was willing to give us the commission that should have gone to the Munroe Commission Co. we had nothing whatever to do with that.

Q. You thought it made no difference, although you received the value?—A. I had no objection to receiving it.

Q. It never occurred to you that the Munroe Commission Co. could sue you and not the Barber & Ellis Co.?—A. They could not sue me.

Q. Not after you had made a bargain with them?—A. No.

Q. They could sue the government, not you, perhaps. At all events, you never asked the Munroe Commission Co.'s consent to this change, did you?—A. About this money being returned?

Q. About the change in price, or anything else?—A. We had nothing to do with that at all.

Q. You had made a bargain with the Munroe Commission Co. by which they were to supply 125,000 at a certain price?—A. Yes.

Q. They told you they were getting the work done at the Barber & Ellis Co.?—A. Yes.

Q. And you make another bargain with the Barber & Ellis Co., ignoring them entirely?—A. No, we did not.

Q. Have they ever asked you for payment for those envelopes?—A. We did not ignore them at all. I do not know anything about what arrangements they made with the Barber & Ellis Co., or what commission they were to get. All I know is that we had to pay the Barber & Ellis Co. the price we agreed to pay the Munroe Commission Co.

Q. Have they ever asked you for that price?—A. Yes, they have their account there.

Q. The Munroe Commission Co.?—A. No, the Barber & Ellis Co.

Q. From that day to this the Munroe Commission Co., or O'Gorman, have never said anything about it?—A. The Munro Commission Co. understand that they have to look to the Barber & Ellis Co. for their commission.

Q. How do you know that?—A. They told me.

Q. Who told you that?—A. Mr. O'Gorman.

Q. When did he tell you that?—A. It was six or eight months ago, shortly after that, probably a year ago.

Q. Was it in Ottawa here he told you that?—A. Yes, in Ottawa.

Q. And Mr. O'Gorman saw this correspondence, did he?—A. No.

Q. Did you ever tell him what had happened?—A. Nothing.

Q. How did he know what had happened?—A. Nothing more than that I told him Barber & Ellis supplied us with more envelopes than was agreed upon.

Q. And he never asked a dollar?—A. He never asked a dollar.

Q. As far as you know he is out that \$87?—A. Yes, he is out.

Q. And he has never asked for it, he is an accommodating business man?—A. Well, he must be out.

Q. Your bargain was a straight bargain?—A. Yes.

Q. And an honest bargain?—A. Yes.

Q. And it was above board?—A. Yes.

Q. And you had nothing to conceal?—A. Nothing.

Q. And you agreed to pay him for those envelopes which Ellis was to supply, a certain sum?—A. Yes.

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Q. And he has not asked, and you have not paid him?—A. He asked us to have them printed by the Ellis Co.

Q. He did not ask you to pay them?—A. Yes he did.

Q. He what?—A. I understood so, he said, 'Send the order direct to the Barber-Ellis Co.

Q. Even if he asked you to pay the Ellis Co., you had agreed to pay a certain price, you told him you would pay him that price?—A. He turned over the whole business to the Barber & Ellis Co. We dealt exclusively with the Barber & Ellis Co., always.

By Mr. Crocket:

Q. Is this O'Gorman the man who was committed for election fraud in London?
Mr. BARKER.—Yes.

WITNESS.—I do not know anything about that.

Hon. Mr. FIELDING objected that no evidence had been produced identifying Mr. O'Gorman as the man referred to by Mr. Crocket.

By Mr. Barker:

Q. Is this John O'Gorman the gentleman who was on trial in London?—A. I do not know, I cannot say that he is, I did not see him on trial; I suppose he is, but I cannot say that, I do not know.

Q. Did it never strike you as singular, as peculiar at least, that the gentleman who had made the bargain with you at these high prices was willing to forego his commission?—A. There were no high prices.

Q. But higher prices than he was willing to take afterwards, that he should drop out?—A. As I said before, we have nothing to do with that; he turned it over to the Barber & Ellis Co., he dealt with them for his commission, that is, if he has got it.

Q. That is the way you look at it?—A. Yes.

Q. Did you know he was going to get a commission?—A. We did not know. Of course we would expect he would.

Q. I think you said that he stated he was going to lose on the transaction?—A. No, I said I did not think he would be able to get it down to the price mentioned unless he got a very close price, because the Printing Bureau was charging that amount.

Q. Did you tell him that you thought he would not be able to get it down; that in your opinion he would not get it down?—A. No, I was only looking after my own end of it; I was not looking after his end at all.

Q. You have been so long in the department in the civil service; what was the proper course to follow with that cheque?—A. Well, I used very often to get in moneys in the Public Works Department, and when we turned them in, it always went to the Receiver General, and our appropriation lost that amount. I thought the same followed with regard to every department, and instead of returning it in to the Receiver General we got value for it.

Q. You thought that if the \$87 went back to the Receiver General it would go to the credit of the country generally, instead of your department, and you did not want that?—A. No, no, you are unjust in that.

Q. It would not have been lost by going to the Receiver General, would it?—A. No, it never occurred to me that it would, but our appropriation would have been out that much.

Q. You have heard since that it would not?—A. I have by reading the Auditor General's report.

Q. Do you undertake to set up your own opinion against the secretary of the department?—A. The secretary looks after his department and I look after mine. I knew I had more knowledge about the way things were done than he had.

Q. Although the secretary of the department directed you in writing to return

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the cheque to the accountant of the department you did not do it?—A. I would not have to do it unless the instructions came from the board. I am under the board, not under the secretary.

Q. It was in the face of a letter from the secretary of the commission directing you to return the cheque to the accountant—you did not do it—you entered into correspondence direct with the Barber & Ellis Co. for a further supply of envelopes that had never been ordered. Is that so?—A. Yes.

Q. Have you had any more experiences of that kind?—A. No, sir, just one.

Q. Just with John O'Gorman. I am afraid John is likely to lead young gentlemen astray. Did Mr. Ryan consult you about why this was done?—A. No.

Q. He did not?—A. No, he did not.

Q. Did you have no conversation with Mr. Ryan?—A. I do not think so, unless it was quite recently. I do not remember any conversation with him.

Q. Have you seen Mr. Ryan's explanation?—A. I read it in the Auditor General's report.

Q. On the 12th of November, 1906, while these proceedings were going on in the police court, to which reference has been made, Mr. Ryan, the secretary of the commission, wrote to the Auditor General giving his explanation. I presume it came from you:—

'I have the honour, by direction of the board, to acknowledge the receipt of your letter of the 9th inst., having further reference to Barber & Ellis' account for \$391.20, and to hand you herewith a letter from our purchasing agent, Mr. A. L. Ogilvie,—

That is the letter already referred to in the Auditor General's report,—

'in which he states that he did not call for tenders for the purchase of these envelopes, though quotations were received as stated in his letter of November 3.'

You refer there to the Davidson quotation, I suppose?—A. Yes.

Q. 'As stated in his letter of November 3, addressed to the chairman, and which I sent you with my letter of the 5th inst.

'With reference to the return by Mr. Ogilvie of Messrs. Barber & Ellis' cheque for \$87.05, I am to say that this was done by Mr. Ogilvie on his own responsibility and without the knowledge of the commissioners—doubtless with the object of saving bookkeeping.'

That was the explanation you gave to Mr. Ryan?—A. No.

Q. All that is the image of his own imagination, I suppose?—A. I suppose Mr. Ryan understood that.

Q. He thought you were doing all this in order to save bookkeeping? You did not suggest that to him?—A. No, I did not discuss that question with him at all.

Q. That was rather a peculiar experience that you had. When that cheque came back you obviously saw that O'Gorman was going to make \$87 on that bid he gave to you. I suppose you took some profit from that experience, didn't you? You did not deal with that class of man again?—A. Who do you mean, the Munroe Commission Company?

Q. Yes?—A. Oh, yes, we did.

Q. You did, after you had found out he was simply a go-between?—A. No, a commission man or sales agent.

Q. Yes, but you know you would not even go to the actual agent of the Rolland Company in Ottawa here because he was a middleman?—A. I did not say that I would not go to him.

Q. You did not go to him, although the Rolland Company referred you to that man?—A. Well, we felt that if the Rolland people did not wish to deal with us direct, we would deal where we liked and where we could do the best.

Q. You were apparently so indignant about that, and yet you continued to deal with O'Gorman, the celebrated O'Gorman we may call him now, although you had

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found in a little transaction of that kind he was getting from the printer and paper-maker \$87 profit. Do you mean to say that you could not have got as good terms from Barber & Ellis as John O'Gorman?—A. I do not think so.

Q. Did you ever try?—A. I did not try, no.

Q. You could not know, then?—A. I knew pretty well.

Q. Do you mean to tell us that with an enormous business such as the government of Canada has that it cannot get as good terms for any purchase it desires to make as any middleman in the country can?—A. No.

Q. You think not?—A. They can not.

Q. I would advise you to try?—A. I have tried it very often.

Mr. CHISHOLM (Antigonish) objected to Mr. Barker arguing with witness.

The WITNESS.—Mr. Barker, if you would not mind, I might quote an instance or two where we could buy very much cheaper from the commission men than we could from the manufacturers. We wanted to buy some drills, and the Rand Drill Company, who make a special drill, gave me a price at \$1,440. I got two quotations from middlemen for the very same drill, manufactured by the same company, for \$1,425. You see the commission men were willing to give us \$15 off their commission.

Q. I can give you the other side of the question possibly from your own papers here, from the Ellis Company's prices, the printed list and the price the firm offered as compared with the Munroe Commission Company. Do you not know from your experience that off the printed price lists purchases are made at 20, 30 and 40 per cent less?—A. Yes.

Q. Then do you not think it wise to endeavour to get better prices?—A. Do you not understand that these were printed envelopes that we purchased, and these prices were for plain envelopes. It is very simple. I can explain the whole question if you wish.

Mr. CARVELL objected to Mr. Barker's method of examination.

The CHAIRMAN ruled that the examination, as far as possible, should be conducted in the form of questions and answers.

The WITNESS.—I say that the price list is for plain envelopes, not printed. The price would be \$2.15 for printed envelopes, and I bought them for \$1.75.

By Mr. Barker:

Q. Do you suppose, Mr. Ogilvie, that as between the plain envelope and the one with the name of the commission printed on the back of it there was a difference in cost of 40 per cent?—A. Not 40 per cent, but 40 cents. There should be; that is a fair price for printing it.

Q. That is per thousand?—A. Yes.

Q. And would you be surprised to learn that on a good large order, a large manufacturer will charge far less than that?—A. If he has a very large amount he can do that, but here are the prices.

Q. Do you not think from your experience that the government buying in large quantities, 250,000 in one case and 125,000 in another—A. No, no, 250,000 altogether.

Q. I know, 250,000 on one order?—A. That is over a two years' supply.

Q. But you are dealing for more than one year. Do you mean to say that a company like the Rollands, or a company like the Barber & Ellis Company, do not take that into consideration, and make their prices accordingly?—A. No, they take into consideration that they must protect the trade; if they do not they must lose their business.

Q. You thought you could buy better from the Munroe Commission Company. A week or two before you got this requisition you had obtained terms from another company. Then you as an officer of this government made the arrangement with the

Munroe Commission firm?—A. I am giving him the price that was quoted to me for the paper, the envelopes and the printing.

Q. You gave him the price that Mr. Davidson had quoted you?—A. Yes, and he told me that was a close price.

Q. You did not ask the Barber & Ellis Company what they would do it for?—A. No; I knew the Printing Bureau had paid them \$1.40 for a lighter envelope, and we paid the Printing Bureau \$1.70 per thousand.

Q. You did not ask the Barber & Ellis Co., Brown Bros., or any of the Toronto firms what they would do that work for? You did not take the trouble to ask the Barber & Ellis Co. what they would do it for?—A. I could not do that.

Q. Why?—A. Because I had already entered into an arrangement with the Munroe Commission Company.

Q. Precisely. You had made a binding arrangement with the Munroe Commission Company for larger prices?—A. Yes.

Q. You say now they have never asked for the money on those prices?—A. We did exactly what they asked us to do. We carried out their wishes and sent it to the Barber & Ellis people.

By Mr. Carvell:

Q. Did you know, prior to making this contract with the Munroe Commission Company, that the Barber & Ellis Company were willing to supply these goods at the lower prices at which they afterwards said they would do it for?—A. No, I did not think so. It would be very unreasonable for them to do so.

Q. Why?—A. Because the manufacturer must protect the middleman or the trade. If he sells direct to persons outside the trade at cheaper prices than he will sell to the trade the trade will discontinue dealing with him altogether.

Q. Is the Rolland Paper Company as large a producer of paper and envelopes as the Barber & Ellis Company?—A. The Barber & Ellis Company have to buy their paper from the Rolland Company.

Q. Then the Rolland Company would be much the larger of the two?—A. Much the larger.

Q. And would be in a position to furnish those envelopes cheaper than the Barber & Ellis Company could?—A. At a much closer price.

Q. And the prices you paid to the Munroe Commission Company were the prices of the Rolland Company?—A. Yes.

Q. Have you ever had experience in purchasing stationery prior to your present employment with the Transcontinental Railway Commission?—A. No, sir, the government had a stationery agent when I was in the Public Works Department; they were buying it through the Printing Bureau.

Q. After you became the purchasing agent of the Transcontinental Railway did you take any means to ascertain what would be a fair price to pay for envelopes or stationery of any kind?—A. Yes, I did. I got samples of the different kinds of paper made, with the prices, and I studied the weights and the prices, and also informed myself as to the number of envelopes that could be made out of the different sized sheets of paper, as to the cost of manufacturing the envelopes and other particulars of that kind, so that at any time when an order came in I could figure out the cost as well as the manufacturer.

Q. From what sources did you get this information?—A. From the Rolland Paper Company and the Printing Bureau.

Q. And from your investigation with the Rolland Paper Company and the Printing Bureau, what did you find would be a fair price for these goods that you purchased?—A. About \$1.95 would be a fair price, and we only allowed \$1.75.

By Mr. Fowler:

Q. And yet the Barber & Ellis Company would supply them at \$1.25?—A. Yes, and lost money.

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Q. How do you know that they lost money?—A. I know from figuring it up.

Q. Did Barber & Ellis say so?—A. No, but I know what they paid for the paper and what it cost to do the printing.

Q. You will not say, in view of the fact that they returned a cheque for \$87, that they lost money?—A. I think they did.

Q. In spite of that fact?—A. Yes.

Q. You spoke of the Rolland Paper Company, and you say they are larger manufacturers of envelopes than the Barber & Ellis people?—A. I did not say that they were larger manufacturers of envelopes. They are manufacturers of paper, and the Barber & Ellis Company must buy paper from them.

Q. But the fact that they manufacture paper would not make them envelope manufacturers?—A. They are large manufacturers of envelopes, I think.

Q. Would not the Barber & Ellis people be in the same position as the Rolland people when it came to turning out envelopes?—A. The Rolland people could manufacture envelopes much cheaper, because they could make a profit on the manufacturing of paper as well as on the envelopes; they could make a profit on both.

Q. Do you think as a business man that when they do business they would not propose to have a profit on both lines?—A. The Rolland people would be making a double profit on the delivery, and the other man would only have one profit.

Q. You say you figured out what these prices should be from the information you received from the Rolland people?—A. Not altogether from them. I know what the Rolland people sell their paper for, and I know what it costs to make the envelopes.

Q. How do you know?—A. By information that I have secured from very many people.

Q. Who did you secure it from?—A. From the Rolland people. I got it from them.

Q. And from what other people did you get information?—A. I got information from the Printing Bureau. I can find out at any time what they pay for paper. They are buying in small lots.

Q. Do the Rolland people make envelopes?—A. Yes.

Q. How do you know they make them?—A. Their representative told me that they made them. I have a bill here from them for envelopes.

Q. But the only people from whom you attempted to obtain information were the Rolland people; that is outside of the Printing Bureau?—A. Yes.

Q. Still you say you got information from many people?—(No answer.)

By Mr. Northrup:

Q. After this transaction did you purchase any more envelopes from anybody?—A. No, only in small lots, and we had to pay \$1.95.

Q. Have you ever, since that date, applied to the Barber & Ellis people to see if they were prepared to duplicate that order at the price?—A. No, we have not required any large lots since.

By Mr. Carvell:

Q. Were these goods up to the standard which you supposed you were purchasing?—A. Well, the printing is not sharp; the paper is all right, but the printing is not sharp.

By Mr. Fowler:

Q. You had objected before to taking this Barber & Ellis printing. Did I not understand you to say to Mr. Barker that the reason you did not give the order direct to the Barber & Ellis Company was that they printed them on the Harris press?—A. No, I made no statement like that.

Q. Then I misunderstood you. You say, now that it was afterwards?—A. That is what I said before.

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By Mr. Bennett:

Q. Before returning that cheque did you consult with any of the commissioners?
—A. No.

By Mr. Barker:

Q. In the Auditor General's report brought down last night I find that the Secretary of State's Department do not agree with you apparently from a business point of view. I see there that they purchased from the Rolland Paper Company, of Montreal, various classes of stationery, foolscap, apparently, sundry papers, envelopes, almost everything in the stationery line, to the tune of \$50,000, bought direct from the Rolland Paper Company. Why could you not have bought in the same way?—A. They are quite different from what we are in the Transcontinental Railway. They, the Printing Bureau, are practically supply men. They supply the other departments. They can buy cheaper than we can buy because they are buying probably one hundred times as much.

Q. Of whom are you speaking?—A. Of the Printing Bureau.

Q. Can you not buy as cheaply as the Printing Bureau?—A. No; we only buy small quantities.

Q. I am only directing your attention to this in order to try to help you in the future. This Rolland Company sell direct to the Secretary of State to the extent of \$50,000 worth of stationery. Can you not buy from them direct?—A. No.

Q. You will not say that the Secretary of State is not buying cheaply?—A. I will say that the Secretary of State is not buying as cheap as a man in the trade is. He can buy much cheaper than we can.

By Mr. Johnston:

Q. You said the Rolland Paper Company refused to sell direct to you?—A. Yes. I have a letter here from them refusing to sell.

Q. Produce it please?—A. And they referred us to their agent at Ottawa. (Document produced and filed as 'Exhibit 4.')

Q. You might read that please?—A. :—

' THE ROLLAND PAPER COMPANY,

' High Grade Paper Makers. Manufacturers of Canadian Linen Ledger, Superfine
' Linen Record, Earnscliffe, Standard, Crown, Empire and Colonial Bond.

' Mills at St. Jerome, P.Q.

' MONTREAL, CAN., January 10, 1905.

' A. L. OGILVIE, Esq.,

' Ottawa, Ont.

' DEAR SIR,—We have your favour of date, and note contents. We would refer you to the Mortimer Company, of your city, who handle our full line of papers, &c. They are in a better position than we are to quote you for all kinds of our goods, as we market our line through the printers only.

' Yours truly,

' THE ROLLAND PAPER CO.

' Per W. V. ROLLAND,

' Vice-president.'

Q. Then there is no question as to the Rolland Paper Company having refused to sell to you direct?—A. There is no question about it.

Q. You said that you had some experience in ascertaining what the cost of manufacturing envelopes is. Will you state to the committee what steps you have taken to ascertain just what the cost of printing and manufacturing envelopes is, shortly? I have no doubt there are a number of practical men here who will be able to understand

APPENDIX No. 1

it, and those who are not practical may not want to understand it?—A. For the paper specified, 17 x 22, 20 lb., Empire Bond Linen, No. 8 envelope cuts five envelopes per sheet, one ream contains 500 sheets of paper, and costs 12 cents a pound. That is, the No. 8 envelope that we are discussing will cut five out of one sheet, and that would make eight pounds of paper to the thousand envelopes, and it costs \$2.40 per ream. That would make it 96 cents for the paper that goes into the envelopes. 35 cents is a very, very cheap rate for making the envelopes. I might, before going on, say here that the representative of the Barber & Ellis Company in quoting to them on an envelope that is identical with the envelope they supplied us asked \$1.33, unprinted. I am told so by the Mortimer Company.

By Mr. Daniel:

Q. Are you reading from the paper now?—A. No, I am just making that statement. Well, the cost of the paper was 96 cents and the making 35 cents, and then there is waste which amounts to five per cent, which would make six and a half cents. Four pasteboard boxes which cost two and one-half cents each, equal ten cents—these envelopes would cost more than they would ordinarily, because we had them put up in quarters instead of halves, and it would require five cents more for the boxes. If you look at the order you will see that it calls for quarters instead of halves—the packing boxes cost three cents per thousand and the freight seven cents—the freight from Brantford here is 53 cents per hundred.

By Mr. Fowler:

Q. They still filled the order and sent a cheque back to the department?—A. Yes.

Q. Although they had lost so much money on the order according to your figures?—A. I am just giving you the figures. The printing was done on the Harris press; on the ordinary press it costs forty cents, but I am admitting that he did it on the Harris press at a cost of twenty-five cents. You must take into consideration in considering this question that these envelopes were in 25,000 lots; they were not in one order of 125,000, which meant that each time he put them over the Harris press he had to make a new plate to suit the different envelopes, involving a loss of about one hour and a half's time each time he changed them, and that loss would not make it any cheaper than if the work was done on the ordinary press. That makes a total cost of \$1.82½ without any profit. Now, I cannot possibly figure anything but that, considering the price he paid for his paper, and the labour he put on it, he could not have included anything that he had to pay for the freight, extra pasteboard boxes, the three large boxes, some four feet square each, containing the envelopes, and it would also take some time for packing these; so that taking everything into consideration I cannot see where it was possible for the Barber & Ellis Company to have printed these envelopes at less than \$1.82½.

By Mr. Crocket:

Q. This firm is still in business?—A. That may be. I am quite willing to give you gentlemen any information that you desire. I can tell you what he paid for his paper; I even know that much.

By Mr. Daniel:

Q. How do you know what price the Barber & Ellis Company paid for their paper?—A. Because I know the closest price the Rolland people would sell at. The trade know that we are large purchasers, and they have such confidence in me that I can go to them and find out the exact prices at which they sell their goods.

Q. Then why can you not buy at those prices?—A. They will not sell to me at those prices. I can go to men in town and they will tell me what price they pay for their goods. I can always find out what anything costs.

By Mr. Taylor:

Q. You were buying these goods on behalf of the country, Mr. Ogilvie?—A. Yes.

Q. You know the Printing Bureau is doing the same?—A. Yes.

Q. They are buying goods for the government?—A. Yes.

Q. You knew what they were paying for their envelopes?—A. Yes.

Q. Could you not, if you wanted to save the country's money, have the Printing Bureau order your supplies as other departments do? We see in the Auditor General's report every day that supplies are bought by other departments through the Printing Bureau?—A. They could not get them any cheaper.

Q. Were not the Printing Bureau prices cheaper?—A. No, they paid \$1.40 for a 2-lb. lighter envelope, made of the same paper but a lighter paper, \$1.40 per thousand unprinted.

By Mr. Crockett:

Q. But if you got them through the Printing Bureau and they charged a profit—
A. They are not supposed to charge any profit.

Q. But if they get them cheaper than you can, why can you not get them through the Printing Bureau?—A. Because they cannot print them as cheaply, I suppose.

By Mr. Reid (Grenville):

Q. You said you had this experience with these envelopes?—A. Yes.

Q. Have you ever had any other experience of that kind?—A. In envelopes?

Q. No, not in envelopes, but in any other case? Did any of the other manufacturers refer you to an agent, or where you could buy cheaper through an agent?—A. Yes, I referred to the Rand drills, where I saved the country \$30 by purchasing through an agent.

Q. Any others?—A. Well, when we came to buy underclothing from the Munroe Commission Company the manufacturers would not sell it direct.

Q. What firm's goods did they sell?—A. Penmans'.

Q. You tried the Penmans' firm for them?—A. They would not sell them direct to us, but would sell through a sales agent.

Q. And you purchased the goods through the Munroe Commission Company?—A. Yes.

Q. Have you any other instance you can give us?—A. Yes; tracing cloth.

Q. Where is that made?—A. It is the Imperial tracing cloth, made in England; it is a well known brand.

Q. Outside of the Munroe Commission Company as middlemen or sales agents, do you know of any other manufacturing firms from which you can buy as cheaply?—A. We buy such things as bacon—I suppose you would call that manufactured articles—we buy that in very large quantities direct.

Q. You buy that from Bate & Company?—A. I think we buy very little of that from Bate & Company, only in very small orders.

Q. But when you have large orders who do you buy it from?—A. We sent those orders to the packing houses; they are a little different; they will deliver the goods direct without the middleman.

Q. Have the packing houses refused to sell direct to you?—A. No.

Q. What other manufacturers have refused to sell to you direct—you buy all kinds of stuff—there must be some other manufacturing industries that refuse to sell direct to you?—A. We find that if we do buy direct from the manufacturer, he always puts on sufficient to protect the trade; he will not sell as cheaply to us as to the trade.

Q. The manufacturer will not sell as cheap to you for large orders?—A. No, he will not sell as cheaply to us.

Q. There are some lines of articles that they sell direct to you?—A. Oh, yes.

Q. I was just wondering if there are any other lines besides those you have mentioned?—A. Not much outside of bacon and flour, things like that; in the other lines our purchases are rather small.

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Q. But you do buy flour and bacon direct?—A. Yes, from the Lake of the Woods and the Ogilvie Milling Company for flour.

Q. A great deal of these supplies, such as groceries, &c., are required in very large quantities?—A. They are bought direct from the wholesale houses.

Q. Not from the manufacturers; you have never tried any of them?—A. Well, they would not sell to us; they must protect the trade. Such things as canned goods, &c., they can only sell through their agents.

Q. In all of these canned goods, have you applied to the manufacturers to furnish you with the canned goods, and have they refused to sell?—A. It would not be practicable to buy from the manufacturers that way for this reason: we only require a small quantity at the one place. For instance, we are sending out a carload of goods, and probably we only require twenty cases or so for any one point, and all the goods composing that carload must be got in the same place. If we tried to get all the canned goods we require from the manufacturers there would be a great deal of confusion in getting the goods shipped to the different points in small consignments; they might get lost in transit.

Q. Take an order now given to the wholesale firm of Bate & Company—I do not instance them for any particular reason, because they are all right, they are a good reliable firm—for instance if you purchase a carload of goods from them, a very large carload?—A. Yes.

Q. Are you quite satisfied that any of these wholesale firms give you the same price that they would sell to any of the retail customers?—A. They seem to think that they give the goods to us cheaper; I do not know.

Q. You are quite satisfied that they give them as cheap at all events?—A. Well, we get our goods very, very cheap.

Q. When you want a carload of goods in Montreal or in Ottawa what means do you take to see that you are getting the lowest prices?—A. We have so many men giving us prices all the time. At any time we want prices we send out for quotations, and get them from fifty different firms. We never send away poor goods; we always send up the best. I go through the list and select what is most suitable for our purposes. If the prices are low I accept them, but if any are too high I say, 'I think you are too high on such and such articles.' You see by taking the lowest prices you get the goods much lower than you would by buying them on quotation.

Q. If you wish to order a carload of goods, I suppose you specify the different brands?—A. No, that is almost impossible, sir. Take tenders for groceries. It is almost impossible because there are so many different grades.

Q. Well, how would you tell the prices then?—A. There are so many things to be considered. You take raisins. They run up into different grades. You may be buying a certain quantity of Velencia raisins. A copy is sent up to the man that is receiving them at the train and he checks the brand.

Q. Well, then, if you are ordering goods you specify the different brands you want?—A. We are to a certain extent in this position: There are many articles in regard to which if we called for tenders for a certain brand other people would say, why not have some other kind. There is a stated price for the different articles.

Q. The prices they are charging the retail man? Are the government paying those prices?—A. We buy as cheaply as any retail man buys.

Q. Do you get a discount off your invoice?—A. We buy at the lowest price.

Q. Do you get any trade discount?—A. We may probably get one per cent on thirty days.

Q. Then there is no trade discount allowed?—A. They will give us probably one per cent or something like that on thirty days. We do sometimes get a trade discount

By Mr. Macpherson:

Q. That is a cash discount?—A. That is a cash discount.

By Mr. Reid (Grenville):

Q. Are you doing any better than Bate?—A. I think we buy cheaper than we could from Bate. We have been purchasing better than from Bate.

Q. Is it the usual custom to get a cash discount?—A. It depends altogether on the way you are making your payments. We could not get a discount out of these goods because it is so long before the accounts are paid. They have to wait until the goods have been received and have been checked off. It may take sometimes three months before our invoices are checked, and then the time would have expired for this cash discount.

Q. I suppose there is a good deal of stuff supplied in Ottawa?—A. Not of groceries.

Q. Not of groceries, but of all other goods I mean. I am taking it now on everything. There does not seem to be any cash discount allowed on anything, that is practically the position?—A. It makes very little difference whether you get a discount or a closer price; it amounts to the same thing.

Q. I have been under the impression that on all goods you bought from any of these manufacturing industries or grocers, there has always been a cash discount. Now have you any idea how much was paid for groceries during the fiscal year?—A. Altogether?

Q. Altogether?—A. It runs to somewhat over \$300,000. There is a report somewhere.

Q. And on that practically there was no cash discount at all?—A. Sometimes we get a 20 per cent discount. When we are dealing with the Hughes-Owen Company—that is in stationery—we get 20 per cent better price than the ordinary purchaser.

Q. What is the name of that firm?—A. The Hughes-Owen Company. They supply railroads.

Q. That is for stationery?—A. That is for such things as paper.

Q. Who checks these deliveries?—A. We have them checked by different people. The goods are usually checked by the persons receiving them. If the matter is any way intricate at all my assistant goes down and does the checking. We keep a very strict supervision, and the checking must be done accurately, so that what is received must balance with what is charged up.

Q. What do you do when the goods are sent direct?—A. If the goods go direct they must be certified to. We send an order some time previous to their receiving the goods, and when the goods arrive they have the order there to compare the goods with and check it off.

Q. Who gives you the requisition for the quantities you purchase?—A. If you mean the engineering parties if it is outside the stores they will get it through the engineer. The engineer requisitions his district engineer and the district engineer requisitions the chief engineer.

Q. Have you got a store in Ottawa where you keep goods?—A. Yes.

Q. Do you keep all kinds of stores?—A. No, we only keep such things as supplies for the men—clothing, and all kinds of stationery for the engineers. What I mean is tents, blankets, packstraps, instruments and such things as that.

Q. Wearing apparel?—A. Yes, for the men. We charge that against the pay-roll.

Q. Do you charge it against the man?—A. Yes, and he refunds back to the commission.

Q. Do you charge a profit?—A. No, we do not charge a profit, but we have to charge up what the transport costs.

Q. It is only goods of that kind you keep in stock?—A. Yes.

Q. And you keep no groceries?—A. No.

By Mr. Chisholm (Antigonish):

Q. You got this account of November 24 of the Barber & Ellis Company?—A. Yes.

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Q. And the prices charged there for Empire Bond—No. 8, \$1.75; No. 9, \$2.75; No. 10, \$3; No. 11, \$3.50; No. 12, \$3.75?—A. Yes.

Q. They were made out on this?—A. They were made out on this.

Q. And the first intimation they gave that their conscience troubled them was December 23?—A. Yes, that is the first I heard anything of it.

By Mr. Barker:

Q. That account that is referred to there is made up on the terms of the order you sent?—A. Yes, exactly.

By Mr. Hughes:

Q. Have you any assurance that the goods you ship off to these men are properly delivered?—A. I usually go, Colonel Hughes, and inspect it if it is any large shipment.

Q. You have heard the reports that these goods found their way into other camps, lumber camps?—A. No, that would not come to me, that would go to the commission. I would never hear that.

By Mr. Chisholm (Antigonish):

Q. Have you got an invoice of November 24, 1905?—A. Yes, I have it here. (Document produced, and filed and marked Exhibit No. 5.)

Exhibit 5.

‘THE BARBER & ELLIS Co., LIMITED,
‘Paper Dealers,
‘Envelope Manufacturers,

‘TORONTO, November 24, 1905.

‘Sold to Commissioners of the Transcontinental Railway:

‘28,500 M. Empire Bond, 8 envs., \$1.75	\$49 88
26,775 “ 9 “ 2.75	73 63
26,625 “ 10 “ 3.00	79 88
26,925 “ 11 “ 3.50	94 24
24,950 “ 12 “ 3.75	93 75

\$391 20

‘Printed.

‘Order 1203.

‘Requisition 577.’

Q. You met O’Gorman?—A. Yes.

Q. And you agreed upon prices?—A. Yes.

Q. And afterwards you received a letter from him? You knew at that time he was not in the business of manufacturing paper and selling it?—A. I knew that, yes.

Q. You knew he had to get somebody else?—A. Yes.

Q. Afterwards he directed you to the Barber & Ellis Company?—A. Yes.

Q. And then you took the precaution of writing them to see if they were satisfied to do business on the same terms?—A. On the same terms.

Q. And after that you continued your relations with the Barber & Ellis Company?—A. Yes.

Q. That was not an unusual thing was it?—A. Not at all.

Q. It is quite a common thing; in fact the usual way of doing business through the middleman?—A. Yes, you may say it is the usual way.

Q. How did you do in the case of Pennmans? Did you send the cheque direct to Munroe?—A. We sent it direct to Munroe. He bought the goods outright.

Q. The account appears in the Munroe Commission Company’s name?—A. Yes.

By Mr. Zimmerman:

Q. With regard to the Penman Company, it is a different transaction altogether?
—A. Yes.

Q. The D. Morrice Company, at Montreal, are the agents for the Penman Company?

(Question objected to by Mr. Fowler.)

Q. Mr. Ogilvie, I would like to ask you whether the Munroe Commission Company are the manufacturers of the goods, or did they buy the goods from the Penman Company?—A. They bought them from their sales agents I understood.

Q. No, the D. Morrice Company, of Montreal, are the sales agents, and the Munroe Commission Company bought the goods and invoiced them direct?—A. Yes, the goods were shipped from the factory direct to us, and the Munroe Commission Company invoiced us.

Q. The Munroe Commission Company buys the goods outright. It is an entirely different transaction from the other?—A. Yes.

By Mr. Reid (Grenville):

Q. Were you quite aware that the D. Morrice Company were the agents for the Penman factory?—A. No, I understand that this other man in Toronto is the sales agent. I think his name is McIntosh, on Bay street. I think that is the name, McIntosh. I was through his place.

Q. How did you come to go to the Munroe Commission Company for these goods?
—A. They asked me to permit them to supply the goods if they could supply them at the right prices. I went to the Woods' warehouse and to other places, and when I went to Toronto I found I could buy them cheaper from the Munroe Commission Company than from the others, and I bought the goods from that company. They bought them the same as any other commission house, dealing through the factory.

By Mr. Zimmerman:

Q. I want to ask you this question, Mr. Ogilvie, is it not a very usual thing for the manufacturer's agent, when he takes an order, to turn it over to the manufacturer to deliver?—A. That is a very common thing.

Q. And the goods you buy from the manufacturer's agent is invoiced direct from the manufacturer?—A. Yes.

Q. That is a common occurrence?—A. Very often; and they get a small commission, or whatever their commission is.

By Mr. Johnston:

Q. There are one or two more questions in regard to the envelopes I would like to ask. You have already stated that the Rolland Paper people referred you to the Mortimer people at Ottawa?—A. Yes.

Q. Did you consult the Mortimer people at Ottawa in regard to the purchase of envelopes?—A. Very often; we get both envelopes and printing done by them.

Q. What did the Mortimer people say to you?—A. They said there was no money in it at \$1.75; they would rather not handle my business at that figure; and when I got the prices from the Printing Bureau at \$1.70 I said I could not give them more than that. They said, 'We will take the business and print your envelopes, but only for the reason that we want the rest of your business.'

Q. Here is a letter from the Mortimer people in regard to this question. The Rolland people having referred you to the Mortimer people, you consulted with the Mortimer people, and they wrote as follows—A. When this matter came up I wrote the Mortimer people and asked for prices, and here is the letter they sent with some accounts—as I was telling the gentlemen before, they have no objection to letting me see the prices they pay for the different goods. Here is a letter from the Mortimer Company inclosing invoices of the Rolland Paper Company with their prices.

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By Mr. Crockett:

Q. Is that letter addressed to you?—A. Yes. It is dated Ottawa, November 2, 1906. This incloses an invoice dated Montreal, 12-7-05.

Q. That is a year before?—A. It is just about the same time. I wanted to get the prices from them that they were paying at that time. I said to them, 'Send up some of your invoices about the time that this came up, for the same envelope.'

By Mr. Fowler:

Q. Is that from the Rolland people?—A. The letter is from the Mortimer people, and it incloses an invoice from the Rolland people. The letter is as follows:—

OTTAWA, November 2, 1906.

'A. L. OGILVIE, Esq.,
'Purchasing Agent,
'Transcontinental Railway,
'Ottawa.

'DEAR SIR,—As requested, we inclose herewith one of the Rolland Paper Company's invoices dated 12th August, 1905. You will note second item on this invoice calls for 10,000 Empire envelopes, No. 8 XX, which signifies 20-lb. paper, this being the term which they use. Their charge to us is \$1.95 per thousand, less one-third, which makes the net value \$1.30 per thousand. To this we have to add a percentage of 12 per cent cost of handling merchandise, and as we advised you for a firm situated as we are forty cents per thousand is a fair rate in lots of one hundred thousand.

'Trusting this information may be of service to you.

'We remain,
'Yours truly,

'THE MORTIMER CO., LTD.,
'Per H. B. B.,
'General Manager.

'P.S.—Kindly preserve invoice.'

I figured that up, and that amounts to \$1.85½ per thousand.

By Mr. Fowler:

Q. Does not that \$1.30 include printing?—A. No, no. It is forty cents for printing and twelve per cent for handling merchandise.

(Document filed as 'Exhibit No. 6,' together with invoice accompanying it, as follows):—

'THE ROLLAND PAPER COMPANY,
'MONTREAL, CANADA, 12-7-05.

'Sold to Messrs. the Mortimer Company, Ottawa, Ont.:

'2328	15 M. Earnscliffe wh.,	8 X envs.,	\$2.10.....	\$31 50
	10 " Empire	8 XX	1.95.....	19 50
	15	8 X	1.80.....	27 00
	15 Colonial	8 XX	1.65.....	24 75
				\$102 75
			½—	34 25
				68 50

Q. The Rolland Paper Company, Montreal, offered to sell you envelopes at \$1.85½ per thousand?—A. Yes.

Q. And these envelopes you purchased, as a matter of fact, for what?—A. \$1.75.

By Mr. Crockett:

Q. They did not offer to sell them at that rate until long after the transaction?—
A. No, at the same time. This account at \$1.30 was for unprinted envelopes. I might
say here, probably I might clear it up, about the time that this matter came up a re-
presentative of the Barber & Ellis Company called on the Mortimer Company and
asked for an order, and they asked him for a quotation on these same envelopes, and
he quoted, I think, \$1.33 for plain envelopes, that is for an unprinted envelope.

By Mr. Fowler:

Q. Yet he was asking \$1.25 for a printed envelope?—A. That is why I say the
Barber & Ellis Company made a mistake. They did not include freight or something
of that kind.

By Mr. Barker:

Q. You will put in those papers you have read?—A. Yes, I have put them in.

By Mr. Johnston:

Q. There is a further letter from the Rolland people who were consulted—what I
desire to bring to the attention of the witness is, it is important to have this Rolland
business cleared up—let me repeat again, the Rolland people referred you to the Mor-
timer people?—A. Yes.

Q. Here is a letter from the Rolland people to the Mortimer people submitting
prices that the Mortimer people were to pay the Rolland people, and submitting also
prices that the Mortimer people were to charge you?—A. Yes.

Q. You had better put that in.

(Document produced and marked 'Exhibit No. 7.'):—

'THE ROLLAND PAPER COMPANY,

'MONTREAL, CANADA, October 24, 1906.

'Messrs. the Mortimer Co.,

'Ottawa, Ont.

'DEAR SIRS,—Your favour late date to hand and contents noted. We have the
pleasure to quote you on Empire Bond envelopes, made from 17 x 22—20 lbs.:

'No. 8	\$1 30—M.	} In pencil.
" 9 OS	2 25	
" 10	2 50	
" 11	3 00	
" 12	3 25	

'We await your valued orders, which will have prompt attention.—

'Yours truly,

'THE ROLLAND PAPER CO.

'W. V. Rolland,

'Vice-president.'

A. Now, the prices they gave me in connection with this giving them a fair profit
would be: \$2.16 for No. 8; \$3.30 for No. 9; \$3.60 for No. 10; \$4.20 for No. 11 and
\$4.50 for No. 12.

By Mr. Crockett:

Q. That was a year after the date of this transaction?—A. Yes, but the prices
were the same for paper.

By Mr. Barker:

Q. You have been reading certain prices here. Are those prices you have quoted
here on that paper?—A. Yes.

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Q. But you put down these figures in pencil, these figures \$2.16?—A. That is the price for printed envelopes.

Q. And the price of another size is \$2.25 in the letter, and you read it \$3.30, which is a price made by yourself?—A. No, that is the Mortimer Company's price.

Q. But these pencil marks are yours?—A. They are mine.

Q. Those figures that you quoted are the prices that are marked in pencil in the letter?—A. Yes, but they are the prices that the Mortimer Company gave me, and they will confirm those prices.

Q. I desire to call the attention of the committee to the fact that the witness when reading this letter read figures that are not in the original letter as it was written?—A. No, the figures are in the letter of the Mortimer Company.

Mr. MACDONALD (Pictou).—The witness went on to explain after reading the letter that the prices quoted were for unprinted envelopes, and that he had made up certain prices which were given him by the Mortimer Company for printed envelopes.

By Mr. Barker:

Q. There are on this letter that has been filed as an exhibit and from which you have been reading these figures in pencil:—2.16 opposite \$1.30 per thousand; 3.30 opposite \$2.25; 3.60 opposite \$2.50; 4.25 opposite \$3.00 and 4.50 opposite \$3.25. Were those figures in the letter when you received it?—A. No, sir.

Q. Who were they put there by?—A. They were put there by myself, but I put them there by the instructions of the Mortimer Company.

By Mr. Johnston:

Q. These figures in pencil to which Mr. Barker has referred are following out exactly the instructions given to you by the Mortimer people?—A. Yes; they include a fair amount for printing and a fair profit.

Q. And those instructions by the Mortimer people you have received from the Mortimer people, and they are on file?—A. I brought this down and I asked them, 'If you were supplying these envelopes printed, and if we gave you our order, what would the prices be?' and they replied that the prices would be as they are there in pencil.

By Mr. Barker:

Q. You said you made other purchases from the Munroe Commission Company?—A. Yes, sir.

Q. You say these purchases were made not as from the Barber & Ellis Company, but directly from the Munroe Commission Company?—A. Yes.

Q. The accounts are all produced here?—A. Yes.

Q. Is it not a fact that every one of the other transactions occurred after this trouble with the Barber & Ellis Company?—A. I do not remember the date.

Q. The first here is on March 17, 1906?—A. Yes, that is afterwards.

Q. So that they were all after that trouble?—A. Yes.

Q. After the time of this trouble with the Barber & Ellis Company on the Munroe order did you not have other transactions direct with the Barber & Ellis Company?—A. Yes, we sent them two orders after that.

Committee adjourned to meet on Tuesday, February 12, at 10.30.

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
TUESDAY, February 12, 1907.

The Select Standing Committee on Public Accounts met at 10.30 o'clock a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the further consideration of certain payments to the Munroe Commission Company and the Barber & Ellis Company.

CHAS. ROSS MUNROE is called three times by the clerk of the committee, and fails to respond.

Mr. JOHN O'GORMAN.—I would like to make a statement to the committee. Mr. Munroe will not be here to-day. He is not very well, and the evidence in connection with this matter he is not at all familiar with; so I thought that probably all you would require to-day would be my own evidence. If Mr. Munroe is required he may be here at the next sitting.

Mr. BARKER.—We want him here or we would not have subpoenaed him.

Mr. JOHN O'GORMAN, of Toronto, called, and sworn and examined.

By Mr. Barker:

Q. What is your name?—A. John O'Gorman.

Q. And you are carrying on business, I believe, as the Munroe Commission Company?—A. We are carrying on business, Mr. Munroe and I are.

Q. As the Munroe Commission Company?—A. The Munroe Commission Company, Toronto.

Q. When did you form that company?—A. 1st September, 1905.

Q. 1st September, 1905. And when did you register?—A. I would not be positive of the date, but it was some time in February. I think January or February.

Q. That is near enough. What was Mr. Munroe's business employment at the time you formed the partnership with him?—A. Previous to that he was cashier of the Massey-Harris Company.

Q. The Massey-Harris Company? He was an office man?—A. An office man, yes.

Q. And what was your occupation up to that time?—A. I had been sales manager of the Hobbs Hardware Company.

Q. Selling hardware?—A. Well, yes, I was sales manager, looking after the sales, looking after the travellers.

Q. Of hardware?—A. Of hardware, general lines.

Q. Then you left the Hobbs Company and went into this commission business?—A. Yes, sir.

Q. How soon after you formed your company, or partnership as it was then, I suppose—how soon after that did you come to Ottawa to get some business here?—A. Well, it would be in the early part of October some time.

Q. About a month after you formed the partnership?—A. About a month.

Q. Was that the first business you transacted?—A. Yes, sir—no, no it was not the first business.

Q. After the partnership?—A. No, no. I mean it was the first business—

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Q. With the government?—A. With the government, yes.

Q. Whom did you see when you came to Ottawa first?—A. Well, first, I think I saw Mr. Reid.

Q. Mr. Reid?—A. Yes.

Q. What Mr. Reid was that?—A. Mr. Robt. Reid, of the Transcontinental Railway.

Q. One of the commissioners of the Transcontinental Railway?—A. Yes, sir.

Q. Where did you see him?—A. At his office.

Q. What was the object of your visit to Mr. Reid?—A. Well, I wanted to tell him about my starting in business, and to ask him if he could do anything to assist me to get some business from the Transcontinental Railway.

Q. Well, what did he say?—A. He did not say very much, except that he would see Mr. Ogilvie, and that if I could satisfy Mr. Ogilvie as to the price and quality of the goods I was handling, why there was no reason why we could not do business.

Q. You and he were old friends, I suppose?—A. I have known Mr. Reid for some years.

Q. In London, Ontario?—A. Yes, sir.

Q. You formerly lived in London yourself?—A. Yes, sir.

Q. I suppose you have known both Mr. Reids for a good many years?—A. No, I cannot say that I have known Mr. Robert Reid any way at all.

Q. The other brother?—A. Yes, sir.

Q. You went to him simply as a commissioner to ask his good offices with the purchasing agent. I suppose that is a sure thing?—A. Yes.

Q. Did you go to Ogilvie next?—A. I think I went to Mr. Ogilvie but he was not in at the time. I saw him later on.

Q. How soon afterwards?—A. Well, I think—it would be that day probably or next day.

Q. It was almost immediately afterwards?—A. Very shortly afterwards.

Q. On that same business?—A. I think it was.

Q. You saw him during that visit to Ottawa with reference to having some business with him, supplying something that the Transcontinental Railway wanted? Was that the object of your visit?—A. Yes, sir, exactly.

Q. Did you tell him your object?—A. Did I tell Mr. Ogilvie?

Q. Yes?—A. I asked him if there was anything I could supply of the lines I was handling and of the lines I expected to handle, expected to make arrangements about, and he told me at the time there was nothing in any of those lines he could aid me in, but there were some envelopes in his desk which he showed to me and said the prices were on them.

Q. Was that the first thing, or did you introduce yourself to him in the matter before?—A. Yes, I knew Mr. Ogilvie before.

Q. He knew you?—A. Yes, he knew me.

Q. He knew that Mr. Reid had spoken to you?—A. No, he did not.

Q. Did you tell him what Mr. Reid had told you?—A. No, I did not mention Mr. Reid at all in the matter.

Q. There never was a word said between you and Ogilvie?—A. Not at all, sir.

Q. About Mr. Reid?—A. No, sir.

Q. It is not very important perhaps, but Mr. Ogilvie said you did?—A. Well, that is my recollection that I did not.

Q. I do not make any point of that, but he says you did. You think you did not?—A. Yes.

Q. Do you not think now on reflection that you would be very apt to tell him that you had the good-will of Mr. Reid?—A. No, I do not think that I would.

Q. Although you went to Mr. Reid to get his good offices?—A. Yes.

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Q. At all events your recollection is a little different from Mr. Ogilvie's?—A. Yes, my recollection is.

Q. Now, did he ask you to tender for the envelopes?—A. No, he did not, sir.

Q. What did he do?—A. The envelopes that he had on his desk were pinned together, and the prices were on each size.

Q. Samples, I suppose?—A. Samples, yes, sir. And he said that was the best prices that I could get; something to that effect.

Q. The best prices you could get?—A. Yes. He said, 'If you can give me the envelopes for those prices why I think you can get the order.' That in substance is about all he said.

Q. Did he ask you what was the best you could do?—A. No, I do not think he did.

Q. He just told you those prices were the best he could give you, and what else?—

A. Well, I took the envelopes away and returned to Toronto, and I called on several firms there to get their prices, among others Barber & Ellis.

Q. Do not go from that. When you took the envelopes away, or rather when you spoke to him, did he ask you if you were in the paper business or the envelope business?—A. No, I do not think he did.

Q. You do not think he did? Did you tell him you were not?—A. No, I did not.

Q. How did you explain to him—he knowing you and you knowing him, and you just starting this business—how did you explain to him that you were in that line? Did you say you manufactured the envelopes?—A. Not at all. I explained to him that I was in the commission business.

Q. That you were in the commission business?—A. Simply a business broker, but handling anything that there is a dollar in.

Q. And then what you conveyed to him was that you would have to see somebody about getting the work done, is that it?—A. Well, I suppose he would naturally presume that I would. I do not know whether that point was discussed at all.

Q. Not in so many words?—A. No.

Q. That would be the inference from what passed between you, would it not?—A. That would be the natural inference I suppose he would draw.

Q. And you took the sample envelopes away for the purpose of seeing persons in the trade, to see what you could get them for. Was that it?—A. Exactly.

Q. And among others you went to the Barber & Ellis Company?—A. Yes.

Q. Did you tell the Barber & Ellis Company the price that Mr. Ogilvie had offered you?—A. No, sir.

Q. What did you say to Mr. Ellis or to Barber & Ellis?—A. I told Mr. Ellis I had an order in sight, that I thought I could get it. If he would make the price low enough I would give him the order.

Q. You did not tell him what your figures were?—A. No, sir, not at that time.

Q. You said, as far as you were concerned, 'I want to know what is the lowest you can do them for?'—A. Exactly.

Q. That is like business. I wish that others would do their work the same way. What did he tell you?—A. He did not say very much. He looked them over and made some comment about the bond paper, or something to that effect, and finally he told me the price he could do them at. The matter was simply a verbal arrangement.

Q. There was no writing between you?—A. No, sir.

Q. He told you, having looked over these samples, what he would provide them for?—A. Exactly.

Q. And I suppose it was not exactly at the prices Mr. Ogilvie had offered you?—A. No, it was not.

Q. Did he make any difficulty at all about being able to supply them at the prices mentioned?—A. He made comment that he had given an extremely low price.

Q. In your letter you had made the same comment to Mr. Ogilvie that you had given a very close price, although you were 20 or 40 per cent higher than Barber & Ellis?—A. No, I do not think I was 40 per cent higher than they.

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Q. But in some cases you were?—A. Yes.

Q. He said he could supply them at what figures? Do you recollect?—A. No, I cannot; but I think they ran from \$1.25 for No. 8 to \$2.75, or something like that.

Q. I suppose he told you the figures that he ultimately sent an account into the government for?—A. I do not know about that.

Q. Did you never examine into that?—A. No, sir.

Q. You have never seen the details of what he supplied them to the government for?—A. No, sir.

Q. Well, it was \$1.25 upwards; that is correct so far?—A. Yes.

Q. You were satisfied with those prices?—A. Yes, the prices he gave were much lower than I had got from other firms.

Q. Having been satisfied to that extent, did you tell him to go on?—A. No, not that day. It was probably a few days afterwards. I believe there was one other concern at the time that I did not have prices from and that I wanted to see if I could get prices from still lower.

Q. You wanted to see if you could do better?—A. Exactly.

Q. Ultimately you did tell him to go on?—A. Yes, sir.

Q. We have had the letters here before, I need not read them over again, but you wrote to Mr. Ogilvie and told him to send the order direct to Ellis?—A. Or to the Munroe Commission Company.

Q. Or to the Munroe Commission Company? I think you are wrong there?—A. At least I think so.

Q. I think you are wrong there?—A. Probably I am.

Q. Here is your letter of October 20 from the Munroe Commission Company per 'J.O.J.' It is here, that should be 'J.O'G.,' I suppose. You wrote the letter, I presume?—A. If I signed it, I think it is very likely I did.

Q. There is no one whose initials are 'J.O.J.,' appears in your firm, is there?—A. No, sir.

Q. You say in your letter, 'These prices are close, and we hope will be found low enough to ensure us the order, and you send order direct to Messrs. Barber-Ellis Company, Limited, Toronto, who have undertaken to do the work, and they will charge you direct at prices quoted.' You see you told him then to send the order to Barber & Ellis Company?

By the Chairman:

Q. Do you wish to see the letter, witness?—A. No, I do not think so. I think that is the letter as far as I recollect. I have no doubt that is correct.

By Mr. Barker:

Q. This letter has been produced by the department?—A. Well, I was speaking from recollection when I said that.

Q. I am not finding fault. I merely want to be accurate?—A. Yes.

Q. I want to ask you why you did not just ask Mr. Ogilvie to send you the order and let you get Barber & Ellis to do the work for you?—A. Why?

Q. Yes?—A. Because when discussing this matter with Mr. Ellis he went on to explain that the envelopes could be printed at Brantford, and saying that they would be shipped direct from there to Ottawa. By this time he knew who the order was coming from. When I first spoke to him he did not know who the order was for. This time I saw him I had shown him samples of the printing that was to go on the envelopes, so that he knew who the order was for, and he then explained about the envelopes coming from Brantford and that he would look after the shipping, &c. I cannot say whether I suggested it or whether he suggested it, I am not positive, that he would invoice them at the prices that I had given him. At this meeting I speak of I had shown him my prices. I said, that will be perfectly satisfactory to me as long as I get my commission; that was all I was concerned about.

Q. You then wanted him to ship direct to the department here at the prices you had arranged, not at his prices?—A. At the prices I had arranged, yes.

Q. And you told him that you had directed Mr. Ogilvie to send the order direct to Barber & Ellis?—A. Mr. Ellis said that he was quite agreeable to arrange to have it done that way, as they were in the habit of paying commission on orders of that kind.

Q. Mr. Ogilvie said that, did he?—A. Mr. Ellis said that.

Q. Then why should Mr. Ogilvie have made another bargain with the Ellis Company when he had a binding bargain with you?—A. I do not understand that Mr. Ogilvie did.

Q. Have you not read the correspondence, have you not seen it?—A. No, I have not.

Q. Mr. Ogilvie had complied strictly with your directions, and had sent the order direct to Barber & Ellis?—A. Yes.

Q. Here is his letter of the 3rd of November, 1905, to Barber & Ellis Company, re order for 125,000 envelopes:—

‘I inclose herewith order for 125,000 envelopes to be made to samples submitted. Please advise me at your earliest convenience if you are prepared to take the order at the price mentioned.’

A. Exactly.

Q. ‘And to make delivery in the time mentioned?’—A. Yes.

Q. These were your figures?—A. Yes.

Q. Can you explain why Mr. Ogilvie wanted to know if they were prepared to take the order at prices mentioned?—A. I do not know what Mr. Ogilvie’s object was, but I would naturally suppose that he would want to confirm those prices, to find out that he was sure they would do the work.

Q. But had he not bargained with you?—A. Exactly.

Q. Do you suppose he doubted your ability to carry out this contract?—A. I do not know anything about that.

Q. I want to see what your explanation is?—A. I do not know what Mr. Ogilvie thought. I would naturally think—

Q. He followed strictly your directions here in this letter?—A. Yes.

Q. How can you explain—A. Because—

Q. Wait a moment. Can you explain from anything that passed between you here why he should have immediately ignored you, and your name, the name of your firm, in this transaction, and deal afterwards with Barber & Ellis direct?—A. Because I had suggested it.

Q. That was in your letter, but did anything pass between you here to that effect?—A. No.

Q. You are quite sure?—A. Quite positive. I would take that from Mr. Ogilvie’s letter. That is a very natural proceeding; any business man would do anything of that kind.

Q. They would know of the bargain that the Munroe Company were to do the work?—A. I naturally presumed Mr. Ellis knew where this was coming from.

Q. And you think, as a man of business, it would not be natural to refer to what brought the communication into Ellis’ hands?—A. I do not think so.

Q. Well now, what was the next you heard about this?—A. Well, the next I heard was when I went to Mr. Ellis to get my commission.

Q. Yes?—A. It would be along some time in December, late in December, just before Christmas.

Q. Yes?—A. I telephoned to Mr. Ellis one day and asked him if the account had been settled. He said that it had been settled some time before, and I said then that I was going to call over to see him to adjust the commission. He said he was busy, and told me to come over, I think he said the following day. The next day he called me up by ’phone, and said that he was going out of town, and if it made no difference

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to me he would rather I would come in after Christmas and I did. I went in—well, I do not know, it may have been a day or two days after Christmas.

Q. Yes?—A. And Mr. Ellis then told me that he was sorry but that he could not carry out the arrangement he had entered into, could not pay me the commission. I wanted to know why, and he said, 'Well, we are selling to other departments of the government at lower prices than we have charged the government in this contract.' He said, 'If the matter is investigated it won't look very well for the Barber & Ellis firm. You would not be known in the transaction at all; we would have to bear the brunt of it. Under the circumstances, after consulting with Mr. Barber, I have decided to return the commission, the amount of your commission.' He stated that he had done so a day or two before.

Q. That letter is in?—A. Yes.

Q. The 23rd of December that is, I may as well tell you. You are right about Christmas?—A. Yes.

Q. Well now, it comes down to this: You have made a bargain with the government, through Ogilvie, to deliver to the government 125,000—

Mr. MACDONALD (Pictou).—Would it not be as well to let Mr. O'Gorman finish this conversation with Mr. Ellis before you go on?

Mr. BARKER.—I think he has finished.

The WITNESS.—No, Mr. Barker. I protested against that. I said to Mr. Ellis I did not think that was a very business-like way of doing things. 'Well,' he said, 'the matter is done now; it is too late to make any kick about it.' Some words to that effect. I am not using probably the exact language, but using the substance.

Q. Using the effect?—A. Yes. It was too late to make any kick about it, and he said further, 'If this had been an ordinary commercial transaction there would not have been any trouble.' But he said, 'We have had one experience in investigating matters of this kind'—I do not know whether he meant in regard to the government or not, but I assumed at the time that he did—and he says, 'We do not want another.'

Q. Is that all that passed between you?—A. That is about the substance of what passed.

Q. Well, then, I was going on to say that the transaction up to this point is this: You agreed with the government to supply a certain quantity of envelopes, and they agreed to pay you a certain price for them. A bargain was made by you and is in writing?—A. Yes, exactly.

Q. You go to the person who is to do the work for you, and you make another bargain with him at lower prices, intending to treat the difference between the two sets of prices as your commission?—A. Exactly.

Q. Now, when you found that the Barber & Ellis Company had returned that \$87 and some cents, whatever it was, to the government I presume you wanted your \$87 still, did you not?—A. Well, I asked them for it at the time.

Q. Asked whom?—A. Mr. Ellis.

Q. Yes, but they had returned the \$87, which was equivalent to your commission, to the government. Now you had a bargain with Mr. Ogilvie, a valid bargain, for higher prices, what did you do about that?—A. Well, I made my bargain for my commission with Mr. Ellis, with nobody else, and I looked to him for it. I am still looking.

Q. You had a written bargain with the government for certain prices, the higher prices, to supply those envelopes. Why did you not get your \$87 from the party that owed you the money?—A. Well, I did not—

Mr. MACDONALD (Pictou) objects to the question.

By Mr. Barker:

Q. Will you tell me why you did not go to the government and get your \$87—A. Well, of course, I did not feel that the government owed it to me.

Q. You did not?—A. No, sir.

Q. You did not doubt that you had made a valid and honest contract with Mr. Ogilvie, did you?—A. I certainly had, but the matter had been transferred to the Barber & Ellis Company.

Q. Simply by these letters. Is that your only reason for not going to Ogilvie?—A. Simply because I had made arrangements with Mr. Ellis and looked to him for it.

Q. You did not go to Ogilvie or to the government for the balance of the price they had agreed to pay you?—A. No, sir, I never mentioned it to them.

Q. You never have done that from that day to this?—A. No, sir.

Q. Have you sued Barber & Ellis?—A. No, sir, I have not.

Q. Have you never spoken to Ogilvie about this?—A. No.

Q. Never?—A. Well, I would not be positive about that. I would not be sure whether I have or not, I cannot recollect.

Q. Was there any understanding between you and Ogilvie that at all impaired your rights under the correspondence by which you were to get \$1.75 and upwards?—A. I do not quite understand.

Q. Your bargain with Ogilvie was at prices ranging from \$1.75 per thousand upwards. Did you have any understanding with him at all affecting that or affecting your right to get \$1.75?—A. No.

Q. And you supplied what you agreed to supply through Barber & Ellis?—A. Barber & Ellis supplied, exactly.

Q. And the government have never to this hour, as far as you know, paid anybody the prices you agreed with Ogilvie?—A. Well, no I do not suppose they have because Mr. Ellis—

Q. I say so far as you know?—A. I do not know.

Q. And you have never asked the government, or anybody else, to carry out their bargain with you and pay the balance of the purchase money?—A. I asked Mr. Ellis, and Mr. Ellis alone.

Q. You never asked the government, or Ogilvie, or anybody connected with the government?—A. No.

Q. Did you ever speak to Mr. Reid about it?—A. No, sir.

Q. Or anybody connected with the government?—A. No.

Q. You have been making sales to the government since?—A. Well, yes, I have sold them some underclothing and some handkerchiefs and some tracing cloth.

Q. Did you have any interviews with Ogilvie about any of those things?—A. I think I met him once here.

Q. When you met him did you bring up this subject of the envelopes?—A. No, I do not think I did.

Q. Never at all, although you were out \$87?—A. No.

Q. Never said a word to Ogilvie?—A. No, I do not know that I did. I would not be positive, Mr. Barker, but I have no recollection of any conversation with Mr. Ogilvie regarding the matter.

Q. As a man in business have you any doubt in your own mind that you are entitled to that \$87 from the government?—A. I did not consider the government in the matter at all. I considered Mr. Ellis in the matter and Mr. Ellis alone. I made my bargain with him.

Q. You had no bargain with Mr. Ellis to supply them to you for \$1.75 and upwards?—A. I had a distinct bargain with Mr. Ellis.

Q. Eh?—A. I had a distinct bargain with Mr. Ellis.

Q. That did not relieve the government's obligation to you?

Mr. MACLEAN (Lunenburg).—The return of the cheque proves his obligation.

Mr. BARKER.—I am asking the question.

Mr. MACLEAN.—You are not asking the witness, you are giving evidence.

Mr. BARKER.—I am asking what his explanation is.

The WITNESS.—Well, my explanation—

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Q. You had made a good firm bargain with Mr. Ogilvie for the envelopes?—A. Exactly.

Q. And you had bargained with Ellis to do that work for you at a lower price?—A. Exactly.

Q. And Mr. Ellis, instead of carrying that out strictly, rendered an account for his own prices that he had agreed on with you. Do you mean to tell me as a man of business that you did not consider yourself entitled to recover from the government the prices that they had agreed to give you?—A. Why no.

Q. You did not?—A. No.

Q. Then what is your reason for not trying to collect from the government?—A. For the reason that I felt that Ellis owed it to me and nobody else. If I made my agreement with Mr. Ogilvie for the commission it would have been a different matter.

Q. Did you think, as a matter of business, you had no right to receive from the government what the government had agreed to pay you?—A. I do not think it.

Q. Assuming that everything is right?—A. I do not see that the government has anything to do with it.

Q. Are you serious in saying that you do not?—A. Yes.

Q. Is that your real reason for not collecting this money?—A. My real reason is that Mr. Ellis owes me this money. My reason—

Q. I am asking you—

The CHAIRMAN.—The witness should be allowed to complete his answer.

Mr. BARKER.—He is answering another question, not the question I put.

The CHAIRMAN.—He has a perfect right to qualify his answer.

Mr. BARKER.—He is not answering the question I put.

The CHAIRMAN.—We will see whether he is answering the question you put or not.

Mr. BARKER.—My question, Mr. Chairman, is this: 'Had he not a right to collect from the government the amount that was agreed upon with Mr. Ogilvie.'

Mr. MACLEAN (Lunenburg) objected that this was a question of law.

By Mr. Barker:

Q. Did you not know that having made a bargain with the government to deliver those envelopes at a certain price you had the right to get that price from them, and not to deal with Ellis on other terms affecting your rights?—A. I did not know that at all.

By Mr. Macdonald:

Q. I understood that when Mr. Barker interrupted the witness he was proceeding to give his reason. I would like to hear what Mr. O'Gorman was going on to say when he was interrupted?—A. I was simply going to say that the reason why I had not done anything in the matter with Mr. Ellis at the time was if the reason he gave, and that was why the matter was dropped, was true, and I had no reason to doubt it at all, he said he was doing a business of \$25,000 or \$30,000 with the government, supplying other departments of the government with goods. I did not want for the sake of a paltry matter of \$75 or \$80 commission, as far as we were concerned, to disturb his business, which amounted to such a large sum every year. On the other hand, if he was not saying what was true, and if he was simply 'bucking' it, I had nothing in the world, no documents, everything was verbal between us, and I thought it was a pretty hard thing to collect from a man like that.

By Mr. Barker:

Q. What you are referring to now is, he had told you there had already been one investigation and he did not want another, is that what you mean?—A. Yes, I presume so; he spoke of an investigation.

Q. And he did not want another, and you therefore did not ask him for the money?—A. I did ask him.

Q. You did not ask the government for it?—A. No, I did not.

Q. Because you thought that might be what would bring about an investigation?

—A. No, because I did not feel that the government owed it.

Mr. MACDONALD objected to the manner of examination.

The CHAIRMAN ruled that it was altogether irregular.

By Mr. Barker:

Q. Did you want an investigation when they did not want it? Was that your reason, that you did not want an investigation any more than they did?—A. No, it was for the reason that I did not feel that the government owed me anything.

Q. It was not that you objected to an investigation?—A. Not in the slightest, no.

Q. You did not feel that way?—A. No.

Q. How does it happen that you cannot recall bringing the subject up again when you met Mr. Ogilvie? You were out of pocket?—A. Well, I know, I would not want to talk it over with Ogilvie at all.

Q. Did not Mr. Ogilvie know the facts from Ellis?—A. Let somebody else tell it to him, then.

Q. You knew that Mr. Ogilvie was aware of the facts, that the cheque had been returned here by Barber & Ellis?—A. Certainly, I presume he did.

Q. And yet you did not, to the man with whom you had made the arrangement, say one word about this matter?—A. I told you before, I am not positive about having spoken to Mr. Ogilvie, whether I spoke to him or not. I have no distinct recollection of any conversation with him.

Q. You cannot recollect at all?—A. No, I may have.

By Mr. Macdonald:

Q. I suppose you naturally objected to telling Mr. Ogilvie, or anybody else, what Ellis had done?—A. Yes, naturally that is the way I felt about it.

By Mr. Barker:

Q. But you did think that Barber & Ellis had done you up?—A. It did look that way to anybody else.

Q. You did feel that?—A. It looks that way now, no matter what I felt about it at the time.

Q. You do not mean to say that you thought it at the time?—A. Well, I am not sure I did. I thought that probably what Mr. Ellis was saying there might be some truth in it.

Q. That there might be some truth in the fact that he did not want an investigation, is that it?—A. Well, yes.

Q. And did you think that would justify being silent all around?—A. Well, if a man was in a crooked business of that kind that he spoke of, I naturally would not want for the sake of a small amount of \$75 or \$80 to go to work—

Q. You would rather lose \$87 than cause any trouble to him. Is that it?—A. Yes, I think I would.

By Mr. Maclean (Lunenburg):

Q. Was it Mr. Ellis or Mr. Barber who gave evidence in the London election case at Toronto?—A. Mr. Ellis.

By Mr. German:

Q. Did Mr. Ellis in your negotiations with him know that you had arranged with Mr. Ogilvie to supply these envelopes at a certain fixed price that you had agreed on with Mr. Ogilvie?—A. Did he know?

Q. Yes?—A. When I first asked him for a price?

Q. During your negotiations, at any time, either first, second or last?—A. Well,

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yes, I do not know whether he did or not. I cannot recollect now whether I told him that, but I gave him the prices he was to charge.

Q. You gave him the price he was to invoice the goods at to Mr. Ogilvie?—A. Yes.

Q. And then you had arranged with him that he was actually to supply the goods at a lower figure than that?—A. Yes.

Q. And the difference between what he had arranged with you for and what he was to charge the government was \$87?—A. Well, it turned out to be that.

Q. But you knew at that time there was a difference?—A. Yes.

Q. \$87, or whatever it might be?—A. Yes.

Q. That the price he was to charge to Mr. Ogilvie was a higher price than he had arranged with you for?—A. Exactly.

Q. Then to whom was the payment to be made, as between Ellis and you?—A. To Barber & Ellis Company.

Q. What was he to do with the difference between the price he had arranged with you and the price you told him he was to charge to the government?—A. He was to hand it to me.

Q. Why did he not do that?—A. I have explained the reason why.

By Mr. Northrup:

Q. Referring to your interview with Mr. Ellis, did he give the reason why he would not charge the government the figure you told him to? When was that meeting?—A. He had already charged it, and then after he had charged at the government price the cheque had been returned. The reason that he gave me was that he had an investigation at one time, he did not mention whether it was a government investigation or what it was, but he said that they had a lot of trouble, and he didn't care to have an experience of that kind again, and that after discussing the matter with Mr. Barber he had decided to return the amount of the cheque.

Q. You told us before something about his supplying other departments of the government?—A. Yes, he said, you see, that he was supplying—

Q. Just repeat that explanation. I want to follow it up?—A. He said they had been selling to other departments of the government at lower prices, you see, than the prices he had invoiced these at.

Q. Was he objecting to having as high prices charged up?—A. Yes.

Q. He did not tell you that since that time at lower prices than that he had been selling direct to the government?—A. No, he did not say.

Q. The middleman did not get the lower price then?—A. He did not.

By the Chairman:

Q. You said when you first saw Ogilvie he showed you some envelopes on which were prices?—A. Yes.

Q. For that particular kind?—A. Exactly.

Q. Were the prices that Mr. Ellis sent in to the government with the envelopes that he supplied higher than those Mr. Ogilvie showed you?—A. No, they were the same figures.

Q. They were the same figures?—A. Yes, sir, exactly.

By Mr. Reid (Grenville):

Q. When did you receive this order from Mr. Ogilvie, about what time of the year?—A. Well, I would not be quite sure, but I think along about October sometime.

Q. It was in February, 1906?—A. No, I think not, sir. I think it was along in October, sometime.

Q. 1906?—A. In 1905.

Q. At the time which you received the order from Mr. Ogilvie it was but within two weeks afterwards that you saw Mr. Ellis and gave the order to him?—A. I think it was, yes.

Q. Within a few days?—A. Yes.

Q. When you gave the order to Mr. Ellis you then notified him or told him it was going to the government?—A. At the time I gave him the order, yes.

Q. And you told him the prices then?—A. Yes, I told him the prices then.

Q. He raised no objections at that time?—A. Not the slightest; in fact he said it was the customary thing to pay commission and he would gladly get the orders.

Q. He was quite willing to take it then?—A. Quite willing.

Q. Without raising any objection?—A. And indicated in his conversation that he would like to have a whole lot more.

Q. How long after was it before he returned the cheque?—A. About Christmas time I saw him. It would be about a month afterwards.

Q. In the same year, 1905?—A. About a month afterwards. I would not be sure about a few days.

Q. He decided then to return the cheque?—A. Yes.

Q. So the difference in the time between accepting the order and the return of the cheque was about a month?—A. From the time he completed the order and sent his envelopes down and got a cheque back from the government and then returned the cheque again—that is the main part, would be a month.

Q. Did you ever talk to Mr. Barber about it?—A. I never saw Mr. Barber in the transaction at all.

Q. At the time of giving the order there was no question about Mr. Ellis accepting it even though he knew at that time he was getting higher prices, or at least higher prices were being paid by the government than he had been receiving?—A. Not the slightest that I saw. He rather indicated he was very pleased to get the order, and would like to get more in the same way.

By Mr. Crocket:

Q. Did the firm return the cheque without consulting you?—A. Yes. This conversation that I had, do you see, was after they had returned the cheque, and I had telephoned him do you see, the day before and asked him if he had received payment of the account. He said he had. Then I told him I would be over to adjust the commission, and he said then that he was busy and would I come the next day. I made an appointment for a certain time next day, but before that time arrived he telephoned me again that he was busy or going out of town or something to that effect, and to come in in two or three days, which I did. Then he told me that he had returned the cheque. That was the second day that I had telephoned him.

Q. That was the first intimation you had received from him?—A. Yes.

Q. That he had returned the cheque?—A. Yes, sir.

By Mr. Johnston:

Q. Your recollection is that it was a few days before Christmas that you first brought the attention of Mr. Ellis to the matter of your commission?—A. Yes, sir. It would be somewhere about the 20th, I should imagine.

Q. This is a matter of some importance. About the 20th you called Mr. Ellis' attention to your commission?—A. Yes.

MR. JOHNSTON.—There are other questions that the Auditor General might more properly answer in this connection. According to the record the cheque to Mr. Ellis was sent on the 5th December, which is no doubt correct.

THE AUDITOR GENERAL (after an examination of the file).—According to this the cheque was issued on 5th December.

MR. JOHNSTON.—There is still a further record which shows it was forwarded on 5th December, but that is sufficiently correct, that the cheque was issued on that date.

THE AUDITOR GENERAL.—This is simply the date of the issue of the cheque.

MR. JOHNSTON.—Yes, the cheque was issued on the 5th December.

MR. BARKER.—It is received on the 14th.

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Mr. JOHNSTON (to the Auditor General).—The first intimation that the cheque was for a larger amount than Mr. Ellis desired was on the 23rd December. You had no intimation from Mr. Ellis that you had sent him too much money until you received his letter of 23rd December inclosing a cheque for \$87?

The AUDITOR GENERAL.—We had nothing to do with the issuance of the cheque at all. The first intimation I had of it was sometime afterwards in the examination of the account.

Mr. JOHNSTON.—To whom did Mr. Ellis return the money?

The AUDITOR GENERAL.—To the Transcontinental Railway Commission.

Mr. JOHNSTON.—And it was returned, as the record shows, on the 23rd December? It is a letter dated 23rd December?

The AUDITOR GENERAL.—Yes.

Mr. JOHNSTON.—Then Mr. Ellis was in possession of a cheque issued on the 5th December, and it was only on the 23rd December that he had decided he had been paid too much?

The AUDITOR GENERAL.—According to this letter of his.

By the Chairman:

Q. Mr. O'Gorman, if I understand you well, the resumé of your evidence would be about this: That you made a contract with the government through Mr. Ogilvie, you took that contract and turned it over to the Barber & Ellis Company, and you looked to that firm for your commission and to nobody else?—A. Exactly, sir.

Q. And if there are any difficulties whatever they are still standing?—A. I have them with Barber & Ellis.

Q. This is the whole resumé of your evidence?—A. Yes, sir.

By Mr. Maclean (Lunenburg):

Q. What is the rule as to how the wholesale houses treat the jobber as compared with the prices he will usually charge the public? In your commission business can you purchase as a jobber from wholesalers at cheaper prices than the consumer?—A. Yes, from manufacturers and some wholesalers.

Q. That is the practice in Canada?—A. Yes, that is the practice in Canada.

Q. And that was the practice of Barber & Ellis?—A. I think so.

Q. I want to ask you one question, if you can suggest any reason in Barber & Ellis returning that cheque. It seems like a dishonest transaction on their part, both nefarious and dishonest. Was there any motive that you know of, or can you offer the suggestion of any motive back of all this that you have ever thought of?—A. No, I do not know that I have; no, I could not say I did.

Q. They knowing that a certain price had been fixed upon with the government, or the Transcontinental Commission, do you think this was possibly a bid for business, a way of canvassing for business?—A. It may have been; they may have assumed that they would get the business.

Q. You do not know any other reason?—A. No, I cannot say that that was the reason now.

By Mr. Bennett:

Q. Is the formal partnership between you and Munroe registered?—A. Yes, sir.

Q. Where was it prepared?—A. In Toronto.

Q. By a firm of solicitors?—A. Yes, sir.

Q. What is the name of the firm?—A. Rowell, Reid, Wilkie & Co.

Q. What was about the date of that, can you recollect?—A. The partnership was entered into on the 1st of September, 1905, and the registration was some time the following February.

The CHAIRMAN.—If there are no other questions I will discharge the witness. (To the witness) You are discharged.

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By Mr. Maclean (Lunenburg):

Q. I have a question I would like to ask the witness. Can Mr. Munroe possibly know anything about this transaction?—A. No, I had the transaction entirely with the Barber & Ellis Company myself.

Committee adjourned until Friday next, at 10.30 a.m.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RELATING TO A PAYMENT OF

\$21,171.32 TO B. F. PEARSON, HALIFAX

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

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EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

THIRTEENTH REPORT.

Your committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$21,171.32 to B. F. Pearson, Halifax, in connection with Princess ties supplied in 1906, as set out at pages W—188 of the report of the Auditor General for the fiscal year ended June 30, 1906; and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed, and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
TUESDAY, February 19, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the consideration of a payment of \$21,171.32 to B. F. Pearson, of Halifax, in connection with Princess pine ties supplied in 1906 as set out at W—188 of last report of Auditor General.

Mr. L. K. JONES, Secretary of the Department of Railways and Canals, called, and sworn and examined.

By Mr. Crocket:

Q. You are Secretary of the Department of Railways?—A. I am.

Q. How long have you been in that position?—A. Since 1897.

Q. Do you remember having some correspondence in the month of February, 1906, with reference to the purchase of large quantities of ties from Mr. B. F. Pearson, of Halifax?—A. Yes.

Q. We have a file here containing some of that correspondence. Did you examine the file as soon as you got the request for papers?—A. I have looked over it. I have a file here of all the correspondence.

Q. On February 17, 1906, there is a letter signed by yourself and addressed to Mr. Pottinger, General Manager of the Government Railways, in which it is stated:—

‘The department is informed that Mr. B. F. Pearson, of Halifax, has 72,000 Princess pine railway ties of last season’s cut, in good condition, such as those usually required by the Intercolonial Railway in its specifications, and that these ties are now lying on the division of the railway between Newcastle and Bathurst, the largest portion being piled on the roadway between Red Pine and Bartibogue station. Mr. Pearson offers to sell those ties at 28 cents each. As this price is as low as any of the recent tenders, you are authorized to take them, provided their character and condition is as represented, and that they come up to the usual specification standard of the railway.’

In the first place, Mr. Jones, I would like to ask do you know Mr. Pearson?—A. I have seen him, yes. He lives in Halifax, I believe.

Q. Do you know what his occupation is?—A. No.

Q. From whom did the department learn that Mr. Pearson had these ties?—A. I could not say. I had instructions to write the letter from the deputy minister.

Q. The instructions were from the deputy minister?—A. Yes, to me.

Q. Had you any consultation with the minister regarding the same?—A. None whatever.

Q. Who informed you that 28 cents was the price? You say, ‘As this price is as low as any of the recent tenders.’ Who gave you that opinion?—A. Those are the instructions I received upon which the letter was written.

Q. From whom?—A. From the deputy.

Q. Then you say further in your letter of February 17:—

‘With regard to the further quantities of ties required for the railway, I am to

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instruct you to call for tenders in accordance with the railway specification for quantities and delivery as below:

' Division.	No. of ties required.
' Western	20,055
Central	36,667
Eastern	17,757
Windsor and Dartmouth	18,455
Eastern Extension	20,125
Sydney and Point Tupper	33,407
Oxford and New Glasgow	none
North, No. 1	none
" 2	none
" 3	none
	(Pearson ties, for Mr. Burpee's requirements.)
" 4	22,585
" 5	115,970
Drummond Co.	44,190
Canada Eastern	79,201
	<hr/>
	408,412
Pearson's ties, as above	72,000
	<hr/>
	480,412'

There are some eleven divisions there in which you instructed the manager to call for tenders for the supply of ties. There are three divisions in regard to which the instructions were that all the ties were to be taken from Mr. Pearson without tender?—A. I do not find that on the instructions I have got. Is that written on the letter there?

Q. Is that the direction that was given?—A. I have got a copy of the instructions here; you can see it.

Q. What I have read is your letter to the general manager instructing him to call for tenders for 408,412 ties?—A. Yes, I see that is in the letter.

Q. For eleven divisions?—A. That is in the letter.

Q. With no instructions to call for tenders in the other three divisions. These were left to be supplied by Mr. Pearson without tender?—A. That is what I understand.

Q. You were directed to write to the manager to that effect?—A. That is right, to write that letter.

Q. Do you remember receiving a letter from Mr. Pottinger, the general manager, within a few days after the letter of the 17th February?—A. Yes, the letter of the 19th.

Q. In that letter Mr. Pottinger states: 'As you may not be aware, I thought it better to let you know that the highest price that we have been paying for Princess pine ties on that part of the railway during the summer and fall of 1905 was 27 cents.'—A. Yes.

Q. Not 28 cents, as your letter had informed Mr. Pottinger was the case?—A. No.

Q. 'That we have purchased a number of ties from various persons, which ties were, I believe, taken from the same lot and were delivered in the same locality, and we paid 27 cents for them; and we have been offered at different times further quantities of these ties at 27 cents.' Notwithstanding that fact the department, in the letter of February 17, instructed the manager to buy ties from Mr. Pearson at 28 cents?—A. Yes.

Q. On February 22 you wrote Mr. Pottinger another letter?—A. Yes.

Q. In which you say: 'I have your letter of the 19th inst. with reference to Princess pine ties to be purchased for the Intercolonial Railway, and in reply I am, by direction, to say that 27 cents is the price to be paid for these ties. Mr. Pearson has

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been so informed.' By whose direction?—A. That is by the direction of the department, by the direction of the deputy minister.

Q. That letter was written by the direction of the deputy minister?—A. Yes.

Q. And did you inform Mr. Pearson that 27 cents was to be the price?—A. No, I cannot find that I informed him direct myself. I do not find anything on the record.

Q. Did you bring any correspondence?—A. I have got all the correspondence here that is in the department.

Q. I would like to have the correspondence in which there appears any letter by Mr. Pearson introducing the matter to the department?—A. I have no such letter as that. I have got the correspondence that is in the department, and the first communication is the instructions from the deputy minister.

Q. The instructions?—A. The whole return is there.

Q. Just show me what you have that is not on the file?—A. Well, I compared them both. I do not know whether these instructions are in the file. I do not think so. Those are the instructions from the deputy minister, and upon those instructions the letter of February 17 was written.

Q. Then am I to understand you as saying that all the documents in the possession of the department prior to the letter of February 17 is the memorandum of instructions from which that letter was written?—A. That is all in our department, in the records of our department.

Q. Then you are not able to say in what way the department received the information that Mr. Pearson had these ties?—A. No, I am not.

Q. And there is certainly no letter in the department from Mr. Pearson?—A. No letter in the records of the department from Mr. Pearson.

Q. There is no letter in the department?—A. No, there is no letter in the department.

Q. Did you since receiving the request to attend here and produce those letters make search?—A. I did. You will see what the chief clerk says at the bottom.

By Mr. Macdonald:

Q. Did ever such a thing happen that any person called at the department to inquire as to the requirements of the department or to offer supplies for sale?—A. Very often.

By Mr. Crocket:

Q. Are you able to say that Mr. Pearson did that?—A. No, I am not.

Q. I was referring to the letter of the 22nd February, in which you stated that after Mr. Pottinger had called attention to the fact that 27 cents was the highest price that had been paid for those ties, and that you were directed to say to Mr. Pottinger that the ties would be taken at 27 cents?—A. I was.

Q. And that Mr. Pearson had been so informed?—A. Yes.

Q. You are not able to state who informed Mr. Pearson?—A. No, I could not tell you; no, I do not remember.

Q. You so say in your letter?—A. I say in the letter that Mr. Pearson had been so informed.

Q. Have you that letter, or a copy of the letter which was sent to Mr. Pearson?—A. No, I have not.

Q. Is there any such letter?—A. I do not know of any such letter. It is not in the records of the department. The record clerk informs me there is none.

Q. Is there any telegram or copy of a telegram to Mr. Pearson?—A. No, I cannot find any.

Q. On the 23rd, the next day, you telegraphed to Mr. Pottinger?—A. That is right.

Q. 'Re your letter 19th inst. about Princess pine sleepers. I am to say twenty-

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seven (27) cents is the price, and am to instruct you to take prompt delivery.'—A. That is it.

Q. What was the reason for telegraphing the day after you had written Mr. Pottinger?—A. Because there was a telegram to state that he would take twenty-seven cents if he got prompt delivery.

Q. From whom was the telegram?—A. From Mr. Pearson.

Q. You have that telegram, have you?—A. Yes, it is in the return.

Q. The telegram is: 'Will accept twenty-seven for sleepers if prompt delivery taken. (Sgd.) B. F. Pearson.' Now, there must have been a communication to Mr. Pearson that brought this reply?—A. There may have been, but I did not send it.

Q. Are you unable to say whether there is in the Railway Department any such communication?—A. Not in the Railway Department, there is not. Everything is here in this file that is in the record.

Q. As secretary of the Railway Department you ought to be in a position to state whether there was any communication sent?—A. Yes, certainly, we have the records, and the chief clerk says there is not.

Q. That there is not?—A. No.

Q. Well, apparently from that, there was such a telegram or communication to Mr. Pearson?—A. No doubt there must have been.

Q. Do you wish us to understand that the telegram has been lost or mislaid?—A. No, this record has the reply. You mean the telegram to which this was a reply?

Q. Yes, the telegram that brought that reply?—A. I did not send it. It is not in the records of the department.

Q. It is not in the records of the Railway Department?—A. Not in the records of the department—the telegram outwards.

Q. Do you know who would send the telegram?—A. No. It might have been sent by the minister. I should judge it was as this reply is to the minister.

Q. It may have been sent by the minister?—A. This reply is to the minister—I could not say so myself.

Q. In regard to telegrams to the minister on public business or communications, are they filed in the Railway Department?—A. Yes, sometimes they are; as a rule they are.

Q. Sometimes they are?—A. Yes.

Q. Are they always?—A. Well, I could not say that they always are.

Q. As a rule they are?—A. Yes.

Q. This one is not filed?—A. I do not find it there.

Q. Then on the same day you receive an acknowledgment from Mr. Pottinger of the receipt of the telegram?—A. Yes.

Q. Did you ask or speak to the minister, since being requested to attend with the correspondence before this committee?—A. No, I have not spoken to the minister.

Q. Well, I wish you would speak to the minister and see if it is possible to get this correspondence he seems to have had with Mr. Pearson in reference to this purchase. I would like to have that correspondence to make the record complete. Now, there is some further correspondence here between Mr. Pottinger and Mr. Taylor, the general storekeeper?—A. I do not know anything about that.

Q. You do not know anything about that?—A. Nothing whatever, except what I see here.

Q. And between Mr. Taylor, the general storekeeper, and Mr. Pearson: Mr. Taylor giving Mr. Pearson the order, as directed from the department at Ottawa, at twenty-seven cents?—A. I do not know anything about that.

Q. You do not know anything about that?—A. Nothing, except what I see here.

Q. Then the order from Mr. Taylor to Mr. Burpee, the engineer of maintenance; you know nothing about that?—A. No.

Q. Can you tell me whether the letters on this file came from the Railway Department?—A. No, they did not; we did not send these letters.

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(The clerk of the committee, in reply to a question by Mr. Crocket, stated that they came from the Auditor General.)

Q. Then the file here goes over to April, when there is a voucher presented to the Auditor General for payment of \$20,934.72 for these ties, and the Auditor General then writes Mr. Pottinger, 'In view of the magnitude of the transaction, I would like to be favoured with an opportunity of perusing all the correspondence relating thereto, including full detail of the dates and places of delivery.'—A. I do not know anything about that.

Mr. JOHNSTON.—Mr. Jones does not know anything about that?

A. No.

By Mr. Crocket:

Q. There is some further correspondence with Mr. Jones and I am leading up to it. Here is a passage in a letter from Mr. Pottinger to Mr. Fraser on the 15th of May that you may know something about—1906?—A. The 15th of May, 1906?

Q. The 15th of May. Mr. Pottinger says to the Auditor General: 'I am unable to give this information'—that is information the Auditor General had requested in reference to the tenders—

By the Chairman:

Q. Have you that letter, witness?—A. Yes, I have it here.

By Mr. Crocket:

Q. Mr. Pottinger says: 'I am unable to give you this information as the tender for ties and all other tenders were at that time ordered to be addressed to the secretary of the Railway Department at Ottawa, and they were received at the Railway Department and dealt with there.' That is entirely different to the usual practice, is it not, for the department at Ottawa to take charge of tenders for railway ties?—A. No, not at that time. Instructions were given that tenders should come to the department at Ottawa.

Q. Not at that time?—A. No, but before that, for all tenders, not for ties alone, but all tenders. There was a general order given that all tenders should come to the secretary at Ottawa.

Q. When was that order given?—A. I could not say.

By Mr. Johnston:

Q. It was some time before that?—A. Oh, yes, some time. All tenders, not for ties alone, it was directed should come to Ottawa.

By Mr. Macdonald:

Q. There was no reference to ties at all in that order?—A. No; all tenders were to be sent to Ottawa.

By Mr. Crocket:

Q. It was not very long before that, was it, that this order was given?—A. I could not say. I would rather see the date before speaking positively.

By Mr. Macdonald:

Q. Was it not over a year before, and it could not possibly be in reference to those tenders for ties?—A. I could not give the exact date of the order that all tenders were to come to Ottawa. It was some time before that.

Q. Could it possibly have any relation to this question of ties?—A. Oh, no, it had no relation to any particular tender.

By Mr. Crocket:

Q. Then am I to understand that under the present practice all tenders are for-

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warded to the department at Ottawa and dealt with here, for the supply of goods that are charged up to working expenses?—A. At present?

Q. Yes?—A. No.

Q. At present they are not?—A. No. The department went back to the old system of receiving them at Moncton because it took too long to come up here, and the people here did not understand the classifying of them as well as the people at Moncton. The department has reverted to the old practice of receiving them at Moncton, but the tenders come up here for decision.

Q. How long did that practice continue of having the department handle these tenders here?—A. About a year I should think. I would not like to be positive without turning up the records.

Q. About a year, you say?—A. I think so.

Q. And when was it that the old arrangement was restored? About how far back?—A. Some time ago. I would prefer looking up the records and giving you the exact dates.

Q. You cannot speak definitely, but you would say it did not last over a year?—A. I think about a year. We found it was not workable.

Q. Now, on the 18th May the Auditor General wrote you and asked you to inform him as to what prices and quantities were offered in response to the call for tenders?—A. Yes, he did.

Q. That is referred to in the letter of the 17th February that I have read?—A. Yes.

Q. And on the 21st May you furnished him with a statement of tenders?—A. I gave him a memo. of the tenders received with the prices.

Q. There are no names, I notice, given on that memo.?—A. No; he did not ask for the names; he wanted the prices received.

Q. The prices received?—A. Yes.

Q. And the quantities?—A. And the quantities.

Q. Have you the names of those tenders?—A. I can give you the names, certainly.

Q. I would like to see the names?—A. I think I have got them with me.

Q. Will you file them? That will be sufficient?—A. Certainly.

By Mr. Macdonald (Pictou):

Q. What was the offer for Princess pine ties in those figures?—A. 34 cents, and there was a lot numbering 5,000 at 28 cents, six inches thick.

Q. These were the only two offers?—A. Yes.

Q. 34 cents and 28 cents?—A. Yes.

Q. Those were the same kind of ties for which Mr. Pearson was paid 27 cents?—A. Yes, but his were for 27 cents.

By Mr. Crockett:

Q. From whom were those tenders received?—A. One from Dannery and McDonald, Loggieville, New Brunswick, 6,900 Princess pine, sawed flat, 6 inches thick, 32 cents each, and 500 from Eugene Michaud, River du Loup. Those latter were hewed ties, not sawed, and they were 34 cents each. Those are the only two tenders we had for Princess pine.

Q. There is another tender stated. Who is that from?—A. That is from P. Hennessy, Newcastle, New Brunswick. Those are hewed Princess pine ties also.

Q. They are not the same kind that Mr. Pearson furnished?—A. I could not say. The price is 28 cents.

Q. Were those tenders accepted?—A. I would have to get the records to show you. These prices were not accepted, I think, it is not marked here.

Q. You are not able to say whether they were accepted or not?—A. Not those. I do not think they were at those high prices, 34 cents and 32 cents.

Q. If they were accepted they do not appear in the Auditor General's Report, and

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there are only one or two cases in which over 27 cents was paid in the whole list of accounts for ties for the Railway Department, and there are some prices down as low as 24 and 25 cents for Princess ties. As I say, there are only one or two cases, and they were for switch ties, in which over 27 cents was paid?—A. We have no offers at all under 28 cents for Princess ties.

Q. You have just three offers?—A. That is all.

Q. And the quantities were 500 and 6,900? Those were the only tenders you received?—A. Those were the only ones except some that were not in accordance with the specifications.

Q. Mr. Pearson's order was for 72,000 without tender. You know nothing then about the correspondence with Mr. Pottinger?—A. Nothing except those letters I have written myself.

Q. Well, I would be obliged if you would speak to the minister and get the communications which seem to have passed between him and Mr. Pearson introducing the matter to the department and the subsequent—A. Of course I do not know whether he has had any.

Q. Well, then, will you see?—A. I only get my instructions from the deputy minister.

Q. There is a telegram here addressed to the Minister of Railways?—A. I see there is. It is on the file.

Mr. CROCKET.—It seems to have been in reply to a communication sent by the minister to Mr. Pearson. If that telegram is to be had I would like to have it produced.

By Mr. Barker:

Q. You are the secretary of the department?—A. I am.

Q. When this committee orders papers to be produced whose duty is it to see to the production of them?—A. I give the instructions to the chief clerk of the records, and he gets papers that are on record in the department.

Q. Do I understand from that, that it is your duty to see that the order is complied with?—A. As far as the department is concerned, certainly. Under the direction of the deputy minister of the department, who has charge.

Q. What do you mean by, 'As far as the department is concerned?'—A. Well, everything that is on record in our record room in the department.

Q. If you find correspondence, letters or telegrams that indicate that other letters or telegrams have been received in the department, what do you do?—A. Well, if we cannot find the letter on record in the department or a telegram as having been sent—

Q. You do not do anything?—A. No.

Q. Now, if you saw a reference to communications received in the instructions given to you by the deputy would you ask the deputy for those communications so that you might produce them?—A. No. When the deputy gives me written instructions to have a letter written I consider that sufficient.

Q. That is not the point at present. When you are ordered to produce papers here and you find in the deputy's instructions that communications are referred to as having been received, do you then ask the deputy for those communications in order to bring them here?—A. No. I showed the deputy the return and what was asked for.

Q. I only ask what you do. When you read the instructions from the deputy did you sometime ago go to him and say that in it he had referred to communications that had been received, and did you, in order to comply with the order of this committee, ask where those communications were?—A. No, I do not think I did.

Q. When you saw the telegram from Mr. Pearson, evidently in reply to another, as you say from the minister, because it was addressed to the minister, did you endeavour to find the telegram from the minister to Mr. Pearson?—A. I did in the department. I had a thorough search for it in our records. I told the record clerk to search for it.

Q. Did you make any inquiry from the deputy minister, or the minister, as to what had become of it?—A. No, I did not.

Q. It did not occur to you that in order to comply with the orders of this committee something more than the mere records in the department ought to be looked at? You knew, the moment you saw that telegram, that a message had been sent to Mr. Pearson?—A. I supposed so.

Q. There was no doubt about it in your own mind, and yet you made no effort to find that letter?—A. No, sir, I did not. I did in the department, I spoke of it in the department, and told them to make a thorough search.

Q. When you found it was not on record did you make any effort to find it?—A. Not outside the department.

Q. Did you make any effort to find it?—A. Yes, in the records of the department.

Q. When you found it was not of record did you make any effort to find it?—A. No, sir.

Q. You did not—I should think, Mr. Jones, if you will pardon my saying so, your duty would require you in order to comply with the orders of this committee to go a little further than that. You told us you did not know who Mr. Pearson is?—A. I have met Mr. Pearson.

Q. You know what I mean, what is he?—A. He is a member of the local government of Nova Scotia, I believe.

Q. What else is he, what is his profession?—A. He is a lawyer.

Q. In Halifax?—A. I understand so.

Q. Mr. Pearson is a lawyer in Halifax, and had you known him before that to be selling ties?—A. I had met him. I did not know him intimately.

Q. Had you known him before that to sell ties?—A. Not that I know of.

Q. That is not a part of the usual business of a lawyer, I believe. When you were asked by the Auditor General to produce all the papers, did you then try to find this telegram or letter?—A. The Auditor General never asked me to produce all the papers.

Q. He asked your department, did he not?—A. No, sir; he asked me to give him a list of the tenders we had received and the price.

Q. He asked for all the correspondence in the letter of the 26th April. Will you refer to that?—A. I will (witness refers to letter). That is addressed to Mr. Pottinger, I think.

Q. Well, it was forwarded to your department, I suppose?—A. No, sir.

Q. Did you never see that?—A. No, sir, I never saw it until I saw it here.

Q. Well, that excuses you on that point. Will you read the letter of the 15th May, 1906, from Mr. Pottinger to the Auditor General? Have you got that?—A. Yes, sir.

Q. Will you please read it in full?—A.:

‘In answer to your letter dated May 10th, asking what was the result of the call of tenders for ties under the instructions of the department given in a letter of Mr. Jones, secretary, dated February 17th, 1906, addressed to me, I am unable to give you this information, as the tenders for ties and all other tenders were at that time ordered to be addressed to the secretary of the Railway Department at Ottawa, and they were received at the Railway Department and dealt with there.’

Q. Yes; that was not that they were to be received at Moncton and forwarded to you, but that tenders were directed to be addressed to your office here?—A. That is right.

Q. At the time these tenders were asked for?—A. Yes, sir.

Q. That is the case, is it not?—A. All tenders came to Ottawa, at that time, addressed to the secretary.

Q. You advertised for tenders, to have them addressed to the office here?—A. That is correct.

Q. And that was in vogue at the time of this deal with Mr. Pearson?—A. Yes.

Q. Now, do you know, officially or otherwise, whether this was the usual time for

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asking tenders for ties? When you asked for this four hundred and odd thousand ties?—A. I could not say.

Q. Was that the usual time for the department to advertise for tenders?—A. I could not say that.

Q. You do not know that?—A. No.

Q. Do you know as a fact, as secretary of the department or otherwise, that all these ties that were tendered for were old ties that had been got out previously?—A. I do not know that.

Q. You do not know that they were picked up lots?—A. I do not know that.

Q. Do you know that what Mr. Pearson sold to the department were picked up ties that he had bought from other people, which were lying along the track?—A. No, sir, I do not know that.

Q. Have you examined the correspondence?—A. I have not read it all. I have looked through it.

Q. When you saw that reference to a communication that had been received about the ties did you speak to the deputy minister on the subject?—A. When do you mean?

Q. When you wrote under his instructions?—A. No, I did not.

Q. Or when producing papers?—A. No.

Q. You had no conversation with the deputy minister?—A. I spoke to the deputy minister when producing the papers, but not when I got instructions.

Q. Did you say to the deputy, 'I see under your instructions here to me, when I wrote that letter, that a communication had been received. I am producing the papers, now where are those communications?'—A. No, I did not.

Q. You did not say that?—A. No, sir.

Q. You simply took what you found recorded?—A. In the department.

Q. And you did not say, 'I see here is a telegram addressed to you, where is the message to which this is a reply?'—A. No, I did not.

Q. You did not do that?—A. No, sir.

By Mr. Maclean (Lunenburg):

Q. There is no evidence that there is any telegram or communication—

By Mr. Barker:

Q. The witness has said that undoubtedly there was a reply to a telegram from the minister?—A. No, I did not say that. I said there was a telegram to the minister.

Q. Will you read your letter, or message, of the 22nd February, 1906?—A. The letter?

Q. Your letter?—A. 'I have your letter of the 19th instant, with reference to Princess pine ties to be purchased for the Intercolonial Railway, and in reply, I am, by direction, to say that 27 cents is the price to be paid for these ties, and Mr. Pearson has been so informed.'

Q. 'Mr. Pearson has been so informed.' Who so informed Mr. Pearson?—A. Well, I could not tell you now. I looked that up but could not find any record; but evidently he had been so informed.

Q. Who instructed you to write that letter?—A. That was written by the instructions of the deputy.

Q. Did you ask the deputy for an explanation of that, 'Mr. Pearson has been so informed,' when you found there was no record of it in the department?—A. No, I did not.

Q. You have no doubt now, as to the fact that Mr. Pearson had been so informed by somebody?—A. Yes, I suppose he must have been.

Q. When you wrote that letter to Mr. Pottinger?—A. Yes, I suppose he must have been.

Q. Were you aware, from anything that is on record in the department, that some of those ties bought from Mr. Pearson had already been offered to the department by the people who got them out?—A. No, sir.

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Q. You did not know that from anything in the department?—A. No, sir.

Q. Have you read all the papers?—A. Have I read all these papers?

Q. Yes?—A. Yes, I have looked them over, I have read all my own papers, but the papers that came from Mr. Pottinger I do not know about them.

Q. At all events you do not know that?—A. No, I do not.

By Mr. Macdonald:

Q. I suppose that the accounts for ties supplied to the railway in the account of September, 1905, would, from your experience in the department, indicate the prices paid at the time these ties were purchased?—A. That is what?

Q. In December, 1905, the department purchased certain ties?—A. Yes.

Q. And I say that the account and the prices for them, charged at that time, would be what the department would regard as a fair value for those ties at that time, would it not?—A. I could not say that.

Q. I find an account here, 'J. B. Snowball & Co., New Brunswick,' that is Governor Snowball's firm, for a quantity of Princess pine ties delivered. This account I am reading now is June 20, 1906,—that was subsequent to the Pearson purchase, which was delivered prior to that. The account reads: 'June 18, 2,175 Princess pine railway ties at 27 cents.' That would relate to a quantity of ties furnished to meet the same requirements that the Pearson ties were, would it not?—A. It looks like that, but I could not say.

Q. Without knowing exactly, they would comply generally with the requirements in that general letter of yours of February?—A. If they were delivered at that time apparently.

Q. Yes, this is an account of Governor Snowball's firm of June 20, 1906. Chatham is also in the vicinity of the places where, according to the correspondence, these ties of Mr. Pearson's were delivered, Northern New Brunswick?—A. (Referring to file) North No. 1.

Q. Where does North No. 1 run through?—A. I do not know what that division is.

Q. Does your correspondence not show where Mr. Pearson's ties were delivered?—A. Mr. Butler may know something about that.

Q. Have you not got the letter of the 17th February?—A. Yes. It says 'North No. 1.' That would look as if it was in New Brunswick.

Q. Look above?—A. Between Newcastle and Bathurst.

Q. That is in the vicinity of the town of Chatham, where Governor Snowball's firm sold these ties?—A. That is right.

Q. Here is an account of Patrick Ultecan, Jacquet River, New Brunswick. It is dated November 20, 1905, and is for 3,946 Princess pine ties at 27 cents each. That account is for ties delivered in the same locality?—A. Where did you say that was?

Q. Jacquet River?—A. Yes.

Q. The same locality generally as those of Mr. Pearson. Then here is an account of Henry White, Bathurst, who delivers approximately 3,000 Princess pine ties about two miles west of Bartibogue?—A. That is between Newcastle and Bathurst.

Q. Bartibogue is exactly in the same locality. The price there is 27 cents, and they were delivered December 30, 1905. Did I understand you to say, Mr. Jones, or did you give to Mr. Barker or Mr. Crocket the names of the parties who had offered those quantities of Princess pine ties on tender?—A. Yes, they are here.

Q. What are they?—A. The Princess pine tenders?

Q. Yes?—A. Dannery and McDonald, Loggieville, New Brunswick, 6,900 sawed ties at 32 cents; Eugene Michaud, River du Loup, 15,000 hewed ties, 33 cents each; and P. Hennessy, Newcastle, New Brunswick, 5,000 hewed ties at 28 cents each. Those were all that offered, I think.

By Mr. Northrup:

Q. Is there any record kept in the department of letters and telegrams sent out by the minister and deputy minister to tenderers?—A. For tenders?

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Q. Is there any record kept in the department of letters and telegrams that are sent out by the minister and deputy minister to tenderers and other people?—A. Well, I do not know anything about telegrams sent out to tenderers by the minister, but anything the deputy sends out he puts on file in the department in the record room.

Q. That is to say then there is a record kept of letters and telegrams sent out by the deputy?—A. Certainly.

Q. But no record of those sent through by the minister?—A. When the minister sends them to the department. I do not know that he sends any at all—

Q. I am referring of course to letters and telegrams sent by the minister and deputy in connection with the business transactions of the department. Is there any record kept of them?—A. There is of those sent through the department.

Q. There would be a record kept?—A. There would be a record kept. Of course I do not know what the minister does in his own office.

Q. But sometimes you say there is no record kept. Why do you say that?—A. Because there may be messages sent that do not go through the department.

Q. Then as far as you know would it be correct to say that of any correspondence by the minister and deputy a record is kept in the department?—A. Well, I could not say altogether.

Q. As far as you knew?—A. As far as I know. I do not know that there is any rule about it at all. As far as the minister's office is concerned I could not say what is done there. I am not the minister's private secretary.

Q. Then do you know of any other way in which a record is kept of communications sent out by the minister or deputy?—A. When they are sent out through the department there is a record kept.

Q. Are you aware whether or not it is a practice for the minister and deputy minister to send telegrams and letters on departmental business not through the department?—A. No, I do not.

Q. Then apparently from what you say it is unusual for a letter or telegram to be missing as some are here?—A. Well, I could not say that.

Q. I believe, Mr. Jones, there is no dispute that it appears from a letter or telegram sent by Mr. Pearson he received a letter or telegram that does not appear in the file? Is that a fact?—A. It looks as if there had been a message sent to Mr. Pearson from the reply that had been received.

By the Chairman:

Q. What kind of a message would it be?—A. I could not say what kind.

Q. Would it be a letter or a telegram?—A. It may have been a telegram.

Q. Could it have been a telephone message?—A. I could not say.

By Mr. Northrup:

Q. If there was any communication by telephone would there be a record kept of that in your office?—A. I could not say, sir. We do not keep records of all our telephone messages.

Q. Do you think yourself, looking at that telegram from Mr. Pearson addressed to the minister, it was possible that the information could be got through the telephone?—A. I could not say.

Q. Is it credible?—A. I could not say.

Q. If he was told over the telephone why he should send that telegram can you suggest any reason?—A. No, I cannot.

Q. Nor anybody else. Please look at your instructions from the deputy minister, Mr. Jones, and see if those instructions do not refer to some communications?—A. My letter, I see, to Mr. Pearson says, 'The department is informed that Mr. B. F. Pearson, of Halifax, has, &c.' I also notice, in looking a second time at the instructions of the deputy minister, that the deputy minister says: 'I am instructed that Mr. B. F. Pearson has 72,000 Princess pine ties.' That is the difference between the letter and

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the instructions. My letter says, 'The department is informed,' and the deputy, in his instructions says, 'I am instructed that Mr. B. F. Pearson has 72,000 Princess pine railway ties.'

Q. Read on from that. Is there nothing about the price?—A. In the instructions?

Q. Yes?—A. Yes.

Q. Just read that; that will show whether there was any communication?—A. '72,000 Princess pine railway ties of the specification usually required by the I.C.R. of last season, cut in good condition, situate on the division of the I.C.R. between Newcastle and Bathurst; the largest portion of same are piled on the roadway between Red Pine and Bartibogue Station, which are offered at 28 cents each. As this price is below any of the recent tenders, you are authorized to take the ties provided they are as represented. It will be advisable to ask for tender in accordance with the specification for the quantities and delivery as below.'

Q. Would it be usual, or unusual, in the Railway Department for messages from the minister or the deputy not to be of record?—A. Messages?

Q. From the minister or the deputy minister?—A. Outward messages, if they are official and sent through the secretary, they are filed in the department.

Q. And in this case they are not. Is that a fact?—A. Except as produced here.

Mr. MACDONALD objected that Mr. Jones not having any personal knowledge of the matter, Mr. Butler, deputy minister, should be examined upon this point.

By Mr. Barker:

Q. Your first letter, written upon instructions, was on the 17th February, 1906?—A. Yes.

Q. The reply from Mr. Pottinger is on the 19th February? Have you read that in full? If not, perhaps you had better read that in full?—A. Mr. Pottinger's letter in reply?

Q. Mr. Pottinger's reply of the 19th February to yours of the 17th February?—A.:

'MONCTON, N.B., 19th February, 1906.

'SIR,—I have your letter dated February 17th, directing that 72,000 Princess pine ties on the line between Newcastle and Bathurst shall be purchased from Mr. B. F. Pearson at 28 cents each.

'As you may not be aware, I thought it better to let you know that the highest price that we have been paying for Princess pine ties on that part of the railway during the summer and fall of 1905 was 27 cents; that we have purchased a number of ties from various persons, which ties were, I believe, taken from the same lot, and were delivered in the same locality, and we paid 27 cents for them; and we have been offered at different times further quantities of these ties at 27 cents.'

Q. That is the department had already received offers of these same ties at 27 cents?

Mr. MACDONALD objected that the letter spoke for itself.

By Mr. Crocket:

Q. Have you any other correspondence in your own file than was produced on this file the other day?—A. I think, perhaps, there is something more in the file than I have produced to-day than there is in the other.

Q. You will leave the file you produced to-day here, will you?—A. Oh, yes, that is the return you asked for.

Witness discharged.

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Mr. M. J. BUTLER, Deputy Minister of Railways and Canals, called and sworn.

By Mr. Macdonald:

Q. You have the file before you, Mr. Butler?—A. Yes, I have the file—well, if you will allow me, gentlemen, to talk without question and answer form, perhaps, I can go into the matter more fully and give you the information more quickly than if I simply answer the questions put to me.

Q. Yes, give us the facts of this tie order?—A. When the instructions were received, I think, Mr. Pearson was in the minister's office and I was called in and asked to take a memorandum down. From what transpired in the office—the minister's office—I went back to my office and dictated a letter for Mr. Jones, the secretary of the department, to guide him. Probably, as is my practice, before doing that I sent out into the record room to ascertain from the abstract of tenders the prices previously paid. I found that for years past, at least for some years past, there has been no object whatever in receiving tenders down on the Intercolonial Railway for ties, because as a rule we had not accepted the tenders in any instance. In every case we offer them a much lower price and we have been able so far, until this year, to secure a supply at a lower price than the tender. However, this year, we have not been able to get the ties without increasing the price at which they were first offered.

By Mr. Foster:

Q. This year being 1906?—A. I mean for next year's supply, but for the previous two years' supply they have been secured at prices considerably below the tender price in that district. The transaction is a perfectly fair one; there is absolutely nothing in it that I can see except that we bought a certain number of well seasoned ties, well up to the specification, at current prices, that is all there is to it.

By Mr. Macdonald:

Q. You fixed the price at 28 cents?—A. The way it came to be fixed at that was this—I was not aware of the fact that the minister had instructed Mr. Pottinger to offer one cent lower than the tender prices, and that he had secured ties at the lower prices. That explains the difference between the 27 and the 28 cents, and that is the reason why when we instructed Mr. Pottinger to offer 28 cents he replied that he was able to get them for 27 cents.

Q. And when Mr. Pottinger informed you, on February 19, that the ties were available at 27 cents, you at once gave instructions to reduce from 28 to 27 cents?—A. We instructed him immediately that 27 cents was the price to be paid.

Q. There was some question asked here in reference to an apparent omission from the file. Will you look at the file there in order to explain? My honourable friend here pointed to the fact that there was a lack of connection between the letters to Mr. here pointed to the fact that there was a lack of connection between the letter to Mr. Emmerson on the 23rd.—A. I think that it is quite probable, when Mr. Pottinger's letter came in to me, I would go in and tell the minister, and he would naturally wire or communicate with Mr. Pearson to ask him whether he would accept 27 cents; I think that it is quite probable, because of the message from Mr. Pearson, addressed to the minister.

Q. It is dated at Boston?—A. Yes.

Q. Have you any recollection to indicate whether or not he was in the vicinity at that time?—A. I have not any recollection of the matter, although it is quite probable that the minister wired Mr. Pearson, 'Can't pay over 27 cents,' and that would be an acceptance; the minister would send that in, I do not know, whether that was how it happened because it does not matter to the department how he arrived at the reduction, so long as we had the evidence that he would accept the lower price.

Q. Some of my friends seem to be worried over the fact that the telegram of the minister is not here. There is no evidence that it was not a matter of conversation?—A. I do not know how it would be done, but I assume, naturally enough on account

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of the message coming from Boston, that it must have been a telegram asking him to accept the lower price. That was the only question that was of interest to us.

Q. What about the minister's telegram not being in the file here?—A. Well, if it is in the minister's own file it has no right to be here.

By Mr. Foster:

Q. But if it has reference to this business should it not be here?—A. Yes, I think it should be here.

By Mr. Macdonald:

Q. Will you have a hunt for it?—A. Yes, I will be glad to see if the message can not be found.

Q. And you will endeavour to have it here?—A. Yes.

Q. From your experience in dealing with this matter, was any favouritism shown to Mr. Pearson, either in regard to price or supply?—A. Absolutely none whatever.

Q. I suppose you were here when I went over the prices paid to other people?—A. Yes; it is the market price that we have been paying, the lowest price we have been able to buy them for.

By Mr. Crocket:

Q. You say there was absolutely no favouritism shown Mr. Pearson in this matter?—A. Absolutely none.

Q. You have said that you ascertained from the record office the prices that had been paid in previous years?—A. The prices that were shown on the tender sheet.

Q. And did you find that that was 28 cents?—A. Twenty-eight cents was the lowest price on it.

Q. You have read Mr. Pottinger's letter?—A. Yes, I have explained exactly how that came about. That was done, as I have explained, the minister had instructed Mr. Pottinger not to pay the prices on the tender, that was done prior to my coming into the department.

Q. There is no record of that, is there?—A. I do not know. That is sometimes done by writing a letter to Mr. Pottinger saying what price he was to offer, and the order to Mr. Pottinger might show that he was ordered to offer one cent less.

Q. It shows that Mr. Pottinger calls attention to the fact that 27 cents is the highest price paid?—A. It is not the highest or the lowest, but only the price which we paid.

Q. It says the highest price?—A. I beg pardon, it is not the highest price. It is the price they paid for that quality of ties.

Q. And Mr. Pottinger in his letter says, that great quantities of these had been offered at 27 cents?—A. Well?

Q. Notwithstanding that, the department instructed Mr. Pottinger to buy from Mr. Pearson at 28 cents without tender?—A. The department instructed Mr. Pottinger to pay him 27 cents.

Q. Did they not, in the first instance, instruct him to buy at 28 cents without tender?—A. Yes.

Q. Now you say there was no object in calling for tenders?—A. There is not much object.

Q. In spite of the fact that in your letter of instructions you directed that tenders should be called for 408,000 ties—A. We are calling again this year for 600,000.

Q. On eleven divisions of this railway?—A. Quite so.

Q. And left as the only divisions on the railway in which no tenders were to be called the divisions for which you had bought these Pearson ties?—A. They were already bought at the lowest market price.

Q. Which you say is not showing any favouritism, to leave three divisions of the road—A. There is no favouritism.

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Q. Entirely without tenders being called for the purchase of these ties?—A. Pardon me, that is not quite the case. Tenders are called for the whole railway, and the approximate distributions in the divisions are as set out here. It is thought to be better that we should buy ties as near as may be to the divisions, so that we may be able to get at them and haul them to where they are required. That is the maintenance of way engineer's distribution; how he would like to get them.

Q. Is it not a fact that in your letter of instructions, or in Mr. Jones' letter to Mr. Pottinger, there is a direction to call for tenders?—A. For the remainder of the line.

Q. For every division of this railway except the divisions in which Mr. Pearson had got these ties?—A. The letters speak for themselves.

Q. Are you able to say, in reference to these tenders that have been spoken of for small quantities, whether those tenders were accepted?—A. I think they were not, probably.

Q. They were not accepted?—A. Because they were too high, and they were bought at a lower price. Instructions were sent to the purchasing agent to hunt them up.

Q. And can you find in the accounts for the Railway Department for ties in the year 1906 that any such price was paid as is mentioned in these tenders?—A. I explained that before.

Q. That they were not?—A. They were not; they were brought down to 27 cents.

Q. Princess pine ties have been bought as low as 24 cents?—A. No, I do not think so. That is sawn hemlock.

Q. Here is an item, Gill Thomas Reynolds No. 1 ties?—A. Hemlock you will find.

Q. 130 Princess pine ties at 24 cents?—A. One hundred and thirty? Possibly you may get a small lot here and there, picked up it may be. I could not tell you about that. I do not pretend to carry in my memory any of the transactions in regard to the purchases of 600,000 ties.

Q. Here is another at 26 cents?—A. How many were there? Occasionally a man will get out a few ties and the roadmaster will pick them up.

Q. It would seem to me that when a man puts in 72,000 ties you would expect him to get a lower figure than the man who is supplying a small quantity?—A. You do not know how they buy ties. The man who buys 72,000 ties in that country has to go to work and make a profit out of handling it, handling the stock during the winter.

Q. What time of the year do they usually call for ties?—A. They should call for them in the fall of the year, but last year, I think it was, they were very very late, unusually late through faults of some kind or other at Moncton that I am not able to explain. They are late again this year, a little but not so late as last year.

Q. Have you read the correspondence in this matter?—A. Yes.

Q. On the 28th April the Auditor General addressed a letter to Mr. Pottinger in which he says: 'In view of the magnitude of the transaction I would like to be favoured with an opportunity of perusing all the correspondence relating thereto, including full details of the dates and places of delivery.'—A. Yes.

Q. Are you aware of the fact that information could not be furnished to the Auditor General?—A. I think it was furnished as well as it could be.

Q. Well, I will give you the extent to which they complied to the request of the Auditor General?—A. I have read the letter. It is unnecessary to go over it again because I cannot do anything, or explain it better than has been done. That is a matter that rests with the officers of the road.

Q. In a subsequent letter the Auditor General refers to the fact that he has not been able to get any response to his request for the number of ties delivered?—A. That is a matter of which I know nothing about; it is a matter for the officers.

Q. The correspondence shows the information that was furnished the Auditor General?—A. Is that not enough?

Q. The Auditor General does not apparently think so?—A. Then it is a matter

for him to continue in his correspondence with Mr. Pottinger until he gets it straightened out; I have nothing to do with it.

Q. I am not saying that you have?—A. Then what is the use of wasting time. You have got the correspondence as to what happened with the Auditor General, Mr. Taylor or any other officer. Once the instructions are given that is all I can explain because the matter passes out of my hands, and it is for the officers of the railway then to act. It is their duty to inspect those ties and receive them, and do all that is needful—issue vouchers and pay for them—we have nothing to do with that matter.

Q. Then further, as to the location?—A. I have to do with none of these matters myself.

Q. As to the location, there was a statement from Mr. Taylor or Mr. Burpee, showing where these ties were piled, and that 46,000 of them on the Intercolonial right of way in the winter of 1905-6 and 37,536 had been piled there the previous winter, 1904-5?—A. That is better for the ties.

Q. To get them out and piled on the line of railroad?—A. That is all the better for the ties; they would be dry.

Q. I would like an opportunity of looking over this file, and there may be other points I would like to question you about?—A. If there is any further information I can give I will be most happy to do so.

By Mr. Maclean (Lunenburg):

Q. Some of these ties at 24 cents and 26 cents may not have been up to specification?—A. It is quite possible they may have been second class. A small lot like that may have been picked up by chance.

By Mr. Johnston:

Q. To complete the record there were 97?—A. Probably some farmer brought them out and hauled them up to the track.

Q. Some may not have been up to specifications?—A. It is quite possible.

By Mr. Maclean (Lunenburg):

Q. Do you say these Pearson ties were hewn ties?—A. First class hewn ties. I did not inspect them myself and had no personal knowledge of this matter; that rests with the inspectors. It is for the inspectors and the engineer of maintenance of way to make good the instructions that were given, that these ties should be up to the quality required, and before that is done a voucher shall not issue.

By Mr. Johnston:

Q. The question was raised in the earlier stages of the examination as to the time when the change was made in having tenders come to the department, and it was practically intimated that it was the immediate reason of these instructions?—A. That is nonsense. The instructions were issued with the view that I personally wanted to get close control and knowledge of the prices that were being paid and what was being done; how the work was being handled at Moncton, and information on all matters pertaining not only to the railways but to the Department of Railways and Canals, of which I was about to take charge. It was with that object in view that the minister consented to having all the tenders forwarded to Ottawa, and opened by two officers of the department, Mr. Jones, secretary, and the chief clerk, Mr. Ross, and tabulated here. After that was done for a certain time it was found to be somewhat unwieldy, and certain technical matters demanding the judgment of an expert officer in reference to certain supplies required on the railway, we lost some time in getting his report upon the tenders. After carrying out that idea for about eight or nine months, I think, the matter reverted to the Moncton office again, where the tenders were received, abstracted, a report made upon them by the technical officer responsible for the goods and sent here to Ottawa to be accepted by the minister.

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By Mr. Foster:

Q. That is the new policy?—A. That is the new practice. The only difference in the matter is, of course, the time that would be taken in writing to Moncton to get a report from the technical officer and receiving his reply back. That is now done by the storekeeper at Moncton.

By Mr. Johnston:

Q. One more question. Is it unusual for any persons desirous of doing business with the Railway Department to call upon yourself or the minister personally?—A. I should think not, it is a common practice.

Q. Mr. Pearson is not the only man, as is intimated?—A. Certainly not. There is hardly a member in the room that has not been at the department some time or other.

By Mr. Barker:

Q. I am going to ask presently for the attendance of Mr. Butler and Mr. Williams, the treasurer, on Tuesday next, to examine them with reference to some other matters; will there be any difficulty about getting here about that day?—A. Tuesday is a difficult day on account of the Railway Committee; any other time I will be most happy. Mr. Williams is no longer treasurer.

Q. Yes, I know that, but he is still at your command?—A. Yes, he is still in the service of the railway.

Q. Will next Friday suit you?—A. Yes, next Friday will do, we will have to wire for him—we will wire him and ask him to be here.

Q. The first matter I want to ask you about is Mr. Bruce McDougall?—A. I know very little about that.

Q. And the next is the postage stamp account at Moncton?—A. That I also know very little about.

Q. I guess so, but we want to know what you do know. We want to know about the system in operation there under which McDougall was absent 106 days and got paid?—A. He is a very sick man. I can tell you about that now, but perhaps we had better wait until another day.

Witness retired.

Committee adjourned, to meet Friday, February 22, at 10.30 a.m.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RELATING TO PAYMENTS TO

C. B. McDOUGALL AND N. B. JONES

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

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EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

TWELFTH REPORT.

Your Committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$540 to C. B. McDougall, in connection with clerks in Audit Office, I.C.R., and in relation to his absence from duty, as set out W—194; and also a payment of \$6,163 to N. B. Jones in connection with postage stamps and cards, as set out at W—162 of the Report of the Auditor General for the fiscal year ended June 30, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed, and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 FRIDAY, February 22, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the consideration of a payment of \$540 to Bruce McDougall, in connection with clerks in Audit Office, Intercolonial Railway, and in relation to his absence from duty, as set out at page W—194 of Report of the Auditor General for the fiscal year ended June 30, 1906.

Mr. THOMAS WILLIAMS called, and sworn and examined.

By Mr. Barker:

Q. You have produced, I suppose—these are the pay sheets for the year in question, and you have produced them from the audit office?—A. No, I did not bring the original pay sheets with me, because I was only shown this morning a list of what was asked for in the order. You know I came up on a telegram from the clerk of the committee saying, ‘You are hereby summoned to appear before the Public Accounts Committee on Friday, respecting the absences of Bruce McDougall for 106 days, and the postage stamp account at Moncton.’ I left before this other matter had reached me.

Q. It does not matter, you can send it up afterwards if required. Now, as to the system in regard to absences. Do the pay sheets all come before you?—A. They come to me to be checked, to have the extensions checked and the additions made, and then they went into the general manager for his approval before payment.

Q. That is for his approval before final payment?—A. Yes.

Q. I do not want to go into the general question, but only in regard to the audit office in which Mr. McDougall is a clerk. When you get your pay sheet for the month how would you know whether a man had served a month, or only a part of a month?—A. At that time the audit office men were paid on the treasurer’s sheet, which included my own office, the paymaster, the cashier, employees of the insurance department, and the audit office; the one rule covered all that portion of the staff.

Q. What evidence had you that a man was in attendance?—A. I had a list from the traffic auditors at the close of each month showing every employee in his office, and the different columns would show, ‘holiday,’ or ‘sickness,’ and the number of days worked.

Q. That would be the case for every month?—A. For every employee in his office.

Q. That was the system in force during the year 1905-6?—A. Yes.

Q. Well, then, if Mr. McDougall was paid full wages month after month, he was either present or somebody had deceived you?—A. No, he was either present or sick.

Q. If he were sick would he be marked as present?—A. He would be marked as sick or absent, and the medical certificate would settle whether he was sick or not.

Q. Who was the medical officer who would settle whether a man was sick?—A. In his case it was Dr. E. B. Chandler.

Q. Of Moncton?—A. Of Moncton.

Q. He would certify that a man was unfit for work?—A. Yes, and that he had been attending him.

Q. And how many days?—A. And the number of days he was sick.

Q. You would see that certificate yourself?—A. No, as a rule I did not. That was kept by the traffic auditor, and he made up from that his list.

Q. Was the traffic auditor under you?—A. Yes, he is in my office.

Q. He was one of your staff?—A. One of my staff.

Q. And whether you saw it personally or not one of your staff would see the doctor's certificate, that Bruce McDougall, for example, was sick at a certain time, and if he was absent the whole month, what then?—A. As a rule if the general manager was at home I would take the sheet in and get his approval as to allowing sick pay, but if he was not at home at the time I would refer it to him afterwards. The pay roll had to be made up, and it went through on the basis of the sick time, as stated by the traffic auditor.

Q. I suppose you had frequently to go to the general manager. What was the practice, supposing men were away a month at the time, what was the practice?—A. If the man produced a certificate of illness from his doctor he was usually paid for his month.

Q. Supposing he was away for 106 days in the year?—A. As far as I know there was no case where there would be 100 days of sickness consecutively in the whole year.

Q. Supposing he were away every third day?—A. In that case if he brought a certificate he would be paid.

Q. And if a man in the course of one year was away for 106 days he would be paid?—A. He would be paid.

Q. He would be paid?—A. Yes, there is no question about it.

Q. There is no question about it?—A. No.

Q. How long has that been in vogue?—A. Ever since Mr. Haggart was minister.

Q. It has never been altered?—A. It is not that way now.

Q. It has been altered you say?—A. Yes, only recently.

Q. If the man was soldiering, pretending to be sick, and got a certificate, you would take that certificate, never under any circumstances going behind it?—A. You would not be justified in doing so, assuming that the doctor was a reputable man at all.

Q. Then in the case where McDougall had been 106 days away?—A. In that year it amounted to 86 days of sick leave.

Q. I thought you read 106 days in the telegram?—A. That is what it says there, but it was 86 days in that year.

Q. And in the case of a man 86 days absent from duty do you mean to say you would have accepted without inquiry a doctor's certificate, not going behind it?—

A. Perhaps it would be better to state how that sick time was allowed: In July, 18 days; in August, 17 days; September, 1 day; October, none; December, 1905, 2 days; January, 9 days; February, none; March, 1; April, none; May, 14; June, 24.

Q. There were three or four months apparently, I do not know whether they were in the same fiscal year, in which there was large allowances for sick pay?—

A. They were in the same fiscal year.

Q. They would not necessarily, of course, come together?—A. No you see it could not, they were broken time.

Q. At all events that man was absent for 18 days in one month, or for 24 days in a month, and you would simply take a certificate. And even if a man were unusually long in one or two absences you would make no inquiry at that time?—A. Well, if you take a certificate like this of Dr. Chandler's I do not see how you could well dispute it. I happened to bring one with me.

(Certificate produced and handed to Mr. Barker.)

Q. This is from Dr. E. B. Chandler, July 27, 1906. That would be really a little after the period into which we are inquiring?—A. Well, it refers to the month of June.

Q. 'This is to certify that I am in attendance on Mr. C. Bruce McDougall, and that he is unfit for duty and is suffering from stone in the bladder and accompanying cystitis, and I have advised him to keep quiet, which in his particular case is imperative, and that it is on account of my advice he has stopped work.' That does not say

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when it began or anything else?—A. But it refers to the month of July, 1906, the time that I took up the question particularly.

Q. That form of certificate does not seem to be one that says 'I certify that from such a day to such a day he is unfit to do his work.' It is a very general certificate?—A. Yes, but it had special reference to the month.

Q. It is dated July 27?—A. And that was the month—

Q. But he might only have had that three days before or three months before?—A. Yes.

Q. That is the kind of certificate that came in anyway. Well, do you know anything about Bruce McDougall's habits?—A. No, not personally.

Q. Do you mean not officially?—A. No, not personally. I do not usually frequent the places he is supposed to frequent.

Q. You know something about the habits of men when frequenting some places?—A. I have heard, of course.

Q. But you really do not know?—A. I do not know personally at all.

Q. Well, I do not want to talk scandal.

By Mr. Johnston:

Q. Is it an unusual thing to have anybody in the employ of the Railway Department absent on such extended leave as Mr. McDougall?—A. We have had several cases of typhoid that have been absent, and, consecutively, for as much as five or six weeks.

Q. Do you know of any other case in the history of the Intercolonial Railway where employees were absent on much more extended leave than that?—A. Yes, we have Mr. Pittfield, who has been suffering from back trouble, loss of the use of limbs—locomotor ataxia, I think they call it—and that man has been paid while he was sick.

Q. Do you know anything about the case of J. R. Bruce, was he absent on extended leave?—A. Yes, he has been sick at times, and was paid during the time he was away.

Q. Approximately, how long would he be absent?—A. Oh, well, I could not say, speaking from memory. He has been off I know several weeks at a stretch, he had erysipelas, I think.

Q. Do you know of any particular case where there has been an absence of a year?—A. No, I do not think so, he has been off a long time.

Q. Will you say there was no occasion in the history of the railway that Bruce was not absent for more than a year with sick leave and pay?—A. I think I can say, speaking from memory, that he was not off on sick leave for anything approaching a year.

Q. You think that the records of the department would not reveal that he was?—A. I do not think so. He was away to Europe one time on leave, but that was not sick leave.

Q. But it was with pay?—A. With pay.

Q. Which, after all, would not make very much difference, if he got paid?—A. Not very much.

By Mr. Macdonald:

Q. I understand that the deputy minister has given some orders, or made new rules, in regard to pay whilst absent from sickness?—A. Yes. I brought up the subject with the general manager, more particularly in the case of Bruce McDougall, because for the month of July for which this certificate is given he had failed to give a certificate, so his name was left off the roll, and no pay was given him. He brought up the matter with the minister, and the matter was gone into. He claimed that other people had been paid for long times when they were sick, and he thought he was just as much entitled to it as they were, and he got his pay; but as we had not the certificate at the time the pay roll was made out his name was left off and the matter was referred to the deputy minister.

By the Chairman:

Q. To the present deputy?—A. To the present deputy minister, and he made the rule that any employee who was off duty owing to serious illness should be paid half pay for two months, and that, after he had used up his two months in the year he would lose his time, and that rule has been followed out, I think.

By Mr. Barker:

Q. He only gets two months' pay now?—A. Only two months.

By Mr. Macdonald:

Q. That is the rule now in force?—A. All over the railway.

Q. And the rule under which McDougall received his pay was the same rule that had been in force for a long period of years?—A. Yes.

Q. During the time you were on the road?—A. Yes, practically during the whole time I was on the road.

Q. There was no difference between the consideration given to McDougall and what other parties received?—A. No.

Q. And these new rules are now in force and there can be no exception?—A. Now they have to produce a medical certificate, and if they are absent for more than two months they lose pay after that time.

Witness retired.

The committee then proceeded to the consideration of a payment of \$6,163 to M. B. Jones in connection with postage stamps and cards; Intercolonial Railway working expenses, stores, &c., as set out at W-162 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

Mr. THOMAS WILLIAMS called, and sworn and examined.

By Mr. Barker:

Q. Your full name, please?—A. Thomas Williams.

Q. Until recently you were an officer of the Intercolonial Railway?—A. I was chief accountant and treasurer.

Q. You were chief accountant and treasurer of the Intercolonial Railway?—A. Yes, sir.

Q. For how many years?—A. Since 1882.

Q. You are now retired, I believe?—A. Yes.

Q. When did you retire from the service, or were you superannuated—whatever your position is?—A. I was retired by order in council in October or November, but I did not actually give up duty until some time in December.

Q. About the end of 1906?—A. Yes.

Q. The matter I am going to ask you about is regarding the purchase and care of postage stamps in the department. About what amount do you purchase of postage stamps in the course of the year?—A. I think it would average possibly about \$300 a month.

Q. About \$300 per month?—A. I think so.

Q. I see in the papers brought down that the expenditure was \$6,163 for 1906?—A. It might be that, the Auditor General's Report would show.

Q. I thought you could tell us generally. I see this year for which we have the details that it amounted to \$6,163, running from about \$400 to \$600 per month?—A. Yes.

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Q. At all events in the year that we are inquiring into there was apparently, by the returns, \$6,163 of postage stamps bought for the railway. Can you tell me in whose charge these stamps were placed?—A. These stamps, as a rule, are bought by the chief storekeeper, but those used at the stations and by the district superintendents are bought locally. For instance the district superintendent at Lévis gets his postage stamps at Lévis, and the small quantities required for the stations are bought locally.

Q. I am referring more to the stamps at the head office?—A. They would be

Q. How are they kept, and where?—A. Each office would keep its own. In my office they are kept under lock and key in a tin box.

Q. At the head office each department would have these stamps. Which officer would have them?—A. The general manager's office, he would use a pretty good quantity of stamps; I would use probably the most in my office, because we are mailing cheques, and every cheque has to be registered.

Q. Do not go into details, you would use the most?—A. Probably, except possibly the advertising people.

Q. What other offices use stamps?—A. The chief engineer, the engineer of maintenance, the audit office, the general passenger agent's office, the traffic manager's office, the general freight agent's office and the advertising office.

Q. That would be about all, I suppose?—A. That would be about the consumption.

Q. Is there any rule or direction as to how they shall be cared for; what protection is there against the improper use of them?—A. I never heard of any instructions being given.

Q. As far as you know, tell me about your own office?—A. In my own office they are obtained by requisition from the stores department. When they come up they are counted and put into a tin box which is kept locked and only brought out of the safe when the letters are ready for mailing.

Q. Were any of them kept in drawers?—A. Not in my office.

Q. Not in your office?—A. No.

Q. Did you, during the past year, or at any time, hear that there were robberies of stamps going on?—A. No complaint was made to me, but it was in matter of common report that stamps had been taken out of some of the offices.

Q. Did you make any inquiry?—A. I did not, because they were not missing from my own office.

Q. Did you report it?—A. No, I had not anything to do with that stamp report business in any shape; that is to say, it did not come to my knowledge officially in any way. None were missing from my office.

Q. But as treasurer, and a person high in office, did you make any report or speak to anybody about this thieving that was said to be going on?—A. No, because no report was made to me as treasurer, but each head officer was responsible for his own stamps.

Q. Tell me how you heard anything about the robbery?—A. Well, it was a matter of common talk around the general offices that some stamps had been taken.

Q. Just on one occasion?—A. The only two occasions that I can remember that some had been taken from the advertising agent's office, and that some had been taken, I think, from the chief engineer's office.

Q. And learning this, did you ascertain, or did you not hear what became of the stamps?—A. No, I did not, except that once in conversation with Police Inspector Skeffington he said that stamps had been taken down town and sold.

Q. That is all you knew, generally?—A. That is all I know.

Q. That stamps had been taken away from the office and sold. There was no complaint made, to your knowledge, against any person in the department down there as being connected with these robberies?—A. Nothing more than ordinary common conversation.

Q. Did you hear anything officially as an officer of the company about it?—A. Not at all, as I explained, the head of each different department would be responsible for the stamps in his department, and if any were stolen I presume he would notify the general manager.

Q. Any head of department who had lost stamps would report to the general manager?—A. Yes.

Q. And not to the treasurer?—A. No, because it is not a matter for the treasurer except it was his own stamps.

Q. Do you know, as a matter of fact, that any report was made to the general manager?—A. I do not know as a matter of personal knowledge.

Q. Well, you know that the treasurer of a concern knows a great deal that he does not hear of in an official way. You would know if there was an investigation going on. Do you know, as a very old officer of the railway, have you any knowledge whatever that inquiries were made and that reports were made to the general manager on this subject?—A. The only official knowledge I had was when Mr. Alward came down from the department.

Q. Was that the first you knew of it?—A. Except as common talk.

Q. Had you any knowledge whatever of a report to the general manager before Mr. Alward appeared there?—A. Not as an official report. Not except as in common conversation.

Q. I am not finding fault with your testimony, and I am not asking you to take information that you might get officially; but had you any knowledge, as an officer of the government, and of that railway, that a report of any kind had been made to the general manager before Mr. Alward was sent down?—A. Simply in conversation with Mr. Skeffington, the police inspector.

Q. Who is he?—A. The head of the Police Department of the railway.

Q. What you would call the head detective, I suppose?—A. Yes, the head of the detective staff.

Q. You know nothing whatever from any chief officer of the railway, or in any other way, except from Mr. Skeffington, that any robberies had taken place or that there had been a report to the general manager?—A. I think possibly Mr. Evans, the general manager's chief clerk, came in to inquire how our stamps were kept, and that his inquiry arose out of this affair.

Q. The chief clerk of the manager came to your department to ask whether you had lost any stamps?—A. Well, particularly about the protection there was and the way in which they were kept.

Q. Was that before Mr. Alward came?—A. Undoubtedly it was before.

Q. He came to inquire whether you had any losses, and how you took charge or care of your stamps?—A. Yes.

Q. And you told him, I suppose?—A. Oh, I did not appear before Mr. Alward.

Q. No; the general manager's chief clerk?—A. I told Mr. Evans, yes.

Q. Was he satisfied with what you were doing as far as your office was concerned?—A. There seemed to be an idea of centralizing the use of the stamps by having a mailing room.

Q. But, at the time he spoke to you, did he as far as you could discover, think there was anything in the procedure in your office that was wanting in regard to the proper care of the stamps?—A. No, he did not.

Q. He said nothing to you on that point?—A. No.

Q. Did he tell you he had come of his own accord or that he had been sent by the general manager?—A. He came in his official capacity as chief clerk. I do not know that he said he was sent specially.

Q. He did not say anything officially, that, 'General Manager Pottinger sent me to make this inquiry?'—A. No.

Q. He asked you questions and you answered?—A. Yes.

Q. Did you have conversations at any time with the general manager in reference

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to that subject?—A. Only on the subject of the idea of a mailing room. I had a conversation with reference to the proposed central mailing room.

Q. That was for the purpose of taking better care of the stamps?—A. Yes, to secure better control of the use of the stamps.

Q. But with regard to improper conduct, or with regard to the thieves, had you any conversation at all with the general manager, at any time?—A. I do not recollect it.

Q. You do not recollect it?—A. No. You see I was not specifically interested officially, as the loss was not in my department.

By the Chairman:

Q. Was there a loss?—A. I do not know, except as a matter of common talk.

By Mr. Barker:

Q. At all events, the general manager never consulted you until after Mr. Alward was there, and then in regard to an improvement of the system?—A. I think it was before Mr. Alward came, I think it was, that the question came up as to the mailing room.

Q. Before Mr. Alward came a discussion took place as to improving the system?—A. Yes.

Q. How did that come about, were there several officers called in to consult?—A. Oh, no, when Mr. Pottinger spoke to me about it, I was with him alone, there was no general-conference on the subject that I know of.

Q. He called you in separately?—A. It came up, I think, in connection with other matters I went in to see him about. I did not go in specially for that.

Q. What did Mr. Pottinger tell you that he knew about the thieving? Did he tell you he had complaints?—A. He referred to it as a matter of ordinary knowledge. That is, as regarding the loss of the stamps.

Q. He referred to the loss of the stamps as a matter of fact, as something that had occurred?—A. Yes.

Q. Did he say he had reported it?—A. I think that the matter had been reported to the department at that time.

Q. Did Mr. Pottinger tell you that, having become acquainted with that fact, he had reported the matter to Ottawa?—A. I do not know that he specifically said that.

Q. Did he say that he had reported it to anybody?—A. No, I can't say he did. The conversation was so general and short that I would not be able to recall exactly the manner in which the subject was dealt with or brought up.

Q. Have you any knowledge of your own as to the amount that was taken in any one year?—A. No, I have not.

Q. Were you not the general auditor down there, the head of the audit office there?—A. Yes, the traffic audit office was under me, the expenditure branch was in my own office.

Q. Would it not be part of your function, knowing there had been a robbery of stamps, or rather hearing that there had been a robbery of stamps, to investigate and see what loss had been sustained?—A. No, I do not think that would come under me. The requisitions for the stamps having been filled and the different head officers having received the stamps, they were responsible for them, and they would report to the general manager, as having control of the police department of the railway. The loss of the stamps. It was a matter for the police department rather than for mine. I think.

Q. You think it did not become a matter of inquiry for the audit department as to how much had been lost?—A. No.

Q. Mr. Pottinger did not tell you, I suppose, as head of the audit department, to see how much had been lost?—A. No.

Q. Nor anybody else?—A. No.

Q. And you did not inquire?—A. I did not inquire.

Witness retired.

Mr. DAVID POTTINGER, general manager of government railways, called and sworn.

By Mr. Barker:

Q. How did you learn, and from whom, of the selling of postage stamps, and when?—A. I scarcely remember, I think it was from Mr. Skeffington that I learned it, and I do not remember when.

Q. Had you not heard what Mr. Williams says he had heard, general rumours about the selling of postage stamps?—A. I think I heard that.

Q. I mean before you saw Mr. Skeffington?—A. Some one may have spoken to me about it, but I have no recollection about it now.

Q. You mean that you have no recollection about specific instances, or that you do not think you knew anything about it until Mr. Skeffington spoke to you?—A. I understand that you are asking with regard to stamps that were said to have been stolen in certain offices?

Q. Anywhere from the Intercolonial Railway. Had you any knowledge of any rumours about that until Mr. Skeffington spoke to you?—A. Not in recent times, there had been stamps stolen in years gone by. Will you let me look at the papers, if there are any, so that I may know something about it? I have not the least recollection about it now.

Q. This file only gives the amount of the payments?—A. I may have heard before Mr. Skeffington spoke to me, but I have no recollection about it now.

Q. Did you make a report on the subject to Ottawa?—A. I did.

Q. Can you tell me when it was?—A. I do not remember the date.

Q. It was in writing?—A. It was in writing.

Q. To whom did you report?—A. Either to the secretary, to Mr. Butler or to the minister.

Q. To Mr. Jones, to Mr. Butler, or to the minister?—A. I do not remember which.

Q. Mr. Butler is not the secretary?—A. No.

Q. Then you mean that it was either to Mr. Jones, or to Mr. Butler, or to the minister?—A. Yes.

Q. Was that before or after your conversation with Mr. Skeffington?—A. Afterwards.

Q. Had you directed Mr. Skeffington to make any inquiry, or did you at any time direct him to make any inquiry?—A. He had made inquiries on his own account when he heard of the thing. The matter had been brought to his notice by the office from which the stamps were missing, I presume.

Q. You understood that the officer at Moncton who had lost stamps had brought it to his attention?—A. Yes.

Q. Did he report to that office or to you?—A. He may have reported to that office, but he reported to me also.

Q. Did he report to you verbally, or in writing, or both?—A. Both, I believe.

Q. He did report then, in writing?—A. That is my recollection.

Q. Did you forward that report to Ottawa?—A. I did.

Q. Have you any recollection of the time when that was?—A. I have not.

Q. But you have no doubt that you did report it?—A. I sent all the papers about it, I think. Mr. Skeffington's letter was in the correspondence.

Q. Did you get any reply?—A. Yes.

Q. From whom?—A. From either the secretary or Mr. Butler, I think.

Q. You cannot tell whether it was from the minister, or the deputy, or the secretary?—A. Well, it was not the minister, I think.

Q. Were the reports that you sent in returned to you?—A. No.

Q. They are still, as far as you know, at the departmental office here?—A. As far as I know.

Q. Where are the letters that you received in reply, are they in your custody?—A. I presume they are.

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Q. I suppose you can get them and hand them in to the committee without any trouble or delay?—A. I will inquire for them.

Q. They are official documents, are they not?—A. Perhaps.

Q. Can there be any doubt about that?—A. They may be marked 'private' or 'confidential,' or something of that kind.

Q. That does not make them private. Are they relating to the business of the railway, to the affairs of the Intercolonial?—A. I suppose they are.

Mr. BARKER.—Then I ask, Mr. Chairman, that Mr. Pottinger be requested to send these papers to the clerk of this committee.

Hon. Mr. FIELDING.—If they are not confidential. The same rule holds good here that is recognized in the House with reference to the production of confidential documents.

The CHAIRMAN.—Mr. Pottinger is instructed to bring all the papers and correspondence which he considers not 'confidential.'

By Mr. Barker:

Q. What did you do in consequence of the reply that you received?—A. I did nothing.

Q. Did not the letter call upon you to do anything?—A. No.

Q. Did you, in your letter to the department, convey any information to the department except the bare statement that there had been robberies?

Hon. Mr. FIELDING objected to the question.

The CHAIRMAN ruled—'We will wait for the production of the letter because the witness, speaking from memory, may say something which is not in the letter.'

By Mr. Barker:

Q. Did you, in your report to the minister, say anything more than that some stamps were lost, or did you go into all the information?—A. The papers were all attached to the letter. I have no distinct recollection now of what I said in the letter.

Q. But you attached to the letter all the papers in connection with the investigation that had taken place?—A. Giving all the information that we had at the time.

Q. Did you direct, at any time, Mr. Skeffington to make an inquiry of any nature in regard to this matter?—A. I have no recollection of having given him directions.

Q. Will you say you did not?—A. Well, that is a different thing.

Q. I know it is?—A. But I have no recollection of it at the moment.

Q. Did you give him any verbal directions?—A. I really forget.

Q. You would recollect whether you did or did not?—A. I cannot at the moment.

Q. Did he make any verbal report to you?—A. He did, I have already said so.

Q. You said you thought he had, verbally and in writing, both?—A. There is no doubt he made a verbal report.

Q. Did he tell you whether the robbery had been committed, as far as the information went, by some outside thief or by a person in the employ of the railway?—A. His idea was that it had been made by some person in the railway.

Q. Did you report that at the head office?—A. I do not remember what was in the letter, as I have already stated.

Q. I am speaking now of his verbal report to you?—A. I made no report except the one that we have been talking about before.

Q. In that letter, did you comprise in your report, what he had told you verbally, as well as what he told you in writing?—A. I have no distinct recollection what was in the letter, but I have not any doubt but what all the information we had was in it.

Q. I have not any doubt whatever that it was. I only want to know where to look for it. Did he tell you the name of the person whom he suspected?—A. Yes.

Q. And that the person was in the employ of the railway?—A. He was.

Q. Was any investigation made with regard to that person?—A. There was.

Q. By whom?—A. By Mr. Alward.

Q. Never until Mr. Alward got there?—A. No.

Q. How long after you first heard of it was it that Mr. Alward made the investigation?—A. I have no recollection.

Q. Can you say whether it was a week or a month?—A. I could not guess at it that way, I could find out, but I cannot answer now.

Q. I want to know whether it was practically immediately after you had heard of the case?—A. It was not very long after, that is all I can say.

Q. You did not think it was a matter to lie idle and not be investigated. You acted reasonably promptly, I presume?—A. I believe so.

Q. When Mr. Alward came there had he a letter to you from the head office?—A. I forget that. I almost think he had, but I have no distinct recollection of it.

Q. That letter will be among your papers if he did bring you one, would it not?—A. If he brought one, yes.

Q. We want that also, we want everything you know. Were you present during Mr. Alward's investigation?—A. I was not.

Q. Were you at the head office at Moncton at the time?—A. I am not certain about that.

Q. Did you see him there?—A. I saw him—no, wait a moment, I do not think I was.

Q. Then you did not see him, perhaps?—A. I forget about that.

Q. Do you know, as general manager, how long he was there?—A. I do not.

Q. Did you hear how long he was there?—A. If I did I have forgotten.

Q. Do you know of whom he made inquiry?—A. No.

Q. Did you never ask for that information?—A. I have been told, I think, but I do not remember now.

Q. Well, what you were told as general manager you can tell me?—A. Yes, if I remember, I cannot tell you what I do not remember.

Q. You cannot say if you were ever told what inquiry Mr. Alward made?—A. No.

Q. Had you no curiosity on the subject, as general manager?—A. I did not hear, at all events.

Q. You might have had curiosity, but you did not interfere, is that it?—A. I did not inquire.

Q. You had no reason for not inquiring?—A. No, the department had taken it over.

Q. You were general manager, you were at head of the department, do you know that he saw and investigated Mr. Bruce McDougall that we are speaking about?—A. I believe he did.

Q. Did he investigate anybody else?—A. A young man named Fletcher, I believe.

Q. What office were these two in, McDougall and Fletcher?—A. In the auditor's office, at least I think so—yes, in the auditor's office.

Q. What was Fletcher's position?—A. No particular position that I know of.

Q. A youngster?—A. A young man—I do not know that part of it.

Witness retired.

Mr. THOMAS WILLIAMS recalled.

By Mr. Barker:

Q. How old is Fletcher, Mr. Williams?—A. Eighteen or nineteen years of age.

Q. And Mr. McDougall is a man of?—A. Thirty-five years, I should think.

Witness retired.

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Mr. D. POTTINGER recalled.

By Mr. Barker:

Q. Are these the two people that Mr. Alward investigated?—A. They are the only persons that I ever heard of, that I can remember now.

Q. Had you heard these two men mentioned in connection with the matter otherwise than in connection with Mr. Alward's inquiry?—A. I have no recollection as to whether Mr. Skeffington mentioned the name of Fletcher or not.

Q. Only Bruce McDougall, you think?—A. I remember he mentioned him.

Q. Did you hear at the time, or at any time, how much had been taken in the course of a year say?—A. There was no statement, that I know of, stating what was taken in the course of a year. There was some statement of what had been taken at that time, some estimate of it or something of that sort.

Q. Your memory is not precise, I suppose?—A. You see I never thought about it from that time until now. I cannot think of all these things without something to refresh my memory.

Q. Bruce McDougall is still in the service?—A. Yes, he is still at work; Mr. Williams, is he not?

(Mr. Williams.—Yes.) Yes, Mr. Barker, he is still at work.

Q. So, I presume you, as general manager, saw no reason why he should be dismissed?—A. I had no instructions to do so.

Q. As general manager do you never dismiss men for cause without instruction?—A. Very seldom.

Q. Who would deal with a man, supposing for a moment that McDougall was guilty of this thing, would you not dismiss him?—A. Well, I might, I suppose; but generally we get the consensus of opinion of all persons in the department as well.

Q. I know that, your subordinates; but you are the responsible man?—A. No, but of persons above me also. It has always been the custom to do so.

Q. In a case of that kind, supposing that some man had been detected in this, you would not dismiss him without communicating with the minister or the deputy?—A. Not necessarily, no.

Q. Not necessarily. I want to know what the practice is?—A. The practice generally has been always to acquaint the department with all these things, and let the man have the benefit of the judgment of the whole department. You see the department, extends to this committee and to parliament.

Q. And until you get the benefit of instructions from headquarters you would take no action?—A. It is sometimes done.

Q. That is a rather singular practice. That has got to be a rule, has it?—A. That is the practice.

Q. Did you ever send for McDougall yourself?—A. No.

Q. After you had heard this complaint?—A. No.

Q. And the suspicion of Skeffington?—A. No.

Q. And after you had heard he had already been down to see McDougall?—A. No.

Q. You never sent for him?—A. No.

Q. Did you send for the head of that particular office?—A. No.

Q. Who was the head of that office?—A. It was in the advertising office.

Q. When you heard that McDougall was suspected, did you not communicate with the head of McDougall's office, that is the audit office?—A. Communicate with the audit office?

Q. Yes?—A. No.

Q. You knew what office McDougall was in?—A. I did.

Q. And I think you heard who was charged, or suspected, of this offence, but you neither sent for the man himself or for the head of his office?—A. No.

Q. Were any proceedings taken against anybody in connection with this particular action?—A. No.

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Q. Was the value of the stamps replaced by anybody?—A. I think not.

Q. Was anybody asked to replace the value of the stamps?—A. Not to my knowledge.

Q. Did you make any inquiry as to the rumours that were abroad that stamps were being sold in Moncton by Intercolonial Railway office men?—A. That was a part of the matter that was brought out when the department investigated.

Q. Did you ever make any inquiry yourself whether these rumours had any foundation or not?—A. No.

Q. Did you ever direct the head of the audit office to make any inquiry?—A. No.

Q. And you allowed McDougall to go on acting as a clerk in the audit office, notwithstanding the suspicion that was against him?—A. Yes.

Q. Was there anybody but McDougall and Fletcher mixed up in this matter?—A. I never heard of any.

Q. Were there no arrests?—A. No arrests.

Q. Well, Mr. Pottinger, as I understand you, you will comply with the direction of the chairman, so far as you think you can. I ask you for everything without any qualification, and if you want to qualify that it is for you to do it. I would like Mr. Butler to complete the list as soon as possible.

By Mr. Crocket:

Q. Have you any knowledge of Officer Tingley being sent to Montreal in connection with the arrest of John O'Rourke at Montreal for selling postage stamps of the Intercolonial Railway at Moncton, O'Rourke being an employee of the Moncton office?—A. I could not say it was Tingley. Some officer was sent to Montreal.

Q. Did that officer make a report to you?—A. No.

Q. Do you know if he brought O'Rourke back to Moncton?—A. I cannot say of my own knowledge, no.

Q. Are you not aware of the fact that he started from Montreal back to Moncton with O'Rourke and that he released him on the way?—A. I heard that.

Q. On instructions. Did not Tingley receive instructions when on the way back to Moncton with his prisoner to release him?—A. I have no recollection, but perhaps he did.

Q. I am asking you if you have any knowledge. You say you heard that?—A. Yes, I heard that.

Q. Why did you hear he was released?—A. I never heard.

Q. You never heard from the police?—A. No.

Q. Did you say you had no report from Officer Tingley as to what had taken place?—A. No.

Q. Did you give any instructions yourself to Tingley to release this man?—A. No.

Q. Did you send the detective to Montreal?—A. No.

Q. You know that Tingley was sent in connection with this arrest?—A. I do not know anything about Tingley. We have several policemen or persons of that character, and some one was sent; that is all I know.

Q. You know that the man was not brought back to Moncton?—A. I have been told he was not.

By the Chairman:

Q. You do not know?—A. No, I do not know of my own knowledge.

By Mr. Crocket:

Q. You do not know that he was brought back?—A. No.

Q. There was no investigation at Moncton, as far as you are aware?—A. Not to my knowledge.

Q. Do you know that this man was offering \$18 worth of stamps for \$4, and that he was caught in the act?—A. I understand that from the newspapers.

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Q. And that this man was sent to Montreal to bring him back?—A. I heard that.

Q. I understood you to say you did not know who sent this officer to Montreal?—

A. I do not know who sent him, but I presume he would be sent by Mr. G. A. Williams, who has charge of these men.

By Mr. Barker:

Q. Is he the chief detective?—A. Yes, he is special agent; he has charge of these men.

By Mr. Crocket:

Q. I suppose the report that would be made of the arrest in Montreal would be made to Mr. Williams, would it not?—A. Yes.

By Mr. Macdonald:

Q. Do you know whether this man was ever arrested, or if a warrant was ever issued?—A. No, I never heard anything about that.

By Mr. Crocket:

Q. Would it be possible to have Mr. Williams produce the papers? We would like to have Mr. Williams' papers in connection with that matter?—A. Whatever the committee says, I am in their hands.

Mr. CROCKET.—I would ask, Mr. Chairman, that the correspondence and papers in this connection be produced.

Mr. BUTLER, Deputy Minister of Railways.—May I be permitted to say, Mr. Chairman, there are many reports made to Mr. Williams that we are not warranted in producing before this committee, they can be shown to members of this committee privately, but they are not papers that can be produced here.

By Mr. Chisholm (Antigonish):

Q. Stamps have been stolen in days gone by, have they not—when were these stamps taken?—A. (Mr. Pottinger) I have no recollection of the date, but we have had pilferages of stamps in years gone by.

Q. From time to time, I suppose?—A. Well, more than once.

Q. With respect to investigation into the matter, I suppose you followed the same course on this occasion that you did in days gone by, so far as consulting the department?—A. I could not say there was an investigation in days gone by; we would try to find out what we could, but I have no recollection.

Q. You generally consult the officials, the head of the department?—A. Yes, the persons concerned.

Q. And you did the very same thing in this case?—A. Yes.

By Mr. Barker:

Q. You consulted the persons concerned?—A. The officials concerned, I think I said.

By Mr. Macdonald:

Q. There was an investigation made by Mr. Alward into this matter of stamps, who was he?—A. I presume there was.

Q. What position does he occupy?—A. He is assistant law clerk to the Department of Railways and Canals.

Witness discharged.

The committee adjourned.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RELATING TO PAYMENT OF

\$10,490 TO R. H. HEWSON AND JAMES FRIEL

FOR

LAND AT MONCTON

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

TWENTIETH REPORT.

Your committee have had under consideration the accounts, vouchers and other papers relating to the payment of \$10,490 to R. W. Hewson and James Friel, in connection with Land Purchased at Moncton for the Intercolonial Railway, as set out at pages W—26 and W—27 of the Report of the Auditor General for the fiscal year ended June 30, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed, and rule 72 suspended in relation thereto.

All which is respectfully submitted.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 FRIDAY, February 22, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the chairman, Mr. Geoffrion, in the chair.

The committee proceeded to the consideration of a payment of \$10,490, to R. W. Hewson and James Friel, in connection with land purchased for the Intercolonial Railway at Moncton, as set out at W-26 and W-27 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

Mr. D. POTTINGER, General Manager, Government Railways, called and sworn.

By Mr. Ames:

Q. Mr. Pottinger, your name and position?—A. David Pottinger.

Q. And your position?—A. General manager of the Canadian Government Railways.

Q. Since what date?—A. Since about February, 1879.

Q. Will you kindly take cognizance of a letter on the file from Mr. Emmerson to yourself of the 25th April, 1905. I may say, Mr. Pottinger, I am going to examine you with reference to the purchase of some land northwest of the railway station at Moncton. You may read that letter of the 25th April, 1905.—A. (Reads):

‘DEPARTMENT OF RAILWAYS AND CANALS,

‘OTTAWA, ONT., April 25, 1905.

‘*Re Land at Moncton.*

‘DEAR MR. POTTINGER,—When we purchased the Gibson lot at Moncton last fall there was left unable to be then purchased in that vicinity a lot nearly three acres next to the Milner lot. I wish you would confer with me about the desirability and possibility of securing this last-named lot. It seems to me also that there is some land near the north crossing on Main street, which we should secure with a view to widening our area at that point. I have no information on this latter subject, but only speak on impressions I formed when I last viewed the locus.

‘Yours faithfully,

‘H. R. EMMERSON.’

Q. There were two purchases of land made in that particular connection, were there not?—A. Well, this letter refers to two localities.

Q. To two different localities?—A. Yes.

Q. Are the properties that are mentioned in that letter adjoining?—A. There is a street between them.

Q. There is a street between the two properties?—A. That is as I understand it.

Q. Perhaps I may be wrong, but I might suggest that I think there are two properties adjoining, both on the south side of the main street; one being contiguous to the yard. This is the property (indicating on map) and this is the main street here?—A. This is the main street here as I understand.

Q. This is the purchase of last year (indicating on map)?—A. Yes, this land here, (indicating on map) that is not ours.

Q. This was purchased before (indicating on map)?—A. Let me look at it again please.

Q. I think this triangular piece you will find was purchased subsequently?—A. The letter refers to this triangular piece, as I understand it.

Q. This triangle across the street?—A. That is, as I understand it at the moment. We had this up last year, subsequent letters will explain that I think.

Q. Then I will put the question again, Mr. Pottinger. The land described in the minister's letter in this sentence, 'It seems to me also that there is some land near the north crossing on Main street which we should secure,' you think, I do not know, refers to the triangular strip across the main street from the property which was previously purchased?—A. That was it.

Q. What would be the object of making the purchase of that triangular strip?—A. This plan shows, that it was in order to allow the tracks to be laid into the land already purchased so as to make the best possible use of it. The railway track runs out here (indicating on map) and in order to turn the railway tracks in so as to be able to use that part of the land we required this triangular strip in order to get in; it was necessary for the purpose.

Q. Has any use been made to date of this piece of land which was purchased and discussed last year?—A. No.

Q. None whatever? Is this piece of land now in the original condition in which it was when purchased?—A. It is.

Q. There has been no filling in or anything done to improve the land for railway purposes?—A. No.

Q. Is there any intention of utilizing that land for railway purposes?—A. Some day.

Q. Is it not a fact that the transfer of the car shops to another site some distance away has rendered this purchase unnecessary?—A. No, not at all. Moncton is so situated that land must necessarily go up in price, and that is property that we had been trying to purchase for years to enlarge the yard. That track is called the Y, running there, (indicating on map) connecting that line to St. John and this line going to Montreal, so that it is desirable for us to have that property.

Q. Yes, but is there the same necessity to-day for the acquisition of this land that there was before it was decided to move the car shops a mile out of Moncton?—A. Not so great a necessity.

Q. So that if it had not been decided to move the car shops out of Moncton this land would probably never have been regarded as urgently needed?—A. Well, I scarcely can say that.

Q. The urgency, however, would not be so great?—A. That land would not be needed so soon on account of the purchase of the other property, but it will be needed ultimately.

Q. Is it contemplated in the immediate future to make this cut off here from the main line to the St. John line that would take advantage of that, so that you will require the property?—A. There is no immediate necessity.

Q. There is no immediate necessity for it?—A. That was not intended, that cut off to save an enlargement of the yard, which will ultimately have to be enlarged.

Q. In the meantime are the people still in occupation of these houses?—A. They are.

Q. And rent is, of course, being paid to the government?—A. To the railway.

Q. And are the people in the occupation also of this other strip of land?—A. Yes they are, most of it.

Q. Is this land still used as cow pasture down here? (indicating on plan).—A. I believe it is.

Q. Will you kindly look at that letter again? Was this the first intimation which you received as to the opinion on the part of the minister that it was advisable to purchase that triangle of land?—A. It is the first I remember to have received. We may have talked about it, but I do not remember at the moment.

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Q. That, to your mind, as far as you know, is the first intimation you received. Now, will you kindly turn to the letter of the 24th October, 1905, written by Mr. Emerson to yourself, and will you please read that?—A.:

‘24th October, 1905.

‘DEAR MR. POTTINGER,—You will recall the fact that we purchased some land west of the north crossing, and south of the main highway leading from Moncton towards Salisbury. The question is, should we not purchase what land there may be available west of the north line and adjacent thereto, and also adjacent to the said highway? That is to say, it seems to me there is a little triangle there that we should secure if the price is reasonable, so as to widen out our approach from the north end to the railway yard at Moncton. I understand that Mr. Matthew Lodge had something to do with this land, and I wish you would see him at once on receipt of this letter, and if the land is required secure it, of course, it being understood, that the price is reasonable and right. There is no question but now is the time to purchase such lands, they never can be secured cheaper.

‘Yours faithfully,

‘H. R. EMMERSON.’

Q. Is that the first time you had ever heard of Mr. Lodge having any connection with this land?—A. It is.

Q. Were these lands supposed to belong to Mr. Lodge?—A. I do not know anything about that.

Q. Did you know at the time who were the owners or occupiers of this land?—I did not.

Q. This then is the first time you ever heard from any source that Mr. Lodge was the man to consult in reference to the purchase of this land?—A. Yes.

Q. You got this information directly from the minister?—A. Well, it is in the letter.

Q. Will you turn to the 30th November, 1905, and read us your letter there?—A.:

‘MONCTON, N.B., 30th November, 1905.

‘DEAR MR. EMMERSON,—I duly received your letter of October 24th with reference to the purchase of some land west of the north crossing at Moncton. I have seen Mr. Lodge on the subject and have also had him in communication with Mr. Burpee, and I inclose a plan and a letter from Mr. Burpee, dated November 25th.

The plan shows a triangular piece of land containing 1:38 acres. This land has five small houses on it. The price asked for the property is \$11,000. This price seems to me altogether too high.

‘Yours very truly,

‘D. POTTINGER.’

Q. Now you see in that letter of the 24th of October you are told by the minister that you had better see Mr. Mathew Lodge about this property, that he has something to do with this land. A month later you write to the minister, ‘I have seen Mr. Lodge on the subject.’ Will you tell us when and where that interview was held and any circumstances in connection with it?—A. That is a very simple thing. Mr. Lodge called at the office and saw me, I had previously put the matter in the hands of Mr. Burpee, but Mr. Lodge called at the office and spoke to me about it but he named no price.

Q. Mr. Lodge sought you, you did not send for Mr. Lodge?—A. I think I sent for him.

Q. You do not remember?—A. I think I sent for Mr. Lodge who named no price, and I told him to go to Mr. Burpee who was dealing with the matter and who would look it over.

Q. You saw him on the subject, as described in the letter, but no price was mentioned?—A.No.

Q. How does it happen that you speak further on of the price \$11,000; from whom did you get the information?—A. Is that in the papers there?

Q. It is in the letter you have read.—A. Well, I do not remember where I got it.

Q. It is the first intimation you give that you know the price at which it can be purchased. You had an interview with Mr. Lodge, you say in the letter, and that you understood the price was \$11,000?—A. It is here, I see, in Mr. Burpee's letter to me, \$11,160.

Q. You would then judge that Mr. Lodge imparted that information to Mr. Burpee, who imparted it to you?—A. I do not know about that. Mr. Burpee imparted it to me, and Mr. Lodge did not; that is all I know.

Q. You state you think that the price is altogether too high?—A. That is what it says there.

Q. You had a fair knowledge of that property?—A. No, not much knowledge of the values of property, but I thought it high.

Q. You thought it altogether too high?—A. I thought it too high.

Q. Now, did you discuss the matter of price with Mr. Burpee?—A. I did not.

Q. You did not? Do you know whether Mr. Burpee had any instructions from you or any one else to discuss the matter of price with Mr. Lodge?—A. I do not know, I am sure.

Q. You might turn to your letter of January 10, 1906. Will you read such portions of that letter as are pertinent?—A. There is a letter of November 1 from me to Mr. Burpee about that.

Q. You may put it on file if it throws any light upon the question?—A. It seems to answer your question. It recites what the minister says to me in the letter which has been quoted, and I say to him: 'Will you please look into the matter and send me a plan showing what land you think the railway should purchase; also let me know what price is asked for it and if you think this price reasonable.'

Q. You entrusted the negotiations to Mr. Burpee?—A. Yes.

Q. But he was given to understand that he should negotiate with Mr. Lodge for the property? Now, if you will turn to that letter of January 13, which you wrote to Mr. Burpee?—A. I have it here.

Q. Will you read it, please?—A. (Reads) :

'MONCTON, N.B., January 17, 1906.

'DEAR SIR,—In connection with the proposition to purchase the triangular piece of land at the north crossing west of the railway land adjoining it, and north of the Salisbury Road and adjoining it. Mr. Lodge stated that a valuation had been made by Mr. Schwartz and had been sent to you.'

Q. In that case, 'To you' is who?—A. Mr. Burpee.

'Will you please let me have this with your views?

'Yours truly,

'D. POTTINGER.'

Q. Yes, Mr. Lodge stated that a valuation had been made by Mr. Schwartz and had been sent to Mr. Burpee. You will find, I think, in the correspondence that under the date of the 16th of January there is a letter from Mr. Emmerson stating that he had not received that valuation of Mr. Schwartz. As I said, Mr. Pottinger, these letters are somewhat disarranged as to the dates, and possibly you will find it right at the back of the file. There is one here of January 12, and here is one of the 17th?—A. I read that to you just now.

Q. In this letter of January 17 from Mr. Pottinger to Mr. Burpee, the statement is made that Mr. Lodge stated that a valuation had been made by Mr. Schwartz and had been sent to you, that is, the valuation was sent to Mr. Pottinger?—A. To Mr. Burpee.

Q. Yes, it was sent to Mr. Burpee. Mr. Lodge, then, apparently, on January 17

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knew all about this valuation that had been made, and yet on January 16 you see the minister did not know about the valuation?—A. There is nothing there to show that.

Q. Except that it was inclosed in a letter sent by Mr. Burpee to the minister instead of being sent direct, it was sent by Mr. Burpee, Schwartz's valuation was sent in a letter inclosed to the minister?—A. The valuation is dated on January 12.

Q. And on January 15 the minister had not received the valuation?—A. I do not find that here.

Q. Will you turn to January 20 and you will find a letter there from James Friel, barrister, to Mr. Pottinger?—A. January 20, 1906.

Q. January 20, 1906?—A. Do you want that one read?

Q. I just want one portion of it; kindly tell me if this sentence occurs in that letter? 'I understand from Mr. Hewson that the titles are to be put in one person?'—A. 'I understand from Mr. Hewson that the titles are to be put in one person.'

Q. Read on from that, please?—A. 'In that case a plan in duplicate will be required of the property to accompany deed from Mr. Hewson or the person in whom the titles are placed.'

Q. Can you tell us what advantage or what object there would be in putting the title in one person?—A. I do not know.

Q. You do not. Now, will you turn to the telegram of January 16, 1906, from Mr. Emmerson to yourself?—Will you kindly read it?—A.:

'D. POTTINGER,—You might instruct Mr. Friel to look into the title of the land required at Moncton, and if the valuation is satisfactory I think we ought to take the property.

H. R. EMMERSON.'

Q. You would regard that as a direction from the minister to take the property? Mr. MACDONALD objected to the question—the telegram spoke for itself.

By Mr. Ames:

Q. The words of the telegram are, 'I think we ought to take the property.' Do you regard that as instructions—

Mr. MACDONALD renewed his objection.

By Mr. Ames:

Q. If the valuation was proper and satisfactory would you consider that you were authorized by that telegram to proceed to acquire the property?—A. I would understand that.

Q. Now will you turn to the 30th of January, 1906, and if the hon. gentleman desires to have the whole letter put on file I have no objection; the only point I wish to raise is this, was there any doubt—A. Whose letter do you refer to, please?

Q. The letter by yourself to Mr. Burpee. Was there any doubt expressed as to the validity, or any discrepancy in the title of these properties?—A. Do you wish me to read the letter?

Q. Not unless Mr. Macdonald wishes it read; the whole letter can go on file if you like. The question I am asking is this, Would you conclude from that letter that there was some doubt as to the validity of the title? Some possible discrepancy in the title?

The CHAIRMAN.—I think we had better have the letter read.

By Mr. Ames:

Q. Very well, I have no objection.

'MONCTON, N.B., January 30, 1906.

'T. C. BURPEE, Esq.,

'Engineer of Maintenance,

'Moncton, N. B.

'DEAR SIR,—In regard to the proposed taking of the triangular piece of land on the

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west side of the railway land and on the north of the highway at the North Crossing, Moncton, Mr. James Friel was instructed to search the titles of the property referred to, and I inclose herewith his report to me, dated the 20th instant. There is apparently some discrepancy in regard to the land. Will you please look into this matter and let me know. I also return herewith your letter of the 19th inst., and Mr. W. O. Schwartz' valuation of this land which was inclosed with it. You might also let me have your views in regard to this valuation.

'Yours truly,

'D. POTTINGER.'

Q. Two points are brought out by this letter, the first is with reference to some apparent difficulty about a discrepancy of title, and the second—

Mr. MACDONALD objected that there was no reference in the letter to a discrepancy in the title.

By Mr. Barker:

Q. I will ask that Mr. Pottinger read the sentence which speaks about the apparent discrepancy in regard to the title?—A. There is nothing about the title. There is apparently some discrepancy in regard to the land.

By Mr. Ames:

Q. Will you read the last sentence to that letter again?—A. 'You might also let me have your views in regard to this valuation.'

Q. Will you kindly read the sentence that speaks about Mr. Schwartz' valuation?—A. 'I also return herewith your letter of the 19th inst., and Mr. W. O. Schwartz' valuation of this land which was inclosed with it.'

Q. 'Which was inclosed with it;' interpret just what that means?—A. Mr. Schwartz' valuation was inclosed with Mr. Burpee's letter of the 19th inst., as I understand it.

Q. With whose letter?—A. With Mr. Burpee's letter of the 19th.

Q. Yes, now will you kindly turn to the letter of the 30th April, 1906, from Mr. Burpee to yourself. You might read the whole letter for the satisfaction of the committee.

'MONCTON, N.B., April 30, 1906.

'D. Pottinger, Esq.,

'General Manager Government Railways,

'Moncton, N. B.

'DEAR SIR,—In answer to your letter of the 10th inst., inclosing the abstract of title for land purchased in Moncton near the North Crossing. I send this to Mr. Friel, a copy of whose letter I am inclosing to you. It would seem as if when land is purchased under the Expropriation Act that even if there were little defects in the back title, yet these defects would be covered by the fact of its being expropriated.

'Yours truly,

'T. C. BURPEE,

'Engineer of Maintenance.'

Q. Do you know whether any expropriation proceedings were eventually taken in connection with this property?—A. I have no recollection.

By Mr. Foster:

Q. You have none?—A. I have none. Perhaps it is shown in the papers.

By Mr. Macdonald:

Q. Mr. Friel says so in a letter of the 27th of April.—A. I might say, I do not know at what date, but we had orders from the department at Ottawa that in the

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taking of land they should be expropriated for the purpose of having a better title, I presume, but what the date of that order was I do not know.

Q. In the letter of April 27 from Mr. Friel to Mr. Burpee, he speaks there, I do not know anything about it further than that, but he speaks there of the fact that the property was also taken under the Expropriation Act and says that there is no question in his mind as to the title.

By Mr. Ames:

Q. That question by Mr. Macdonald allows me to ask one final question: The expropriation proceedings which were apparently taken in this case would, in effect, cover all possible defects in title?

Mr. MACDONALD objected to the question.

By Mr. Ames:

Q. Did you receive instructions, Mr. Pottinger, or did you give instructions to have this property taken under the Expropriation Act?—A. My understanding is that the purchase of all properties is under the Expropriation Act. That Act provides that if we fail to agree, if the Crown fails to agree with the owners in the purchase of the land, certain steps are to be taken.

Q. In this case, however, the purchase had been entirely made before the expropriation proceedings took place, had it not?—A. I am not aware that any expropriation proceedings took place, for my part.

Q. They are mentioned in the correspondence?—A. This letter from Mr. Friel says the property was taken also under the Expropriation Act; I do not know what he means by that.

By Mr. Barker:

Q. Did you understand that you were to expropriate even when the price was agreed upon?—A. Those were the instructions at a certain time, but I do not know exactly the period at which they were given.

By Mr. Johnston:

Q. I was going to ask Mr. Pottinger, in connection with a question asked during the earlier part of the examination by Mr. Ames, as to the necessity for the purchase of this land. There is no doubt in your mind, Mr. Pottinger, that this land will be required for the purposes of the railway in Moncton, and that it is good business for the railway to have acquired that land?—A. There is no doubt.

Q. No doubt at all about it?—A. No.

Q. There is no doubt in your mind that this land could have been purchased at the time it was purchased much cheaper than it could have been purchased in the future when the necessities are greater than they are to-day?—A. They should be purchased cheaper at the present time than at any future time I think.

Q. The tendency of values in Moncton, as well as in other thriving towns in Eastern Canada is upwards and not downwards, is it not?—A. Undoubtedly.

By Mr. Macdonald:

Q. Who is Mr. Schwartz who made the valuation; does he reside in Moncton?—A. He is a gentleman who has been resident in Moncton, doing business there for a long time.

Q. You have resided in Moncton for a long term of years, and no doubt you will know, if he has resided there, whether he would be in a position to know the value of real estate there?—A. He would, undoubtedly.

Q. Would you regard his opinion as that of a man who would be competent to give a true value of land?—A. He certainly should be.

Q. Both from his experience and from his knowledge of the district?—A. Yes.

By Mr. Barker :

Q. I do not know anything about the gentleman, and never heard of him before; is he a man you would have selected yourself to make a valuation for the Railway Company?—A. That is a very difficult question.

By Mr. Johnston :

Q. You know of no reason why he should not be so employed?—A. I know of no reason, no.

There was a reference in one of these letters that was read that was not cleared up; in regard to—I forget what letter it was in, but the reference was to the boundaries of the lot, a discrepancy in regard to the boundaries of the lot and not to the title at all.

By Mr. Foster :

Q. You mean the reference to a discrepancy in the land?—A. That refers to the boundaries of the lot and not to the title.

By Mr. Ames :

Q. That is the letter of January 30, 1906?—A. Yes. That refers to the boundaries of the lots, I wish to make that clear, the plans first sent in did not agree.

Witness retired.

Mr. ROBERT W. HEWSON, called and sworn.

By Mr. Ames :

Q. Your name, if you please?—A. Robert W. Hewson.

Q. Your occupation?—A. I am a barrister and attorney at law.

Q. Your residence?—A. Moncton, N.B.

Q. Will you kindly take cognizance of a cheque dated February 23, 1906, in which the consideration is \$10,490; said cheque being payable to James Friel and Robert W. Hewson and tell us whether you are the Robert W. Hewson referred to in that cheque and whether the endorsement on that cheque is your signature?—A. Yes, I am. I am the party named in that cheque and I am the endorser of the cheque.

Q. Will you kindly tell me whether you are familiar with the signature of James Friel?—A. I am.

Q. Is that James Friel's signature on that cheque?—A. It is.

Q. Will you kindly tell me whether you are familiar with the signature of Matthew Lodge?—A. I am.

Q. Is that Matthew Lodge's signature on the cheque?—A. It is.

Q. Will you take cognizance, please, of the account rendered for \$10,490 in which certain lands are referred to?—A. I have it, sir.

Q. What was the date on which this account was rendered to and paid by the department?—A. February 6, 1906, is the date the account was rendered.

Q. And the date of its being paid is that specified in the cheque or approaching that date?—A. I do not see it, but no doubt it was.

Q. This is for the land covered by the \$10,490 cheque, I presume?—A. Yes.

Q. When all these properties were sold, for \$10,490, was the title to all those properties vested in yourself?—A. It was.

Q. It was?—A. Yes.

Q. Will you kindly tell us with reference to each of the several properties how you came to acquire them and what you paid for them?—A. Well, how I came to acquire them—how do you mean?

Q. Tell us when you acquired them, as near as you can remember, and what you paid for them, in each instance. Take for example, we will begin with the Graham

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property; do you wish to look up the deed of the Graham property?—A. That is the only way I can tell; if I have the deed.

Q. Very well, you look up the deed for the Graham property then; you will find all the deeds in connection with the lots at the back of that file of correspondence.—A. These deeds might not possibly tell the exact date on which they were executed, but it would be about the time they bear date, that is as near as I can say.

Q. Have you found the deed with reference to the Graham lot?—A. This appears to be the search, it is not the deed.

Q. Well, the searches will do just as good. You have found the search in reference to the Graham lot, have you?—A. I do not find the deeds to myself.

Q. You will find, I think, the search, and possibly the deeds as well.—A. I find the deed from myself to the King.

Q. From yourself to the King?—A. Yes.

Q. And that deed is dated?—A. On the 30th of January, 1906.

Q. And it is registered?—A. It does not seem to give the date of registration.

Q. That is immaterial, however. I think you will find the searches, you may not find the deed to yourself, but the searches will accomplish the same purpose. Will you kindly turn up the searches for the Graham lot?—A. Yes, I have it.

Q. Now, will you look at the end of that search and tell me the date on which you appear to have acquired the lot?—A. On December 29, 1905.

Q. And it was registered on?—A. That does not seem to be here.

Q. Never mind, you acquired the Graham lot on December 29, 1905?—A. It appears that way, it is dated December 29, 1905, and registered on February 1, 1906.

Q. The search shows that it is dated on December 29, 1905, and registered on February 1, 1906?—A. Yes.

Q. Will you kindly repeat the date on which you sold that property to the King?—A. The deed is dated January 30, 1906.

Q. It was in your possession then for about a month, according to the deeds?—A. It would appear so, I do not recollect.

Q. What did you pay for the property?—A. The Graham property.

Q. Yes?—A. My recollection is that I paid \$1,500.

Q. Will you now take up the Fownes' property? Will you give me the date of the deed that the Fownes' property was sold to you?—A. It appears to be November 8, 1905.

Q. And it was registered when?—A. Feb. 1, 1906.

Q. And was disposed of by you to the government?—A. Under the same deed; I took title to all these properties which were disposed of at the same time by me.

Q. With reference to the Fownes' property, then, you sold that to the government when?—A. At the same time as the others.

Q. Repeat the date please?—A. January 30, 1906.

Q. What did you pay for the Fownes' property?—A. \$1,350, I think.

Q. Will you kindly turn to the Hannah property?—A. Yes.

Q. And examine the search of the Hannah property?—A. I have it.

Q. When did you acquire that property?—A. November 25, 1905.

Q. When did you sell the Hannah property to the government?—A. January 30, 1906, about that time.

Q. And what did you pay for the property?—A. \$2,000.

Q. Now will you kindly turn to the White property, the Mrs. George White property, or, as it is known, the Kelly lot?—A. Yes.

Q. When did you acquire the Kelly lot?—A. January 25, 1906.

Q. And when did you dispose of the Kelly lot?—A. At the same time as the others, January 30, 1906.

Q. It was in your possession five days, according to the deeds?—A. According to the deeds.

Q. What did you pay for the Kelly property?—A. \$3,000, I think.

Q. In all, besides these four amounts that you paid for these four properties namely, \$1,500, \$1,350, \$2,000, and \$3,000, what other payments did you have to make and on what account? Were there any tenants, damages, or were there any payments in discharge of claims against these four properties?—A. Well, there was a tenant in the Graham property who claimed that—I do not recollect what he claimed, but I know he had to be paid something for the lease.

Q. He had to be paid something; by whom was he paid?—By Mr. Matthew Lodge.

Q. Have you any idea what he was paid?—A. He was not paid less than \$150.

Q. About \$150. Now, that was, I understand to satisfy the tenant who was expected to move out?—A. He had a lease for a number of years, that is my recollection of it, for quite a term of years, he thought he had a cheap lease and did not wish to give it up.

Q. That was for his equity in the lease?—A. It was the lease itself.

Q. As a matter of fact has he been dispossessed yet?—A. I do not think he has.

Q. He is still living there, but the \$150 was simply to purchase his right to remain there for the full extent of the lease?—A. I understand so, he would have to go out whenever the government wanted the land.

Q. Were there any other claims against these properties that had to be satisfied?—A. There was found to be a difficulty in the title from one of the prior owners of the Jones' estate, and there had to be a quit claim deed obtained from one of the heirs of the late Oliver Jones, and Andrew H. Jones was the party in whom the title, whatever it was, rested at that time, a mortgage claim, and he had to be paid something.

Q. That is for the Jones' quit claim?—A. Yes.

Q. That was paid by whom?—A. By me.

Q. How much was that?—A. I paid him \$50 and something else, in reference to the title, a little more, but I remember giving him \$50.

By the Chairman :

Q. This same evidence was given by you last year, was it not?—A. No, that was in reference to a different purchase.

By Mr. Ames :

Q. You received how much for your services in this matter, Mr. Hewson?—A. Well, I received my charges—\$250.

Q. Now, you will notice, you therefore paid \$1,500, \$1,350, \$2,000, \$3,000, and \$50?—A. Will you just give those figures to me again.

Q. You paid \$1,500, \$1,350, \$2,000, \$3,000, and \$50; five amounts?—A. Yes.

Q. And those five amounts which you paid aggregate \$7,900?—A. \$7,900.

Q. Was that the total of the payments you made in order to acquire the property?—A. That is my recollection of it.

Q. That is your recollection of it. Now will you explain the presence of the signature of Matthew Lodge on the back of that cheque?

By Mr. Macdonald :

Q. Did you get the advantage of that title that Mr. Lodge secured by the payment of that \$150?—A. Yes, he went into this.

Q. So that in counting up the cost of these properties the \$150 has to be counted in?—A. Yes, I intended mentioning that.

By Mr. Ames :

Q. My question was with regard to the entire expenditure on your part that was required to obtain the full claim of the proprietor, the tenants, and all quit claims to this property, and your expenditure was \$7,900?—A. Well, that would hardly be fair because it took \$150 to get that right from the tenant. It really took

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\$8,050, which was the whole amount; He would not relinquish that right to me but it was paid by Mr. Lodge.

Q. I intend taking that out of Mr. Lodge's margin.

Mr. MACDONALD objected that the Committee should be placed in possession of information showing the total cost of the property to Mr. Lodge.

By Mr. Ames :

Q. Will you kindly tell us why Mr. Matthew Lodge's endorsement appears on the back of that cheque?—A. Why his endorsement appears there?

Q. Why it appears on the back of that cheque?—A. It is just this that I purchased this land for Mr. Lodge.

Q. You purchased this land for Mr. Lodge?—A. Yes, I purchased it for Mr. Lodge and in getting it in this way, through myself, I did the same as I did before with regard to former lands; I took the deeds myself from the different people, and the title was in me, and instead of adding another deed to it I simply made the Crown a bargain and sale deed without warranty to the government. It was Mr. Lodge's land, it was done for him, I simply conveyed it to the King; then when the cheque came it was made, because the property was in my name, to me through the solicitor of the government, Mr. Friel. It was brought to me and I signed it, I put my name on the back of it, there was nothing further than that. I know nothing except that. Afterwards I was paid \$250 for my legal services.

Q. Then the whole sum, \$10,490 was immediately transferred to Mr. Lodge?—A. Whatever the sum was, I did not look at it myself, but whatever the cheque was for.

Q. Look at the cheque and answer the question. Was the whole sum paid out by the government to you and Friel immediately transferred to Mr. Lodge?—A. I cannot say; I do not know that Mr. Lodge was present, it went to Mr. Lodge at any rate.

Q. The money went to Mr. Lodge at any rate?—A. Yes.

Q. I may repeat, in order that there shall be no misunderstanding—you have stated that the arrangements by which you had acquired the property involved an aggregate expenditure of \$7,900, and you have said that Mr. Lodge paid \$150 to the Graham tenant, and you have also stated that you got \$250?—A. Yes.

Q. That makes \$7,900 plus \$400 or a total of \$8,300?—A. Yes.

Q. The difference between \$8,300 and \$10,490, or \$2,190 to the best of your knowledge and belief went to Mr. Lodge?—A. Yes, the full amount of the cheque went to Mr. Lodge.

Q. Will you tell us the circumstances under which you came to act in this transaction and when the matter was first broached to you?—A. Well, I was asked by Mr. Lodge to purchase this land; he wanted to know if I could get this land for him and I told him I thought I could and that I would try, and I did. He wanted to see that the land title would be all right.

Q. About when did Mr. Lodge first negotiate with you to act in his behalf?—A. It would be very early in the year.

Q. Early in the year?—A. Yes, very early in the year.

Q. One more question and then I will finish; were you on friendly terms with the various proprietors who were bought out in this transaction?—A. With most of them.

Q. Were they clients of yours?—A. Yes, people for whom I was doing business.

Q. Could you have purchased these properties and sold them to the government yourself for \$8,300 without the necessity of the intermediary, Mr. Lodge?—A. I could have purchased that land for anybody for the prices—I do not know about selling it; whether I could sell it to the government or not I do not know.

Q. But you could have purchased it at the prices?—A. I could have purchased it I think for any one the same as I could for Mr. Lodge. But who I could sell to is another thing.

By Mr. Barker :

Q. Are there two Matthew Lodges down there?—A. Yes, there are two, Matthew senior and Matthew junior.

Q. Are they father and son?—A. Yes.

Q. Is this the Matthew Lodge who gave evidence here last year about various matters?—A. I read in the newspapers that he gave evidence.

Q. You know him to be connected with other matters? Is it the same matter in connection with which you were here before the Public Accounts Committee last year that he was examined in?—A. Yes, I was examined here also.

By Mr. Macdonald :

Q. I notice that in Mr. Schwartz' valuation of these properties he says that these properties are paying in rents 'equal to 9 per cent on the above valuation.' That is equal to 9 per cent on a valuation of \$10,500; I presume that is correct?—A. Oh, I don't know what they are paying at all, sir; no, I do not know what they are paying as tenants at all.

Q. You did not know at that time?—A. No.

Q. Mr. Schwartz would no doubt have definite information on which to base that statement?—A. I suppose so.

Q. Do I understand you acted for some of these gentlemen who own these properties?—A. I have done business for some of these gentlemen. For instance you will notice I have completed the title particularly in what is referred to by Mr. Ames as the Kelly property. I foreclosed that.

Q. I notice there is a mortgage on another property too?—A. Judge Webb's?

Q. Yes.—A. I paid him off in that case.

Q. You had special means, as a solicitor, of being in touch with the parties who could make title all around in regard to these various properties?—A. I think so, as well as any solicitor there, because they all did business through me with the exception of Mrs. Graham. She had a solicitor.

Q. You considered yourself in probably a better position than any other solicitor in town to get the parties together and make an amicable settlement, and clean up the title?—A. I would not say better, but as well as any of them.

Q. I am speaking about the position of your clients and these properties being in 'your office,' as a solicitor would say. I assume that the task of accumulating these properties and of making all these inquiries, and of doing everything in connection with the handling of them that a real estate man would do, would entitle him to some profit would it not?—A. Yes.

Q. Have you ever been in that position yourself in the way of handling properties that way? Do you do much in the real estate line?—A. I have had a good deal to do with real estate—well not a good deal but considerable.

Q. Is Moncton a town in which the properties are increasing in value as whole?—A. Well, it is a town where it increases rapidly, and it goes down very rapidly, that is my experience.

Q. That is a slight change of situation will depreciate the property?—A. Yes, very much.

Q. I assume from your experience that you would say this triangular piece of property would be worth, having regard to its situation, very much more when in the hands of one person than when taking these lands individually? I have noticed in these papers here a plan showing this triangular lot and it is right in the vicinity of the Intercolonial property, and according to this plan, there were 1, 2, 3 lots with a lane and back lot?—A. Yes.

Q. It struck me that that triangular piece, as a matter of ordinary business conditions, anyway, would, when the title to the whole lot was fixed in one person, be worth very much more than if you had to take up the individual properties?—A. I suppose that would depend on what you wanted it for, but that is a matter of expert evidence, I cannot tell you that.

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Q. From your knowledge of the conditions in Moncton, what would you say about that?

Mr. AMES.—If Mr. Hewson is to be examined as an expert on land he should be recognized as such and paid accordingly.

The CHAIRMAN.—I understand that Mr. Macdonald's question is what he thinks about it. I can assure you, Mr. Hewson, that if you are entitled to anything more than the ordinary allowance on account of answering this question you will receive it.—A. Will you allow me to say a word or two in regard to this question that has been raised? I have had considerable to do with real estate and when the Minister of Railways asked me last year as to the value of lands there in Moncton he knew perfectly well what I had to do with real estate there, being solicitor and agent of the Building Society which has over 400 mortgages and a large real estate business outside of that. I was brought here at the time to give this evidence and I then asked this committee that having been taken away unexpectedly, I only had a few minutes notice, I had to come away from my business not having had time to procure any one to look after it, I asked them to allow me something beyond the ordinary expenses, as they had in a case from Montreal where a notary was allowed \$10 for giving evidence, not as a notary but with regard to a matter he knew about; and there was a doctor also who was allowed \$25 a day, but I was not allowed anything. I think it is only fair if I give evidence to the best of my ability and judgment as to what this land is worth I should be allowed something beyond bare expenses, especially when it is a very great loss to me to be taken away from my business by telegraphic notice.

Q. That is a matter the committee will consider?—A. I spoke to Mr. Emmerson about it before, and I have also spoken to Mr. Fielding since.

Q. Of course I understand you are a partisan of your party?—A. I am trying to give this evidence clear of any bias.

Q. Nobody said anything about party until you introduced it here.—A. I beg your pardon I understood you to say that I had taken care to communicate my ideas to Mr. Ames.

Q. I thought when Mr. Ames burst in so unceremoniously when I asked you a plain question, and when you gave your explanation afterwards, that you and he understood each other.—A. I spoke to Mr. Ames the last time I was here, after I had given my evidence—I did not know Mr. Ames—about it. I spoke to him about it, and when I saw him here again I spoke to him about it and told him that I had not been allowed it.

Q. Mr. Hewson, do I understand you to say that Mr. Lodge had retained you as his solicitor to secure those titles?—A. Yes, that is certainly what he did.

Q. And in the course of doing so, exclusive of your own charges, the amount of money which you paid out was \$8,050?—A. Well, I gave it to you there.

Q. It was \$8,050?—A. \$8,050.

Q. Your solicitor's fee was \$250?—A. That was what he paid me.

Q. Well, I am only going to ask you one question in regard to that. Would you consider that Mr. Lodge, from the part he necessarily took in the thing, the confidence he had in you, and the work he had done, would not be entitled to a fair share of profit on his investment? From your knowledge of the amount of attention paid to the matter along with yourself, and the investing of the money, would you not say that Mr. Lodge was entitled to a fair share of the profit?—A. Yes, I should certainly hope he would get it.

Q. I want to know what you think, you are a solicitor, and speaking from the knowledge of facts, whether he is not entitled to a profit? You know better than any one else what Mr. Lodge did in that connection; was he not entitled to a fair share of profit?—A. I think he was, as I understand your question I think he was.

By Mr. Barker:

Q. I suppose you made a fair charge for your services?—A. Yes, I thought so, I think it was very small for the work I did.

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Q. No doubt it was; nobody is questioning it for a moment. I have not here, nor has anybody else that I have heard, said anything on that subject. But I suppose you would have been willing to do the work for another client at the same charge?—A. Yes.

By Mr. Ames:

Q. Now, with regard to the purchase, did you actually purchase and pay for these properties before you received the money from the government?—A. Did I pay for them?

Q. Did you actually pay for these properties before you received the money from the government?—A. Oh, yes, the property was paid for.

Q. You have said in reply to Mr. Macdonald that you considered Mr. Lodge was entitled to a fair consideration for the display of energy that he put forth in this matter. What did Mr. Lodge do? What did he do that entitled him to anything?—A. I may have been wrong about that, I understood from Mr. Macdonald that the line of the question he asked me before was as to his being entitled to something more than what I had paid for it.

Q. I understood Mr. Macdonald's question—he will correct me if I am not accurate—was whether you considered that the work done by Mr. Lodge in this connection would not entitle him to some consideration.

Mr. MACDONALD.—I asked him whether or not the investment made by Mr. Lodge, the trouble he had taken, the general work which a man has to do in connection with the purchasing of a number of lots of property and the transferring of them en bloc, whether all these things did not entitle Mr. Lodge to a fair share of profit, and I understood him to say that it did.

By Mr. Ames:

Q. And I am asking whether Mr. Hewson himself did not practically do all the work?—A. I practically did all the work.

Q. What did Mr. Lodge do that should entitle him to \$2,090 when Mr. Hewson did practically all the work?—A. Well, I do not know. My answer is that he paid me \$250 and I did the principal part of the work.

By Mr. Macdonald:

Q. Do you mean to say that you thought I was not asking you whether Mr. Lodge was not entitled to a fair profit, but that you thought I was asking whether your fee of \$250 was not well worth it?—A. I did not understand the question.

Q. Do you tell me now what I understood you to tell Mr. Ames a moment ago, that you thought I was asking whether your own fee was quite enough?—A. I did not say, I thought that was involved in this that he was entitled to something over and above what he got. I asked you the question whether you meant over and above what I paid for the land.

Q. What did you mean when you said you hoped he would make something?—A. I hoped he would make something by it; I certainly did.

Q. But as a solicitor, do you not think that any man who goes into an investment of any kind or into a real estate transaction where you collect four different properties and bring the titles into one, who puts up his money and loses the interest, and also gives his attention to a subject of that kind and then negotiates for the sale of that property in one block, do you not think that man is entitled to some profit?—A. I look upon that as a matter of speculation. I do not see where you get the ground work for your contention that he is 'entitled.'

Q. Do you mean to say that you do not stand now for what you said to me a few minutes ago, that Mr. Lodge was entitled to a fair profit?—A. I do not quite understand what you mean when you say that he was entitled to a fair profit.

Q. Do you mean to tell me that out of this transaction—to put it in plain English without any conditions at all—do you not think that Mr. Lodge, who was the

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man who put up the money, who gave you the money to put up, who looked after things, who was the man who took the full responsibility and who stood behind the solicitor, was entitled to a fair profit out of the transaction?—A. I fail to see where you get the basis for ‘entitled.’ It was a matter of speculation. With all due respect to you I do not think it is a plain question.

Q. You know something, as a solicitor, about the way business is conducted in Moncton; and I suppose it is not any different there to anywhere else. You know that as a general rule, when real estate changes hands, a man does not go into an investment in real estate without hoping to make money out of it?—A. Well, I never did.

Q. No?—A. I never did.

Q. Well, now, if you had the whole responsibility, Mr. Hewson, in this matter yourself, if you had put up the money, if you had done everything, do you not think that you would be entitled to a fair share of profit?—A. Again I do not quite understand. ‘Entitled,’ whom am I entitled to get it from?

By the Chairman:

Q. You might change the word from ‘entitled’?—A. I would hope to make something. I do not think I would go into it if I could not.

By Mr. Macdonald:

Q. You do not think you ought to be criticised if you did make something?—A. No.

By Mr. Ames:

Q. Where is Mr. Lodge at present?—A. I think he is in London.

Q. In London, England? He is not available as a witness?—A. Well, it would take some time to get him, I suppose.

By Mr. Macdonald:

Q. Will you kindly read to the committee that letter, I want to ask you about it (producing file)?—A.:

‘MONCTON, January 12, 1906.

‘Hon. H. R. EMMERSON,
‘Minister of Railways, &c.

‘SIR,—I have looked over the properties acquired by the I. C. Ry., situate just over the North railway crossing and fronting on Main street, Moncton, and have made up my estimate of the value of the same as follows:—

‘Frontage on Main street, 274 x 100, at \$10.	\$2,740
‘Balance of land beyond 100 feet back.	1,200
‘Buildings on White property, two houses, \$1,900, \$700.	2,600
‘Buildings on Hannah property, house, \$1,800; barn, \$150.	1,950
‘Buildings on Fownes’ property, house and outbuildings.	1,200
‘Buildings on Graham property, house and barn.	800
‘Total.	\$10,490

‘These properties are paying in rents equal to 9 per cent of the above valuation.

‘Yours, &c.,

‘W. O. SCHWARTZ.’

Q. Do you know Mr. Schwartz?—A. I do.

Q. He is a resident in the city of Moncton, is he not?—A. Yes, he is.

Q. Would he have the means to judge, from your knowledge of him, as to what the fair value of that property would be—from what you know of him, I mean?—A. No, I cannot say that.

Q. You cannot say that?—A. That I would judge of the value of this land from what I know of Mr. Schwartz.

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Q. I suppose you understood that question?—A. I understood it as I repeat it to you.

Q. You have a very clear understanding?—A. Perhaps we are both a little that way.

Q. What I wanted to ask you was whether you know Mr. Schwartz?—A. I told you I did.

Q. And whether you thought Mr. Schwartz was in a position to value the property intelligently from what you know of him?—A. If he was in a position to value the property from what I know of him? I cannot answer that.

Q. Why not?—A. I do not know what position he is in about it.

Q. Do you know Mr. Schwartz?—A. I do.

Q. What does he do in the town of Moncton?—A. I think he lends money to quite an extent—he is a money-lender.

Q. A sort of broker?—A. Yes, a sort of broker.

Q. Does he know anything about the value of land in Moncton?—A. He ought to, he certainly should.

Q. You have no doubt about that?—A. No, he is a very respectable man.

Q. You have nothing to say against him. He is a very respectable man, and he ought to know the value of lands in Moncton?—A. Yes.

Witness discharged.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RESPECTING

PAYMENT OF SUBSIDY TO

COLLINGWOOD SHIPBUILDING COMPANY

IN CONNECTION WITH

COLLINGWOOD DRY DOCK

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

NINETEENTH REPORT.

Your committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$30,000 to The Collingwood Shipbuilding Company, in connection with Subsidy to the Collingwood Dry Dock, as set out at page V—246 of the Report of the Auditor General for the fiscal year ended June 30, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed, and rule 72 suspended in relation thereto.

All which is respectfully submitted.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 OTTAWA, Tuesday, February 26, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the Chairman, Mr. Geoffrion, presiding.

The committee proceeded to the consideration of a payment of \$30,000 to the Collingwood Shipbuilding Company, subsidy for two years to November 16, 1905, on account of 'Collingwood Dry Dock ; Subsidy,' as set out at page V—246, of the Auditor General's Report, for the fiscal year ended June 30, 1906.

On motion of Mr. Maclean (Lunenburg), permission was given the Collingwood Dry Dock Company to be represented by counsel, so Mr. H. S. Osler appeared for the company.

Mr. THOMAS LONG, called and sworn.

By Mr. Bennett:

Q. You are the president and secretary treasurer of the Collingwood Shipbuilding Company—I think that is the corporate name, Mr. Long?—A. Will I stand up?

Q. No, no, sit down.—A. I am the vice-president of the company.

Q. The reason why I said secretary treasury was on account of a report having been brought down with the correspondence, signed by you and at that time I assumed you were the secretary treasurer.—A. I was at one time.

Q. Yes, that is right. What was your first connection with the Dry Dock Company which was incorporated in the year 1889, or were you connected with the Dry Dock Company that was incorporated in Collingwood in 1889 with a capital of \$50,000?—A. I think so.

Q. Tell me who else was concerned in that dry dock with you?—A. You mean the stockholders at that time?

Q. Yes, the stockholders.—A. Well, I do not know whether I can remember them all or not, but I think I can remember some of them. There were my late brother, John J. Long, the late Charles Cameron, Captain Peter Campbell and William Kough.

Q. Am I correct in saying that the capital was \$50,000?—A. I do not know, I do not remember.

Q. Subsequently the capital was increased I understand on the 3rd of March, 1900, to \$200,000? Is that correct?—A. Possibly, I could not say, I have not the figures before me.

Q. Mr. Long, perhaps you would expedite things if you will make a note of some matters as we go along, and afterwards this note can be referred to. My information is that it was \$200,000 on the 3rd of March, 1900. Now, if it was \$200,000 on the 3rd of March, 1900, who were the stockholders, or were they practically the gentlemen you have named before?—A. At that time I think they would be.

Q. At that time they would be?—A. I think they would.

Q. How did you acquire this dry dock at Collingwood first?—A. Well, we acquired it from the municipal corporation.

Q. From the corporation?—A. Yes.

Q. As a matter of fact it was given over to your company by the corporation?—A. On certain conditions.

Q. On certain conditions?—A. Yes.

Q. After the capital had been increased, whether it was \$100,000 or \$200,000, did you make arrangements with the town as to any concessions they should give

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you?—A. Well, the only concessions I remember, at that time, was the taking over of the dry dock from the municipal corporation and operating it.

Q. Operating it?—A. Yes.

Q. Did the town at that time give you a bonus of \$50,000?—A. No, not at that time.

Q. They did not at that time?—A. No.

Q. This corporation, whether on the basis of \$100,000 or \$200,000, gave you concessions. Can you tell me the conditions or the time that this bonus of \$50,000 that you refer to was given?—A. I cannot remember the time. It may have been in 1901 or 1902, but I cannot say which; I do not remember the year, but I do not think it was as early as 1900.

Q. You do not think it was as early as 1900?—A. No, I do not think so.

Q. You do not think it was as early as 1900?—A. I do not think so. It may have been 1901 or 1902, but I am not positive about that. We got a bonus of \$50,000 from the municipal corporation, but what year it was I cannot say.

Q. I find by the papers brought down that on the 20th Dec., 1900, your company presented a petition asking that the government, might, among other things, enter into an agreement with you to give your company the then bonus that was payable towards dry docks, which I believe was 2 per cent. Do you remember that negotiations were undertaken with the government about that time?—A. I do not remember, but it is possible that there were.

Q. Your petition I might say is dated 20th Dec., 1900. I will read from the document what your petition stated you proposed to do: 'The new dock would be from 425 to 500 feet long, by 75 to 80 feet wide, and from 18 to 20 feet deep, and is estimated to cost \$200,000.' I am now reading from the petition prepared by your solicitor, who was Mr. John Birnie at that time. Was Mr. Birnie acting for you at that time?—A. I am not sure, he may have been.

Q. His name is endorsed on the back of the petition, so that I assume he was. Now, when you made that application, did you have plans prepared for a dock?—A. We had plans prepared, but whether they were the plans described in the note you have I would not be sure.

Q. By whom were the plans prepared?—A. I forget. It was some architect, but I do not remember who it was.

Q. Now, Mr. Long, perhaps at this stage, if you will produce your ledger, that will show the commencement of the account in connection with this dry dock, and the reference might bring out who prepared the plans, that it is necessary to get. Will you show us the accounts?—A. Yes (produces ledger).

Q. Looking over the account, Mr. Long, do you find in the year 1900 a payment to any person for services in preparing plans?—A. The first date that I have in connection with the dry dock is the 12th Feb., 1901.

Q. 12th Feb., 1901?—A. Yes.

Q. That is the first entry?—A. Yes.

Q. This is strictly the account of the Dry Dock Company?—A. It is of no other company.

Q. In what book were the entries carried, prior to that time, of this Dry Dock Company?—A. Sir?

Q. In what book of accounts were the memoranda and entries, by way of book-keeping, made prior to the setting out, of the commencement of that book?—A. Well, I suppose there was some other book before this date.

Q. Will you be good enough to let us see that other book before that date?—A. I have not got it.

Q. Will you please take a note of it.

Mr. OSLER.—Let me explain. There were some books prior to this, but we found, on investigation, that they had been destroyed by a fire that took place in 1902.

The WITNESS.—No, in 1903.

Mr. OSLER.—In 1903, was it?

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The WITNESS.—Yes.

Mr. BENNETT.—Please take a note and see whether you can get that book.

Mr. OSLER.—Search was made before and they could not be found.

The WITNESS.—Yes, decidedly, the books were destroyed at that time.

By Mr. Bennett:

Q.—What is the first entry there?—A. 12th Feb., 1901.

Q. Now at that time, according to your petition, this dock was to cost the sum of \$200,000. Let me call your attention to the next letter that was written by the shipbuilding company to the Minister of Public Works in which you were asking simply that the law might come into effect as to the payment of the 2 per cent. On the 15th of August there appears in the correspondence a letter written by Mr. Coste to the then Minister of Public Works, the Hon. Mr. Tarte, in which he states that the proposed dock will be 530 feet in length, 78 feet in width, and 15 feet on the mitre sill, and that the cost will probably be \$400,000. Can you tell me, Mr. Long, who made that estimate as to the cost of the dock being probably \$400,000?—A. If you will remember you made mention of the dimensions of the dock before that, and who supplied the plans. You mentioned a dock of certain dimensions and you asked who provided the plans, who made the plans. I said to you that I could not remember, but there were plans. But the plans, and the size of the dock the company had mapped out, were not satisfactory to the Minister of Public Works. He said it ought to be larger, ought to be a large dock, and then the Department described that the dock ought to be 530 feet in length and the other dimensions that you mentioned in that letter. That is the style of dock that was built in accordance with that suggestion.

Q. So that on the 20th December, 1900, you were mapping out a dock with a length of 500 feet, 75 to 80 feet wide, and 20 feet deep, at a cost of \$200,000?—A. Oh, no, it would cost more than that.

Q. Then I will have to refer to your petition. Your petition states, Mr. Long, as to the size of the dock, in section 10: 'The proposed new dock will be from 425 to 500 feet long, by 75 to 80 feet wide, and from 18 to 20 feet deep; and is estimated to cost \$200,000'?—A. That is in addition to the dock that was there already. That would be the extension of the then present dock to these dimensions by utilizing the dock that was there.

Q. By utilizing the dock that was there?—A. Yes, and it would cost as you have it—our proposition to enlarge the dock as it was then would cost \$200,000.

Q. Additional?—A. Yes. Additional, yes, but that is not the dock that was built as it is now.

Q. I am quite well aware of that, the other dock is ten feet longer, and two feet or so deeper.—A. It is deeper; it is the mitre sill depth that you have there which of course—

Q. Can you not recall at all who prepared that plan?—A. No, I do not remember, there was a plan, but I do not remember who prepared it.

Q. You have no idea at all who prepared that plan? Was it a local man there?—A. Do you mean the first plan?

Q. Yes.—A. I do not remember.

Q. You have taken a note of it and will endeavour to find that out?—A. However, that is not the dock that was built.

Q. That is correct, we will agree on that. Now, I have come to this letter in the return, this letter of August 15, and in that letter Mr. Coste refers to Mr. Tarte in connection with this matter, and he speaks of the dock being 'length over all 530 feet, width, coping wall 78 feet; depth on mitre sill 15 feet'?—A. Yes, but you see that the mitre sill would not be the depth of the dock.

Q. No, I grant you that. He had given you an estimate for that new dock, 530 x 78 and 15 feet on the mitre sill?—A. The dock as it is you mean?

Q. Yes.—A. The work was done by day-work; we found that to utilize the dock

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that we had, and to extend it to the dimensions such as you have read, that it was difficult to get any one to contract for it. Therefore we had to build it by day-work.

Q. You had plans and specifications to work on? Who prepared the plan on behalf of the company?—A. Those are the best plans now that you are speaking of?

Q. Yes, that would practically be the last plan, I assume.—A. The plans that the present dock were built on and the specifications, we were given to understand by the Department of Public Works that we were required to build a dock, if we expected assistance from the government, in accordance with plans that would be accepted by the government.

Q. I see.—A. And we asked Mr. Louis Coste if he could have plans made that would meet the government requirements.

Q. I see.—A. If he could have plans prepared by some one that would come up to the standard and would fill the expectations of the Department when completed. So these plans were prepared in that way.

Q. Now, the first entry in the book concerning expenditure is on February 12, 1901, that is correct?—A. Yes.

Q. Now, before that, tell me, had there been any expenditure on the dock, and if so to what extent?—A. Well, the dock as it was up to that time, we spent more or less money on it all the time, keeping up repairs in the usual way. We were spending money on the dry dock all the time.

Q. Looking at the books can you tell me when the actual work commenced of dismantling the old dock and of commencing work on this new dock?—A. Well, I suppose, we possibly commenced to prepare for the new dock at this time. I suppose we did, because it goes back to about that time. You see we had to make preparations to make the change, and we wanted to utilize the dock as it was as long as we could in case a vessel requiring repairs came along. So we left the dock as it was, standing there without dismantling it as long as we could, but we were preparing to go on with the extension.

Q. When you had started on the work, commencing the construction of this new dock, had any stock been sold in the company to any parties outside of those whose names you have mentioned; yourself, your brother, Mr. Cameron, or Mr. Campbell, and I think there was another gentleman?—A. Mr. Kough. I do not remember any others than those I mentioned.

Q. So that all the expenditure up to that date had been out of your individual pockets, had it?—A. Well, a good deal of it directly, and some of it indirectly in this way, that we were operating that plant for about sixteen years before that time, and instead of taking any of the net earnings out of the company and using it for something else, on account of our interest in the company, as stockholders, we left it in for the improvement of the property. We did not draw it out.

Q. Where are the books of account that will show these dealings?—A. Those books are burned. We had a fire in the winter of 1903-4 and those books that date back before this one we have produced were burned in that fire.

Q. Can you tell me, approximately, how much money had been invested prior to this date, when the entries commenced in this book?—A. Well, I can just tell it in this way, the stockholders at that time had subscribed each a certain amount of money as stock.

Q. Tell me what those amounts were?—A. I could not tell you from memory.

Q. Approximately?—A. You say it is \$200,000, do you not?

Q. That is the capital stock.—A. Yes, well there was—

Q. Take the Long Bros., how much had the Long Bros. invested, about, yourself and Mr. John J. Long?—A. Of course I could not swear to that, as to the amount.

Q. Approximately?—A. It would only be approximately, but out of the \$200,000 it might be possibly \$100,000; but I do not give you that as exact.

Q. I see, you can do it subject to that reservation?—A. Yes.

Q. How much did Charles Cameron put in?—A. He possibly put in \$30,000.

Q. \$30,000 in cash?—A. Yes.

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Q. Who else put anything in, Peter Campbell?—A. Mr. Cameron would have more than that in, possibly \$40,000.

Q. Which, Cameron or Campbell?—A. Cameron. I am not giving you these figures as accurate.

Q. It was Campbell had \$30,000?—A. No, I said Cameron had \$30,000, but I think it was \$40,000.

Q. What about Peter Campbell?—A. He had some, but I do not know how much. It was not a very large amount; the other stockholder, Kough, had considerable.

Q. What would you call considerable?—A. Well, I do not know, \$40,000 or so.

Q. \$40,000?—A. Yes, he might have had that much.

Q. That would be \$180,000 that has been accounted for. Will you take a note, please, and produce the books of Long Bros., later on, to show how that amount of Long Bros. subscription was checked out? Even if their books, and those of the Dry Dock Company are burned, you will have your private books and cheques?—A. It was the books of the Shipbuilding Company and the Dry Dock I was asked to bring here.

Q. Yes.—A. And the books of the Long Company have nothing to do with this case.

Q. That will be a matter for the committee. If I ask a man who says he has no book, that his book has been burnt, but according to the book he paid \$100,000, it is fair for me to say that if he has lost his cheques I can get the proof from the bank that such a cheque passed through the bank. All that we ask is that you will produce your returned cheques, the returned cheques of Long Bros., to show what you had paid?—A. You asked me to give you approximately the amount, and I said to you that I did not give you the amounts as accurate.

Q. Subject to that explanation I asked you to produce your cheques.

Mr. H. S. OSLER.—I object to the question. Of course the company comes here under a disadvantage, no charges being formulated in any way, and we come here with the understanding that what the committee desired was to show how much money had been invested in this dock—what has been expended on this dock, what was the expenditure on the dock, in connection with which the subsidy was granted. I would like to know if the committee thinks that it is something that ought to be gone into as to what the shareholders had invested in their property before this dock was ever thought of. That is what this line of examination comes to. I might say, in explanation of that, that the question as to what has been invested by the original shareholders, and as to how much or what they are entitled to credit for in the increase in value that had taken place, for example, the accumulation of earnings of the dry dock which had never been drawn out up to this time, from the hour the original company was formed in 1889, which was inquired into at the suit of certain shareholders who acquired an interest later on, in 1903, I think it was,—or 1904, I am told. Now, that is what the shareholders said to Mr. Long and his associates, 'you have too much stock as compared with your original investment.' Mr. Long and his associates said, 'it is quite true that we have more stock than is represented by the cash we put in at first, but the property has increased in value in our hands, we have been accumulating earnings which we have never drawn out, and the question is what was the value when you came in.' That culminated in threats of litigation which were, on the very edge of litigation, settled by an agreement satisfactory to all those parties. That is a very complicated matter, a matter which is impossible to go into at a moment's notice, and with great respect I submit that it has nothing whatever to do with the money that was put into this dry dock.

Mr. BENNETT.—The position is simply this: I have asked Mr. Long if he will produce the original books that will show this expenditure up to \$200,000. In answer to that Mr. Long says, 'I have approximately, with my brother, put in \$100,000.' I ask, 'is there an entry in the books to show that?' He says, 'unfortunately the books are burned.' I admit his statement, and I say, 'give us the cheques showing where you did put in the \$100,000.' That is all. Surely that is a fair question?

Mr. OSLER.—We are not here to meet that at all. It is not a question of what we put in before this subsidy was applied for. The question is what we put in after the subsidy was applied for; what we put into this dock, not what was put into this company originally.

By Mr. Bennett :

Q. In the last valuation by Mr. Coste of \$500,000 is there any property included which was embraced in this expenditure up to \$200,000? Let me give you an instance of that. Mr. Coste says that a blacksmith's shop, for instance, is worth such an amount. He says that an office is worth so much. Were the blacksmith's shop and the office there originally the same buildings?—A. You mean on the property as it is now?

Q. Yes, sir?—A. No.

Q. I want to be fair to you, Mr. Long. If you will take the two plans, the original plan and Mr. Coste's plan, the same out-houses—out-buildings is the proper word—the scale on the two plans is exactly the same, and they are in exactly the same position. Is it a fact you tore down the original boiler house and blacksmith's shop and office and replaced them with exactly similar buildings of exactly the same size and in the same position?—A. There were buildings that we had to take down in order to enlarge the dock, and those buildings, of course, have been replaced by very much larger buildings in keeping with the present requirements.

Q. Well, we will come to that later on. Will you take a note of it anyway and the committee may perhaps have a ruling later as to producing the cheques and vouchers to show your expenditures up to \$200,000?—A. I would not be able to do that, Mr. Bennett, because in this fire that I referred to in the winter of 1903-4—

Q. Yes.—A. All the old books and vouchers were packed upstairs over the office—

Q. That was in your store premises?—A. Yes. They were placed there to take care of them, and when this fire occurred in 1903-4 those were burned.

Q. However, you will take a note of that. These matters proceeded, I see, until 1902 when there was an agreement and specifications, and so on, made which were made, as you say, by Mr. Coste, and an estimate was made that the dock would cost some \$500,000. Now I am going to read a letter written by you on May 5, 1904, to the Minister of Public Works in which you ask for the payment of subsidy, and you say in clause 4, 'we desire to say that no particular amount was specified for the building of the dry dock but a complete statement, certified to by our president, was sent to you in June last showing the amount expended on the work.' I suppose you stand by your letter?—A. Yes, I think so.

Q. Now taking your book will you show me whether that complete statement was the amount expended on the work?—A. You can see it here, it is in detail.

Q. In detail?—A. Yes, it is in detail here. It commences here (pointing to ledger). It is carried on. It goes on there and then goes on here, then it goes on there and goes on here. That takes it up in 1902, but it goes further than that. Here you are. It is all in detail there.

Q. What is the total amount?—A. \$734,927, and this is to be added to it (producing sheet of figures).

Q. I see on page 242 the lump item of \$202,581.97, plant and machinery. Will you please give me the details as to how that is made up?

Mr. OSLER.—I think you will have to get that from Mr. Smith who is familiar with the books; I do not think Mr. Long knows that. If you do not mind leaving that for Mr. Smith he will be able to explain that.

By Mr. Bennett :

Q. You do not profess to say, you cannot say of your own knowledge, Mr. Long, that these figures are true?—A. I can. I know they are true.

Q. You know they are true?—A. Yes.

Q. Have you checked over everything that enters into that \$734,000?—A. I have not, but they have been checked by a chartered accountant that we got in the season of 1904.

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Q. Who was that chartered accountant?—A. Mr. Mackay, Toronto.

Q. Did he make a report?—A. He did.

Q. Has he got that report here?—A. We have the financial part of it here; we have the report here.

Q. Will you please produce it?—A. Yes.

Q. Mr. Long, seriously you would not want to tell the Committee that you think every item there is right?—A. I believe it to be right.

Q. I quite agree that you believe it to be right, but as to its being right you cannot say of your own knowledge?—A. I say I believe it to be right.

Q. I will take your answer as to that?—A. Why should the figures be put there unless they were right.

Q. I will take your answer as to that, you believe it to be right?—A. Yes, I do.

Q. Now in clause 3 of your letter written to the department you say, 'the amount received, subscribed, and paid in or by the sale of stock is \$870,000' ?—A. Yes.

Q. Is that correct?—A. I think so.

Q. How did you arrive at the fact that \$870,000 had been paid in for stock—by consulting the stockholders?—A. In this way, I think perhaps this is what you want to get out now, so I will tell you. At the time that we required additional capital to build this dock, we had to invite new capital to come in, and the property as it was up to that time, the earnings from it from year to year, as I mentioned before, were allowed to remain in the property and to keep improving it, and extending it as the requirement needed.

Q. Yes?—A. When this new capital was invited to come in we had property valued, as it was then, we valued it at \$550,000, I think.

Q. By whom was it valued, interrupting you for a moment?—A. It was valued by certain members, stockholders, and by those who seemed to know the value at that time.

Q. Tell me who those stockholders were and who those others were that knew the value?—A. There was my late brother and Charles Cameron—and there was Captain Cameron—and then some gentlemen in the town who would understand the value of land.

Q. Tell me, Mr. Long, what is the present capital of the concern; these papers state that it is \$2,000,000, and one of the papers state that the capital is to be increased to \$2,000,000?—A. I think the capital is \$2,000,000, it was increased to that I think.

Q. Will you take a note of that and see if it is so, because one paper says it is \$2,000,000 and another says \$1,000,000?—A. I cannot say whether it is one million or two million.

By Mr. Osler:

Q. The report of Mackay and Company will show that?—A. Perhaps that will answer your purpose, Mr. Bennett, there is a capitalization of either one million or two millions, one of the two.

By Mr. Bennett:

Q. That will do for the present, you will inform us later?—A. All the capital there was subscribed, and the paid-up capital is \$840,000.

Q. That can be amended afterwards, it is around there, one million or two million?—A. I am not sure whether it is one or two million dollars, but whatever it is there is \$840,000 paid-up.

Q. How much was issued?

Mr. OSLER.—\$870,000, that was before reorganization?—A. It may be one million or two million, I cannot say which.

Q. Now the letters patent, was it an application for letters patent from the Ontario government?

Mr. OSLER.—Yes.

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Q. Before this application for letters patent, or shortly after it a value was made of the dock, and it was valued at—how much, \$540,000?—A. That is what the government engineer valued it at, I think he thought it was of less value than we had put on it.

Q. Now, when the estimate was made on the basis of one million?—A. This book here will show what the cost was.

Q. When the new incorporation was granted on the 18th of April, 1902, at one million dollars, who were the stockholders in the concern up to that time? Had there been any stock in other years sold up to that time, up to the incorporation in 1902?

Mr. OSLER.—Will you allow me, the old capitalization was \$2,000,000, and the new incorporation was for \$1,000,000.

By Mr. Bennett:

Q. Now, up to the 18th of April, 1902, if that was the date, and I think it was—
A. Well, possibly it was.

Q. Or about that date; when these new letters patent were issued and \$1,000,000 capital was fixed—

Mr. OSLER.—That was not then, it was in November, 1905. The original capital was \$50,000, which was increased to \$100,000 and subsequently increased to \$2,000,000.

Q. What was the date of that? I have a memorandum that it was in April, 1902?

Mr. OSLER.—Probably at that time.

Q. Up to that time, April, 1902, were there any other stockholders in the company other than those who originally went in; the Long Brothers, Cameron, Campbell and Kough?—A. (Witness.) From memory I do not think there were.

Q. There was no other person in the company other than those I have mentioned?
—A. I do not think there was.

Mr. OSLER.—Captain McDougall.

WITNESS.—Oh, yes, there was.

By Mr. Bennett:

Q. Captain McDougall had come in?—A. Yes, he had come in.

Q. Up to that time there had been an expenditure on the concern of what would you say?—A. I think it was valued at \$550,000, I think it was.

Q. What was the length of the dock you were then building?—A. Oh, well, there was a dock already built.

Q. But you had proceeded on the work of the new dock at that time?—A. Yes.

Q. In 1902?—A. Well, the dock that we then commenced to build was the dock as it is now, 530 feet long, I think it is.

Q. Yes?—A. Yes, that is as it is now.

Q. What sum would you say, approximately, had been expended up to that date, April 18, 1902, when you went in for the \$2,000,000 capital?—A. On the property?

Q. Yes?—A. \$550,000.

Q. Had that amount been actually expended, Mr. Long?—A. We thought so—we thought so, between the money that we had put in and the money that was earned, that we called net earnings, and left it in the property.

Q. Where were these books that were destroyed, were they upstairs or in the vault?
—A. No, they were upstairs, we did not have a place to keep them. These books were all kept in the vault.

Q. Surely there must have been a ledger, was there not?—A. Yes, but all these books have been burnt.

Q. And the ledger was not considered valuable enough to be kept in the vault?
A. You are speaking now of the dry dock books?

Q. Yes?—A. Well, the books that we had up to that time were a small set of books, and when the company was reorganized they were, of course, put to one side, and closed, and we did not consider them of any more value, because these new books took effect then.

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Q. Up to that time, then the amount which had been disbursed, approximately, was \$500,000?—A. \$550,000.

Q. That was put in by the gentlemen named? The money that had been put up to that time was put in by the gentlemen you have named, with the addition of Captain McDougall?—A. Captain McDougall.

Q. How much hard cash did Captain McDougall put in?—A. I do not remember.

Q. You must remember, Mr. Long?—A. Well, I do not remember, if I did I would say so.

Q. Did he put in \$50,000?—A. I do not remember.

Mr. OSLER.—I renew my objection, Mr. Chairman.

The WITNESS.—I do not remember.

Mr. OSLER.—The dispute between the original shareholders and the subsequent shareholders as to that has nothing to do with what money was expended on this dock. I respectfully ask your ruling, Mr. Chairman, on that.

Mr. BENNETT.—The whole basis as to the stock held by these gentlemen rests on what they had expended in this work. We will agree on that won't we?

Mr. OSLER.—Not at all. If my learned friend wishes an explanation I am perfectly willing to give him one.

Mr. GERMAN.—I understand this investigation is to ascertain the correct value of the dock on which the government was paying a subsidy.

Mr. BENNETT.—That is right.

Mr. GERMAN.—Then I for one cannot possibly understand what the old organization has to do with this. It seems that Long Brothers and others put in a certain amount of money, \$400,000, or \$500,000, or \$600,000, whatever it might be. They reorganized and formed a new company to build a new dock.

Mr. BENNETT.—Oh, no, you are all wrong in your facts.

Mr. GERMAN.—They reorganized with \$3,000,000 capital instead of \$2,000,000, and the old dock was practically destroyed and eliminated. They used a portion of the pit in the new dock. These men built a new dock and amongst themselves adjusted the stock in the new concern by what they considered was the value of their holdings in the old concern. The question for us to consider is what is the value of this dock, taking it from the time they began to construct the new dock, with a plant, appliances and machinery connected with it.

By Mr. Bennett:

Q. Let me ask Mr. Long a question and see whether you are right. Mr. Long, do you state positively now that after this \$500,000 had been spent by the gentlemen you have named, that no part of the expenditure went into the work, that is the new part of the present dry dock?—A. The expenditure up to that time belonged to the dock.

Q. I did not ask you that question. Will you state that no part of that expenditure of \$540,000 is to-day in the property comprised in Mr. Coste's valuation?—A. I do not think I understand you.

Q. Mr. Coste has made a valuation of all the present property?—A. Yes.

Q. At \$540,000 or \$500,000?—A. Yes.

Q. Is any part of what Mr. Coste valued included in what you spent, the \$500,000 odd dollars?—A. Of course, the old dock is in it and the land we took.

Mr. OSLER.—Mr. Chairman, I respectfully ask for your ruling as to the question whether we have anything to do with vouching expenditure on the old dock or in the old dock. Is it not a question of what is the worth of the new dock that we have built?

The CHAIRMAN.—I think the point is well taken, Mr. Bennett.

By Mr. Bennett:

Q. All right, then I will have to pursue a new line, Mr. Long. After you had spent \$540,000 you abandoned all that work and you started in then to build this dock that has cost \$500,000? Is that right?—A. We did not abandon it, we incorporated it with the new work.

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Q. What part of the old work did you incorporate in this new dock that you got paid for?—A. We incorporated part of the original dock.

Q. Part of the original dock?—A. The whole of the original dock as well as a good deal of land that we had to take in addition.

Q. Was that land that is in the new valuation by Mr. Coste acquired by you gentlemen with this \$500,000 odd?—A. Was it acquired with the \$500,000 odd?

Q. Yes?—A. It was a part of it.

Q. A part of it?—A. Yes.

Q. How much of the old dock, upon which you had expended \$500,000 odd, is in the valuation prepared by Mr. Coste?—A. The whole of it.

Q. The whole of it?—A. The whole of it, yes.

Q. Then after you had expended \$500,000 odd in the old work, all of which is to-day in the valuation by Mr. Coste, how much more was expended?—A. In addition to that?

Q. Yes?—A. Well, there was the money expended then in building the new dock and equipping it with the necessary machinery for operating the dock. The figures for that are in this ledger.

By Mr. Maclean (Lunenburg):

Q. What do they total?—A. The total from memory is \$734,000, and there is a sheet, and account, of money that has been expended during the last year. That is not in this book, but I prepared a statement to show what it is. It is something less than \$100,000 in addition to the \$730,000 odd.

Q. Over \$800,000 inclusive of all the other expenditures?—A. It is more than \$800,000.

By Mr. Bennett:

Q. Now up to that time—let us agree on this—no person but Long Brothers, Cameron, Campbell, Kough and Macdougall held any stock in the concern?—A. (To counsel.) Mr. Osler, my memory does not serve me right on this. Was it in 1902 that the new stock came in?

Mr. OSLER.—The new subscribed stock?

The WITNESS.—The new subscribed stock.

Mr. OSLER.—Through Stark & Company?

The WITNESS.—Yes.

Mr. OSLER.—Yes.

The WITNESS.—In 1902, Mr. Bennett.

By Mr. Bennett:

Q. In 1902 the stock was sold?

Mr. OSLER.—\$300,000.

The WITNESS.—Was it \$50,000?

Mr. OSLER.—\$50,000 was the expenditure for getting it. \$300,000 was the exact amount.

By Mr. Bennett:

Q. That came into the concern from the sales of stocks?—A. Came in as cash.

Q. Have you got that list of stockholders here?—A. I do not think so.

Q. But you were asked to produce it?—A. Well, Mr. Bennett, the stock books—

Mr. OSLER.—That is subject to objection, I respectfully submit, Mr. Chairman. The capitalists who subscribed this stock and paid their money in were subsequently dissatisfied and there was litigation that was settled. That has nothing to do with this investigation. I can quite understand with my learned friend that it would be important for him to find out if any actual new hard cash came in. We have stated and can prove that \$300,000 came in, and money obtained from the bank, over and above that. Who that came from and on what terms the stock was issued, I submit, has nothing to do with this inquiry.

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By Mr. Bennett:

Q. Then I will ask this question, \$300,000 was paid in cash on sales of new stock?
—A. Yes.

Q. How much stock was sold to Hay Bros., Owen Sound, for which they paid in \$20,000 in spot cash?—A. The stock to Hay Bros. of Owen Sound—

Mr. OSLER.—I object to this question. The stock that Hay Bros. got was a matter in connection with the Owen Sound dock and was not part of the \$300,000 at all.

The WITNESS.—No.

Mr. BENNETT.—I think Mr. Osler had better give the evidence.

The WITNESS.—I was going to answer you in that way.

By Mr. Bennett:

Q. Did Mr. John Birnie, Collingwood, have \$2,000 cash given to him?—A. I do not know, but Mr. Bennett, before you leave that question of Hay Bros., Owen Sound, there was property bought from them for which stock was exchanged, but that stock, whatever it amounted to, did not form any part of the \$300,000 of cash that came in. It did not form any part of that whatever, it was entirely outside of that. The Toronto General Trusts Company are the registrars of the stock, and it is changing hands, I daresay, from day to day. I do not know who owns the stock now. I do not know the present owners. Many of them subscribed for the stock through the Toronto General Trusts Company; they handle the stock as between the seller and the buyer.

Q. And if \$740,000 has been expended on this dock in hard cash?—A. There is more than that, there is about \$100,000 that we add to that.

Q. Already \$740,000 has been expended in hard cash according to the books?—A. No, no, not hard cash, the earnings of the dock property for years were as, I have mentioned before, applied to improving the property from time to time as it was required.

Q. Have you any books that will show what that dock there earned prior to 1901, or are they burned, too?—A. Yes, they are burned, too.

Q. They are burned, too?—A. Yes, they are.

Q. What were the early earnings of that dock, do you know?—A. The net earnings?

Q. Yes.—A. They varied, you know. Sometimes they were—I think they will probably average, they might average \$8,000 or \$10,000 a year.

By Mr. Bergeron:

Q. How much?—A. \$8,000 or \$10,000, but of course it will vary according to the work.

Q. Is that your estimation, \$10,000 a year over expenses?—A. Yes, and they were all left in the business to extend the works and improve the property.

Q. For how many years?—A. Oh, well, I should say it would be ten or twelve years.

Q. How much?—A. Ten or twelve years, probably more.

Q. That would be about \$100,000, according to that calculation?—A. Well, of course, I am only approximating.

Q. Well, about how much would you say?—A. No, it would be more, there were more years than that because we have operated this dock about twenty years, altogether; and this new arrangement was in 1902; it would be nearly sixteen years for which these earnings were allowed to go into the property.

Q. So that when we want to go into the books as to the actual expenditure we will have to call some one else besides yourself to prove that the moneys were actually expended. Beyond the books you have no knowledge—beyond the books you have no knowledge of the exact sum that was paid out?—A. I did not pay out the moneys myself directly.

Q. I hope we will have a little time to look over the books.

WITNESS.—Mr. Chairman, will you allow me to make a remark ?

The CHAIRMAN.—Certainly.

WITNESS.—I came before your committee this morning, sir, at great inconvenience to myself. I have very urgent business on hand at home, and I had arranged to leave home next Friday, I am going to Cuba, and I am still in hopes that I shall be able to carry out my plans to a certain extent. I was summoned to come here, and I hope that you will arrange matters so that I will be able to get through and get away to-day and that this matter will be finished up.

By Mr. Bennett:

Q. Will you allow be a moment, did you not receive two letters stating that you need not come to-day providing that your solicitor or some one else brought the books?

—A. I did, but I thought it better to come in person, because I was subpoenaed and because you might put the wrong construction on it if I did not come after I had received the summons—that I had reasons for staying away.

Q. Not at all, I had asked the Clerk of the Committee to write to you to that effect, and Mr. Foster also wrote you personally after receiving information similar to what you have given us now?—A. I might say, if you will permit me to say so, it may be out of order, that this is a case of 'protect me from my friends.' I suppose there is not a man in the constituency, that man (pointing to Mr. Bennett), represents that, when he came into parliament here first, did more for him than I did, and I never received the value of that pencil in return from him and now I am getting it in this way.

Mr. BENNETT.—Since you wanted to make a speech, I may in reply to you say that I did a good deal of running around these departments for you when the Tories were in rule. I did a good deal of trotting around and I will challenge the gentleman to say that he ever paid me one cent for it.

WITNESS.—You are like some of the members we have had in the Ontario House ; you would like to count the eggs at Rideau Hall.

Examination of witness resumed by Mr. H. S. Osler.

Q. Mr. Long, you changed your plans of the dock several times in accordance with the requirements of the department, is that not so?—A. Yes, we did.

Q. Each time involving a considerably large expenditure of money?—A. Yes.

Q. Then in 1902 when you determined that it was necessary to get in more money in order to comply with government requirements, your position, as I understand it, was that you had a company with a very small capital?—A. Yes.

Q. And you had, in the course of years, accumulated a very large amount of property?—A. Yes.

Q. Your property had gone up in value; and you had a bonus from the town, I believe?—A. Yes, we had \$50,000.

Q. You had a lot of real estate and you had a working dry dock?—A. Yes.

Q. You had a dry dock that was in thorough working order?—A. Yes, sir.

Q. Then, if I understand you correctly, your idea was that when the new shareholders came in the existing shareholders should be entitled to the benefit of the value there was there?—A. We did not think that the incoming shareholders were entitled to that.

Q. Then, Mr. Long, you increased the value of the property to an amount which you thought was the proper amount?—A. Yes.

Q. So that when the new shareholders came in, according to your views, they would be just getting one dollar's worth for one dollar, and not two or three dollars' worth for a dollar?—A. Yes.

Q. That is worthy of explanation—I might ask you this question, you found you had made a mistake in doing that?—A. We did, after it was done.

Q. You didn't do as a solicitor would have told you, form a new company and turn it over to the new company at a valuation, but simply issued more stock to the shareholders in the existing company without putting in any more money?—A. Yes.

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Q. You did not comply with the Companies' Act, and, not consulting a solicitor about it, you got into trouble later on?—A. We did not think we needed to consult a solicitor, we wanted to save money.

Q. And you issued \$550,000 of stock altogether?—A. Yes.

Q. Did you think you were issuing it on a fair basis of value?—A. We were issuing it on a cash basis.

Q. A cash valuation of the property at that time?—A. Yes.

Q. And that property was worth that amount?—A. Yes.

Q. And you took in \$300,000 of new money?—A. Yes.

Q. And you issued \$300,000 of new stock in the same company?—A. Yes.

Q. You issued a prospectus, Mr. Long?—A. Yes.

Q. And you went to a firm of brokers well known in Toronto, the John Stark Company?—A. Yes.

Q. And they took in subscriptions, and they paid over \$300,000 hard cash to your company?—A. Yes.

Q. Then, I understand, that the shipbuilding business fell upon evil days, a year or two after that; it was found that ships could be brought in cheaper than they could be built, and your company stopped business?—A. Yes.

Q. But you found that these shareholders who paid in cash in 1902 became dissatisfied, is that the case?—A. Yes.

Q. Then is it the case that these shareholders appointed an independent accountant?—A. Yes.

Q. To go up there and to vouch all your expenditures?—A. Yes.

Q. On this dock and on everything else—an accountant who was hostile in interest to you as representing the old shareholders, that was Mackay—and did Mackay go over those books and did he vouch the actual expenditures?—A. Yes.

Q. He did?—A. Yes.

Q. And he made a report?—A. Yes.

Q. Then, founded upon his report to these shareholders there was litigation against the original shareholders, that is the case, is it?—A. Yes.

Q. They threatened to claim that the stock which had been issued was not in law paid-up, whether there was value for it there or not?—A. Yes.

Q. Then there were negotiations with them? Then, Mr. Long, these negotiations and threats, or threats first and then negotiations, ended in an agreement?—A. Yes.

Q. Between yourselves and the new shareholders?—A. Yes.

Q. And by the terms of that agreement the \$550,000 which was issued to you was reduced to \$350,000?—A. I think so.

Q. Let me read from a clause of the agreement which may perhaps refresh your memory: 'Stock of the new company to the amount of \$350,000 to be issued in exchange for all stock which was outstanding on July 31, 1902?'—A. Yes.

Q. So the amount was reduced from \$550,000 and you accepted \$350,000 between you all, as the then actual cash value of all the property that was there?—A. That is what it was valued at, but it was worth more.

Q. It was worth more than that but in the meantime times had become hard and you had stopped running on a paying basis. Now as to the expenditures. You got \$300,000. Was that expended on the dock?—A. Yes.

Q. Did that suffice to complete it?—A. No, it was not completed then.

Q. It did not?—A. No.

Q. Do you know that the amount stated in the certificate of your book-keeper, \$97,000, was subsequently expended in the completion of that dock? Is that right?—A. I do not catch the question.

Q. Was this amount of \$97,000—let me show you the item and it will perhaps be a little more plain?—A. This memorandum, yes. (Refers to memorandum.)

Q. These amounts speak for themselves?—A. The items under the respective heads amount to \$97,000.

Q. And this amount for timber was for the completion of the approaches to the dock I understand?—A. Yes.

Q. Now, Mr. Long, you have told me that when you determined to take in new capital you issued new stock of the old company against the value which you believed to be there?—A. Yes.

Q. At that time?—A. Yes.

Q. Now I want to point out to you the entries in the books which show that increase in value. I see that on the 31st July, 1903, you have entered up against your expenditures the sum of \$100,000 for franchises. Is that the amount which you estimated the franchise of the old dock to be worth?—A. Yes, and the business.

Q. That you were turning over?—A. Yes.

Q. That was the amount that you then estimated the franchise to be worth at the time you turned it over?—A. Yes.

Q. Then how much did you estimate was the value of the old dry dock which was for the purpose of building the new dock, turning it in as a part of the new dock?—A. Well, from memory, \$150,000.

Q. This then would be the entry on the same date, 31st July, 1903. 'Dry dock account, \$150,000?'—A. Yes, that would be it.

Q. Then one other item, Mr. Long, \$72,527.97. Do you see that amount carried into the cost of the dock also as of the 31st July, 1903. That is an item that should be explained to the committee. Mr. Smith, give me the Journal at page 147. I ask you this question, Mr. Long, was there an amount charged up against the new dock for interest on capital in course of construction?—A. There was.

Q. There was some amount?—A. There was, I think, \$15,000.

Q. I do not think it is quite so much?—A. There was some amount, I think it was that.

Q. At page 417 of the Journal which you produce, I find in the statement \$13,070.12?—A. Yes.

Q. And that is the charge, the details are given here, that is all the charge for interest on expenditure in the course of construction?—A. Yes, that is correct.

Q. In addition to that there is a sum of \$340 for travelling expenses, \$1,477.76 cost of filling up slip; then there is an amount of \$4,600, and some odd dollars, for wages; then there is \$2,023 for cost of buildings and structures that are torn down?—A. Yes.

Q. And then there is an amount of \$51,000 which I want you to explain, credited to J. J. Long?—A. Yes, I will explain that.

Q. Will you explain what that was for?—A. Yes, my late brother, who you might say was president and manager of this work for years.

Q. Had he had exclusive control and charge of the whole matter?—A. Yes.

Q. You had no manager on salary?—A. No.

Q. And he was president as well?—A. He was president, and you might say he was manager, and had been for years, and when the change was being made it was thought proper he should be recompensed for his services for the past years up to that time, and that item there of \$50,000—

Q. \$51,000?—A. \$51,000 was allowed to him by the company to recompense him for his services.

By the Chairman:

Q. By the new company?—A. By the old company.

By Mr. Osler:

Q. That was voted to him by the old company as a recompense to him for his services from the beginning?—A. Yes.

Q. During the whole time you had been running, which is about fourteen or fifteen years?—A. We have run altogether about twenty years, but it would be perhaps fifteen or sixteen years before this took place; before this new stock came in.

APPENDIX No. 1

By Mr. Maclean (Lunenburg):

Q. When was the reorganization, Mr. Osler ?

Mr. OSLER.—In 1905, that was the only reorganization.

By Mr. Osler :

Q. And during that time your late brother had acted as president and manager and got nothing for it ?—A. He had got nothing for it.

Q. And had not only acted as manager, but I believe he had largely paid his own travelling expenses ?—A. Yes, so far as I know.

Q. Then the board allowed him that amount of money as a recompense ?—A. Yes.

Q. And that was charged up against the dock ?—A. Yes.

Q. So that we have this amount of \$100,000 charged up in this \$734,000—for the franchise ?—A. Yes.

Q. And if you deduct that that makes \$634,000 ?—A. 634,000.

Q. And then you have an expenditure of \$97,000 in cash, or practically \$100,000 that brings it up to about \$730,000 again ?—A. That is since that time, since the government accepted the work.

Q. I mean in building the dock ?—A. Yes.

Q. Now, then, \$150,000 is what you charged as the value of that dock ?—A. Yes.

Q. And if you have charged too much something ought to come off that ?—A. If we charged too much.

Q. Do you believe that you charged too much in charging that ?—A. I do not think we did, I think it would have paid the company better to have allowed it to stand and to build the new dock on its own investment.

Q. We will ask Mr. Smith about that. One other question and I have finished. You have spoken of these expenditures, and you have shown that \$350,000 new money came in. Can you tell me whether you borrowed from the bank ?—A. Yes, we had to borrow from the bank.

Q. Largely ?—A. Pretty largely, I cannot say just how much.

Q. Do you owe the bank anything now ?—A. We do, a good deal.

Q. And you have never paid any dividends ?—A. We have never paid a dividend.

Q. But the shareholders and you owe the bank a good deal ?—A. The dividends that we had earned before reorganization were left in the business.

Q. You made a considerable sum of money in 1906, how much was it, do you remember ?—A. I do not remember.

Q. \$22,600, would that be right ?—A. That was left in the business.

Q. It was ?—A. Yes.

Q. And you made a good deal of money in 1905 ?—A. I think we did.

Q. And that was left in the business ?—A. Yes.

By Mr. Lennox:

Q. The statement shows that the dock was completed on December 16, 1903—

Mr. OSLER.—There is a question about that that I will ask about. The dock itself was completed in 1905, Mr. Long ?—A. Oh, yes, I think so.

Q. Were the approaches to the dock completed ?—A. The approaches were not completed.

The CHAIRMAN.—They were not completed ?—A. No, but the dock was completed; the entrance to the dock and the sides before you came up to the dock were not completed.

By Mr. Lennox:

Q. Were these necessary expenditures for the operation of the dock ?—A. It would not be safe to get at it without those expenditures because the sides would fall in and the ships would not be able to enter the dock.

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Q. You have reported these subsequent expenditures as a necessity for the dock?
—A. Yes, the dock could not be worked without that expenditure being made.

By Mr. Bennett :

Q. How much is this valuation of Mackay Bros.? What did they value the dock at?—A. I think you have it on that statement.

Mr. OSLER.—I might say that when Mr. Smith comes into the box he will show a series of ticks, there are certain ticks that were put on these entries by Mr. Mackay, and where they were omitted that shows where there was a question raised as to the expenditure, and where a tick was made that he vouched the account of actual payment of money.

By Mr. Bennett :

Q. When the Mackay firm made this estimate what do you say they found had been the expenditure? Five hundred and how many thousand dollars?—A. Up to that time?

Q. Yes?—A. I do not remember what they said, this is their statement. (Statement produced and marked as Exhibit 1.)

APPENDIX No. 1

EXHIBIT No. 1.

REVENUE ACCOUNT AS AT JULY 31, 1904.

Cr.

Dr.	SECTION 1.—SHOWING NET PROFITS AND DISPOSITION THEREOF FOR EIGHTEEN MONTHS ENDING JULY 31, 1902.	
To dividend paid by stock allotment	.....	\$ 50,000 00
Amount written off by company as depreciation—		
This is the difference between the net amount		
by which Capital Assets were written up		
\$238,114.59 and \$247,000 the amount of cap-		
ital stock issued against same.	9,385 41	
Sundry adjustment by Mr. Mackay	4,000 00	
To surplus earnings carried forward to next year	.....	\$ 63,385 41
		11,528 85
		<u>\$ 74,914 26</u>

By earnings as per Clarkson & Cross' statement \$ 74,914 26

\$ 74,914 26

SECTION 2.—SHOWING NET PROFITS AND DISPOSITION THEREOF FOR YEAR ENDING JULY 31, 1903.

To sundry adjustments by Mr. Mackay	.....	\$ 3,308 69
Balance forward—Earnings to date	.....	45,490 59
		<u>\$ 48,799 28</u>
Dividends—declared and paid	.....	\$ 25,096 41
" but not paid	.....	24,000 00
Depreciation—Allowed for by company	.....	\$ 2,358 23
" Mr. Mackay	.....	5,284 92
Balance carried forward to next year	.....	7,643 15
		1,821 15
		<u>\$ 58,560 71</u>

By earnings from January 31, 1901 to date as per com-
pany's books \$112,184 69

Deduct—Amount shown by Clarkson & Cross to
July 31, 1902. 74,914 26

Earnings for year \$ 37,270 43

Surplus earnings brought forward from last year ... 11,528 85

Earnings to date brought down 45,490 59

Interest charged to Dock Construction Account this
year 13,070 12

\$ 48,799 28

\$ 58,560 71

SECTION 3.—SHOWING NET PROFITS AND DISPOSITION THEREOF FOR YEAR ENDING JULY 31, 1904.

To working expenses for year	.....	\$ 16,085 72
Balance forward—Earnings for a year	.....	27,281 23
		<u>\$ 43,366 95</u>
Demurrage claims made on and allowed by company	\$ 16,865 30	
Depreciation—Allowance by Mr. Mackay	9,374 99	
Balance carried forward	.....	\$ 96,240 29
		2,862 09
		<u>\$ 29,102 38</u>

By gross earnings from all sources including accrued
subsidy on dry dock, \$6,452.05. \$ 43,366 95

N.B.—Sales for year \$196,059.45.

Earnings for year brought down 27,281 23

Balance brought forward from last year 1,821 15

\$ 43,366 95

\$ 29,102 38

Balance \$ 2,862 09

BALANCE ACCOUNT AS AT JULY 31, 1904.

Dr.	ASSETS.		LIABILITIES.		Cr.
	Capital.	Total.	To Creditors.	Amount.	Total.
To plant as at January 31, 1901 per books. N.B.—This item is not audited.	\$200,000 00		To Bank of Toronto.	\$ 41,525 70	
Real estate, old dry dock, general plant and franchise, written up in book value at July 31, 1902 by sum of.	238,114 59		Accounts and bills payable and accrued charges.	12,076 91	
N.B.—Against this appreciation of.			Dividends unpaid.	24,000 00	\$ 77,602 61
And a charge to surplus acct. of.			TO SHAREHOLDERS ON CAPITAL ACCOUNT.		
	\$247,500 00		Outstanding at January 31, 1901.	\$200,000 00	
Total.			N.B.—This item not audited.		
An allotment of Capital Stock was made to the amount of.	\$247,500 00		Allotted July 31, 1902 against:		
Interest charged against dry dock acct. and credited to earnings of year ending July 31, 1903	13,070 12		(1) Writing up of capital assets.	\$238,114 59	
Expenditure from Jan. 31, 1901 to July 31, 1904 on machinery, equipment, materials, wages, expenses, &c.	439,466 25		(2) Charged to surplus account.	9,385 41	
	\$890,650 96		(3) Bonus from Town of Collingwood	\$247,500 00	
Deduct allowance for depreciation.	17,018 14	\$873,632 82	(4) Profits for period ending July 31, 1902, per Clarkson & Cross' statement.	50,000 00	
			(5) Cash payment.	2,500 00	350,000 00
N.B.—The capital assets at July 31, 1904 have been valued by the Manager of the Co. at \$813,349.71.			Allotted to public in August, 1902.	\$300,000 00	
			Allotted in January, 1903 to cover purchase of additional property.	20,000 00	870,000 00

LIQUID ASSETS ON REVENUE ACCOUNT.

To stock in trade and supplies on hand per inventory	\$ 30,876 05		To balance of undivided profits at July 31, 1904.	2,862 09
Contracts in hand: charges to date.	\$ 7,617 11			
Deduct: allowance for loss.	880 70			
	\$ 7,736 41			
Accounts receivable; cash value.	31,038 01			
Dom. Govt. dry dock Subsidy accrued to date	6,452 05			
Cash on hand	428 98			
Unexpired Insurance premiums	1,270 38	\$ 76,831 88		
Memo.: the total Fire Insurance carries amounts to \$82,000.				
		\$950,464 70		\$ 950,464 70

Audited and subject to reservations of accompanying report. Certified correct.
Toronto, October 20, 1904.

JOHN MACKAY & CO., Auditors.

APPENDIX No. 1

Q. Well, looking at their statement, I have never seen it before, no doubt you have often seen it, what does it say that the dock had cost?

Mr. OSLER.—It does not say what the dock cost separately at all.

By Mr. Bennett:

Q. I think Mr. Long stated before that it was \$540,000. Now let us get back to the evidence. Now, Mr. Long, you have made the statement, as I understand it, that up to a certain time \$540,000 had been expended, that was up to the time of going into this reorganization before the new letters patent for \$2,000,000 were taken out? Is that right?—A. That is what the property that the company owned up to that time was worth.

Q. Were you able to convince Mr. Mackay of that fact that it had cost that much money?—A. That is his statement there, you can see.

Q. Well, your solicitor can show you what it did cost.

Mr. H. S. OSLER.—What Mr. Mackay says about that is that there were \$200,000 for plant—it was shown that the real estate, the old dry dock and the plant and franchise, were increasing in value, written up in value by the items I have shown, by that amount of \$238,000, and then he goes on to say that—against this appreciation of \$238,000 and a charge of surplus account, \$9,000, making a total of \$247,000—an issue of capital stock was made, and that is just what I have shown by the questions I have asked Mr. Long. Then he shows an expenditure from January 31, 1901, to July 31, 1904, on machinery, equipment, materials, wages, &c., of \$439,466.25 in cash, that is outside the valuation of the old dock and expenses.—A. That is the total.

Q. And then he deducts an allowance for depreciation of \$17,000.

By Mr. Bennett:

Q. What date is that?—A. July 31, 1904.

Q. Be careful, did Mr. Mackay make a report in 1904, be careful?—A. Yes, that is what is here.

Q. Did he make a report in 1902?—A. No, he never did. This is on October 24, 1904, as of July 31, 1904. He makes a statement which shows assets valued at \$873,632.

By the Chairman:

Q. That is what you are reading now, the assets of the company?—A. Yes, it is subject to the question as to how far that writing up of \$238,000 was a fair one. What it shows is this: Assuming there was any right to write up that at all, which I think we can show, there was still another \$650,000 expenditure—

Mr. LENNOX.—According to the books.

Mr. OSLER.—According to the books as vouched for by him.

Mr. BENNETT.—On the 31st July, 1902, was there a valuation made of the plant by Mackay?

Mr. OSLER.—No, Mackay never came into it until 1904.

Mr. BENNETT.—I require to have time to look into the books, and in the meantime Mr. Long can stand aside. I will now call Mr. Keltie.

By Mr. German:

Q. Mr. Long, we are getting mixed up between the old dock and the new dock. What we want to know in regard to the old dock and everything connected with it is whether or not the government valuation is a correct valuation or not. When did you begin construction of the new dock, your company?—A. I think it was in 1902.

Q. Then as I understand you from the time of the commencement of the new dock until it was finally completed you had expended some \$420,000 odd, \$300,000 of capital and \$94,000 of capital subsequently raised?—A. Yes, sir.

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Q. Making about \$400,000. How much did you borrow from the bank, speaking roughly?—A. I do not remember.

Q. Well, you borrowed some from the bank at any rate?—A. Oh, yes.

Mr. OSLER.—It was for \$50,000.

By Mr. German:

Q. And that whole \$394,000 had been expended at the time the officer of the Public Works Department made his valuation?—A. Yes, sir.

Q. Since then have you expended further money on the completion of the dock?—A. Yes, we have.

Q. How much?—A. Well, it is \$94,000.

Q. I asked you just now if the \$94,000 as well as the \$300,000 had been expended at the time the government officer made his inspection?—A. No, the \$94,000 was expended since that time.

Q. Since that time?—A. Yes.

Q. Had the \$300,000 been expended at that time?—A. Yes.

Q. And had any borrowed money been expended at that time?—A. Yes, from the bank.

Q. You cannot tell us how much?—A. No, I do not remember, possibly \$50,000 or \$60,000, but this is only guess work.

Q. Well, we will take that as approximate. Then you used a certain portion of the old dock in the completion of the construction of the new dock?—A. Yes, sir.

Q. And as I understand your company put a valuation on the portion of the old dock that went into the construction of the new dock of \$150,000?—A. Yes.

Q. Did the officer of the Department when he went up to make his valuation make any deduction from your expenditure, by reason of what he thought was an over-valuation of the portion of the old dock used?—A. I think he did.

Q. About how much?

Mr. OSLER.—I do not think there was any for the old dock.

By Mr. German:

Q. As I understand he eliminated \$100,000?—A. I suppose he did.

Q. You think he did?—A. I think he did.

Q. Was that not eliminated by the officer of the Department?—A. Yes. He did not consider that as far as I know.

Q. Then according to your statement at the time the officer had made his examination and report, you had spent \$350,000 in actual cash and whatever the officer allowed as a fair valuation for the portion of the old dock which was used in the new construction?—A. And the land.

Q. Oh, yes and the land. What was the valuation of the land, do you remember?—A. I do not remember.

Q. My impression is that the old dock and the land was valued at \$150,000?—A. I think it was.

Q. When you say the dock, do you include in the term the machinery and plant in connection with its operation?—A. Yes.

Q. You do?—A. Yes.

By Mr. Barker:

Q. Did you enter into an agreement with the government with regard to this subsidy?—A. Before we commenced the building?

Q. At any time?—A. Of course there is an agreement now.

Q. There is an agreement?—A. There is, yes.

Q. Is there more than one?—A. No.

Q. There is only one agreement?—A. Only one agreement.

Q. Have you a copy of that agreement?—A. No, we have not a copy of it here.

Q. There was only one agreement made, you say?—A. Only one agreement.

The witness retired.

APPENDIX No. 1

Mr. DAVID KELTIE, called and sworn.

By Mr. Bennett :

Q. Where do you live, Mr. Keltie ?—A. In Collingwood.

Q. How long have you lived there ?—A. About six years.

Q. What is your occupation ?—A. Accountant.

Q. Where did you live before you went to Collingwood ?—A. Hamilton.

Q. What was your first occupation, or, at least, when did you enter the employment of Long Bros. or the Collingwood Dry Dock Company ?—A. On the 15th of October, 1900.

Q. Now, on the 15th of October, 1900, in what office were you installed ?—A. I was accountant for the company.

Q. Where was the office, at the dock ?—A. At that time the books had not been opened.

Q. That was on the 15th of October, 1900 ?—A. Yes.

Q. On the 15th of October, 1900, you say that a new set of books was opened by this company and that the accounts up to that time were kept in some other books. What particular books were they kept in ?—A. They were kept in books at the Long Bros. office.

Q. Was that in the general ledger of the Thomas Long & Bros. Company ?—A. No, separate books. I did not keep that at all so that I am only speaking of what I have seen of it.

Q. Have you ever seen that book ?—A. Yes, I have seen the book.

Q. What was it, an ordinary ledger ?—A. It was a small ledger.

Q. About what size ?—A. About 400 pages, I suppose.

Q. That was not in connection with their general business ?—A. With their general business.

Q. And also involving items about that. When did you see that ? Reference has been made to the fire at Long Bros., do you know the occasion of that fire.—A. I remember it.

Q. Have you seen that book that you refer to since that fire, have you seen it ?—A. No, I have not seen it since the fire.

Q. Who was the manager of the concern when you went there on the 15th of October, 1900 ?—A. Of the Shipbuilding Company ?

Q. Of the company, yes.—A. Hugh Calderwood.

Q. Where does he live now ?—A. In Toronto.

Q. When did he cease to be manager ?—A. On the same day as I ceased to be accountant.

Q. Do you know Mr. Calderwood's address in the city of Toronto ?—A. Toronto will find him, but his address I do not know.

Q. You do not know his address ?—A. No.

Q. You and he left on the same day ?—A. Yes.

Q. Now on the 15th of October, 1900, you were installed there as bookkeeper, and what was then in existence was what is known as the old dock ?—A. The old dock.

Q. And that was in a complete working state ?—A. Yes.

Q. That is, it was in working order ?—A. Yes, it is in working order still.

Q. How soon afterwards did they commence the work of changing or altering that dock ?—A. During the winter of 1901 it commenced.

Q. That would be the winter of 1900-1 ?—A. The winter of 1900-1.

Q. Who was in charge of the work on behalf of the company ? First let me ask you was Mr. Calderwood then in the employ of the company ?—A. He was.

Q. Was he superintendent of the work ?—A. Not of this work.

Q. He was not superintendent of this repair work ?—A. Not of the repair work.

Q. Who was in charge of the repair work ?—A. C. S. Boone.

Q. It was Mr. C. S. Boone ?—A. Yes.

Q. Is that the gentleman who has dredges?—A. He has been in a dredging company.

Q. How was the work being done?—A. He was working it with his own parties there. The main point was the digging of a pumping well at that time.

Q. Mr. Boone was working there?—A. Digging a pumping well.

Q. At that time, it has been stated by Mr. Long, that those concerned in the affair were the Long Bros., Cameron, McDougall, and a gentleman named—?—A. Peter Campbell.

Q. And there was a Mr. Kough, did you ever know Kough on the concern?—A. I did not.

Q. Since we have not got that book that has been referred to, can you tell me anything as to the expenditure there was on that dock up to any time, or times—well, first let me go back, who kept the bank book?—A. The bank book remained at Long's until February, 1901.

Q. Until February, 1901, the bank book was at Long's? Prior to that time where was the bank book kept?—A. At Mr. Long's office, I presume, I was not there to testify as to that.

Q. Had you anything to do at all with the handling of money?—A. Not at that time, no.

Q. In this book that has been produced here to-day, this is the book, in whose handwriting are the entries here? Is this your handwriting?—A. Yes, that is all my writing.

Q. Where does that account start?—A. February 15, 1901, that commences the account.

Q. What book were these entries taken from?—A. From the cash book.

Q. May we ask you for the cash book, Mr. Osler?

Mr. H. S. OSLER.—I do not know that we brought the cash book, we brought the journal.

Q. Let me see the journal then. (To witness) These are all payments to parties (indicating entries in ledger)?—A. These are all payments.

By Mr. Osler:

Q. At page 2 of the cash book perhaps you can find the items?—A. (After referring to cash book) I see an item here, 'paid James Wright for cleaning, \$40.50.'

Q. What are these other items in reference to the dry dock?—A. In reference to the shipbuilding business, and so on, all the way through. Every charge here is explained either by the journal or the cash book.

Q. Do these books contain the payment of any money to the credit of the concern, or are they simply expenditures?—A. Credits also.

Q. Show me where there are any credits shown to the dry dock. Of course there would be very few items of credit. Show me any items of credit so that we will understand them?—A. There are \$11 there (pointing to item in the cash book).

Q. I want you to show me the substantial payments that were paid into the concern?—A. They are not in this. Here is a credit for two old desks belonging to the old dry dock company.

By Mr. Bennett:

Q. Do any of these books produced show the moneys paid out?—A. As far as this dry dock is concerned, yes.

Q. Are there any books at all that will show any payments made to the credit of the concern to meet these disbursements?—A. Yes, certainly.

Q. Let me see them?—A. These are the payments received by me.

Q. You have some items of cash paid in, have you?—A. Yes, sir, cash paid into the company.

Q. Show me the first of these cash payments paid in?—A. There is one of February 28, 1902.

APPENDIX No. 1

By Mr. Osler:

Q. August, is it not?—A. Yes, August.

By Mr. Bennett:

Q. Cash paid in \$19,970. Can you tell me who paid that in?—A. I could not tell you now.

Q. From what book did you draw your information?—A. I got no particulars as to this, or probably any of these payments. I got cheques as I wanted them from the treasurer, and gave the treasurer credit.

Q. What is the aggregate?—A. \$300,000 and one deferred payment.

Q. Did that include any sales of stock, are you aware?—A. It was all for sales of stock.

Q. All for sales of stock?—A. Yes.

Q. You cannot show me any expenditure in that book prior to the opening of this account of February 12. Those are contained in the other books of T. Long's that were destroyed?—A. Yes.

Q. Now I am going to return to that destroyed book that it is claimed was burned.

The CHAIRMAN.—I think you might express it a little differently. 'Destroyed book that it was claimed was burned' is rather an insinuation.

Mr. BENNETT.—I did not mean anything of that kind.

The CHAIRMAN.—All right. If you did not mean any insinuation I take your word for it.

By Mr. Bennett:

Q. Speaking about those books, Mr. Keltie, have you any recollection of the expenditures that were detailed therein?—A. I have a copy of the expenditures as far as my part of the business was concerned.

Q. Where is that copy?—A. I have got it.

Q. Where is it?—A. I have it in my satchel.

Mr. OSLER.—I object to the production of a partial record by a book-keeper who was discharged from the company's office.

By Mr. German:

Q. Do the expenditures contained in the copy to which you refer relate to the dry dock?—A. I think not.

By Mr. Bennett:

Q. Let me see the statement which you say you have?

Copy of statement produced by the witness.

Q. You have handed me a paper here, Mr. Keltie, what is this paper?

Mr. H. S. OSLER.—I object, Mr. Chairman, to the question. We have it proved now before the Committee that when the expenditures on this dry dock extension, if I may so call it, commenced, there was in existence a dry dock which was destroyed in building the new one. It appears to me, if I may say so with respect, that the only thing the Committee has to do with is as to the fair value that ought to be credited to the company for the old dock that was used in the construction of the new, and nothing else. Surely a lot of memoranda taken by a discharged book-keeper is altogether outside that question.

By Mr. Bennett:

Q. I did not know he was discharged from the company's employ.

Mr. H. S. OSLER.—Ask him and see.

The CHAIRMAN.—What is your question, Mr. Bennett?

Mr. BENNETT.—I am asking what this statement is; it shows an expenditure of some \$83,000. Is it in connection with this dry dock in any way?

The WITNESS.—A part of it may be, but very little of it up to that time because you see that was in the early years. Here is the first payment I know of (indicating payment).

Q. What else is included in this \$80,000?—A. These are payments made up by Long and Bros. before the books of the company were opened in 1900-1, before they had a book-keeper.

Q. Payments for what?—A. Various things, salaries, &c.

Q. So I see this expenditure on the dock which shows \$83,000 does not all apply to the dock even; how much of it was for the dock?

The CHAIRMAN.—He did not say that \$83,000 was for the dock.

By Mr. Bennett:

Q. Was this statement that shows an expenditure of \$83,000 in round figures on this dry dock, it does not apply altogether to the dry dock—how much of it, in this statement, was for other business of Long and Co.?—A. I am not aware that that was ever shown as having been spent on the dry dock, I am not aware of that.

Q. Is any part of this spent on the dry dock at all?—A. I say I believe a part of it was, a small part of it.

Q. A small part of it is in connection with the dry dock?—A. Because I have explained that the work on the dry dock had only commenced at the time that the statement was finished.

Q. This refers to the old dock, the bulk of this expenditure has reference to the old dock, has it not?—A. That is the shipbuilding company.

Q. Well, it starts on the 13th of January, 1900, and it ends in 1901?

By Mr. McCarthy (Simcoe):

Q. That was not the new dry dock, was not that all in January, 1900?

By Mr. Bennett:

Q. Up to this time who had been paying all these moneys into the dry dock concern?—A. The treasurer, we claim he was, I knew that Thomas Long was the treasurer, and had nothing to do with it, I just kept the account. It came from Mr. Long's office this \$300,000.

Q. Were these the total expenditures?—A. The total expenditures.

Q. No, the total receipts rather?—A. The total receipts, \$300,031.50.

Q. That's between August, '02, and July, '03?—A. \$300,031.50.

Q. How would that come in to you, in the shape of cash or in the shape of cheques, or how was that?—A. It did not come to me at all, it went up to the bank and I got an account of it as having been deposited in the bank, or in other cases when the shipbuilding company wanted money I told one of the Messrs. Long I wanted some of that money and they gave me a cheque for it.

Q. Do you know what these items are specifically? There was a bonus of \$50,000?—A. That's not here at all.

Q. Where did that bonus of \$50,000 come in, do you know when that bonus of \$50,000 came in?—A. February 9 and March 2, 1901.

Q. Now, Mr. Keltie, taking this statement here, what are these expenditures in respect of—the running expenses of the concern?—A. Of the shipyard?

Q. What do you say?—A. The running expenses of the shipyard.

Q. Or are they moneys spent on account of the construction work on the dock?—A. Both accounts of moneys wanted for shipyard coming from the T. Long & Bros., while the books were there, and that is the account of what they gave up to it.

Q. Tell me, when was this work started on the dock after you came there?—A. I think it was started in the spring of 1901.

Q. In the spring of 1901 the work was commenced?

Mr. H. S. OSLER.—The winter of 1900 and 1901 is what he said before.

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By Mr. Bennett :

Q. The winter of 1900 and 1901. I want to get that exactly. I want to know as to the date that the work was actually commenced on this dock and the dismantling of the old dock, when would you place that ? February 10, 1901, is the first date I see here ?—A. Well, I do not know what to understand—

Q. Had any work been done on this dismantling of the old dock, and had a start been made on the new dock up to this time, 1901 ?—A. No, the old dock remained as it was for quite a time after the new work was started.

Q. Now, Mr. Keltie, there was a statement submitted to the department here as to the valuation of this dock, signed by yourself and Mr. John Long, stating that it had cost \$753,297, and real estate, \$76,275. Showing me how you arrived at that valuation of \$76,275. There is an item of real estate, \$76,000. How did you arrive at that amount when that sum was invested ? Show me the journal showing that ?—A. Well, I can save time by just stating—

Q. Let me have your recollection ?—A. I was directed by the president of this company in order to make up a statement of the dry dock to charge what items he thought remained to be charged to the dry dock, and before we made up the statement, and I accordingly made these entries for these large amounts.

By Mr. Lennox :

Q. At what page ?—A. Page 242 of the ledger ?

By Mr. Bennett :

Q. Had you no entry to go on, on which to base that large amount of \$76,000 ? Where do you carry it from ?—A. It is an old valuation that had been carried forward for some time. It is included as part of the total cost of the dry dock.

Q. Where was that entry taken from, that is what I want to know ?—A. This is the first entry, this is the original entry.

Q. You were simply told to write in the book that this land was worth \$76,000 ?—A. \$76,000, yes.

Q. That is all your knowledge about it ? Now take the dry dock. In your statement that you and Mr. John Long put in, you both swear that it is a valuation. I will read the exact wording to you : ' We, John Joseph Long, of the town of Collingwood, in the county of Simcoe, president, and David Keltie of the same place, accountant, of the said dry dock, do each solemnly declare, that the annexed statement marked " A " is a correct account extracted from the books of the company of the value of the dry dock and its equipment connected with the said dry dock (signed John J. Long and David Keltie).' When you say it is a correct account extracted from the books of the company, all the extraction was that you had been told to write down \$76,000 odd ?—A. Yes, certainly.

Q. Did you know whether that was a fair valuation ?—A. I did not.

Q. Who told you to make the value at \$76,000 ? There is no question that you declared exactly what is true, because it is in the book. How was that statement arrived at, the valuation of \$76,000 odd for the real estate ?—A. I cannot tell that, I know nothing about where the real estate is.

By the Chairman :

Q. You had charge of the books only. If I understand it the valuation was not made by you ?—A. It was not made by me.

By Mr. Bennett :

Q. Then as far as you are concerned you know nothing at all about the valuation ?—A. Nothing whatever about the valuation.

Q. Who ordered you to write in the book that the valuation was \$76,000 ?—A. The late president of the company.

Q. Mr. John Long?—A. Mr. John Long.

Q. Turn to the next item, \$474,440. Can you find that in the book?—A. The dry dock?

Q. Yes?—A. I cannot see where that item came from.

Q. In the declaration made by you and Mr. Long it was so worded that you simply declare that this is the correct account extracted from the books and that the dry dock cost \$474,440, and that these figures can be found in the book. Can you find them?—A. I cannot find them at all.

Q. Then what book were these figures taken from, the \$474,000?—A. It is all contained in the one account. I cannot find any separate account from these figures. I find them here on the same page. Down to here I claim to be reasonably correct as to the expenditures, with the exception of a few items.

Q. Down to the item of salaries and wages, the expenditures you believe were made?—A. They are reasonably correct.

By Mr. McCarthy (Simcoe):

Q. What do they amount to in the total?—A. About \$450,000 or \$455,000.

By Mr. Bennett:

Q. Now, as to this dry dock entrance, \$20,000, you cannot speak as to what that was for?—A. That was a sum laid aside to complete the entrance to the dry dock. An account of course was opened for that. It was charged up to this account in the management.

Q. Was that \$20,000 expended?—A. We will see whether it was or not. (After referring to accounts). They made out that \$65,987 had been expended. They make out of that \$20,000 put to the credit of the account. They had expended \$18,987.99.

Q. Then the item \$202,581 for plant and machinery, where is that shown? In the same account?—A. It is shown in the same account, yes.

Mr. H. S. OSLER.—It is \$218,000 here.

By Mr. Bennett:

Q. How is that, Mr. Keltie?—A. Is not the amount you stated, \$218,000,

Q. \$202,581?—A. Something has been excepted there that did not belong to it, I suppose.

Q. That is what is called plant account, is it, on page 3? I am going to ask this, Mr. Chairman, is the Committee going to rule that I cannot possibly ask any questions to show—

The CHAIRMAN.—Not at all, I say this that you are perfectly right to go on with the examination as you are doing now.

Mr. BENNETT.—I submit this, that this committee is entitled to know how much stock was sold in this concern, and that we are entitled to the cash book showing the receipt of the money. I want to inquire into this question whether this money was there, and whether it was received.

Mr. H. S. OSLER.—The position taken by the company is this, that after they commenced work on this dry dock we desire to show the money, when money was got, how it was spent. But with regard to expenditure before this work was commenced, for which this subsidy was asked, we were then in the position of a growing concern with an existing dock. The history of that company goes back fifteen years before that time, and I submit most respectfully to the committee that the committee have no right to inquire, and that it is of no purpose, nor is it what this committee wants to inquire into—how the moneys which were received during the previous fifteen years were got in by this company, nor who paid it.

By Mr. Bennett:

Q. I want to ask this witness a question for the purpose of laying a basis for my

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examination. When you first went there, there was, from my recollection of the plan, a blacksmith's and joiner's shop and other buildings?—A. Yes.

Q. Are those buildings there to-day?—A. Yes, they are.

Q. The same buildings?—A. The same buildings are there, but somewhat improved.

By Mr. McCarthy (Simcoe):

Q. Do you mean to say that the plan of the Collingwood Shipbuilding Co. to-day bears any resemblance to what it was before?—A. By no means. He asked me if the blacksmith's shop was there.

By Mr. Bennett :

Q. Well, when I tell him that this blacksmith's shop was included in order to make up the valuation of \$500,000—Is the blacksmith's shop there to-day practically the same as before?—A. No, there are two new buildings, the boiler shop and the blacksmith's shop.

Q. Taking the blacksmith's shop alone, taking the question of the blacksmith's shop alone and the furnace, what furnace is there, is it in the same building as the blacksmith's shop?—A. It is a small smelting furnace.

Q. Was that there, as it is to-day, some years ago?—A. It was there, finished, I think in 1904.

Q. That is valued at \$10,000, does that surprise you?—A. No, not at all.

Q. What?—A. Not at all.

Q. If you were valuing it you would value it as being worth \$10,000, would you?—A. Yes, that is right.

Mr. GERMAN.—We ought to settle that question now as to whether or not Mr. Bennett, in his examination of witnesses, is to be allowed to go into the question of selling stock, the raising of money in connection with the company which operated the old dry dock.

Mr. H. S. OSLER.—Prior to 1901.

Mr. GERMAN.—That is to say your point is whether he should be allowed to put the two companies together and examine the witnesses with reference to them as a whole.

Mr. OSLER.—Quite so.

Mr. GERMAN.—You want to know if he can take the books which were kept by the old company and bring into this examination material which you contend has only to do with the old company?

The CHAIRMAN.—The ruling of the Chair is that the two companies must be kept separate altogether. That we can not go back to the old company, and that the inquiry must be kept to the question of cost of building the new dock by the new company.

Witness retired.

Mr. THOMAS LONG was discharged from attendance.

Committee adjourned.

HOUSE OF COMMONS, COMMITTEE ROOM No. 32,
OTTAWA, February 27, 1907.

The Select Standing Committee on Public Accounts met at 10.30 o'clock, A.M., the acting chairman, Mr. Maclean (Lunenburg), presiding.

The Committee proceeded to the further consideration of a payment of \$30,000 to the Collingwood Shipbuilding Company, subsidy for two years to November 16, 1905, on account of 'Collingwood dry dock; Subsidy,' as set out at page V—246, of the Auditor General's Report for the fiscal year ended June 30, 1906.

The examination of Mr. David Keltie resumed.

By Mr. Bennett:

Q. For the benefit of those who were not here yesterday let me ask when did you go into the employ of the Collingwood Dry Dock Company?—A. On October 15, 1900.

Q. You produced a copy of accounts yesterday, have you it now?—A. I have it with me (copy produced).

Q. This document shows aggregate expenditures to the amount of \$82,999.68?—A. Yes, sir.

Q. Will you explain to the committee what that document is?

MR. OSLER.—I think, Mr. Chairman, that is out of order. The Chairman yesterday ruled that we were not going into the question as to the expenditures on the old dock by the old company, and this is all prior to the first expenditure on the new dock.

By Mr. Bennett:

Q. Well, I will lead up to it in another way. When was the work commenced on the present dry dock which is the subject of discussion?—A. The extension to the present dry dock, I would call it, in the spring of 1901.

Q. Now, let us go back a bit. Originally there was a dock there of about what length?—A. I do not remember the length.

Q. Well, it was what we call a small dock?—A. A short dock.

Q. 350 feet. At what time was the first work started to lengthen that dock?—A. in 1901.

Q. And no work was undertaken before 1901?—A. Not to my knowledge.

Q. This concern not only is a dry dock but it is engaged in the actual work of constructing boats. Is that correct?—A. It is a shipbuilding yard.

Q. How far back were they constructing the boats?—A. They commenced from December 12, 1900.

Q. December 12 was the first commencement to construct boats? At any time before December 12 had any work been done in the matter of installing plant for constructing boats?—A. Yes.

Q. When did that work commence?—A. In the early summer of 1900.

Q. What was the first plant, speaking of it in bulk, which came on the ground in the early summer of 1900?—A. Some plant from Everett.

Q. Where is Everett?—A. Everett is on the Pacific coast.

Q. Do you know from whom it was bought or by whom it was brought there?—A. By Captain McDougall.

Q. Was the plant brought by Captain McDougall from Everett in the early summer of 1900 part of the stock that was valued by Mr. Coste when he made his valuation?—A. I do not think so.

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Q. Well, now let us understand that. What was the nature of the material or machinery brought by Captain McDougall in the early summer of 1900?—A. It was machinery purposely for shipbuilding purposes.

Q. For shipbuilding purposes?—A. Yes.

Q. Where was it placed?—A. Placed in the sheds and in various parts of the yards wherever it was going to be used.

Q. Was that machinery then used in the construction of vessels?—A. From December 12.

Q. Is that machinery there now?—A. I believe so, yes.

Q. Now, if that machinery is there now—I will take you back another stage. When Mr. Coste made his valuation—it was about January 15, 1904, as appears by the correspondence—was this same plant there then?—A. The same plant was there.

Q. The same plant was there then so you did not make yourself quite clear to the committee about that a moment ago.

Mr. JOHNSTON.—You did not say whether that machinery was included in that valuation?

Mr. OSLER.—He said he thought so or supposed so.

Mr. JOHNSTON.—He said he did not think so.

The CHAIRMAN.—Mr. Bennett's first question was whether that machinery was included in the valuation; his last question was whether it was on the ground.

By Mr. Bennett :

Q. Well, now, when Mr. Coste made his valuation, it was on January 15, 1904, was what was known as the McDougall plant estimated in the valuation?—A. I think not.

Q. What was the extent of the valuation of this plant that was brought there by McDougall?—A. It was put down as \$19,000, some \$19,000.

Q. Am I correct in understanding you to say that the machinery placed there by McDougall was at once installed and the work of construction of a vessel was commenced, and that that machinery was there in use?—A. Yes, that is right.

Q. Was that machinery of Mr. McDougall's on the ground there when that valuation was made by Mr. Coste of the machinery?—A. Yes, it was.

Q. Was it there?—A. Allow me one moment. I do not know that Mr. Coste included that machinery in his estimate.

The CHAIRMAN.—You can proceed, Mr. Bennett, of course, clearly the witness was misled, but it was not intentional.

By Mr. Bennett :

Q. Was this machinery that was brought there by Captain McDougall on the ground when Mr. Coste made his valuation of the property?—A. It was, I have answered that before.

Q. Was this machinery that Mr. McDougall brought there part of the working plant when Mr. Coste was making his investigation?—A. It was.

Q. It was? Now, I submit that if I can show that this account here is part of the construction work on the dry dock—let me have your book please, the ledger, your plant account. (Ledger produced.)

Mr. H. S. OSLER.—This (producing document) is a copy I had made of that page of the ledger, you can put that in if you like.

By Mr. Bennett :

Q. Now, Mr. Keltie, what is the number of that page—I want to see the original.

Mr. OSLER.—242.

By Mr. Bennett :

Now, Mr. Keltie, referring to page 242 of the ledger I find this item : 'December 29, plant and machinery, \$202,581.95.' Does that appear in the ledger?—A. It does.

Q. All right. Now I will turn to page 494 of the Journal—how does that item read—it says 'Plant and material?'—A. Yes. \$202,581.97. 'Machinery account, balance carried down, \$167,144.13; tools account, \$15,612.68; hoist, derrick and crane outfit, \$19,825.16, making a total of \$202,581.97, that is the explanation of that item.

Q. Now looking at page 3 of the ledger, Mr. Keltie, I find this item, what is the amount?—A. \$218,953.89.

Q. And what was the heading of that account?—A. 'Plant.'

Q. 'Plant account.' Now the first item that appears on that page is what?—A. 'Capital account,' January 31, 1901, 'to capital account, \$200,000.'

Q. Can you show me any reference that will indicate what was meant by 'capital \$200,000?'—A. 'January 31, 1901, plant account, to capital account for real estate, buildings, leases, machinery, improvements and equipments, \$200,000.'

By Mr. Reid (Greenville):

Q. That was put in there without any details, was it not?—A. Without any details.

By Mr. Bennett :

Q. On page 1 appears the following item: 'To plant account, Dr. \$200,000?'—A. \$200,000.

Q. Capital account?—A. Credit.

Q. 'Credit to capital account, \$200,000.' Now show me the details by which you posted that \$200,000 in the books?—A. The document you have just got from me contains all the details.

Q. The document that you have in your hands contains what this amount represents?—A. Yes, the document handed to you contains all the details.

Mr. H. S. OSLER.—I ask your permission, Mr. Chairman, to ask the witness one or two questions before this goes in.

By Mr. Bennett :

Q. Will you allow me to ask one or two questions without putting this in?
The CHAIRMAN.—Yes.

By Mr. Bennett :

Q. In whose handwriting is this document?—A. There were two men in the office of T. Long & Bros. who wrote a hand so very much alike that, at this present time, without having the two together to compare, I cannot be certain whether it is the handwriting of Mr. John M. Hopkins or Mr. Collins.

Q. Where did you get this paper?—A. I got that from Mr. Hopkins.

Q. Who was present at the time; any other persons?—A. Mr. John J. Long.

Q. He was the—?—A. The president of the company.

Q. Who personally delivered that statement to you, Mr. Hopkins or Mr. Long?—A. Mr. Hopkins.

Q. Mr. Long was there at the time?—A. Yes.

Q. What was the conversation that ensued, first tell me where it was at?—A. In the office of T. Long & Bros.

Q. Now, tell us the conversation that ensued?—A. I was directed to open my books with that statement, and I had a memorandum from Mr. J. J. Long.

Q. Wait a moment. The statement produced—we will put it in now that you were instructed to open a set of books for the Dry Dock Company from it—up to that time had you kept a regular set of books for the dry dock?—A. I was just opening this present set.

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Q. And Mr. Long gave you this statement, what were his instructions as president of the company?—A. A memorandum, to make this entry.

Q. Which entry?—A. 'Plant Account Dr. to Capital Account.'

Q. Mr. J.J. Long, President, instructed you to make this entry, 'By Capital?'

By Mr. McCarthy (North Simcoe):

Q. Have you that memorandum?—A. I have not, it was a pencil memorandum.

Q. Whose was the writing?—A. Mr. John J. Long.

By Mr. Bennett:

Q. Did Mr. Long tell you to extend this statement in the books?—A. No.

Q. Did he tell you, instead of extending this statement in the books, to put down a lump sum of \$200,000?—A. He wrote it himself, just as I have it here.

Q. Let us get in evidence what this foot note is?—A. 'Real estate buildings—'

Q. Read what it says?—A. 'For real estate, buildings, leases, machinery, improvements and Equipment, \$200,000.'

Q. Did Mr. Long give you any instructions whatever to carry this statement into the books?—A. No, but to make this entry on the basis of that statement.

Q. As a matter of fact do you know where this statement was taken from?—A. It was taken from a book which they had at their office at that time.

Q. Did you ever see that book?—A. I have seen it several times.

Q. Did you make a comparison of those items with that book?—A. I did not, personally, make a comparison of them, although I think I knew it was the amount; I questioned the late John J. Hopkins about it, and he said it was all there was against the dry dock.

Q. Now, the first amount in that statement of January 15, 'To amount paid for original plant.'

Mr. OSLER objected to Committee going into details of the statement before any ruling that the matter should go into the evidence was given.

(Argument followed.)

By Mr. Osler:

Q. Whose handwriting is this in?—A. Mr. Hopkins'.

By Mr. Bennett:

Q. Do you find an account there from the Swansea Forge Co.?—A. No, it is not here.

(Argument followed).

Q. Was this (memorandum unproduced by witness) in respect of expenditure on dry dock?—A. I have not said so.

Q. Was it in respect to expenditure on the dock?—A. Not all of it, it was partly on shipbuilding.

(Argument followed).

The ACTING CHAIRMAN.—If I were to rule on this matter in a technical way, as a court of law would, I would reject this document on the ground that there is no evidence, it is a copy of an original, and it does not explain any entry in the Ledger. I do not think it would be fair to admit it, because some of the items in this document apparently went into construction. Again, I think there must have been better evidence of what that entry in the Ledger of \$200,000 means, and while that evidence is available, I think this should not be produced. The Chair yesterday ruled that we should not go into any stock transactions of the old company. Now, I cannot see that this is relevant at all because if that entry in that ledger had been for \$2,000,000 instead of \$200,000, it would not have enabled the company asking for a subsidy to

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produce that ledger entry as an expenditure upon which to base their claim to a subsidy. I think it is quite apparent that was simply put in there as a charge against Capital for book-keeping purposes. I think, on the ground of relevancy, it should be excluded. If there is no better evidence produced, later on if I should be in the Chair, I would be willing to hear the question argued, but I think there must be better evidence of what was included in the valuation eventually made, of what was in the \$200,000. I think any lawyer will agree with me that no court will admit that as evidence, for the present at least, and that is my ruling.

Mr. BARKER.—Before you rule, I do not want in the face of what you say, that it may come up again if there is further evidence, it has been ruled now and we will be bound to take our measures upon that ruling; I would rather, we do not want any trouble about it, if you will simply suspend your ruling and leave it over until another meeting as the regular Chairman is absent, I think it will be better.

The ACTING CHAIRMAN.—Yes, I will do that.

By Mr. Bennett:

Q. Mr. Keltie, as book-keeper of this concern, do you know the actual cash that was invested by Mr. Long, and these men, have you any memorandum of it?—A. Yes.

Q. Let me see it?—A. (Document produced.) That is the memorandum.

Q. In stating, as book-keeper, that the actual amount invested by these gentlemen in the dry dock was \$82,999.66—

Mr. OSLER objected to the reception of a document produced from his pocket by a man who was a book-keeper of the company and which the witness said he took away from the company whilst he was in employ of the company. The document belonged to the company he contended.

By Mr. Bennett:

Q. Read it?—A. This purports to be a copy from the treasurer's book and was given to me as such by the confidential book-keeper of T. Long & Bro., as a statement of how the capital was to be apportioned. Out of that \$87,000, Captain McDougall has \$10,000; Charles Cameron, \$8,678.51; T. Long and brother, jointly, \$39,034.93; that makes a total of \$57,713.44.

Q. The money that was actually put in?—A. That was actually put in.

Mr. OSLER.—He does not say that.

A. The allocation of the stock, Mr. Hopkins then told me that there was a further sum of \$25,286.24, which he said the Messrs. Long had expended in organizing this company. Well—that is all that refers to that statement. I was going to tell how that was got back.

Mr. OSLER objected that the document referred to the apportionment of a part of the capital stock of the original company which by the ruling of the Chair yesterday, from which there had been no appeal, was not pertinent to this inquiry.

The ACTING CHAIRMAN.—Well, gentlemen, the issue here is whether a sufficient sum was expended to entitle the Collingwood Dry Dock Company, or whatever the name of the company is, to obtain a statutory subsidy. Now, this memorandum showing the allocation of stock, or the division of interest in the concern, surely cannot be evidence at this stage; not until you have exhausted all other available and better evidence.

(Argument followed.)

By Mr. Lennox:

Q. This makes a total, as you have it here, of \$82,999.68?—A. Yes.

Q. Of stock allotted to these various parties?—A. One moment, that is their own apportionment of the stock.

Q. How as to the expenditure up to that time, what as to that?—A. Up to that time? That is the same. It means this is the amount.

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Q. That represents the expenditure up to that date?

Mr. OSLER.—The witness does not say so.

By Mr. Lennox:

Q. What I want to call your attention to is this that the \$82,999.68 corresponds exactly with the amount of the statement that has been produced before?—A. That is it.

Q. How does that correspond with the expenditure up to date in this statement?—A. It agrees perfectly.

Q. It agrees perfectly with the expenditure up to that date?

Mr. OSLER.—I am pointing out that you are making a clear mistake. That statement of \$82,999, purports to be an expenditure within one certain year, from January, 1900, to January, 1901. It has nothing to do with the expenditure that has taken place by the Company that has been in existence for years before that.

By Mr. Lennox:

Q. We have a statement by this company here, filed with the department, as to expenditure on the old dock and the new dock, and I understand by this witness that down to this time, this statement concludes in January, 1901, this statement corresponds and shows a total of \$82,999.68?—A. Quite so.

Q. That is the expenditure down to that date, now in that statement there is \$25,286.24 that was said to be for promotion expenses?—A. That is what I was told.

Q. And that you have also added the word 'withdrawn,' down below the total, and taken the \$25,286.24 off, leaving \$57,713.44, as a net balance, you see that?—A. Yes.

Q. Do you know how that total expenditure was treated in allotting stock subsequent to that date; was it allotted at that amount or at a larger amount?

Mr. GERMAN objected that the ruling yesterday was that the apportionment of the stock in the old company could not be inquired into.

(Argument followed.)

By Mr. Lennox:

Q. I want to know whether these four parties treated that as \$57,000 of stock, or was it a larger amount of stock?—A. I believe that at the time this was given to me it was all the money that had ever been put in.

Mr. OSLER objected.

By Mr. Lennox:

Q. Did you understand that statement to show what had been put into the concern up to the date of the conclusion of the statement?—A. Up to that date, yes.

Q. That is the total, and that, taking \$25,000 odd, said to be withdrawn, off, leaves a net balance of \$57,713.44?—A. That is right.

Q. Was the stock allotted to those parties on that basis, or on a higher basis?—A. On a much higher basis.

The ACTING CHAIRMAN.—That would be irrelevant.

By Mr. Lennox:

Q. What was the percentage?—A. About ten times over that.

Q. So that there was allotted to these parties, \$577,000 of stock instead of \$57,000?—A. Nearly so.

Q. Now I just want to ask you another question. Can you, Mr. Keltic, from the books that are here, if we let you stand aside, pick out of the accounts, the actual items that went into the construction of this lock as distinct from other items that appear in this account?—A. I certainly could; I could make a statement showing what I know to have been paid and what should properly be charged to the dry dock.

Q. Have you looked over that before ?—A. Not lately.

Q. But have you gone over the accounts before you came here at all ?—A. No, I have not seen those books in two years.

Q. I do not mean that either. Have you been over these accounts before, while you were in the employ of the company ?

The ACTING CHAIRMAN.—I decline to allow that paper memorandum to be put in.

By Mr. Lennox :

Q. You mean to say Mr. Keltie that you could pick out from the books that are here the amount that actually went into the construction of this dock ?—A. Yes.

Q. When in the employment of the company were you in a position then to have stated from the books what that amount was ?—A. Yes.

Q. Have you any recollection of what that amount was now ?—A. I have no recollection of it now.

Q. But you can pick it out if allowed to go over the books ?—A. Yes.

Q. From recollection, what is about the amount, we can test it afterwards by looking at the books ?—A. I think about \$238,000.

Q. That was the total expenditure ?—A. Total expenditure on the dry dock.

By Mr. Bennett :

Q. Will it be convenient for you to come here this afternoon and these books will be in the power of the clerk of the committee, and you can pick out the different items ?—A. Yes.

Mr. BENNETT.—I suppose that is the ruling of the Chairman, is it, that Mr. Keltie can go over the books and pick out the items.

The ACTING CHAIRMAN.—I suppose so.

By Mr. H. S. Osler :

Q. I just want to ask you one question; this slip you have produced here, it is in your handwriting ?—A. Yes.

Q. Yours are the initials, 'D. K.' at the bottom of the page ?—A. Yes.

Q. There is nothing on it to show the date. What is the date that you got this ?—A. It was either 1901 or 1902, I could not say that.

Q. 1901 or 1902, which do you think it was, to the best of your recollection ?—A. 1902, I think.

Q. Then, do you say, that it was at the date when the new stock, that is the increase in the stock, when the capital of the company was increased and the increase was allotted to these parties ?—A. Yes.

Q. That is the date when the issue of the capital stock was increased from \$100,000 to \$550,000 ?—A. Yes.

Q. And then you say that this represents the proportions in which the increased capital was allotted to the various persons interested ?—A. I do not say that at all.

Q. I think you did say that it showed the proportions in which they got the increased capital.—A. I said that these were the actual figures said to be contributed by these respective parties on the treasurer's books and the allotments came afterwards; they were made in Toronto. I know nothing about the allotments.

Q. If you are right in saying these were the amounts contributed, the allotments of stock ought to be in the same proportion ?—A. Yes, but they were not.

Q. Exactly, then there must be something wrong with your evidence; they were not in that proportion, they were not in anything like that proportion ?—A. They were very remarkable.

Q. Were they all remarkable in the same proportion ? Was it a fair allotment in proportion to what you say was the amount of cash contributed ?—A. It was about ten times, I do not know what you call fair.

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Q. If it was ten times, was it fair as between themselves?—A. They were satisfied with it themselves.

Q. Did you make the entries?—A. I had nothing to do with it, I was not the treasurer.

Q. Did you say, and your evidence stands or falls by that, that this statement shows the proportion in which they contributed money?—A. Yes.

Q. And that shows the proportion of their several interests in the company?—A. Yes.

Q. And if we look at the figures under which the stock was issued, as a matter of fact, we find that the stock was not issued in anything like these proportions, there is something wrong, is there not?—A. You won't find that at all.

Q. I understand they were multiplied, but was it in the same proportion, what do you say as to that?—A. Not all in the same proportion.

Q. Not all in the same proportion, the stock was not issued in the same proportion—that is all I wish to know. Now then Mr. Aeltie, just one or two questions with regard to this account?

Mr. LENNOX.—I suppose that statement goes in now that my friend is cross-examining on it.

Mr. OSLER.—The Chairman will rule, I do not care whether it goes in or not, it does not affect the question, and has not the slightest value.

By Mr. Osler:

Q. This account begins here at page 46, 'Extension Dry Dock.'—A. Yes, 'Dry Dock Extension.'

Q. And the account down to page 242 is in your handwriting, all except the last entry?—A. There (pointing to ledger) is where it properly ends.

Q. And were the entries made of all expenditures by you from the vouchers as they came in?—A. Yes.

Q. Were they properly entered?—A. They were properly entered as far as cash payment were concerned.

Q. As far as cash payments were concerned, then they were apparently entered to represent cash payments, with the exception of the items you have spoken of and explained?—A. And others.

Q. With the exception of others than we have spoken of?—A. Of others.

Q. What others?—A. For coal, salaries charged in there for men that did not do a thing for the dry dock, and there are payments that possibly could be covered by that \$25,000 for promotion purposes.

Q. That is your belief, but you do not know?—A. I expect that.

Q. Now you say as to that, before you left, Mr. Keefe, you had a fair idea of what the actual expenditure in extending and building the new dry dock was?—A. Yes.

Q. And do you say that was how much?—A. About \$238,000.

Q. Now then, does that include the pumping machinery, or is it just for extending the dry dock?—A. It includes the pumping machinery too, I think.

Q. Are you sure about that?—A. I cannot be sure of that until I go into that.

Q. Let us suppose it does include the pumping machinery, does it include the expenditure on entrances?—A. Yes, \$20,000 put down.

Q. That is an estimate, that is not the expenditure, there was expenditure after that date?—A. The actual expenditure is \$17,000 or \$18,000 in place of \$20,000.

Q. It includes actual expenditure down to this date?—A. Yes.

Q. Does it include any payments for real property, for the purchasing of real estate?—A. Yes.

Q. It includes some?—A. Yes.

Q. Does it include the cost of the original site of the old dock?—A. No.

Q. It does not include any allowance for the old dock?

(Argument followed.)

Q. I want to find out what this \$238,000 includes. Does it include anything in respect to the old dock as it stood up to the date of the commencement of this account in 1901?—A. No.

Q. Does it include any machinery except the pumping machinery?—A. Oh, yes.

Q. What machinery does it include outside the pumping machinery?—A. The machinery that was specially brought to do this work of excavation.

Q. What work?—A. The dry dock extension.

Q. What do you mean, excavating machinery?—A. Yes, some was borrowed and some bought, it includes all that.

Q. It includes the cost of machinery used in actually doing the work?—A. Yes.

Q. Does it include any part of the plant used for repairing vessels when they come in for repairs or the buildings for housing that plant?—A. Yes, it does.

Q. What does it include?—A. I could not say.

Q. Will you swear it includes any part of the repairing machinery and equipment of that dry dock?—A. Yes.

Q. To what extent?—A. I could not say now.

Q. Does it include it to any substantial extent?—A. I could not say until I go over it.

Q. You do not remember now whether it is one dollar or \$20,000?—A. I am not going to give any figures, because I do not know what is in the account until I go over that. I cannot remember, it is three or four years ago.

By Mr. Bennett :

Q. Turn up the account of C. S. Boone & Company, please.

By Mr. Osler :

Q. I wish to ask one question with regard to this slip. Mr. Keltie, just look at this for one moment. You say that making this deduction of the item marked 'withdrawn,' the total is \$57,713.44?—A. Yes.

Q. And your information was not your own knowledge, you are speaking from information, that represented cash contributed?—A. Cash contributed.

Q. Now, do you say that when that was turned into stock, \$550,000 stock was issued as representing that amount of \$57,000?—(No answer.)

Q. Was that the expenditure, Mr. Keltie, in respect of which \$550,000 of stock was issued?—A. That goes in a new entry altogether.

Q. What I am asking you, you undertook to speak of it a minute ago, is that so, or is it not so?—A. Yes, I believe that represents \$550,000.

Q. You believe it does? That will do.

By Mr. Bennett :

Q. Now, will you please turn up the account of Boone in that book?—A. Here is Boone's account, what do you wish to know from it?

Q. Will you show me the item in there for dredging if there is one?

Mr. OSLER.—You mean a credit to Boone?

Mr. BENNETT.—Yes, paid to him for dredging.—A. No, they are all small credits for cash paid.

Q. While you were working there, while this dock was being proceeded with, was there any dredging done by C. S. Boone & Company at this end of the dock (plan produced), this is the bay, was there any dredging done there by the Boone Company?—A. Yes.

Q. How long was the Boone Company dredging there?—A. From four to six weeks, I cannot say the date.

Q. And according to the books you cannot say that the Dry Dock Company paid for that?—A. No.

Witness retired.

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Mr. LOUIS COSTE, called and sworn.

By Mr. Bennett :

Q. Mr. Coste, you are a director in this company?—A. I am.

Q. Will you mind telling the committee to what extent you hold stock in the company?—A. I have twenty shares.

Q. That is \$2,000?—A. \$2,000.

Q. Have you any objection to stating whether you paid cash for it?—A. Yes, I paid cash.

Q. Did you make the payment in one payment?—A. In one payment, yes.

Q. By cheque?—A. No, it is part of a payment which was due to me by the company.

Q. How much of it was due to you by the company?—A. \$2,500.

Q. For services rendered?—A. For services rendered.

Q. Tell us the nature of those services?—A. The preparation of plans and the calculations, and generally advising in connection with the construction of the dock, but not superintending the construction.

Q. As a matter of fact you did prepare the plans?—A. Yes.

Q. And the specifications?—A. Yes.

Q. And you did not consider that your duties clashed at all as being government engineer, and at the same time acting for the company in the preparation of the plans and specifications?—A. I did not become government engineer until all the dock was finished, until it had been constructed by somebody else, and then the only connection I had with the dock was to give a valuation of the plant. I was asked by the chief engineer of the department to give a valuation of the plant.

Q. Have you any memorandum or note book to show the time you were employed there to show the first time you went to Collingwood in connection with this dry dock acting for the government or yourself?—A. No.

Q. Do you keep a diary at all of your movements?—A. No.

Q. You were not in the employ of the government when preparing these plans?—A. I was, certainly, in Port Colborne, and watching the dredging operations in Collingwood as well.

Q. So that, all the time you were employed by this company and for which they paid you for your services, you were in the employ of the Dominion?—A. I was not employed by the company at all, I was asked by the company to prepare some plans, which I did in my spare time.

Q. Now, when was the work of this dry dock started, we have been told that it started, I think, early in January, 1901?

Mr. OSLER.—February, 1901.

By Mr. Bennett :

Q. February, 1901?—A. That is my connection with the dock commenced long after that, my connection with the dock company, in 1903.

Q. And up to 1901 you had done nothing for them?—A. No.

Q. Perhaps we had better go into your whole connection with the work. Prior to that time, I think in 1901, in your letter of November 19, 1901, addressed to Mr. Tarte you say: 'I inclose draft of the agreement with the Collingwood Shipbuilding Company.' That is on November 19, 1901?—A. Yes.

Q. So that, at that time—and it seems from the heading to be written upon departmental paper?—A. Yes.

Q. So that as early as November 19, 1901, you were acting in this regard?—A. Not in regard to the construction of the dock or with the preparation of the plans at all. That was in connection with an agreement which the company wanted to make with the Department of Public Works, in order to be entitled to payment of the subsidy; the preparation of the plans—my recollection of the time I prepared the plans

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is that it was in the winter of 1902, when my work at Port Colborne was very slack, and when I had ample spare time. I then prepared those plans and all the calculations as to the strength of the walls, as to the thrust of the sea against the partition gate, &c. All that was done in the winter of 1902. The work was actually commenced, I think, on that dock in January or February, 1903, and the dock was completed sometime in December of 1903. It took about ten months to construct that dock.

Q. In your capacity as an official of the Public Works Department, did you not keep a diary of your movements?—A. I never did.

Q. Nor of your accounts?—A. Yes, I had a little note-book, my accounts are there.

Q. At the next meeting of the Committee will you please to bring the pocket diary here?—A. I have not a pocket diary.

Q. Will you bring these little books then at the next meeting?—A. All the accounts are in the Auditor General's Department?

Q. But it is a little hard to trace it in the Auditor General's Report?—A. I have not one, I am sorry to say. The only books I keep are little books like this (producing small note-book), and when my accounts are all paid I throw them in the fire, they are no further use. I would have a thousand books like that if I did not.

By Mr. Lancaster:

Q. I want to ask this gentleman a question or two. He says the work at Port Colborne was slack at the time he prepared the plans and specifications for this dry dock. I would like to ask him what work was slack?—A. I was in charge of the construction of a breakwater at Port Colborne for the Department.

Q. That is what you were engaged at for the department at Port Colborne, the erection of a breakwater, and the work was slack, you say?—A. Yes.

By Mr. Bennett:

Q. Reading a report to the Department, to Mr. Lafleur, signed by yourself, on January 15, 1904, you make an estimate of this particular dock at \$540,000 in detail? In that connection you say this: 'In their application for subsidy, the owners of the dock state that according to their books the value of their dock and the equipment connected with it is \$753,397.10. This amount includes, however, two items, which in my opinion should not be taken into consideration, namely, \$100,000 for value of franchise such as exemption of taxes and \$150,000 for the value of the old dock—deducting these two amounts, the value of the new dock and its equipment is \$503,397.10.

'This amount appears to be a fair and reasonable value of the dock, fully equipped, my own estimate of the probable cost of the work being as follows:' Then in detail you get the \$540,000. So that you are prepared to stand by this as being a fair valuation?—A. Absolutely fair, sir.

Q. Let me call your attention to the size of this dock: 530 feet over all in length, 78 feet wide at the top and 60 feet at the bottom, and 16 feet 6 inches over the sill at ordinary low water. You say here you do not think this \$100,000 should be allowed for the franchise; you say that amount should not be allowed for the franchise in your opinion?—A. I thought not.

Q. And you thought that the \$150,000 for the value of the old dock should not be allowed either?—A. No, not what the old dock had cost; but in my estimate of the new dock a portion of the old dock comes in in the shape of excavation.

Q. In your estimate you do allow something for the old dock by way of excavation?—A. Yes.

Q. Show me that item in the schedule of your report where you allow for the old dock excavation?—A. It is in the item 'dock proper, \$280,000.'

Q. Which item is that, Mr. Coste?—A. The second item.

Q. And you thought that was a fair valuation for the dock?—A. I did.

Q. Were you guided in that by a reference to the books?—A. No, sir.

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Q. You were not guided by that at all?—A. No, not at all.

Q. It was simply on your own estimates?—A. On my own estimates and the comparative cost of other docks.

Q. Now, let us understand that clearly. You based your valuation of \$540,000 on the bottoms as it were, first of the comparative cost of other docks and on your valuation, and that valuation you based upon the estimate upon the lengths and depths and everything of that kind?—A. On the quantities of all kinds.

Q. Now, I find here, Mr. Coste, I assume that is your signature, is it not (producing document)?—A. It is.

Q. Yes, I find here you were asked to make a report to the department, and on August 15, 1901, for a dock there at Collingwood and you reported for a dock 530 feet in length over all, 78 feet wide at coping level and depth on the mitre sill 15 feet; that was the length and depth and breadth, was it not?—A. Yes, 78 feet wide at the top and 60 feet at the bottom.

Q. You will find this tallies exactly, except as to the depth, the length is the same, 530 feet, and the width is the same, 78 feet, that is correct, is it not?—A. Yes.

Q. Now the other dock that has been built is 16 feet 6 inches over the sill at ordinary low water, and this dock that you reported on in August, 1901, had a depth on the mitre sill of 15 feet?—A. Yes.

Q. What estimate did you make of the cost of that dock?—A. I really forget, is it not there?

Q. This is what you put in as the estimated cost of that dock, \$400,000, and you think, by reason of the difference in the depth, that would account for an increase of \$100,000?—A. It increased the second item; it should increase the cost of the dock.

Q. So that for the second dock, it is fair to infer, there would be an increase of \$100,000, increasing the cost from \$400,000 to \$500,000?—A. I could not tell you, it is a matter of calculation.

Q. You made an estimate here, and you say your estimate is based on your own figures and calculations—not from the books of the company—and the comparative cost of other docks?—A. Yes.

Q. Now you say that the amount of the new dock is \$540,000, you give an estimate of the cost of a dock with a difference in depth of 1½ feet, and you say that the smaller dock would cost \$400,000?—A. Yes.

Q. You are giving that estimate of \$540,000 on the same basis of calculation?—A. Oh, no, not at all.

Q. Then on what basis do you make the calculation?—A. The first estimate was merely an estimate taking the quantities, and a lot of unknown quantities which enter into the construction of the dry dock, such as the nature of the soil, whether it was rock or earth, &c. Necessarily all my estimates made when I was in the department I made very large. When I made my second estimate of \$280,000, which was about the date it was required, I was able to make the estimate much more closely, because I knew about the quantity of rock and earth, the expenses of unwatering, &c. If I recollect rightly in the first estimate I made, I estimated the cost of the cofferdam and unwatering at \$45,000 or \$50,000—I have not seen the estimate for five years.

Q. You estimated \$35,000 for the cofferdam and pumping?—A. I think it exceeded the cost by \$15,000. The first one I made was merely an estimate, not knowing anything at all of what I might find in the ground, or what the conditions were.

Q. Had you been at Collingwood before that?—A. For the last fifteen or twenty years.

Q. And you knew the formation there?—A. No, I cannot say I did. I was told the whole of the soil there on which I had to build that dock was soil that had been made, sawdust and slabs, &c., and that it would be practically impossible to keep the water out.

Q. But you were prepared to stake your reputation as an engineer that the dock could be built for \$400,000?—A. I was.

Q. Now, the first item I find in there is, 'value of present dock \$125,000.' Why did you allow that, because in the last report you made you say you should not allow that?—A. I do not know that I put it in as the value. I thought it was the actual value of the dock for the purposes of the new dock.

Q. So that if you were right in not allowing it in your later report, it should be deducted and taken from that \$400,000, the \$125,000?—A. Perhaps so, but there will be added a part of the excavation, that comes in.

Q. So that, following the same line, probably you could build a dock of this dimension, much the same, except as to its depth, for \$275,000 plus something allowed for the excavation?—A. Yes, which would make the \$280,000 which I arrived at.

Q. Was that a close estimate that you made at that time?—A. I could not say it was.

Q. It was an estimate on which you were prepared to have them go on with it, was it not?—A. Yes.

Q. Let me call your attention to this item, you add, 'ten per cent for contingencies, \$36,000,' to this item. Now, if we deduct that item of contingencies from the estimate—and you did not make any allowance for contingencies in this other case?—A. It is there.

Q. In this second one?—A. In the item, 'dock proper' there is 10 per cent for contingencies. In every estimate I make I always include it.

Q. Afterwards when you made this valuation of \$540,000, did you include it in that?—A. Yes.

Q. In which item?—A. In the second item, 'dock proper,' there is a sum included in that of 10 per cent for contingencies.

Q. So that apart from contingencies, and apart from the value of the old dock, a dock of this proportion could be built for \$239,000?—A. It all depends upon circumstances; it might be in one place and not in another.

Q. Have you ever, or when the examination was made, did you ever examine these books of the Collingwood Dry Dock Company?—A. I never did, I looked at them.

Q. Who was there when you looked at them?—A. I think Mr. Keltie was there and Mr. Calderwood.

Q. Mr. Calderwood was manager for building boats, I understand, he had nothing to do with this?—A. I do not know what Mr. Calderwood was.

Q. He had nothing to do with the construction of the dry dock?—A. I do not think he had.

Q. By whose direction did you go to see these books when they were in Mr. Keltie's possession?—A. I received a statement, I think I mentioned that in my report, to the effect that the expenditure on this dock had been \$750,000, so I went to look at the books. I saw various entries, and among those two that I understood I could not allow, so I struck them off and simply said that would bring down the statement to \$503,000, and that inasmuch as my estimate of the work and the value of the plant was \$540,000, I thought it was fair and reasonable they should get a subsidy upon the \$500,000.

Q. Did you, at any time, make a statement that your valuation was \$240,000?—A. My valuation of the whole plant?

Q. Yes.—A. I am absolutely sure as I am that I am here that I never did, because it would be absurd.

Q. Now then, we will come down here to some of the items, some of those items in the \$240,000. You say that \$28,000 of that is for contingencies?—A. In the \$280,000, yes.

Q. Now I will take the question of 'engineering and land, \$25,000.' Who told you what land they had?—A. Oh, some of the directors likely—probably Mr. John Long.

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Q. How did he point out what land they owned?—A. He pointed out that they owned land from the town dock.

Q. Did he tell you they owned the land on which the dry dock itself was situated?—A. Yes.

Q. That was not so, because it was only leased. What else did he tell you they owned?—A. The land from the town slip to the dock and from there to the punch shop. Mr. Long pointed out to me that they owned this part, with the exception of this land here, (indicating on plan) that this belonged to them with the exception of a small strip here which was claimed by the Grand Trunk, and that they owned this, as far as that: the major portion anyway of the space occupied by them.

Q. He pointed out and said they owned land over there?—A. Yes.

Q. Is that land contained in the original dry dock held under lease?—A. I do not know.

Q. How did you come to arrive at the value of \$25,000 for the land?—A. I took it by the acreage, and a reasonable sum of money, what I thought was fair and reasonable for the amount of land and what I was told as to the value of land.

Q. Tell me one of the parties you asked as to the value?—A. I forget now, I certainly asked somebody connected with the shipbuilding company.

Q. Was it Mr. Keltie, did you ask him what he thought it was worth?—A. I do not think I did.

Q. And when you saw that land there, was it the same land that you had in your mind's eye when you made this valuation of \$400,000 a year or so before?—A. I really could not say.

Q. What?—A. I do not know that I did.

Q. Had you not a fair idea it was the same land they had pointed out before to you?—A. No doubt, yes.

Q. Now you valued, in the first estimate, 'land and improvement on same, \$30,000,' what would you translate that to mean, all the buildings on the land?—A. Yes, and the construction of these.

Q. Now, you say there in your former estimate, 'land and improvement on same, \$30,000' what do you mean by 'improvement on same?'—A. The construction of various pieces of cribwork along the side of the slip, at the north end facing the dock there, some filling that the company did.

Q. Did you include the buildings?—A. I really do not think so.

Q. Well, I might tell you you must have included the buildings because you make no estimate for buildings in the \$400,000 estimate?—A. I remember in those days there were very few buildings, the only buildings that existed there were the punch shop, as far as I remember, a small joiner's shop and a small office.

Q. Is that the plan prepared by you, Mr. Coste (plan produced)?—A. No.

Q. We will take this blacksmith's shop and furnace, \$10,000, in the second estimate—first, may I ask you have you any book that shows the details of measurements, sizes, &c., of these buildings, and machinery, and the prices of them?—A. No.

Q. And when you are engaged in such an important matter as the making of an estimate for the department amounting to half a million odd dollars you do not think it necessary to mark anything down in a book at all?—A. I might say to the committee that with regard to the seven or eight last items in that estimate of \$540,000, it is not an estimate, it is the actual cost given to me by the manager of the company at Collingwood.

Q. That is all right?—A. If I may point out—will you kindly let me have this—(indicating report.)

Q. The last eight items you say you will not charge yourself with the valuation of at all?—A. From 'pumping plant' down to 'blacksmith's shop and furnace' there are eight items, and these are the actual figures given to me by the company.

Q. Those items are, 'pumping plant, \$35,000; cribwork at entrance, \$20,000; punch shop, \$40,000; boiler shop and power house, \$50,000; machine shop and foun-

dry, \$45,000; joiner's shop, \$5,000; office and store room, \$5,000; blacksmith's shop and furnace, \$10,000; those items amount to \$210,000. Now all of those items you do not profess to say of them that that is your valuation at all, or that they were there except from what they told you?—A. No, I beg pardon, Mr. Calderwood went through with me. I went through every shop accompanied by the superintendent, and I had received from him lists which I ticked off, showing every piece of machinery that was there, and I went further than that, I asked Mr. Calderwood to tell me whether these pieces of machinery were required for the purpose of repairing vessels, or simply for the purpose of building vessels. I wanted to make a difference between machinery used for repairing vessels and that used simply for shipbuilding.

Q. So that of this \$210,000 did you see one single invoice that would bear out that valuation—of that large amount did you see a single scrap of paper upon which to make that valuation?—A. Yes, I saw actual invoices; freight bills in connection with the freight on these goods. The only thing I may have added myself, I do not know whether I did or not, if Mr. Calderwood did, I checked it, was the reasonable cost of installing that machinery.

Q. Mr. Calderwood accompanied you from one building to another carrying in his hands the invoices of every article?—A. No, I did not say that.

Q. Then tell me how it was done?—A. I got a memorandum from Mr. Calderwood with an entry of each one of these machines, the price of them, the amount of freight paid on them, &c., and when I went to Collingwood—a few days before I went I had received this list, and I checked all these machines to see that they were in existence and that they were there, and then I went up to the office and he showed me a number of vouchers to show that these articles had been actually bought and paid for by the company.

Q. How long did these invoices date back?—A. I could not tell you that, I could not tell you the dates.

Q. Were you there when the *Huronic* was in course of construction?—A. I was.

Q. Did you see—you saw of course the plant on the ground?—A. Yes.

Q. Was any part of that what was known as the Captain McDougall plant which was brought there by Captain McDougall?—A. I do not know what he brought, I did not know that he brought any.

Q. Was it second-handed or was it new machinery?—A. I do not know.

Q. Did it strike you as being brand new machinery?—A. Part of it was, no doubt new, and part of it had been in use when I saw it there.

Q. Had you, by any of the directors, Mr. John Long or the others, been told that part of that plant—but first I will ask you this question: did you know Captain McDougall was in the enterprise?—A. I do not think I did at that time.

Q. When did you first meet Captain McDougall there?—A. I could not tell you, I must have seen him a number of times.

Q. Did you, from your conversation with Mr. McDougall or Mr. Long learn that Captain McDougall had brought a part of the plant there?—A. Never, that was news I heard here this morning for the first time.

Q. You say then, I want to understand this plainly, that before you went up to make this valuation you were furnished with a statement of the articles that you were to find in the different shops, is that right?—A. Yes.

Q. And the freight charges?—A. Yes, they were there.

Q. Where is that statement now?—A. I possibly may have it in my office at Port Colborne, I may, I am not quite sure.

Q. So then, starting in you were armed with this statement that had been sent to you—in whose name was it sent, to you, Mr. Calderwood's or Mr. Long's?—A. Mr. Calderwood.

Q. He said, 'I inclose you statement showing the list and prices of this machinery in the different shops.'—A. It was a regular list.

Q. How many sheets of foolscap was this statement written on, because I pre-

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sume it was a long one?—A. I do not know, four or five sheets of ordinary writing paper.

Q. And when you arrived you were fortified with that?—A. Yes, sir.

Q. And you went from one shop to another with Mr. Calderwood. Did he produce the invoices for them?—A. He showed me some invoices in the office.

Q. Invoices for the whole amount of \$210,000?—A. I do not know that I figured out the matter at all; I took each shop separately.

Q. But they aggregated \$210,000?—A. I did not know it.

Q. You do not think he showed invoices to you for \$210,000 worth?—A. I do not know that he did.

Q. For what percentage of that total did he show you invoices?—A. I do not know.

Q. Were they trifling?—A. No, they were rather large.

Q. For rather a large amount?—A. Yes.

Q. Would it be for 25 per cent of the amount he showed you invoices?—A. I could not say at all.

Q. Would it be for fifty per cent?—A. I could not say.

Q. I want to draw your attention to the fact that in every item there is an exactly even thousand dollars. Was it a case of lumping to a certain extent?—A. Yes.

By Mr. Lennox:

Q. When was the first connection you had with this matter, this dry dock, in any way?—A. With the Dry Dock Company?

Q. Yes, in any way.—A. Oh, a long time ago I was there, I fancy.

Q. I mean in reference to what we are investigating. Was it about 1902?—A. Yes, that is the time I was asked by the company to prepare plans, on the ground that the former plans which had been presented to the department, and which I understood were made by Mr. Thompson, former superintendent of the Welland canal, had been refused by the department, and they did not know exactly where to go, so they came to me and said: 'Can you design a dock that will meet the requirements of the Act?'

Q. You prepared these plans whilst you were working at Port Colborne in the winter of 1902?—A. Yes, during my spare time.

Q. You were then an employee of the government?—A. I was then.

Q. Having charge of the government work at Port Colborne?—A. Yes.

Q. But you were not very busy?—A. I was not very busy.

Q. Were you employed at a salary, or how were you paid by the government?—A. I was under salary.

Q. How much?—A. \$200 a month.

Q. And when did you complete the preparation of those plans?—A. I completed them on somewhere in the month of December.

Q. Of what year?—A. Of that same year.

Q. Of 1902?—A. The same year, yes.

Q. Before December, 1902. I assume that you were pretty busy under your salary of \$200 a month during the same season?—A. Yes.

Q. And during that time you worked on from time to time and completed them?—A. Yes, after I had finished my business for the government.

Q. Overtime?—A. Yes.

Q. And you earned in that way from the Collingwood Dry Dock Company how much?—A. \$3,500.

Q. And you took \$2,000 of that in stock of the company?—A. I asked for payment—

Q. I am not asking what you asked for. I am asking you whether you took from the company to the extent of \$2,000 in stock?—A. Yes, I took \$2,000 in stock.

Q. At all events you got in reference to what they owed you \$2,000 in stock either

in payment in full or on account, I do not know which?—A. The company owed me in cash \$1,500.

Q. They owed you \$3,500, as I understood it?—A. Yes.

Q. And you think you were fairly entitled to that?—A. I think so.

Q. And they paid you \$2,000 in cash?—A. Yes.

Q. That left about \$1,500?—A. Yes.

Q. And for that they gave you \$2,000 stock?—A. Yes, in stock.

Q. When was that done?—A. In 1905.

Q. So that at the time you prepared the plans you were in the employ of the government under a salary of \$200 a month?—A. Yes.

Q. At the time you delivered the plans for them to work under you were in the employ of the government?—A. I was.

Q. And you continued to be an employee of the government down to the time you valued this plant?—A. I did.

Q. And at the time you valued this plant you had not settled with the company?—A. No.

Q. The account had not been adjusted?—A. I had never presented it.

Q. So that the amount you would be paid was, as that time, an uncertain quantity?—A. No, it was not an uncertain quantity.

Q. No?—A. It was the engineering fee.

Q. You had not presented your account?—A. No.

Q. And they had not accepted your account?—A. No.

Q. So that you had an unadjusted account against the company at the time you were valuing this work?—A. Possibly, yes.

Q. But is that true?—A. Yes, certainly.

Q. That is all I want to know. When you became a stockholder in 1905, what date did you say it was?—A. I really forget.

Q. When did you become a director?—A. Last August.

Q. In August of 1906?—A. Or July.

Q. Was there any understanding at the time that you accepted this stock that you would become a director?—A. Absolutely none, when I made my valuation.

Q. I do not know that it is very material anyhow.

By Mr. Bennett:

Q. Mr. Coste, I have seen that stock list of this company, and there are considerable holdings of stock in trust for parties. Now, is there any stock held in trust for you by any one?—A. Not that I know of, I hope so, I would like to have it.

Q. Would it surprise you to know that there is a nice little lump of this stock being held in trust for you?—A. It would surprise me very much.

Q. Of course there has been no dividends paid at all?—A. None at all.

Q. So that the evidence of stock being held in trust for you has not been developed?—A. I want to tell the committee that I accepted \$2,000 shares of stock, instead of \$1,500 cash, by the special request of Thomas Long, who said the company was hard up and had no cash to pay that. I took that \$2,000 worth of shares for the simple reason that I wanted to cover myself.

Q. When was it that Mr. Thomas Long told you this company was hard up? Was it after he had sold \$870,000 of stock and had only spent half a million of it? It was at Mr. Thomas Long's request, was it?—A. Yes.

Q. Mr. Thomas Long told you the company was hard up and could not pay you in cash?—A. Yes, some time in 1905.

Q. Mr. Long swears they had sold \$870,000 in stock, and got the cash for it, and yet this company was too hard up to pay you \$1,500.

By Mr. Barker:

Q. How was this \$3,500 arrived at? Was that your charge sent in to him, or did

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they agree to that?—A. No, there was no agreement at all. I made it up on percentage, at the rate of 3 per cent on a certain sum which I thought was fair and reasonable for the service I had rendered in connection with these plans.

Witness retired.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

OTTAWA, WEDNESDAY, March 6, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. McColl, presiding.

The committee proceeded to the further consideration of a payment of \$30,000 to the Collingwood Shipbuilding Company, subsidy for two years to November 16, 1905, on account of 'Collingwood Dry Dock; Subsidy,' as set out at page V—246, of the Auditor General's Report for the fiscal year ended June 30, 1906.

The examination of Mr. LOUIS COSTE continued.

By Mr. Chisholm:

Q. Were you in the permanent employ of the department at the time you made that estimate?—A. Not in the permanent employ of the department. I received my position as chief engineer in 1900.

Q. And you were temporarily employed at the time?—A. Yes, temporarily employed; in charge of one piece of work.

Q. On a monthly salary?—A. On a monthly salary of \$200.

Q. When you lost that job you would not know where you would get the next one from the government?—A. Not at all.

Q. Did you have any interest in the Collingwood Shipbuilding Company?—A. I was not interested in the Collingwood Shipbuilding Company. I only became interested eighteen months or thereabouts after I made my estimate.

Q. Did you expect at that time you would be interested in it?—A. Not at all. I had no more idea that I would be interested in the Collingwood Shipbuilding Company than you have, sir.

By Mr. Bennett:

Q. At the time you made the valuation were you in the employ of the Public Works Department?—A. I was in charge of the Port Colborne harbour works.

Q. What was your salary then?—A. Two hundred dollars a month.

Q. And expenses?—A. Yes.

Q. Were you paid by the Collingwood Dry Dock Company in full for any services you rendered them at the date you made the valuation?—A. No, sir.

Q. You were not paid for that?—A. Not one cent.

Q. So it was after you made the valuation that you were paid?—A. After I made the valuation, yes.

Q. Had you rendered any bill to the company before you made the valuation?—A. I had not.

Q. Had you suggested to the company or intimated to them, that you expected any compensation?—A. Yes, I think that one of the Long Brothers, John Long, must have known it. I intimated distinctly that I would not do that work for love, that I intended to exact the fee that an engineer exacts under the circumstances.

Q. Had you told Mr. Long what your fee would be?—A. I do not know that I had.

Q. Had Mr. Long ever paid you a cash payment?—A. Never.

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Q. Did he ever offer you a cash payment?—A. He did in one instance offer me a cheque for \$100 to pay my expenses, and I refused it.

Q. What Mr. Long was that?—A. I think it was John Long.

Q. Was any person present when this offer was made?—A. No, but I think Mr. Keltie made out the cheque himself; he was the accountant.

Q. Then while you were working for the government, Mr. John Long on one occasion offered you \$100 by way of a cheque?—A. To pay expenses, yes.

Q. Did not Mr. Long know you were in the employ of the department?—A. I dare say he did.

Q. Did not Mr. Long know that you were employed and paid by the department for coming there to inspect the dock?—A. I was not paid by the department to inspect the dock when I went to inspect it.

Q. You came there to inspect it, did you not? Your business in going to Collingwood was to view the dock and the character of the work on behalf of the department?—A. Not at all.

Q. Then what were you doing there?—A. I only went to Collingwood to inspect the dock after the dock was completed, having been asked by my department to make a valuation of the dock and the plant and equipment, but during construction I had absolutely nothing to do with the dock.

Q. All right, but you happened to be in Collingwood?—A. I happened to be in Collingwood.

Q. And Mr. John Long offered you \$100?—A. He distinctly stated that it was to meet any expenses that I might incur in coming to Collingwood in that connection.

Q. In what connection?—A. Well, when I made the plans I had to go there to take some measurements—I had to go there on two or three occasions—and Mr. Long thought I was out of pocket; but inasmuch as on this occasion I was not out of pocket, I did not take the cheque.

Q. Did Mr. Long ask you if you had to pay your own expenses when you came there on behalf of the government?—A. I do not know that he did. He evidently imagined I was out of pocket in going to Collingwood.

Q. How long had the intimacy or the acquaintance existed between Mr. John Long and you?—A. I have known Mr. Long for fifteen or twenty years.

Q. And in that time you were always there at Collingwood in the pursuit of your duty as government engineer?—A. Yes, that was previous—

Q. Did you not think it strange that Mr. Long should make this offer to you of \$100—this is all new to us—did it not strike you as rather strange, you acting for the department, that the party interested in the valuation should offer you \$100?—A. I distinctly said that I was not in the employ of the government at that time, when I was working for the Collingwood Shipbuilding Company. When Mr. Long made me that offer I was preparing the plans and specifications and the calculations in order to be able to get out the plans which I did.

Q. Is it right, I am only speaking from memory, that you stated in your evidence before that not being very busy at Port Colborne, where you were employed by the government, you were preparing, in your odd time, all these plans?—A. I stated that—excuse me, I want it to be very clear on that question—I stated that I made those plans during spare time that I considered my own.

Q. What were you being paid at Port Colborne by the government for while you were preparing those plans?—A. I was doing that in my spare time, during my spare hours.

Q. Were you not indignant when Mr. Long offered you the \$100?—A. Not under the circumstances.

Q. You were not?—A. Under the circumstances I did not see anything wrong in Mr. Long making me that offer. He thought I was out of pocket, and he distinctly stated, 'If you are out of pocket take this.'

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Q. Mr. Long had known you for fifteen or twenty years, for fifteen years anyway and he knew you always in that capacity as a government official?—A. Yes, but he knew me in a different capacity altogether; I was chief engineer of the department before that.

Q. You were not at all indignant when he offered you the \$100?—A. No.

Q. Why did you refuse it?—A. Because I was not under any expense.

Q. Were you not under any expense for going up, backwards and forwards?—A. I did not consider that, I thought my fee would pay me for that.

Q. When he offered you the \$100, and you refused it, did you say, 'I am going to make a lump fee against you and that will include travelling expenses?'—A. I do not remember what I said at all.

Q. Was there anything said at all at that conversation about what you expected to get, and that you would settle the whole thing up at once?—A. No.

Q. Mr. Keltie was there at the conversation, did you say?—A. I did not say that at all, I said he drew the cheque as accountant for the company.

Q. Was he there at all when the cheque was returned by you?—A. No.

Q. What did Mr. Long do with the cheque?—A. I do not know.

Q. All the time that you were going backward and forward to Collingwood you were being paid by the department for your services at Port Colborne?—A. No, I was looking after some dredging in the harbour at Collingwood as well.

Q. All right, we will add that to it. Then you were doing work at Collingwood harbour and you were charging up your expense account between the Port Colborne work and the harbour work at Collingwood?—A. Yes.

Q. You assume that—A. Yes.

Q. Mr. Long offered you \$100 on account of your expenses?—A. Mr. Long did not know whether I was going up there for the government or for myself or for the company, he did not know at all.

Q. What month of the year would this be in?—A. I do not remember.

Q. Try to refresh your memory—you are the witness, I cannot tell you, I do not know—when he offered you this cheque?—A. Nor do I.

Q. You will have to try to refresh your memory, was it on a hot day?—A. I do not remember.

Q. Was he inside or outside the office when he gave you the \$100?—A. I do not remember where it was.

Q. Was it down at the hotel?—A. I do not think so.

Q. Well, now I think I could remember if a man offered me a cheque for \$100, where it was, whether it was down town, or at the hotel, or was it on the train going to Toronto?—A. I do not think so, I think it was in the Shipbuilding Company's office.

Q. Can you recall what time of the year it was, was it warm or was it in the cold season?—A. I do not remember at all.

Q. Would you say there were not dredging operations going on in the harbour at the time?—A. Yes, there were.

Q. So that there were dredging operations going on right in the harbour at the time this was offered to you?—A. Yes.

Q. Would not Mr. Long know that you were there in connection with these dredging operations?—A. I do not believe he did.

Q. Was it a daily occurrence for Mr. Long to be about the shipbuilding yard in your experience?—A. No, he was there frequently.

Q. Was the dredging going on near the shipbuilding yards?—A. It was outside in the harbour.

Q. Would you think that Mr. Long would know that dredging operations were going on there?—A. No doubt he did know.

Q. Did Mr. Long know that you were there in connection with those dredging operations?—A. I do not believe he did.

Q. You do not think he did?—A. No.

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Q. In that acquaintance you had with Mr. Long, extending over 15 or 20 years before, do you think that Mr. Long knew then that you were there in connection with the dredging work in the harbour?—A. Yes, whenever I went there before I went there in the capacity of chief engineer or district engineer, but in those days I had severed my connection with the department, and it is doubtful whether Mr. Long knew at the time that I was in the department at all; he knew it subsequently.

Q. You say that you think Mr. Long did not know that you were in the department at the time you were there in Collingwood when he offered you the money?—A. I do not believe he did,—the first or second time?

Q. On that occasion when Mr. Long offered you the \$100 cheque. Are you not aware that there is certain stock held in trust by Mr. John J. Long, and that you are to participate in that stock?—A. I have distinctly stated to the committee that I am very much surprised if that is the case.

Q. And if a gentleman comes on the stand and says that there is a special block of stock held in trust, and I can tell you there is a government return which shows it—do you mean to say that you never knew of that?—A. Never in my life.

Q. You are a director of this company?—A. I am.

Q. Have you ever seen the stock list returned to the government?—A. I do not think I have.

Q. Well, as a director, have you any objection to producing a copy of the stock list at the next meeting of the committee?—A. If I can get one I will.

Q. In your position as a director do you not think you can get one?—A. I suppose I might.

Mr. H. S. OSLER, K.C., for the Collingwood Dry Dock Company, objected that the question of who the stockholders were was not germane to the inquiry.

(Argument followed.)

The ACTING CHAIRMAN ruled that nothing had occurred during the proceedings which would justify a departure from the ruling of the Chair on this question at a previous meeting.

By Mr. Taylor :

Q. I understood Mr. Coste to say the other day in giving his evidence that he prepared the plans and specifications for the company on a percentage basis. Did you, Mr. Coste?—A. I do not know whether I said that or not.

Q. Well, I understood you to state that.—A. Yes.

Q. Is that a fact?—A. Well, that is the general way that engineers, consulting engineers, do charge their fee—three to five per cent according to the work. They charge 3 or 3½ per cent for the preparation of the plans, calculations, &c., and for general assistance they give, but if in addition to that they superintend the construction of the work, for that their charge is 5 per cent.

Q. And you rendered your account on a percentage basis?—A. Yes.

Q. And then you were sent to value this property by the government?—A. Yes.

Q. So that the larger the valuation you put on it, the larger the percentage you would receive?—A. No, I had nothing to do with the construction at all.

Q. You rendered your account on a percentage basis?—A. Yes.

Q. Then that percentage would be on the value of the dock?—A. No, not at all.

Q. That is on the expenditure, rather?—A. No.

Q. What was the basis upon which it was based, then?—A. Well, the basis of a fair charge under the circumstances.

Q. A fair charge on what the cost of the work was?—A. On the plans that I made and what is generally needed in addition to the dry dock.

Q. What did the percentage amount to?—A. On the first rough sketch plan I made?

Q. Based on what—the valuation of the work?—A. No, based on an estimate of what was shown on my plans and in addition to that all the buildings and machinery

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and cribwork at the entrance, and a good deal of work, the old dock excavation, and all that sort of thing, did not go into that at all, although it eventually came into the valuation.

Q. How much did you render your account for?—A. \$3,500.

Q. That was 2 per cent on what?—A. 2 per cent?

Q. On what?—A. I do not know what.

Q. How did you arrive at the \$3,500?—A. $3\frac{1}{2}$ per cent I think it was.

Q. At the rate of $3\frac{1}{2}$ per cent?—A. Yes.

Q. On what?—A. On the cost of the plans that I made, on the valuation that I put on my work.

Q. It may be clear to you, but as I understand 'percentage' it is percentage on the cost of construction?—A. Oh, no.

Q. That is as I understood you the other day.—A. No, certainly not, if it had been I would have had \$16,000 or more.

By Mr. Bennett:

Q. Supposing this dock had turned out afterwards that your valuation was \$1,000,000, would your fee be still the same?—A. I had nothing to do with that at all.

Q. I am just asking you that if the valuation had been \$1,000,000, would your fee still have been the same, \$4,000?—A. Yes, exactly the same.

Q. It would still have been the same?—A. Exactly the same.

Q. Supposing that the valuation would have been only \$100,000?—A. I would have charged exactly the same, I charge on the value of the work that I put on my plan.

Q. And if the plan and specification you produced had been by somebody valued, after it was carried out into work, at \$1,000,000, what would have been your fee then?—A. The same.

Q. You have told us that it would be on a percentage?—A. A percentage of the value that I placed on my own plans.

Q. You have been in the employ, for the last two years, of the Public Works Department?—A. I have.

Q. Have you had any consultation with Mr. Hyman about this valuation?—A. I have.

Q. As a matter of fact you know that this subsidy was not given for two years?—A. I do.

Q. Why was it—did you interview Mr. Hyman in your capacity as a public official?—A. I never interviewed Mr. Hyman, I met him.

Q. We will split nicely on that, we will call it not an interview, but a meeting. You had a meeting, not an interview with Mr. Hyman?—A. I met Mr. Hyman at Port Colborne when he was visiting the works, and Mr. Hyman offered, having heard complaints, he offered to give me back my estimate, my valuation of the work if I thought it was too high. I distinctly stated to him that I had signed that estimate, that I was of opinion that the value of the dock and its equipment was over \$500,000, and that I would not change one single line or figure in my estimate, and I am still of that opinion.

Q. You might supplement that by telling us what were those complaints that Mr. Hyman told you of?—A. I do not know at all, he simply told me that rumours had reached him to the effect that the Collingwood Dry Dock and its equipment had not cost the sum I mentioned in my estimate. I then suggested to Mr. Hyman that if he did not like my valuation it was a very simple matter to employ experts and in connection with that I mentioned one man who lives in Detroit, an American named Frank Kerby, a man I do not know at all, whom I have never seen in my life, but whom I know by reputation.

Q. Now, did not Mr. Hyman tell you what the nature of those complaints were. You know this investigation may come up again when Mr. Hyman may want to go on the stand?—A. He did not tell me who had complained at all.

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Q. As a matter of fact for two years Mr. Hyman would not grant the subsidy, is not that right?—A. I think so, yes.

Q. Were you at Collingwood when Mr. Hyman was there?—A. I was not.

Q. You were not there when the discussion arose about the valuation?—A. No.

Q. Let me go back to another point, you figured that this company owed you \$4,000 for plans, is that right—did you figure they owed you \$4,000?—A. \$3,500.

Q. Now, how did they pay you that?—A. They paid me \$2,000 in cash and gave me \$2,000 in stock, common stock.

Q. Why did they not pay you all in cash, what reason was assigned?—A. That the company was hard up.

Q. And this company which Mr. John Long told you could not pay you \$1,500—A. Mr. Thomas Long.

Q. Did you know at that time that there had been \$870,000 of stock sold?—A. I did not know anything about the company at all at that time.

Q. Here is the original declaration, here is Mr. Long's signature, sworn before a commissioner.

Mr. H. S. OSLER—Mr. John Long made that declaration.

By Mr. Bennett:

Q. No, Mr. Thomas Long is the one, on May 5, 1904; there is a declaration here of Mr. Thomas Long which reads as follows:—

'The amount received was to be raised by this company on account of stocks, bonds, and debentures of the company, of which their capital is \$2,000,000, subscribed and paid in \$870,000.'

and this company with \$870,000 sworn to have been paid in could not pay out \$1,500?—A. How could I know these things. I do not know the reason why they made that statement. I simply say they did make it.

Q. Would it surprise you to know that \$10,000 worth of coal entered into the valuation of this dry dock?—A. I would not be a bit surprised, I think it is an absolutely fair thing to put it in.

Q. Where would you, as an engineer, say that \$10,000 worth of coal was used in the construction of this dock?—A. In pumping, in unwatering, in the derricks, in running four or five or six boilers, on account of the hoisting gear, and the machinery, they would certainly call for \$10,000 worth of coal.

Q. How much coal would that be?—A. Divide that by about 5.

Q. Or say four, up there?—A. I should think it would be a fair valuation to say that the coal cost \$5, when under the boiler at Collingwood, or anywhere else. I think it will cost that even in Midland.

Q. You think that that quantity of coal would be used?—A. I certainly do, I would not see anything extraordinary in that. It makes only 2,000 tons altogether. We used 5 tons of coal in unwatering the dock every day.

Q. How long was the dock unwatered?—A. 400 or 500 days.

By Mr. Barker:

Q. Now, your valuation was how much?—A. \$540,000.

Q. How much of that \$540,000 was for work on the old dock and on account of the old dock?—A. Approximately I should say about \$10,000.

Q. Not more than that?—A. No, sir.

Q. You find that there was actually done in the work of construction \$530,000 worth of work?—A. About that. There is a misconception about this thing, I never stated in my life that the dock cost \$540,000. I stated distinctly that my estimate of the dock was \$280,000, and the rest was for equipment. I have seen this statement quoted in the newspapers and I want to make myself perfectly clear on this matter, and I am going to.

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Q. Your estimate of \$540,000 included the dock, work and plant?—A. And plant, and my estimate of the dock was \$280,000 with 10 per cent contingency fund.

Q. When I am speaking to you of the valuation of the work, that means everything that you valued. I am not talking about the plant, or the machinery, I am including everything in that?—A. Everything is in that.

Q. How much in that \$540,000 was for work, machinery or anything else in existence before the subsidy was granted?—A. I really could not tell you, I did not take that into account at all. If the machinery had been 1,000 years old and it was in use for repairing vessels I would have allowed something on it thinking it was the equipment of the dock.

Q. I did not ask what you would have done, but what you did do. What machinery and work that was there before, that you included in the estimate, and what amount was so included?—A. I really could not tell you, I never asked any question as to the origin of the machinery, where it came from, whether it was from Everitt, or from the United States or anywhere else.

Witness retired.

Mr. H. S. OSLER, K.C., called and sworn, gave evidence as follows:—

Perhaps it would be better for me to make a statement. This company, Mr. Chairman and gentlemen of the committee, was a very old company with a capital of \$50,000 originally. Now, that was increased to \$100,000, and the company started in a small way of business, they built this dock and gathered together an equipment, and they had a dock of 330 or 340 feet in length, a small dock, in working order; and they had a very large amount of real estate. They had gone to the town of Collingwood, and they had obtained an exemption from taxation, I think, of twenty years—quite a considerable period of time. They also had the promise of a bonus from the town of Collingwood. Now, that brought them to the year 1902. What the original amount of money paid in by the original shareholders from time to time was, I do not know, and nobody can find out exactly. It was the subject of an inquiry, it was inquired into by persons adverse in interests to the original shareholders, and there was a general agreement arrived at that it was probably, from the best evidence that could be got, something over \$100,000. It was claimed by some of the original shareholders that it was very much more than that.

By Mr. Bennett:

Q. What was that \$100,000?—A. That was at least the original amount paid in by the original shareholders in cash. In addition to that, whatever the profits were in operation from the year when it was first started down to 1902, all went into the dock. There was no dispute as to this fact, that these profits were never taken out by the shareholders.

By Mr. Maclean (Lunenburg):

Q. That was in addition to the usual capital?—A. In addition to the capital originally put in.

By Mr. Bennett:

Q. This is only hearsay evidence?—A. I am only explaining it as dealing with the amount of stock. And that was the state of affairs in 1902. Now, in 1902, there was this company with this dock, and the decision that they came to then, rightly or wrongly, and that is a matter of record, was that they could not get along with a small dock and plant like that, and they had to put a great deal more money in it. Then they applied for the subsidy, and the question was how were they going to earn that subsidy? And they came to the conclusion—now this is a matter of record which I have investigated,

and is recorded in the books—that they must get some more capital in. The shareholders met, and it is recorded in the minutes, some time in July, 1902, I think that was the month, and the question was if new men are going to contribute money into this company why should they get the benefit of all the accumulated profits, and of all the accumulated work of these parties; the benefit of the exemption from taxation, the benefit of the bonus, and the benefit of the increase in value in the land which had been bought many years before, Collingwood real estate having increased and improved in value very much in that time. Mr. John Long made his mistake, and did not consult—that is a matter of record also, they professed to do it without consulting any solicitor at all—to apply for and get an increase of capital for this company to \$2,000,000, and then to value the property which the company then had on hand. He proceeded to estimate and divided among those shareholders an amount of stock which was equal, in his judgment, together with the capital stock already issued, to the value they had there. He put the exemption from taxation, and the \$50,000 bonus down at \$100,000 and called it franchise, and he put the old dock down at \$150,000 and the real estate at figures which have been already shown.

By Mr. Barker:

Q. What figure is that?—A. I think it is \$76,000, speaking from memory, or \$72,000, I am not quite sure which.

By Mr. Bennett:

Q. Where are all these different things shown?—A. In the minute book of the company, and the figures are to be found in the Dry Dock Extension account, which you have before you. These facts are only useful by way of explanation.

By Mr. Maclean (Lunenburg):

Q. How much did he issue?—A. \$550,000, that is including the original \$100,000, \$450,000 additional. And that statement of the original capital as it stood on the books at the date they offered the stock for sale in Toronto through John Stark & Co., brokers.

Now then, Mr. John Long—for a moment explaining this affidavit of which so much has been said—Mr. John Long had it in his mind that it was all the same thing, whether he divided that stock up or whether he sold the whole concern out at a valuation to a new company. If Mr. John Long had been properly advised, and if he had sold the whole of that plant, property and franchise, as they then were, to a new company, then, the affidavit of \$730,000 or \$740,000 which he made that that stock was issued, that it represented cash, and that it represented the cost to such new company, would have been absolutely and literally correct, although it might have been said that he had put too much water in it, but it would have been absolutely and literally true. It is only because he had illegally divided that stock, and because it was not under the Companies' Act an issue of stock against property which the company owned and which was not paid in, that it is not true.

Now, Mr. John Long went to Toronto to the brokers' office of John Stark & Co., and said: 'We want \$300,000 of money, or to be strictly accurate, he first went to two or three gentlemen whose names I need not mention, and got cash subscriptions of \$80,000, and then said to the John Stark Co. that he wanted \$220,000. He agreed that there should be no deduction whatever from that amount, for advertising, prospectus, brokers' fees, or commission of any kind whatever, but he did issue \$16,500 to the John Stark Co. of stock in addition, and that they would pay all expenditure of any kind. So that transaction was carried through, and the stock was issued to the extent of \$16,500 for that purpose, all of which went to the Stark Company to cover expenses and commissions, and \$300,000 cash went into the coffers of the company as a result of that.

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By Mr. Barker:

Q. Is that of record?—A. Yes, that is of record.

By Mr. Bennett:

Q. \$16,500 stock?—A. Yes, and that is shown in the ledger—the receipt of that amount by the company. In addition to that the company received—and that is also of record on the books here—\$50,000 from the town of Collingwood.

By Mr. Maclean (Lunenburg):

Q. Was that after 1902?—A. Yes, after 1902; and they also, as shown by the statement vouched for by Mr. Mackay, which is filed here, and which shows that at the end of that time, after spending all that money they owed the banks some \$40,000 and odd, and then the dock was not completed and required some considerable expenditure, which will be shown by Mr. Smith, who is here. Following that, as an explanation of what has been referred to as rumours, the fact unfortunately happened that the shipbuilding trade fell upon evil days. They were not able to build ships in competition with those that had been bought, the yard was practically closed up, the men were away, and this yard was practically idle; the shareholders were then face to face with the fact that they were not earning anything and that they were going behind very much. Some of those men who had put \$300,000 into this plant began to be uneasy, and some of the employees of the company began to talk, and exaggerated rumours got about based upon the entries which Mr. Long had made in the ledger, which are here and have been shown before you, showing the writing up of the securities of the company to what he thought was their value in 1902. That he did, and every one in the company knew he did it, but these shareholders gathered the idea that there was a fraud upon them.

By Mr. Bennett:

Q. Every one knew that but the shareholders?—A. Every one of the original shareholders knew it; the fact of the matter was that the original shareholders were practically the directors.

Q. And when you refer to those shareholders that were dissatisfied those are the men who bought the new stock?—A. Yes, and they complained very bitterly; there were complaints made by shareholders who for instance—perhaps it is unnecessary for me to particularize, but he was a member of the board of directors of the bank, and some of his co-directors had taken some of this stock.

Q. Who was a director of the bank?—A. Mr. John Long, and there were complaints made by men whose opinion he valued, and while Mr. John Long undoubtedly thought—I haven't any idea that he did not think that the writing up of these securities to the figure he did write them up to—was legitimate at the time, he was in very great trouble about this, and finally he died or committed suicide.

Q. What was the date of that, by the way?—A. July 4, 1904, was the date when he died. In the autumn following that these shareholders threatened action, I was acting as solicitor for the company; I had been considering at the instance of the company some vague threats that were made, when a firm of solicitors in the city of Toronto wrote a letter to say that they would not allow a new board of directors to be elected, continuing the control of the company in the original shareholders for another year; that they would take an action for an injunction if that were persisted in. Now at that time, and I perhaps should have mentioned it in order, that Mr. Long decided—

Q. What Mr. Long?—A. Mr. Thomas Long—no, I am not quite sure about that; that arrangement might have been made before Mr. John Long's death—but it was probably Mr. Thomas Long, because Mr. John Long was away out of the country during the greater period in this year—that they would put in a firm of accountants,

whose name appears on the statement filed, and that statement shows on the face of it about their refusal to certify to the actual cost, the writing up of some of those securities at that time, and that was what they based their action upon. Now, acting for the company, I met this other firm of solicitors, and we agreed together that to throw the affairs of this company into the courts in an effort to find out what the rights of the various parties were in regard to the improper issue of stock, whoever might succeed or lose in that litigation there would be no doubt about this fact whatever, that the company would have to go into liquidation, and that if they did the plant was worth nothing more than scrap iron, that the buildings were put up for a specific purpose and probably would be useless for any other, they simply could not complete their plans, and probably everything would be lost. These shareholders then got together and the new shareholders said: 'Well, we do not want anything more than what is fair, but we think you allotted too much stock to yourselves before you took us in.' That is, putting it roughly, what they said to us, and as clearly as I can give it to you.

Q. Not wishing to interrupt you, how much of this is actual knowledge of your own?—A. I am speaking now of actual knowledge—up to the present time I have been speaking of the results of my investigation into the books and records. Now, when I come to the meeting of the dissatisfied parties, I am speaking of actual knowledge of my own for I was concerned in the negotiations. The fact of the matter was that Mr. Long from this time forward only knew what I told him about it, because I conducted the negotiations down to the point of the agreement and made the agreement, and then discussed it with Mr. Long and his associates, and finally brought it to a conclusion. They then said: 'If you can satisfy us as to what real value there was at the time this stock was issued, we do not want to cut you down to the \$100,000 which is, perhaps, all that you would be technically entitled to because it was all the stock that was paid up. 'The question was what real value there was at that time. They pressed me very hard on it, they had, to be frank, the original shareholders absolutely in a hole—I have not any doubt, and could not tell Mr. Long anything else, but that all this stock issued was unpaid stock, and they were liable to be called upon by the company to pay every dollar of it into the company over again—and I was not therefore in a position to stand up for the value we really thought was there. Now we, after going through all the figures that they had satisfied themselves by the valuations were there, finally agreed that in addition to the \$316,500 which should represent the cash, the actual cash stock, there should be allowed the original shareholders—

Q. What do you term that \$316,500?—A. 'Cash stock' issued through Stark and Company, I went through that, checked it myself, and satisfied myself that that cash was contributed to the company—that \$350,000 should be allowed to the original shareholders as representing the fair value that was there before the cash stock was subscribed at all, making a total issue of capital which should be assumed by a new company to be formed, and which we did form, of \$650,000 as representing actual value.

By Mr. Reid (Grenville):

Q. That was your own opinion?—A. No, it was not, I had—

Q. How did you arrive at that conclusion?—A. That was the most they would allow my clients, to Mr. Long, to Captain McDougall and the original shareholders, Captain Campbell and Captain Cameron. We were all of the opinion that they ought to have been allowed at least \$400,000, in fact they wanted \$450,000. They stuck out for that for a long time and they upset the whole apple cart once on that.

Q. You were allowing \$350,000 for what Mr. Coste is valuing at \$125,000?—A. —Oh, no. There is a little misunderstanding there, I can make that quite clear. I am not talking of what money went in, because there was some money came in from the bank in addition to that. I am talking of what actual value there was before this \$300,000 went in at all, at a time when the plant was hardly commenced, not when it was completed. We wanted \$450,000, and stuck out for a long time for \$400,000; my clients said they would not take less. It was an outrage to cut them down below that.

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Finally I pointed out to them the hole they were in and they agreed to \$300,000. That made the total issue \$666,500, and in addition to that, if you want to take the money that went into the company you have to take the money that went into it from the bank.

Q. That is \$300,000 cash and \$16,500 to the brokers plus \$350,000 that was allowed?—A. Yes, of course you must remember that the dock was not completed at that time and there was more money to be spent. This fact was brought out in the negotiations that this company could not sell stock at par, and I urged upon these other people—I should say this that a very strong point was made as to who should keep control of the company—there was a bitter fight about it, but they finally conceded us the control, and that we were the parties that should have control of the company, we controlled the board of directors. We agreed to issue to these people who put their cash in last preferred stock—

By Mr. Maclean (Lunenburg):

Q. You organized a new company?—A. Yes, we formed a new company, took out a new charter, and issued \$350,000 of preferred stock, out of which these cash men got \$316,500.

By Mr. Lennox:

Q. Has that formation of a new company been actually completed?—A. Oh, yes, it was completed in May, 1905.

Q. I understood there were some protests as to some of the original shareholders or something of that kind?—A. Oh, no.

By Mr. Maclean (Lunenburg):

Q. You issued \$316,500 of preferred stock?—A. Yes, \$316,500 of preferred stock to those parties; we issued actually altogether \$350,000 of preferred stock which was the amount of preferred stock put into the new capitalization.

By Mr. Barker:

Q. What became of the other \$33,500?—A. I will explain that in order. Then we issued \$350,000 to the original shareholders in return for all the stock they had.

Q. Common stock?—A. Yes.

Then coming to the point we discussed, as to whether this stock could be sold at par, it was quite plain at that time there were no ships on the stocks, and nothing doing, we could not sell even preferred stock at par, and that it would be a foolish thing to turn over the old company to a new company without having treasury stock on hand. That is to say, stock held in trust for the company that could be sold at a discount. The company, as I will explain for the benefit of the members of the committee who are not lawyers, could not issue a dollar of its own stock, of the nominal capital of \$1,000,000 for less than par. Of the total capital of \$1,000,000 there was \$350,000 of this preferred stock and \$650,000 of common stock. Now then, we agreed—when I speak of 'we' I mean myself, as representing the original shareholders—with the other firm of solicitors I have mentioned as representing the dissatisfied shareholders, that in addition to the \$316,500 of preferred, and that \$350,000 of common stock, there should be issued to John Long, and held in trust by him for the company, the sum of \$33,500 of preferred and \$50,000 of common, and these stocks—

Q. The whole amount of the \$33,500 of preferred?—A. Of preferred.

Q. And how much common now?—A. To be accurate, \$54,000; there was some odd amount for some reason, I have forgotten, but there was an odd amount.

By Mr. Maclean (Lunenburg):

Q. That is common stock?—A. Yes, I am rather inclined to think that came about in this way, although I am not perfectly sure of this, that the amount really given to

the original shareholders was \$354,000. That was the subject of very bitter contention, they did not want it issued to John Long. One of our many objects in making this arrangement was to try and put an end to these statements of improprieties and dishonesty on the part of Mr. John Long—our position was, and is to-day, that Mr. John Long would not, he might have done it irregularly, but he did it with honest intention at the time—and we refused to have anything done either in substance or in form which would give colour to these charges—and we said, we are perfectly willing to concede that perhaps we valued this company too high, when it was a going concern, at the time we made this statement it was not a going concern, although the machinery was there, of course, and everything was done as far as we could do it just as if Mr. John Long were there and looking after his own interests. Mr. John Long and some of the original directors insisting upon that as much as anybody else. The only question that there was with reference to that common stock was this—

By Mr. Bennett:

Q. When you speak of common stock what do you mean?—A. I mean the trust stock, both common and preferred.

Q. That is \$37,000 to John Long?—A. Quite so—I gave my personal undertaking to the solicitor for the other side that if, at any time, any shareholder became suspicious, or any trouble was raised or any charges made that the original directors, to use the expression I remember was used to me, had ‘gobbled’ any of this trust stock, that I would inquire into it and that there would be no necessity for any legal decision, that I would satisfy them that all the original shareholders got out of it, or that went to them, would be the \$354,200 of common stock which they were entitled to get.

By Mr. Maclean (Lunenburg):

Q. I have not been able to follow this trust stock, I believe they proposed to put it in John Long’s name?—A. Treasury stock for the company, he could sell it for five cents on the dollar if it was thought advisable to do so.

Q. Was that paid-up stock?—A. Yes.

Q. For what purpose?—A. Well, the assets of the old company were sold to the new company at a valuation of the same total of all these issues of stock.

Q. That is of one million dollars?—A. No, the same stock, the new issue, \$404,200 of common and \$350,000 preferred, and in paying up this stock in the new company was paid up, on turning over the whole going concern with all its business for \$754,200, so that this stock became paid-up stock and it was held in trust as paid-up stock, and it is for the Board of Directors of the company to utilize that stock, to sell it as occasion may arise, for the benefit of the company at what price they may consider advisable.

Q. Is it still held that way?—A. I do not know, I am not concerned with the action of the directors from the time I started them off as a going concern.

By Mr. Chisholm (Antigonish):

Q. Is that the basis of the \$750,000 that you have spoken of as mentioned in Mr. John Long’s affidavit?—A. No, Mr. John Long’s affidavit had been made long before. It was made upon the basis of the accounts of the company as they stood when he made this illegal issue of stock. This present company was organized and had nothing to do with that old affidavit whatever. Perhaps it would be well to tell the committee exactly the whole terms of the settlement, because there are other terms in the settlement, and perhaps it is well to understand what a complicated matter it was.

By Mr. Barker:

Q. At this stage I think it is well to explain how that valuation of \$754,200 was arrived at. Was there any actual date of moneys or was that jumped at somewhat?—A. Well, Mr. Mackay’s valuation was the basis of it, but actually it was you might say jumped at to some extent.

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Q. Mr. Mackay says that as to \$200,000 of that he could find no authority for it except that somebody made the entry?—A. It was a writing up of the value, and it was a question of what that value was. I might say this, I thought that the value put upon it should have been \$50,000 more, and I offered the parties on the other side to obtain a valuation from any dock expert they might name in the United States, and I said that I had been informed, as I had been informed, that an honest valuation from an independent expert could have been obtained putting the value of that property as it stood there at \$50,000 higher. Then another fact beyond what I have outlined to you as the basis is the proposition that I laid before the bank and other parties interested, and in effect what they said to me was: 'That is all very well, but you are getting \$350,000 against what is the actual value it is true, but you are technically only entitled to \$100,000, and you ought to do something in addition to that.' After a great many suggestions were made, we finally hit upon this idea, that we would organize that company upon that basis, as being a perfectly fair basis having regard to the value that there was there, but that the estate of John Long should purchase from these original cash shareholders, and that is the only reason for giving this explanation. Your committee requires it, as Mr. Bennett has been inquiring as to a great deal of preferred and common stock which stands in the name of Mr. John Long, and how he got it, is this, that it was part of the original terms of settlement that the estate of Mr. John Long should buy from all these people 25 per cent of their total holdings.

By Mr. Maclean (Lunenburg):

Q. Will you kindly repeat that, I did not quite catch it?—A. It was part of the terms of the settlement that the estate of Mr. John Long should buy from all the cash subscribers of 1902, of the \$300,000 of new money that came in, 25 per cent of their total holdings. These men said: 'Very well, we will take that preferred stock at par in exchange for the stock we bought in the old company. We will take stock in the new company, but we will only do it upon the condition that you, John Long, that is John Long's estate, will buy from us at par 25 per cent of the total of it. There was, it did not work out exactly at 25 per cent, it worked out a little more than that, but in the end we did eventually come to an agreement by which John Long's estate bought and paid out cash, after the organization of the new company, \$56,000; there may have been a few odd dollars, but I think I am right in saying \$56,000 of preferred stock.

Q. Let us understand. John Long's estate bought \$56,000 of that preferred stock?—A. Yes. Now, you will not find that \$56,000 exactly in any statement. If you were to go into the company's stock books to-day you would not find that, although I do not suppose you will go into them, I might as well state there was an additional item. The matter was complicated by this, that John Long in his lifetime had sold a very considerable amount, \$30,000 or \$40,000 worth of his own personal stock at par. That fact I mention because that has given rise to a great many of these charges of impropriety that have been floating around in an exaggerated form. There is no doubt, we investigated that, he had sold a large amount of his personal stock at par—stock in the old company. Now, of course, I could not go to the men who had paid this \$300,000 in and say to them that they must allow preferred stock to be issued to these persons, who were, as far as they were concerned, only representing part of John Long's stock; they would not stand for that for one minute.

By Mr. Roche (Halifax):

Q. You say he had sold stock in the old company at par?—A. Yes, that is his personal stock.

Q. Who bought that and paid for it at par, because that will give value to the old company's stock if it was sold at par?—A. There were a large number of them. The honourable gentleman is quite right, and suggests something to me that I think I should point out to you. The persons who bought this stock from John Long, this

stock in the old company, before any of these troubles were heard of, were all Collingwood people, men who were about there in Collingwood, I can give you their names, men who were standing about there in Collingwood seeing this property every day, knowing the dock, and knowing that there were \$870,000 of capital issued against it, and they actually paid par for that stock, having that plant before their eyes, on the basis of \$870,000.

By Mr. Bennett:

Q. It might be as well to give their names now; it will save me cross-examining?
—A. I do not think you have any right to those names, but I have no objections to giving them to you. I have very nearly finished this explanation, and perhaps you will let me finish.

By Mr. Barker:

Q. Very well, you will have no objection to tell what Mr. Bennett asks?—A. I am giving a great deal of confidential information to the committee, and I am quite prepared to go further. These men were in the same position as between them and the company as the Toronto subscribers for this \$300,000 issue, but as between them and the Toronto subscribers they were in an entirely different position. We got rid of that trouble in this way: the John Long's estate having bought \$56,000 worth of preferred stock from the cash subscribers, after that had been done, and the whole of that transaction carried out, the executors met the men who had bought stock from Mr. Long in his lifetime, and they exchanged the preferred stock, which had been bought and paid for at par, for the common stock which was all that these men could get in exchange for their stock in the old company.

By Mr. Bennett:

Q. Why?

By Mr. Lennox:

Q. State that again please?—A. The men who had bought stock from Mr. John Long in his lifetime were, as between themselves and the new company entitled only to an issue of common stock; they could only get common stock; they could only represent John Long's rights, and he could only have got common stock if he had lived. But they were entitled to say: 'Why should the man in Toronto who had paid cash for his stock get preferred stock and we get only common?' That was a perfectly good position, and the executors of Mr. John Long therefore went to every man to whom John Long had sold stock in this lifetime and gave him preferred stock at par share for share.

By Mr. Maclean (Lunenburg):

Q. And they got the preferred stock that Mr. Long's executors held?—A. The preferred stock that Mr. Long's executors got from the other shareholders.

By Mr. Lennox:

Q. Out of that \$56,000?—A. Yes, you are quite right. That explains it, and I hope I have made it clear to the committee why both common and preferred stock is standing in the name of the executors of the late Mr. John Long in trust. That is stock in which the estate has no interest whatever, it simply holds it at the call of the directors of the company, to be transferred as the directors may see fit, and that shows why the John Long estate owns preferred stock, whatever they own they bought and paid for it at par.

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By Mr. Barker:

Q. Was all this arranged for at one time?—A. Oh, no, there were verbal negotiations extending over perhaps a month.

Q. No, I mean the carrying out of this common stock transaction, of the John Long estate taking back from people the stock they had bought from him?—A. It extended over some months, but it was all agreed to at one time.

By Mr. Lennox:

Q. In one agreement?—A. No, it is very difficult in a statement to give the committee an idea of the complexity of the transaction, because I have stated to you exactly what was done, but I have not told you this, that the representatives of the Toronto people, and when I say the Toronto people I mean the cash subscribers, there were one or two underwriters who underwrote the entire issue of this stock.

By Mr. Bennett:

Q. Stark & Co.?—A. Stark & Co., and clients of Stark & Co., and the underwriters. I have not thought it well to mention this, because the expenses of underwriting were paid by Stark & Co. out of the \$16,500, but the fact that they were a separate party of men and that there was an agreement made with the underwriters, and with the cash subscribers, and then we had a meeting at Collingwood of all the shareholders. At that meeting these men who had bought stock from John Long came to the meeting, a number of them, and asked questions. There was no agreement with them; they said: 'Why should we vote for this, why should you give us common stock?' and I was up there and said to them, 'I want you to vote for this, and if you vote for it, as soon as it is carried through I will undertake to meet every one of you and will give you one share of preferred for every share of common stock you have.'

By Mr. Barker:

Q. That was all one general session?—A. Yes, and that extended through until I made the proposition in writing covering the general outlines of the transaction, and I think it was about May when the new company had been taken out, the stock all issued, and everything turned over to the directors. I see that I have made a slight mistake which, however, does not affect the accuracy of the general statement. I told the committee that \$33,500 was the total amount of stock actually issued to the executors of the late John Long in trust.

Q. That was preferred?—A. Preferred stock. That was the amount originally agreed upon to be issued, but a claim against the company on a business transaction with regard to property acquired by the company, which it was thought would not be necessary to carry out at the time this agreement was made, was actually carried out by me in the meantime, and \$20,000 of preferred stock was issued to those parties.

By Mr. Barker:

Q. What property was that, land?—A. It included land, but I do not know that I ought to state that to the committee.

Q. Has it gone into the dock company?—A. No, it has nothing to do with the dock property, and it was a claim which I satisfied myself was an honest and bona fide claim, and which the board of directors was satisfied to pay. I made the agreement that we should get so much stock for it.

Q. Was it a claim against the company?—A. Against the company, but not the dry dock itself.

Q. Was it for machinery?—A. For machinery and property.

Q. And the company issued \$20,000 of preferred stock against that?—A. I do not think I ought to disclose the private business of this company to the committee.

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It had nothing to do with the dock, it was a bona fide claim which had to be settled, and the men were entitled to either that or the money.

Q. It was not a claim for promoting?—A. No, not in any sense, and it was not a claim in which the Longs or any of the original directors were interested, and no share of the stock went to the Longs, to Captain McDougall, or to any of the original shareholders at all. It was a claim for which the company got value.

Q. Was it for material supplied to the dock?—A. No, nothing that went into the dock.

By Mr. Barker:

Q. It was outside the dock altogether?—A. Altogether.

By Mr. Roche (Halifax):

Q. What did you get for your own services?—A. Oh, I looked after that.

By Mr. Bennett:

Q. Is it for that?—A. No.

Q. Or any part of it?—A. Nor any part of it whatever, not one dollar.

By Mr. Maclean:

Q. What is the amount of preferred shares in trust?—A. 135. There were \$33,500 originally, that was the amount agreed upon, and this \$20,000 was taken off of that, so that the actual amount was 135 in trust.

By Mr. Lennox:

Q. That was the amount actually issued to the John Long estate, of preferred stock, \$13,500?—A. That is right.

By Mr. Bennett:

Q. Just something for 'the boy' perhaps, was it?—A. No, this was something for which value was given to the company, in property, and not in services, or promotion or legal expenses, or anything of that kind.

By Mr. Reid (Grenville):

Q. Do they own the property yet?—A. Yes, and it does not go into the dock at all. They own the property yet.

By Mr. McCarthy (Simcoe):

Q. Did any part of that \$20,000 go in any way to you, or me, or our firm at all?—A. No, I think I made that quite plain. Now, perhaps it might satisfy the committee if I read over a number of items, the principal items, there are a number of small subscribers here that I do not suppose the committee are interested in. Mr. E. R. C. Clarkson, Toronto, 200 shares.

Q. Which stock are you speaking of?—A. This is the preferred stock that they paid cash for. The Dymont—that is they paid cash for the original stock which was exchanged for it—The Dymont Security Savings and Loan Co., of Barrie, 500 shares, for which Mr. Dymont originally paid \$50,000 on stock in the old company.

By Mr. Bennett:

Q. When was the last list issued and posted in the office of the Provincial Secretary, and have you got it to-day?—A. I do not know anything about that. Speaking for the moment as a solicitor, and not as a witness, my supposition is that you have no right to go into that at all. I am telling you now, I am here to tell you what stock was originally issued in the present company and what stock was paid for

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By Mr. Lennox:

Q. You say that Mr. Dyment got \$50,000?—A. Yes, it was not issued to Mr. Dyment personally, although he is the man who personally paid the money.

Q. That is his purchase originally of old stock?—A. Yes, old stock purchased from the Stark Company, I am not sure, I think perhaps it is one of the subscriptions Mr. Long got, it is part of the \$300,000.

Q. Mr. Long, or his estate, purchased a quarter interest in \$50,000 and then Mr. Dyment had from \$30,000 to \$40,000?—A. Yes,

Q. I was wondering how he could take up this large amount if it was originally old stock?—A. Mr. Dyment originally paid \$50,000 for 500 shares of stock in the old company.

Q. It was not the stock of any individual?—A. Yes, Mr. Dyment had that and this list that I hold in my hands shows it, that he held 500 shares of preferred stock in the new company, I have verified that. Subsequently the estate of John J. Long bought 25 per cent of it from him.

Q. If Mr. Dyment bought \$50,000 of stock from any individual in that company there would not be any way of adjusting it?—A. Not at all.

Q. If they bought \$50,000 of old stock for which they paid in full, then they could not apparently be on the same basis, would they, as these shareholders in Collingwood?—A. I think I am right in saying that prior to the organization of the new company, there had not been a single transfer of stock from any shareholder to any other person, with the exception of the stock that the late John Long sold in Collingwood, so that there will be no necessity of going into that. The original stock had never been sold. None of the people who bought in the city of Toronto, there may have been a transaction, Mr. Stark may have substituted one name for another in making up this list, but to a very trifling extent.

By Mr. McCarthy (Simcoe):

Q. There are other shareholders on that list?—A. There were some large shareholders, including Mr. Dyment, of Barrie, and Mr. Reford, of Montreal, who refused to come in, and who were not represented by the same solicitors as those who were represented in general by one solicitor, and at the same time that I carried on those negotiations that I have spoken of with the solicitor of that general list of shareholders I carried on negotiations with Mr. Dyment's solicitor and the solicitor of Mr. Reford, of Montreal.

By Mr. Lennox:

Q. Just one more question with reference to the Dyments, they were preferred stockholders?—A. Yes.

Q. If they purchased new stock, of course, they would become preferred stockholders, but if they purchased old stock they would not?—A. They did not purchase old stock as a matter of fact.

Q. That is what I want to clear up?—A. I said that Mr. Dyment personally subscribed to the new stock, towards the cash issue of preferred stock, but it was not issued to himself, but to the Dyment Securities Company to whom he had transferred it.

By Mr. Hughes (Victoria):

Q. What was the claim of Mr. Dyment on the old company?—A. He was one of the cash subscribers at part for \$50,000, in 1902.

By Mr. Lennox:

Q. That is all he ever did, he is not in the new stock?—A. What do you mean by new stock?

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Q. He was one of the old subscribers, I understand?—A. I do not know why I cannot make this clear. Mr. Dymont was one of the persons who bought from the old company at the time they issued this \$300,000, and his \$50,000 was part of the \$300,000 that went into the coffers of the company.

Q. Of new stock?—A. Yes.

By Mr. Bennett:

Q. Was Mr. Dymont one of those parties to your present litigation?—A. Yes.

Q. On what terms was he settled with?—A. On the same terms as the others.

Q. What were those terms?—A. That 25 per cent of his stock was purchased by Mr. John Long.

Q. Was he allotted any further stock?—A. No.

Q. Would it surprise you to know that the last return shows that he holds 550—would it surprise you that he holds 5 shares more of new stock?—A. Not at all, I must protest against going into that matter. It is something with which the committee has nothing to do.

Q. Is he not the father of Mr. Dymont, M.P.?—A. Yes. It would not surprise me that there would be any change in this list, because he may have sold or bought since that time.

Q. I do not think anybody was buying after what you have told us, and what we have heard?—A. I have heard that people have bought and sold stock since then.

By Mr. Johnston:

Q. What has that got to do with this?—A. Nothing whatever, it is entirely foreign to the inquiry. The stock may have been sold or bought from time to time since then. I will speak now of amounts of 200 shares and upwards. The Charles Meredith Company, of Montreal, were subscribers to the cash issue of the old company to the extent of \$20,000, and they got 200 shares of preferred stock in the new company. The Robert Reford Company were subscribers to the extent of \$27,400 of that cash issue, and they got 274 shares of preferred stock in the new company. The John Stark Company, of Toronto, got 949 shares of preferred stock in the new company, and that was issued in one block to them after I had gone over, with Mr. Stark, a large list of original cash subscribers who were mostly for small amounts, and who had allowed their stock to stand in the name of John Stark & Co. It had never been transferred from John Stark & Co. Old stock was issued originally to John Stark & Co., and they signed the agreement as representing the whole of them, and they undertook the onus of distributing that stock among them. That represents \$94,900 of hard cash which went into the coffers of the old company. That covers all the names there that you would probably want to inquire into.

By Mr. Lennox:

Q. \$96,000 represents the whole transaction as far as the issue of stock for cash?—A. No, no, \$300,000 there is altogether.

Q. Not for cash, that is an estimate, I understand?—A. No, \$300,000 was the actual amount of money received by the old company, net, without any deduction whatever.

By Mr. German:

Q. I do not know, there may be some confusion, but let us distinctly understand it, so that hereafter there will be no confusion. There has really been three companies in connection with this dry dock, the old company that originally built the small dock?—A. Yes.

Q. John Long & Co., or whoever they were?—A. Yes.

Q. Then there was the formation of a new company with a capital stock of \$2,000,000?—A. No, there have only been two companies; I thought I had made it plain, but

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evidently I did not. The original company that was formed was the same company that existed down to the date of the reorganization. It was commenced with a capital of \$50,000, which was increased to \$100,000. If my recollection is not wrong, it was subsequently increased to \$200,000, although I do not think that was ever acted upon. It was afterwards increased by supplementary letters patent to \$2,000,000, but it was the same old stock that John Long professed to issue as representing the increased value of their property.

Q. Under the supplementary letters patent there was an increase of the capital stock to \$2,000,000, and then \$300,000 of stock was disposed of to the people of whom you have already spoken, and they actually paid that money into the company?—A. Certainly.

Q. And these were the men who began to make a kick that they had written up the value of the property to a great extent?—A. Certainly. Let me say this, in further explanation of that, that when the \$300,000 was issued, together with the \$16,500 for Stark & Co.'s commission and expenses, these amounts made up the stock of the old company to a total issued capital of \$870,000, and then John Long swore to the value which Mr. Bennett has repeated over and over again.

By Mr. Bennett:

Q. Don't say I repeated it, say I read the declaration.—A. Mr. Bennett read over and over again from the declaration stating that \$870,000 in cash was received by the old company; that statement as it stands was not true, there never was \$870,000 received by the old company in cash. It would have been true if the legal effect of what Mr. John Long did had been what Mr. Long thought it was: that is to say, if he had turned it over to a new company, for exactly the value which appears in these books, that statement would have been accurate, and \$870,000 would have been issued in stock by the old company for the cash value of property for that amount. As a matter of fact, it was not true, because John Long attempted to do that in an illegal way.

By Mr. Barker:

Q. Can you tell us when that \$300,000 was actually paid to the company—I do not mean the month?—A. I am speaking now from recollection: in the autumn of 1902, but the books here will show exactly.

Q. It was some time in the autumn of 1902?—A. Yes.

Q. Was that after the order in council granting the subsidy?—A. I think not. I have not the date of the order in mind, perhaps you will remember, there were two orders in council.

Q. I mean the first?—A. The first one was never acted on.

Q. It is recited in the final agreement; I only want to know the facts?—A. That I do not know. I do not know the date of that; it was certainly before the final order in council granting the subsidy.

Q. The first order in council was in October, 1901, and the \$300,000 was paid in a year afterwards?—A. Paid a year after that, quite so.

By Mr. German:

Q. How much of capital stock in the new company is actually issued?—A. \$754,200.

Q. Three hundred and fifty thousand dollars of which was preferred stock which went to the men who had put up \$300,000?—A. With the exception of this \$13,000 additional in trust.

Q. And then the balance of it was common stock?—A. Common stock.

By Mr. Bennett:

Q. In reference to your memo, there, what was the date that John Long took stock back from those parties who had acquired an interest from him?—A. It would

be some time, I have not the memorandum of the exact date, but it would be in the spring of 1905.

By Mr. McCarthy (Simcoe):

Q. John Long was dead before that?—A. When I say John Long, I mean the executors of Mr. John Long. Mr. John Long never took any back, it was the executors. It would be May or June, I should think, there was a good deal of delay about it: some of these people had scattered, some were in the United States, and the correspondence occupied a considerable period of time. Now, the committee would like to know the names of the Collingwood people who bought from John Long stock in the original company, which had an issued capital of \$870,000, and paid for it. I have a list here from which I am able to give them.

Q. There is no reason why we should know that. They got preferred shares for common stock they had bought and paid for?—A. First they got common stock in the company.

Q. And then John Long's estate gave them preferred stock for it?—A. As a matter of fact he was not bound to do it, but it was equitable to do so having regard to the treatment given to the Toronto shareholders. I think that covers that question.

By Mr. Bennett:

Q. This Dymont stock is held by a company, not by Mr. Dymont personally?—A. I know the stock was issued to a company, and at that time I thought that the Dymont Securities Company was the same as Nathaniel Dymont. I treated it exactly as if it was Mr. Dymont, and did not raise any question about it.

By Mr. Sinclair:

Q. I understand you to say that the value of the old property which was paid out to the old shareholders was agreed to by what you would call the cash shareholders like Mr. Clark and Mr. Reford?—A. It was very bitterly fought out.

Q. They are all substantial men, hardheaded business men?—A. Very much so.

Q. And after the contest was over they agreed to the value that you have stated?—A. Yes. I might say here with reference to a great many vague threats as to disclosures of one thing and another, that one or two members of the committee have mentioned, that practically what Mr. Bennett has got, and what they have got, I have not the slightest doubt is the long list of charges that these solicitors of these cash shareholders have got. There was a discharged bookkeeper, and another man who had been in the employment of the company, but had left, and there were a great many vague and exaggerated charges.

By Mr. Bennett:

Q. What about the charge made by Mr. Dymont?—A. Mr. Dymont, as I remember it, made no charge, except that he took the position that he found out there was an illegality in the affairs of this company, and he thought he had a right to take advantage of that illegality, because it turned out that the business had gone to the dogs since he bought his stock.

Q. Was Mr. Johnston paid \$50,000 cash with interest?—A. That was \$5,000 I think.

Mr. MACLEAN (Lunenburg) protested against the private affairs of shareholders of the company being discussed.

By Mr. German:

Q. I would like to ask, Mr. Osler, if he would tell us whether he knows the political proclivities of these gentlemen who are connected with this dock from the beginning down to the present time?—A. I do not.

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Q. Do you not know that they are all Tories, every one of them?—A. Well, I am, I know that. I do not know about the rest of them. What I would like to say to the committee is this, that when negotiations that I have spoken of started the gentlemen representing these cash shareholders had in their pockets what, I have not the slightest doubt, Mr. Bennett has got in his pocket to-day—a lot of vague charges.

By Mr. Bennett:

Q. Let me correct you. I have some rights as a member of this committee, and when you are a witness I do not think it is fair for you to say that I have a lot of vague charges?—A. That is all I have heard, what is assumed, Mr. Bennett. I have not heard anything definite yet.

Q. I have information from stockholders who know this is the only chance they have by exposing the whole outfit?—A. Well, I will put this in another way, then—

By Mr. Hughes (Victoria):

Q. Mr. Osler has no right to impugn the motives of a member of the committee—A. I am not impugning—

By Mr. Bennett:

Q. I may add to that that I have certain information from morally disposed people, who have a code of morals—A. If the committee do not think my statement that Mr. Bennett has made vague charges is correct or justified, I will substitute it by saying that he made threats which, I think, I can safely say—

Mr. HUGHES (Victoria) objected that the witness had no right to lecture the committee.

A. I think if you will allow me to finish my statement you will understand it is not a question of lecturing the committee. What I was about to say is this: I am here representing the company and meeting charges that have been made. I have said what I thought these charges were, and I will leave it to the committee to say whether I was correct in so characterizing them or not. All those charges that have been made or indicated by Mr. Bennett, I, in meeting those other gentlemen in these negotiations when they were threatening all sorts of things against the company—against the original shareholders—found them with the same identical charges: the question of Mr. Johnston, whose name has been suggested here, the question whether or not Mr. John Long had stolen part of the bonus was then raised and others. These charges were one and all investigated—

Several hon. MEMBERS.—Order, order.

The CHAIRMAN.—It appears to me that some of these statements that you are now giving, Mr. Osler, are not strictly evidence. Do you intend them to be accepted as evidence?

—I wish to give evidence as to this fact purely, that these charges which I understand to have been made here—I will not characterize them more particularly than that, were in fact made before under threat of legal proceedings, were dismissed by the parties before—

By Mr. Hughes (P.E.I.):

Q. By whom?—A. By the cash subscribers, and they were investigated, and it was found as a result of that investigation—

Q. Are those cash subscribers still stockholders in the company?—A. Yes, and they are satisfied. I will go further than that, and I will say that those very men, or at all events their representatives that I have met, were satisfied that the only basis of truth of all the rumours that were going about, was the fact that Mr. John Long had made the mistake that I have described.

By Mr. Bennett:

Q. Why did he give them back a portion of their money?—A. Because we had to do it in order to prevent the liquidation of the company. It was a business question entirely, we would have lost half a million dollars of money.

Q. Who were in this investigation?—A. These legal gentlemen, it was between myself and the other solicitors.

Q. And the original shareholders came down when the others pulled the gun on them?—A. We took some months to come down anyway during which these negotiations were proceeding.

By Mr. Lennox:

Q. You came to a basis of an arrangement, and after months of negotiation, the result of that was that Mr. Long was compelled to buy out one-fourth of the preferred stock of these parties?—A. Quite so.

By Mr. Bennett:

Q. And how long was the suicide, as you call it, of Mr. John Long after the payment to Johnston?—A. That is quite an improper question.

Q. Now will you please turn up that minute book showing where this arrangement was made?—A. I have not the minute book of the company here.

Q. Will you take a note to have it here?—A. I do not think that has anything to do with it. I made a full explanation otherwise the committee would never have understood the whole transaction without understanding the reason for it.

Q. I think we ought to have that minute book. We want to see what basis there was for the company at that time moving that the stock should be increased by \$550,000?

The ACTING CHAIRMAN.—As I understand it, it has been ruled by the committee that all these stock transactions have absolutely no bearing on this investigation, or, at least, should not have. But Mr. Osler has volunteered to come up here and make a statement giving a great deal of private information to which, strictly speaking, we would not be entitled, but which he has given in order to make the whole matter plain to the committee.

By Mr. German:

Q. Mr. Osler stated that he was conversant with the facts since the formation of the new company and not before?—A. All that I have stated was the result of searches in the books I have made for the purpose of enabling me to conduct the transaction.

Witness retired.

HENRY PENTON, called and sworn and examined.

By Mr. H. S. Osler, K.C.:

Q. What is your occupation?—A. Mechanical engineer.

Q. Do you know anything about dry docks?—A. A few.

Q. You have had to do with the construction of them?—A. I have built two.

Q. What has your experience been as an engineer, speaking generally?—A. Chiefly along the line of marine construction.

Q. Are you familiar with the operation of dry docks and repair plants in connection with them?—A. I claim to be.

Q. Have you examined the dry docks and plant at Collingwood?—A. Yes.

Q. First let me ask you this, is the repair plant a necessary part of the equipment of a dry dock?—A. The dry dock is merely a part of the repair plant.

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Q. As an actual hole in the ground the dry dock is of no use without the repair plant?—A. Not in my judgment.

Q. Is the speed with which vessels can be repaired an important item in considering what is necessary for the equipment of a dry dock?—A. Very often it decides entirely where the business shall be done.

Q. That is to say a vessel will not go to a dock where it will take a long time to be repaired?—A. Not if another one can be obtained.

Q. Then is it necessary that there should be a fairly extensive repair plant in connection with a modern dry dock?—A. I think fully as much as if the plant were intended for new construction.

Q. Is there in modern marine practice on the lakes any part of a vessel which a dry dock may not be called upon to repair at short notice?—A. Not that occurs to me, no.

Q. Practically every part of a vessel may come in wanting repairs?—A. Well, let me separate that question. A ship may require repairs without requiring the actual services of a dry dock. That is to say, it may not be necessary to take her out of the water.

Q. As to some parts?—A. As to some parts.

Q. Have you examined the equipment of the Collingwood dry dock?—A. Yes.

Q. With a view to estimating what it would cost?—A. To build it new?

Q. Yes?—A. Yes, I have.

Q. Or to build it at the prices that may have existed three or four years ago?—A. That is altogether problematical. I would not undertake to fix the cost of building a dock at this date on the prices that existed at that time.

Q. Perhaps we had better get the value of it now, as to the cost of building it now. Will you tell me what it would cost now to build that dry dock, with all necessary and proper equipment, and excluding anything that you might think would not be necessary for a repair plant?

Mr. LENNOX objected that what it would cost to build the dock now was not material.

The CHAIRMAN ruled that it was material because evidence might be obtained to show what percentage of increase there would be between the prices prevailing then and now.

By Mr. Osler, K.C.:

Q. Will you tell me what your valuation is?—A. The valuation I have of the plant as it exists to-day is \$838,556.

By Mr. Reid (Grenville):

Q. How is it made up, please?—A. That is made up of real estate, from the inventory.

By Mr. Barker:

Q. How much for that?—A. \$75,000. That is taken from the inventory, which was, of course, the only source of my information on real estate in Collingwood. The machine shop and foundry, \$57,600.

By Mr. Reid (Grenville):

Q. Is that from an inventory, too?—A. Beg pardon?

Q. Is that from an inventory, too?—A. No, that is an estimate. Boiler shop and power-house, \$36,000; punch shop, blacksmiths and furnace shop, joiners shop, punch shed and machine shop, \$29,200; office building and store-room, \$3,500; machinery, tools and equipment, portable and stationary, including foundations and erecting, \$225,000.

By Mr. Bennett:

Q. Give us the details of that?—A. Machinery, tools and equipment, both portable and stationary, including foundations and erecting, \$225,000. Gantry crane under construction—

Q. That is under construction now?—A. Under construction at the present time, \$10,000. That, you understand, is a construction estimate, that is not a completed valuation. Lumber, stores, furniture, staging, blocking, and miscellaneous stock material, \$40,000.

By Mr. Barker:

Q. That is running stores and supplies?—A. Part of it is furniture, part of it is in the nature of permanent equipment, blocking and staging.

Q. What kind of furniture, what is the nature of the furniture?—A. Furniture in the office.

By Mr. Hughes (Victoria):

Q. By stores you mean supplies?—A. Supplies that will have to be renewed.

By Mr. Osler, K.C.:

Q. The blocking and staging is part of the permanent equipment for the docking of vessels?—A. For the docking and repair of vessels. Dry dock, \$347,256; dry dock portal or entry, \$15,000.

By Mr. Bennett:

Q. What did you call it, again?—A. We call it portal, it is the entrance into the dock.

By Mr. Osler, K.C.:

Q. It is cribwork?—A. It is stonework.

By Mr. Bennett:

Q. Or concrete?—A. It is stone above the water, that is \$15,000. These are the items—

By Mr. Roche (Halifax):

Q. Under which heading do you include the pumping engine?—A. That is included under the dry dock item.

By Mr. Reid (Grenville):

Q. Not under machinery?—A. Not under machinery.

By Mr. Hughes (P.E.I.):

Q. Was this valuation made after a personal examination by yourself?—A. Yes.

By Mr. Barker:

Q. You examined everything you saw there without regard to when it was put in?—A. Within the last two days.

Q. Everything you saw there you put in this valuation without regard to when the work was done, or when the machinery was supplied?—A. Totally regardless. It is all in the statement here, I had no information as to when it was put in.

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By Mr. Osler, K.C.:

Q. Are you familiar, speaking generally and roughly, with the changes in prices of machinery and general cost of a dry dock during the last two or three years?—A. Yes.

Q. That is speaking generally?—A. Yes.

Q. Would it have been possible, in your judgment as an engineer, to have placed that dock there with proper repair equipment three years ago for less than \$500,000, say from \$500,000 to \$600,000?—A. I do not think it could have been placed there three years ago for less than that, and I have given the cost price I have given there, and have taken into account the fact that that equipment is not now new.

Q. To what extent have prices varied during the last three years?—A. You mean generally?

Q. Yes?—A. I should put that at about 20 per cent.

Q. That is higher now?—A. Yes.

Q. I suppose some prices have gone down, cement has gone down and materially?—A. It has with us.

Q. And a great many thousand barrels of cement go into a dry dock?—A. Naturally.

Q. Another question I would like to ask you is what do you say of \$8 per cubic yard for concrete work in place?—A. \$8 per cubic yard?

Q. Yes, for concrete work in place?—A. That is—

By Mr. Bennett:

Q. What was it per yard, I did not get it? How much per yard in place for the concrete?—A. I did not fix the price per yard for concrete, I was asked what I would say as to \$8 per yard.

By Mr. Osler, K.C.:

Q. How is it?—A. I consider it very fair.

The witness retired.

Committee adjourned.

The committee resumed at Three p.m., when the examination of Mr. Penton was continued.

By Mr. Osler, K.C.:

Q. You spoke of concrete in the dock per cubic yard. What do you say as to a price of \$12 per cubic yard for concrete under water? What I spoke of was concrete in the dock where it was unwatered at the entrance?—A. At this particular dock?

Q. Yes. What do you say as to that price?—A. I do not think it is excessive.

Q. Now, stonework, masonry work at the entrance—that is all cut stonework—\$27 per cubic yard?—A. Well, I will have to say that most of my knowledge of dock work has been with the use of concrete.

Q. With the use of concrete, and not going into masonry?—A. Yes.

Q. Are you able to say that that is an excessive price?—A. I am not able to say that it is excessive or the reverse.

Q. Then I will pass the stonework items. What do you say as to rock excavation? Here is a large item for rock excavation at \$1.50 a cubic yard. It looks pretty cheap, does it not?—A. I would say that depends a good deal upon the kind of rock to be excavated.

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Q. Assuming it was ordinary limestone rock?—A. We have a great many varieties of limestone, but from my observations of the limestone in that district, from what is visible, I do not think that price is out of the way.

Q. A man would not be able to steal a great amount of money on that price?—A. I would not be able to steal enough for my purposes, I think.

Q. Then hard-pan excavation at 80 cents?—A. I do not know how that hard-pan was excavated. It depends a great deal upon the method of excavation employed. I have had a good deal to do with hard-pan excavation by means of hydraulic dredging; in fact, all the hard-pan excavation that I have had done in connection with dry dock work has been done by means of hydraulic dredges.

Q. That is a dredge with cutter and suction?—A. Yes. Of course that is a very economical method of handling material. It has only been used in that class of work within the last two or three years.

Q. I understand this was pick and shovel work?—A. I do not know anything about that.

Q. For pick and shovel work, what about the price of 80 cents?—A. I am not to say. I wish to state, if I may be permitted, that my figures on concrete excavation work in connection with dry dock construction are based upon, and taken from, figures made to me by contractors for similar work—

Q. For similar work?—A. And I do not know exactly how their figures are made up.

Q. But they are based upon the experience of people tendering to you?—A. Yes, sir.

By Mr. Reid (Grenville):

Q. Around Collingwood?—A. Within a year I had a proposition made to me on the complete construction of a dry dock of the same form as we have here. That is to say as nearly as I have had it described to me with seven or eight feet of top and underlying stones, which is about what they have at Collingwood.

Q. In this country or where?—A. It was on the Gulf of Mexico, at Galveston.

Q. The Gulf of Mexico?—A. Yes.

By Mr. Osler:

Q. Going to another thing for a moment, Mr. Penton. Taking the machinery that you saw there that you have included in your estimate, is there any of that machinery that would not in the ordinary way be of use for the repairing of vessels; taking such repairs as are ordinarily required upon the lakes?—A. That question answers itself in this way: that every part of a ship that has to be produced in the first place is likely to be reproduced, and the means employed for its production in the first place would have to be employed for its reproduction.

Q. And it is useful to have it there for that purpose?—A. Most decidedly.

By Mr. Bennett:

Q. You live in Detroit, Mr. Penton?—A. Yes, sir.

Q. Is there in the United States an association of engineers of your class, any corporation or association?—A. I do not know whether we are incorporated in the sense that you mean; we have several societies.

Q. Are you an engineer in an incorporated association?—A. I am a member of several engineering societies.

Q. What is the qualification to belong to them?—A. The usual qualifications that a man must have to be of recognized standing in his business, and have been engaged in that line of business for some time.

Q. How many years have you been engaged in your present business?—A. I should say that I have been classed as a mechanical engineer and have so designated myself for about seventeen or eighteen years.

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Q. As a mechanical engineer? Are you also what we would call in this country, or what you may call in your country, a civil engineer?—A. No I am not a civil engineer as civil engineers are understood, no sir.

Q. Then what is your business as mechanical engineer? Is that applicable more to machinery?—A. To the design and construction of machinery of various classes of ships and their equipment.

Q. How old are you, by the way? You are a young man, I guess?—A. I wish I were. However, I thank you very much.

Q. You look it?—A. I was forty-three last October.

Q. How many years do you say you have been an engineer, about eighteen?—A. Seventeen or eighteen.

Q. When did you go up to Collingwood to make this inspection?—A. I left home on Sunday night, and I got there on Monday about noon.

Q. Monday of this week?—A. Yes.

Q. Were you occupied Monday afternoon?—A. Yes.

Q. And how much Tuesday?—A. Up to train time. I think it was about four o'clock we left there.

Q. So you were there part of one day. Were you right up to four o'clock in the afternoon at the shipyards?—A. I left the shipyards themselves just in time to catch the train.

Q. What time did you go on the first afternoon, that is Monday?—A. What time did I go on?

Q. Yes?—A. As soon as I got into the town.

Q. You had your dinner first, had you not? The train gets in there about what time?—A. I do not know what time it was due, and I do not know what time I got there. I believe it is due somewhere about one o'clock.

Q. One o'clock you got there. However you went down there that afternoon?—A. I was there by two o'clock anyway.

Q. You occupied that afternoon and the next forenoon?—A. The next day up to I should say four o'clock.

Q. What time did you start next morning?—A. I did not keep any schedule exactly of my movements, but I should say 8.30.

Q. Who accompanied you on your inspection tour?—A. I went over the plant once with Mr. Smith to get the location of the various parts of the plant fixed in my mind and then I went over it three or four times by myself.

Q. Three or four times by yourself?—A. Yes.

Q. Was Mr. Coste with you?—A. Mr. Coste?

Q. Mr. Coste whom you have met here?—A. Never saw the gentleman in my life until I came into this room to-day.

Q. You start in with the statement that real estate from the inventory is worth \$70,000. You do not profess to have an opinion on that at all?—A. That was the reason I qualified it in that way.

Q. You took just what they told you? What is your next item? I hurriedly caught it as you went along. I think it is machine shop and foundry, is it not?—A. Machine shop and foundry.

Q. Machine shop and foundry, \$57,600?—A. Yes.

Q. You went in and made an inspection of what machinery was in this machine shop and foundry did you?—A. Yes.

Q. Now have you a book or memo. in your pocket which will show how that \$57,600 was made up?—A. I have it right here before me.

Q. Will you allow me to see that please?—A. Certainly (memo. produced).

Q. Machine shop and foundry 19,200 square feet at \$3 a foot?—A. Yes.

Q. What is meant by that? Does that have reference to the machinery therein?—A. Not at all.

Q. That is just an estimate of the building?—A. Of the building.

Q. What is the nature of the building?—A. The building is of steel construction, with brick curtain wall.

Q. One or two stories high?—A. Well, you cannot answer that question just in that way.

Q. What kind of roof is it?—A. A turret roof or a monitor roof.

Q. Is it flat or raised?—A. It is a pitched roof with a secondary monitor or turret at the ridge of the rise above the crest of the roof.

Q. And from the floor up to the eave what would you say?—A. To the ridge?

Q. Yes?—A. I should say it is about 55 feet.

Q. And how high?—A. The side walls?

Q. Before it starts to rise?—A. I think between 35 and 40 feet.

Q. Then you say the building as constructed is worth \$3 for every square foot?—A. That means every square foot of floor space of course?

Q. Yes, floor space. What was the length of that building?—A. That machine shop and foundry, 120 feet, I think.

Q. One hundred and twenty feet long by what width?—A. 120.

Q. One hundred and twenty by 120?—A. Wait a minute. I have some notes here, I am not sure.

Q. That would make it only 14,400 feet?—A. Well, whatever is down there is correct anyway. It is 120 by 160.

Q. One hundred and twenty by 160?—A. Yes.

Q. Did you arrive at that value of \$57,600 by any reference to the books of the company?—A. Not at all.

Q. You just placed an arbitrary figure, a cost of \$3 per foot for that class of building?—A. No, I did not place an arbitrary figure on it at all.

Q. Well, it is your figure?—A. Those figures are based on the customary methods employed in estimating that class of work. Those figures are for a known type of building.

Q. Are the walls brick, the side walls?—A. Brick with steel columns.

Q. 9 or 14 inch?—A. The thickness of wall.

Q. Yes?—A. They are both. There are pilasters built into the wall as usual.

Q. At what spaces do these pilasters come in, at what intervening spaces?—A. I should say 10 feet intervals.

Q. And then the intervening space is 9 inches in width?—A. I did not measure the width, I do not know exactly.

Q. Does not the width of the wall depend a good deal on the cost?—A. No, not with the method of figuring the cost that I have used. That method is employed on that type of building, and you can only use a certain kind of wall in a building of this kind.

Q. What is brick worth here?—A. In Collingwood?

Q. Yes?—A. I cannot answer that question accurately.

Q. Then, this statement, you believe, must be right for that building, \$3 a foot?—A. I do not undertake to say it is exact or accurate at all; it is my estimate of the value of that building.

Q. Is that based on the estimate that the walls are 4-inch walls, 9-inch walls, or 14-inch walls?—A. It is based on my knowledge that they could not be 4-inch walls in a building of that price.

Q. Is it based on the estimate that they are 9-inch walls?—A. It is based on my knowledge of the fact that a building of that type would probably have 9-inch curtain walls, with 12 or 16-inch pilasters.

Q. As I understand you, there is one here and another there of pilasters, or piers as the common term is, and when you have 14-inch walls——?—A. They could not be 14, they would have to be 12 or 16.

Q. Excuse me, there could be 14-inch brick side walls. Now, is it 14-inch walls?—A. I have to admit that I am not a bricklayer.

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Q. Well, if the brick is 9 inches, and we all admit it is so, and 4-inch brick is laid alongside of it—and there is intervening some—A. You would not build a wall that way.

Q. I have built a good deal, and everybody builds 14-inch walls in this country. If it was a 9-inch building of brick, and one of 4 inches is laid alongside it that way, will you say the pilasters were in a 14-inch wall?—A. No, I would not.

Q. The pilasters might have been 14, and they might only have been 9?—A. It might have been 2 inches for anything I can state on oath.

Q. As far as your statement goes, it might have been only 2 inches?—A. Yes.

Q. You say the side walls from the ground up to where the roof left them would be 35 feet. Is that right?—A. I did not say that; I said it would be approximately 35 or 40 feet.

Q. In the upper portion of that, could you say it was 4 inches for the last 10 feet?—A. No, I do not know.

Q. Are the cross beams in the building supporting the roof?—A. Certainly.

Q. Are they carried on the pilasters?—A. They are carried on the steel work, not the pilasters.

Q. They take a bearing on the pilasters?—A. Possibly, they are not intended to be supported by the pilasters. The building would stand as a whole without any brick at all.

Q. That is all right. I did not understand that. Now then, the brick wall is up and down through the entire frame, is it not?—A. Certainly.

Q. You have the advantage of me in seeing it?—A. You have the advantage of me in brick-wall construction.

Q. Where did these iron frames—we will take the side wall—come in? At what distance?—A. The principal columns are supposed to be 40 feet and the intervening columns are supposed to be 10 and 20 feet.

Q. At 10 and 20 feet. Was it buried in the pilaster?—A. Certainly; only the face would show in any case.

Q. Only the face would show, and then whatever you like to term them, the rafters, or whatever they are, were borne from the top in these iron columns?—A. Yes.

Q. What is the roof supported on—wood?—A. As nearly as I can tell, it is a slate roof on wood. I could not tell without climbing up there.

Q. A slate roof? Would you like to say it was a slate roof and not a shingle roof with pitch on top of it?—A. It may be anything else for anything I know positively. It does not affect the cost of the building materially.

Q. What slate, as against shingles?—A. I never saw a building of that kind with shingles.

Q. Are there iron shingles upon it?—A. No.

Q. You would not pledge your oath?—A. No, I never went to the roof.

Q. When you arrived at the value of \$57,000 for that building you were not guided at all by any information given to you from the books?—A. None whatever.

Q. And in that you have no regard whatever to any of the machinery placed in the building?—A. None whatever.

Q. In the boiler shop how are the openings—before I leave the machinery and foundry, are the openings many?—A. Quite a number of windows, if that is what you mean.

Q. Yes, that is what we call openings. What size were the openings—about?—A. I do not know. I did not make any sketch or measure them, but I should say they are double windows, perhaps about 7 feet total.

Q. Seven feet square, do I understand you?—A. No, I said 7 feet wide.

Q. Of what height?—A. I should think they might be 12 or 15 feet.

Q. How many of these windows would you place on the side?—A. I would put one in each ten feet of the side of the wall.

Q. In each ten feet of the side of the wall there was a window of that size?—A. Yes. We do not generally go to the trouble of counting these things. We look a

building over, and can generally tell where the windows will have to go, so what was the use of counting.

Q. Did you notice what the foundation was?—A. Stone, as far as I could see above the ground.

Q. There was no excavation in this building at all, or did you estimate any excavation in that?—A. What do you mean?

Q. Was there any excavation there?—A. For the foundation work, yes.

Q. Now, coming to the next shop, that is the boiler shop and power house, you figure these, according to this report, at \$36,000?—A. I have not got the report before me. I could not say.

Q. Well, the boiler shop and power house, 'P. house,' is that what it is meant for?—A. Most likely, yes.

Q. It says, 'boiler shop, power house, 12,000 square feet, \$36,000.' You based that on some figuring you did?—A. On the same type of construction.

Q. Would you say that was of the same height from the ground up to the side walls?—A. Yes.

Q. Exactly the same, every building uniform, the height is exactly the same in the boiler shop and the machine shop to the eave?—A. I do not say that. It appears to me to be the same, but I do not say exactly.

Q. Referring to your notes, Mr. Penton, what was the length and breadth of that shop?—A. The boiler shop?

Q. Yes?—A. That is 120 feet plus 30, making 150 feet by 80.

Q. And that building is constructed exclusively of brick and iron, with iron supports inside it?—A. You mean there is nothing else excepting brick and iron in it?

Q. Yes?—A. I saw some wooden window frames there and glass.

Q. Well, we have glass in windows?—A. I beg pardon, you are trying to commit me to brick and iron in that building.

Q. I am not. I am speaking of construction work. Every one understands that windows are of glass?—A. I have seen some of them that are not.

Q. Well, we will have it understood that the windows in this building are of glass. So that this building is exactly of the same style of construction as the machine shop and foundry?—A. As nearly as I can judge from the examination I made of the two.

Q. The punch shed and furnace shop and the joiners' shop. 'P.S. and machine shop.' What does that stand for?—A. Punch shed and machine shop.

Q. 23,700 square feet—does that mean \$1.23 per foot? There is '\$1.23' there; I do not understand that?—A. That item there is made up, as you see, of several buildings which I appraised. I had taken the value per square foot to the several spaces; I added them all together and that gave them an average value per square foot of \$1.23.

Q. Were some of these buildings frame?—A. Just let me look at that again, please (document handed to witness). These are all frame buildings, with the exception of the punch shop and machine shop.

Q. Well, each of these buildings was of iron formation, iron and brick?—A. There was not any of them, but the punch shed and machine shop which had brick walls with wooden roof. The others were all frame. The punch shed has a steel truss carrying the upper floor. The mould loft is above the punch shed and the loft is carried on a steel truss, otherwise the building is frame.

Q. Can you give me the measurements of this building?—A. The punch shed is 220 x 50 feet, two stories.

Q. And of the blacksmith and furnace shop?—A. I have here 140 x 50.

Q. And the joiner's shop?—A. 80 x 40, two stories.

Q. The punch shop and machine shop?—A. 50 x 50.

Q. Now the office building and store room, \$3,500, what class of building is that?—A. A frame building.

Q. What is the size of it?—A. I have not got that.

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Q. Are they two distinct buildings?—A. No, they are under one roof. I took that item because of the difficulty of getting an examination of the building on account of the shelving and the small space, it is used for storage purposes, I took that from the inventory.

Q. The inventory furnished by the company?—A. The property schedule furnished by the company.

Q. You will not express an opinion as to the value, or do you?—A. Only this far, it does not strike me as being excessive; I do not think it could be built for it; I am pretty sure it could not.

Q. Have you the size of this office and store room building?—A. I have just said I did not have it.

Q. What does this Gantry crane mean?—A. The definition of it is that it is a travelling crane of a peculiar form.

Q. That is under construction now?—A. It is under construction.

Q. When you speak of lumber, stores, furniture, staging, blocking, and miscellaneous stock of material, \$40,000, would you expect that any of those items are there to-day that were there in 1903?—A. It is beyond me, I could not answer that.

Q. Or in 1904?—A. I could not answer that.

Q. Is this \$40,000 estimate—is it of the nature of a class of goods that would have been there on the 15th of January, 1904?—A. If the concern was carrying on the same business as it is to-day they would be, yes.

Q. Well, lumber is for what purpose, when you estimate it here?—A. For a variety of purposes—all purposes for which it is required for use in a shipbuilding yard, especially the repairing, not only of wooden ships, but in ship repairs of all kinds. It enters into the construction of steel ships, and is used for a thousand and one purposes around a plant, for repairs and building.

Q. Would this be the identical lumber that would be there on the 15th of January, 1904?—A. The identical lumber?

Q. Yes?—A. I could not say that, probably it may have been exhausted and renewed a great many times since then.

Q. What quantity of lumber was there?—A. I could not tell you.

Q. Have you any memoranda showing how you compiled that \$40,000?—A. No, will you be kind enough to ask me that question again.

Q. Have you any inventory or memoranda to show how you compiled this miscellaneous item of \$40,000?—A. Oh, yes, that item was taken from an inventory of one of our own plants of substantially the same capacity.

Q. You took a plant that had a quantity of lumber, stores, furniture, and these different items, and you figured there was \$40,000 worth there, and concluded that there would be the same amount here?—A. I figured that there was a great deal more in this plant than there was in our own.

Q. Did you figure out any particular quantity of lumber there?—A. In feet.

Q. Yes?—A. Oh, no, it would take a man three months to find that out.

Q. And this item of \$40,000 is made up on this basis, that in a similar plant, a smaller outfit, you had about \$40,000?—A. I know we had exactly \$40,000 worth in a smaller plant.

Q. Would you think that all of this plant was there in January, 1904, for similar purposes? A. You mean the entire plant?

Q. In these items we have just been summarizing.—A. Oh, the lumber and stores?

Q. Yes?—A. I could not answer that; I do not know anything about that.

Q. Would you be surprised to know that a vessel 400 feet long was built there in 1901, when these works were far from being what they are now?—A. Would I be surprised? No.

Q. You would not be surprised, so that if a vessel was built there in September

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and subsequent months in 1901 and 1902, and if it can be shown there was not anything like this plant there then, would it surprise you?—A. No.

Q. Would it surprise you that very little of this plant that you have gone over, this \$40,000 was there when this valuation was made in January, 1904?—A. It would not surprise me at all.

Q. Now then, we will come down to this question, 'machinery, tools, portable and stationary, equipment, &c., \$225,000,' have you any memoranda of that here?—A. I have not any memo. of it, but I can tell you of what it is made up.

Q. Well, start off, machinery?—A. I took the property schedule of the concern, and I compared the prices set out for those items.

Q. Have you that paper now?—A. No.

Q. They gave you a document from the office showing what machinery they alleged had gone in?—A. They gave me a book—after asking for their property schedule, I was handed a book.

Q. And you went then and took every item in that book and found that particular article was there?—A. Practically so, yes.

Q. And that aggregated \$225,000?—A. No.

Q. What did it?—A. There are really many items in the plant that are not set forth in that book.

Q. I will put it another way, you found sufficient that according to their prices in the book aggregated \$225,000?—A. I will put it this way, if I might be permitted, that I found the prices set forth against the various items were in some cases very far below what I considered fair prices for them. I may give you instances if you care to have them. I did not find any that I thought were excessive. I identified all these items and to them I added what other items I found in the plant, and the quantity of stuff that was not included in the schedule at all, in the way of portable tools and equipment. As to whether it was on the ground at the date of that schedule or not, I could not say, but it is all there now.

Q. When you had that, had you any invoices too, or was it just the list?—A. I had the book.

Q. No invoices were produced to substantiate any statements in the book?—A. I did not ask for them.

Q. I am asking you whether they were produced?—A. No.

Q. Did any of this machinery that was shown to you, according to the book, appear to have been there before January 15, 1904?—A. I could not tell, no man could say that from an examination.

Q. There was nothing before you to show what portion of the machinery you valued was there on January 15, 1904—the reason why I use that date is because it is the date on which Mr. Coste makes his report as to what is there. Can you tell from the appearance of the machinery that any of it was comparatively new?—A. Well, 'comparatively new' in regard to machinery is a very indefinite term.

Q. But from the appearance of it was any of it renewed while you were there?—A. Oh, no.

Q. However, you would say that every item that was in that book, or you say that practically every item that was in the book shown to you, you found in its place?—A. Yes.

Q. And there was a value attached to that, and you coincided with that value?—A. To the best of my knowledge and belief that value is correct.

Q. That is all you can say. Who gave you the book?—A. Mr. Smith.

Mr. SMITH.—If you wish I can explain it. At the time of the trouble Mr. John Mackay was sent up there, I think, by the preferred stockholders, or those representing the preferred stockholders, to see that the value of the plant was there. They were asking the Dock Company to go into the courts, as I understand it, and our bookkeeper, Mr. Keltie, had been what I considered a very poor bookkeeper, and he had his books—

Mr. OSLER, K.C.—I can make you an inventory of every tool there is in the place there and send it to you.

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By Mr. Bennett: (Examination of Mr. Penton continued.)

Q. Supposing to-morrow, for some reason or other, that dry dock suspended operations, or was going out of business, what class of this list of stuff that is mentioned in your estimate of \$225,000 would be available to use in other places, and what is the value of them?—A. You mean for other plants to be used for the same purpose?

Q. Supposing you are going to establish another plant somewhere else?—A. Let me look at that list, please. (List handed to witness.) You are referring to 'machinery, tools, equipment, portable and stationary?'

Q. Yes?—A. Why every part of that except the foundation and erecting.

Q. So that that may be termed 'portable' stuff?—A. No, it is not what I call portable.

Q. What proportion of this would be truly portable?—A. About \$75,000.

Q. About \$75,000 of that you would call portable, is the rest attached to the freehold?—A. I do not know what you mean by that.

Q. Is it laid in concrete foundation?—A. The balance of that item would cover machinery, foundations which were erected for the machinery, and of course the labour and material in erecting them and getting them ready for business. The other items are such as could be carried around by the workmen.

Q. Take this item of tools, for instance, how much value of that would be in tools?—A. Well, the word—that is what we might call a redundant word, machinery and tools are used impartially in the trade. We speak of a machine as a tool, and use the term indifferently. It is not necessary to use the word machinery at all.

Q. Well, come down to the last item, 'dry dock, \$347,256,' how did you arrive at that?—A. Well, sir, I had a proposal within a year made by responsible people to construct for myself and my associates a dry dock at Galveston, we did not go ahead with it, but that is another question. We had a proposal to construct a dry dock of the same dimensions almost, and supposed to be on the same formation, and the price included all excavation, and rockwork we thought necessary, gates, pumping machinery, and pump houses and facing the rockwork and bottom with concrete. I took the dimensions of the dock and divided that into the total cost which gave me a cost per cubic foot of slightly over 30 cents per cubic foot. I considered that was the very best possible guide, and I used that figure accordingly.

Q. Now, starting off with that, what was your basis at Galveston for your day labour, I mean the labouring man?—A. I believe I have just stated that the estimate I had given to you was by a contractor, we did not make it up.

Q. Do you know anything about the price of day labour at Galveston?—A. I certainly do.

Q. What would you fix as the price?—A. We have two classes, ordinary and more ordinary. It is \$1 for the more ordinary and anything from \$1.25 up for the other.

Q. You get labour from \$1.25, and some for \$1 at Galveston?—A. Yes.

Q. Your experience was that you would get it cheaper there than here?—A. I think for the kind of labour obtained down there it will really cost more than here.

Q. What would that be, coloured labour?—A. Coloured, and what they call, 'poor white.'

Q. How do you distinguish this portal?—A. That is \$15,000. I made an estimate of that, entirely, because I had no figures whatever as to the foundation of that.

Q. Is that concluded, that so called portal, what you term a portal?—A. I believe so.

Q. You could see, could you not?—A. I say concluded, but I do not know and I did not ask whether any further work is contemplated upon it. It looks to me to be a finished job, but I do not know whether there is anything further contemplated and did not ask the question.

Q. Had you a portal at the dock at Galveston?—A. The portal was not included in that figure that I gave, the distance from the ship canal was not fixed at that time.

Q. What does the portal cover?—A. The approach to the dock.

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Q. Why do you place it at \$15,000?—A. I have just stated I made a guess on that because I had no accurate figures as to the cribwork that carried the stone superstructure.

Q. Is it cribs or piles under water?—A. I was told cribs.

Q. And on the top of that is it bricks or cement?—A. Stone.

Q. And you figured that at \$15,000?—A. Yes.

Q. When it is finished, or as it stands to-day?—A. As it stands to-day.

By Mr. Osler, K.C.:

Q. The actual cost of that was \$15,700?—A. Nobody mentioned the figures to me so I came pretty near it.

By Mr. Bennett:

Q. Have you ever constructed a dry dock on your own account?—A. On my own individual account?

Q. Yes?—A. No, sir.

Q. Or associated with others?—A. Oh, yes.

Q. Where at?—A. At Detroit.

Q. What is the size, is it as big a dock as this?—A. 600 feet long.

Q. That is bigger than this?—A. Yes, some.

Q. Were you engineer of that dock?—A. I was.

Q. Have you ever been engineer on any other dock—what is the name of this dock at Detroit?—A. The Great Lakes Engineering Works.

Q. What year was that built in?—A. It was begun in 1904 and completed in 1906. I believe as a matter of fact it was begun a little before, that is before January 1, 1904, late in the year of 1903.

Q. Were you engineer in charge of any other dry dock?—A. I was not the engineer in charge of construction of any other dock, I was chief engineer of a concern during the time they were building another dock and I had every access to the figures, and am familiar with the methods of construction.

Q. All your figuring is based on what you saw the other day and not on what was there January 15, 1904?—A. Sure.

Q. Of course this dock was emptied when you saw it the other day?—A. It was empty of water. We speak of an empty dock as a full dock. When it has a ship in, it is a full dock; when it has no ship in it is an empty dock.

Q. There is no boat being built in it now? One of the uses of the dry dock at Collingwood is to build boats?—A. There were four ships in it at the time I was there.

Q. In the dock?—A. Yes, four of them.

Q. Did you make the measurements of the dock yourself?—A. I took them from the plans.

Q. You took them from the plans?—A. Yes, sir.

Q. All the measurements referable by you were made from the plans?—A. Yes.

Q. And not from the actual measurements made by yourself?—A. It could not be done in that time.

Q. That applies to the building as well as to the dock?—A. Yes, sir.

Witness discharged.

JAMES M. SMITH called, sworn and examined.

By Mr. Osler:

Q. You are the general manager of the Collingwood dry dock?—A. The manager, sir.

Q. How long have you been manager?—A. Since about June 20, 1904.

Q. Do you know anything about the old dock that was there before the new dock

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was built?—A. Yes, sir, I had been there several times before the construction of the new dock was started.

Q. Were you there in any capacity before you were made manager?—A. I was doing work for the Collingwood Shipbuilding Company when they built the *Huronic* in 1901-2. I built the machinery. I came over to this country to build the machinery for the *Huronic*, a large passenger steamer which they built for the Northern Navigation Company, and then I was called to Collingwood by Mr. Long and Mr. Calderwood for consultation. They employed me as the manager in the engineering department, and we started to build it the time the new stockholders came in.

Q. Then you were there in 1901-2, while the old dock was in existence, and you are acquainted with the state of affairs there at that time?—A. Fairly well acquainted, yes, sir.

Q. Was any part of the old dock retained, part of the side walls, for instance, as well as the excavation?—A. There was a part of the east wall of the dock that had been put in there when they started to make their first improvement to the dry dock. They lengthened the dry dock, between 1901 and 1902 and put in a new pumping well and new pumping machinery during the winter and spring of 1901.

By Mr. Bennett:

Q. What winter was that?—A. The winter and spring of 1901.

By Mr. Osler:

Q. The early spring, was it?—A. Yes, sir. I think the pumping well was begun about the wind up of 1900. It was just about the end of the year at the time they started, as I remember, because I designed the pumping machinery.

Q. Do not let us go into that at present. Was the old dry dock as it stood there before the new one was constructed of value for the purpose of constructing the new dry dock?—A. Oh, yes, sir.

Q. Suppose a new company had been coming in there to construct the present dry dock, what I want to know is, would it have been worth their while, apart from the land and the site, to have it for the old dock?—A. As a dock in operation?

Q. No, no.—A. As an excavation?

Q. As an excavation?—A. I would consider it valuable as an excavation. You might expect to pay a little more for that than you would for a hole in the ground, but it had considerable value as an excavation.

Q. What value do you put on it?—A. To be fair I would judge the old dock incorporated in the new dock was worth at least, well 40 per cent.

Q. 40 per cent of what?—A. 40 per cent of the dock as it stands to-day.

Q. And what do you put that at?—A. I think that the dock is worth \$400,000 to \$500,000 as it stands to-day. I would not want to duplicate that dry dock for less than \$400,000.

Q. That is the dock itself?—A. The dock itself as it appears to-day the dry dock.

Q. 40 per cent of that would be about \$150,000?—A. I think a valuation of \$150,000 is quite reasonable considering the dock was a dock in operation.

Q. You think the valuation put on that in the accounts the other day of \$150,000 was a fair valuation?—A. Yes, I do.

Q. Now, let me take up first the question of real estate. You do not know, of course, what all the property that you have there cost this company originally?—A. Some of it was acquired, I suppose, ten or fifteen years before I came.

Q. Have you gone into your figures to see what real estate was purchased for the purpose of this dock in 1902?—A. I asked our bookkeeper, when I went back to Collingwood, as I saw that was an important question, what items he had on the books, the books which I took back.

Q. The books are here?—A. The books are here. I asked the bookkeeper, as he is more familiar with the books than I am, and he found the items there.

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Q. Is this a copy of them? (exhibiting document)—A. Yes, sir. Those items there, with the exception of this one (indicating item), and I find that Mr. Long paid for that out of his own pocket and never turned it into the company.

Q. This one you speak of, where a purchase was made from Mr. Hocking for \$2,200, do you know, of your own knowledge, that this property was purchased from him?—A. It was purchased at my request, to give us more room.

Q. Can you show us that?—A. Yes, sir. If you have not a plan, I have one with me. (Produces blue print). Here it is on this blue print. Mr. Long did not turn that in, he paid for it independently of everybody. It was directly east of the property of the Manitoba House. It was a strip running right through. As near as I can remember, that was Hocking's property.

Q. And that you know was purchased in 1902?—A. I was with Mr. Long when he purchased it. Mr. Long offered Mr. Stone the opportunity of purchasing it. I came along and remonstrated and said it was a very valuable property.

Q. You ultimately built your machine shop on part of that site?—A. Yes, sir.

Q. You know what price was paid?—A. As near as I can remember, \$3,200.

Q. You are sure it was over \$2,000?—A. All I can say is, I told Mr. Long he would have to buy over that. Hocking had asked Stone \$2,200. Mr. Long said: 'What do you think?' I said: 'It is well worth it.' He came to me afterwards with a pleasant smile and said: 'Mr. Smith, I have bought you that property.'

Q. Now, as to Mrs. Hamilton's property?—A. Was right here. (Marked H on the blue print.) It is right in here.

Q. Give me the proportions of it?—A. I think that is a fair proportion of it (indicating on the blue print). It ran over to here. It had to be purchased to extend the dry dock.

Q. Do you know what price was offered? Was it \$2,500?—A. It is down there on the statement of real estate purchased in 1902.

Q. Two thousand five hundred-dollars is shown to have been paid?—A. This was Mrs. Hamilton, mother of Hamilton, the present postmaster.

By Mr. Barker:

Q. That was got for the present dry dock?—A. That was got for the dry dock.

By Mr. Osler:

Q. Then, Mr. Moberley's property is where?—A. Mr. Moberley's property was in here some place. (Marked on the blue print.) I am not just positive, but I think it was right in here. Yes, I am quite sure that is where it was.

Q. The present machine shop is now occupying part of that property?—A. Yes, sir.

Q. Now, take Dr. Stevens' property?—A. This was Dr. Stevens' property. (Indicating on the blue print.)

Q. Beside Mr. Moberley's?—A. Yes, sir.

Q. Then Mr. J. J. Curry's property?—Mr. J. J. Curry and Mr. William Rowland had sold some property to the company so that they could move the Grand Trunk Railway tracks back and acquire some real estate for building purposes. That is where that property was, somewhere in the. (Indicating on the blue print.)

Q. Where the boiler-shop is now?—A. It was 125 feet frontage here and extended back to the railway track, perhaps a distance of 100 feet. It was 100 by 125 feet.

By Mr. Bennett:

Q. When was that Hamilton property purchased?—A. As near as I can remember, it was purchased in 1902.

Q. Now, H. Dixon. Was there a small piece of property got from him?—A. He did not own any property, but he was on the piece of property that was right in here. (Indicating on the blue print.)

APPENDIX No. 1

Q. West of the track?—A. Perhaps over the track a little. He and Robert Dey were there, and the property was purchased from Robert Dey. Dixon had some rights—I do not know just what they were—but the total expenditure was \$4,500. It was a piece of property 90 by 125 feet. It is on the edge of the track. I think a corner of it went over into the dry dock.

Q. It was needed for the dry dock?—A. It was needed for the dry dock and our plant.

Q. Now, the P. Doherty property?—A. P. Doherty had a piece of property right here (indicating on the blue print). It is near as I can say 40 feet by that depth there. Now, the company purchased that land from them and moved the buildings, at their own expense, over to a site that the town gave them, and they pay rental. I am not quite sure what the rental is, but they pay the town a rental.

Q. So as to get Doherty out of the way?—A. Yes, sir. We have purchased a short time since this piece of property (indicating on the blue print), which is 80 by 50 feet. We paid \$4,000, and the man is going to move his own building for it. That was a dollar per square foot.

Q. That is the part marked 'bought'? Yes, that is a recent purchase?—A. He does not have to move it until next summer. We are going to use the land to store coal on.

Q. The last place which you have spoken of has been bought for \$4,000. Is it not included in the purchases in 1902?—A. No, it was purchased this year.

Q. Then this first page of exhibit No. 3, which I will put in, is a correct statement showing that \$17,305.96 was paid for property in 1902?—A. To the best of my knowledge. To the best of my knowledge Mr. Hocking received this money. I know we have got the property and built on it.

By the Chairman:

Q. Is it worth that amount?—A. We had to buy it. It was worth that amount easily; in fact the man was working for us at the time, and he is not hard on the company.

By Mr. Osler:

Q. It was bought for the purposes you mentioned in June, 1902?—A. Yes, sir.

Q. Will you tell me, speaking roughly, what proportion that bears to your general dry dock property?—A. I could not tell you off-hand.

Q. It is obviously a very small proportion?—A. It would not be more than one-fifth anyway.

Q. Do you own all this property that is shown on this plan between the railway tracks on the east, Huron street on the south and Ontario street on the west?—A. I think so.

Q. That is all your property?—A. Yes.

Q. This part marked in red is what cost you \$17,000 in 1902?—A. Yes, sir.

Q. What do you say, Mr. Smith, as to the valuation of \$75,000 for the site of the dry dock and the necessary site for repair plant in connection with it?—A. I think that it is fair enough in consideration of what they had to pay.

Q. If you paid for the whole of that say at the rate you paid for some of it, it would run to still bigger figures?—A. Yes, at the rate they did pay. I would judge it was easily worth that value.

By Mr. Barker:

Q. You do not know what they did pay?—A. No, I do not.

Q. Or whether they paid anything except the \$17,000?—A. Except the \$17,000.

By Mr. Osler:

Q. The rest they own?—A. I do not know positively that they own every foot of it, but they do as far as I know.

Q. Are you using every foot of it?—A. Using every foot.

Q. And there is nobody disputing your possession?—A. There is nobody disputing our possession. There are some little Grand Trunk rentals. This corner here belongs to the Grand Trunk and the company have got leases for twenty or forty years. The rental is small, merely a dollar or so.

Q. I draw your attention to the second page of this exhibit, which is headed 'enlargement of dry dock, 1902-3-4.' Will you tell me if you have gone into this to the best of your ability, and if these various items shown on this page were paid out by your company?—A. To the best of my knowledge. This is an inventory taken on July 31, 1904.

Q. And the total is \$189,343.11?—A. That is without interest for the money or anything else.

Q. That does not include interest and does not include real estate?—A. It is the larger material that went into the construction.

Q. And at the bottom you add three items for completing the entrances?—A. That was done in 1904.

Q. And that is \$208,022.74?

By Mr. Bennett:

Q. Labour on the dry dock as well?—A. Labour and material.

By Mr. Osler:

Q. This is the expenditure in the enlargement of the dry dock?—A. Yes, sir.

Q. Expended in 1902-3-4?—A. Yes, sir.

Q. The total is \$208,022.74. Now, Mr. Smith, look at the third page of this same exhibit which is entitled, 'buildings and structures.' Will you tell me if the items there given represent the amounts expended by your company on the various buildings as specified there, totalling \$98,898.12?—A. Yes, sir.

Q. Those were necessary for your dock and equipped plant in connection with it?—A. Yes, sir.

Q. On the next page is a list of what are termed 'stationary machines.' These I understand are machines on permanent foundations?—A. Yes, sir. Some of them are not on permanent foundations.

Q. They are not what you call portable tools?—A. No, they are not, sir.

Q. That shows a total of \$123,510.84. On the next page I find 'tools and equipment.' Is that a correct statement?—A. Yes, sir, to the best of my knowledge, July 31, 1904.

Q. All this exhibit is July 31, 1904?—A. Except, as say, about the dry dock entrances there that we finished that fall. It was all taken into consideration at the time of the settlement between the stockholders.

Q. It was all vouched for by Mr. McKay?—A. Yes, sir.

Q. Did Mr. McKay, when he came to make the audit, see the vouchers for the actual expenditure?—A. Yes, sir. He went through our books and these things are taken from our books.

Q. The total for tools and equipment and working tools and equipment in tool rooms is \$16,831.15. Is that right?—A. Yes, sir.

Q. Then there is dry dock equipment, that is planks and scaffolding?—A. And shores.

Q. Shores are down?—A. Wooden horses.

Q. The wooden work used, totals \$7,000?—A. There is stairs, runways and ladders in the dock.

Q. Totalling \$7,122.74?—A. Staging plank, scaffolding and everything of that sort.

Q. Then there is some timber equipment for both buildings for the small sum of \$3,000?—A. That was on inventory in taking stock July 31, 1904.

APPENDIX No. 1

Q. Before I go on the last page I want to ask you another question with reference to the item of machinery. We have heard a great deal, Mr. Smith, of the Everett plant, and it has been suggested that practically all your equipment there consisted of this Everett plant that was brought to Collingwood and purchased. There was some plant and machinery brought by Captain McDougall known as the Everett plant. Will you tell me what proportion of your repair equipment in the machinery way consists of this Everett plant and what proportion it bears to your total machinery equipment?—A. I think it would perhaps bear the proportion anywhere from one-sixth to one-seventh of our stationary tools.

Q. Then do you say positively that from five-sixths to six-sevenths of your machinery equipment has been bought and paid for by you outside of the Everett plant?—A. I think so, sir.

Q. This Everett plant has been spoken of here as worn out equipment. Do you know anything about that yourself?—A. It was not a worn-out equipment, it was not in use six months.

Q. The Everett plant I understand to have been a scheme that failed?—A. Well, it failed through the failure of a great many large corporations in 1903. There was a panic in 1903 and it went down with them.

Q. Was it new plant and new tools?—A. It ran a little time and then closed down. After that it ran a little longer and finished a contract.

Q. How long had it been running altogether?—A. Six months.

Q. And the tools were all new?—A. The tools were all new when they came there.

Q. Were the tools as good as new when they came to you?—A. Fully as good, if not better, because they had been tried out, and the little expense of trying out the tools had been overcome.

Q. It really adds to their value?—A. I would value them as new tools because some new tools run slack. Others do not; but you have a great deal of trouble with some.

Q. Now, by way of completing this will you tell me, outside of all that you have spoken of, does the last page of Exhibit No. 4, which I am now going to put in, which is entitled 'statement of improvement to plant and dry dock since July 31, 1904, to date, show your expenditure in completing this equipment since that date?—A. Yes, sir, but I wish to call your attention to the fact that the amount of \$14,681 for dry dock, \$2,895 for timber, and the \$1,102 air-line in Exhibit 4, I think you will find them in the extension of dry dock improvements, so that they want to be marked.

Q. If that is the case I will take them off. This first exhibit shows the actual expenditure in and prior to 1904 and since 1902.—A. That is July 31, 1904.

Q. With the exception that the last three items on the second page show the amounts which have been spent in the completion of the actual dry dock since that date?—A. Yes, sir.

Mr. OSLER.—That exhibit I will put in on behalf of the company.

The CHAIRMAN.—Do you wish to put in the plan, too?

Mr. OSLER.—As it is marked, if you will allow it.

EXHIBIT No. 3.

REAL ESTATE PURCHASED IN 1902.

Mrs. Hamilton..	\$ 2,500 00
Geo. Moberly..	1,600 00
Mr. Hocking..	2,200 00
Dr. Stevens..	1,000 00
J. J. Curry..	3,471 10
Wm. Rowland..	1,064 86
H. Dixon..	500 00
Robt. Dey..	4,000 00
P. Doherty..	970 00
	<hr/>
	\$17,305 96

ENLARGEMENT OF DRY DOCK, 1902-3-4.

Timber..	\$ 20,108 87
Sundries, tools purchased or rented and used in construction, including dynamite, castings, transportation and board of labourers, rope, barrows, rubber boots, moving Nor. Nav. Co.'s offices, cartage, steam hose, repairs to construction machinery, &c.. . . .	12,258 47
Freight on materials..	4,313 45
Wages..	69,176 63
New purchases of R.E. for extending dry dock.. . . .	8,571 10
Cement..	22,792 58
Sand..	1,482 03
Stone..	6,149 50
Lime..	108 29
Gravel..	1,742 00
Construction equipment..	5,132 77
Pumping machinery..	13,958 25
Fuel..	10,153 80
Power-house..	980 00
Shear legs, lumber, cable guys, tackle blocks, ropes, slings, structural steel, &c..	1,446 94
Dry dock entrance..	6,868 43
Superintendent and accounting..	3,800 00
Draughtsmen's services, D.D. gate..	300 00
Completing construction entrances..	14,681 24
Keel blocks, bilge brackets..	2,895 88
Compressed air line..	1,102 51
	<hr/>
	\$208,022 74

BUILDINGS AND STRUCTURES.

<i>Punch shop and mould loft—</i>	
Material, labour, permanent equipment, interest, &c.	\$ 14,285 82
<i>Blacksmith and furnace shop—</i>	
Material and labour, permanent equipment, interest, &c.	17,444 35
<i>Punch shop, engine room and machine shop—</i>	
Material and labour, permanent equipment, interest, &c.	1,454 75
<i>Office and store room—</i>	
Material, labour, permanent equipment, interest, &c.	3,573 62

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Joiner shop—

Material, labour, permanent equipment, interest, &c..\$	3,573 62
Ship carpenter's timber and tool shed..	200 00
Blacksmith iron racks..	140 00
Pipe racks..	60 00
Rope and tackle house..	200 00
Coke sheds..	100 00
Oil house..	50 00
Two coal bins..	100 00
Foreman's office in punch shed..	110 00
Two scrap bins..	80 00
Cement shed..	150 00
Timber shed..	75 00
Lime shed..	110 00
Pattern storage house with shelves and equipment.. . .	2,000 00
Paint shop..	250 00
Shelter roof and crane for steam rivetter..	480 00
Cold saw house..	85 00
New boiler shop, machine shop and foundry buildings.	54,375 96
	<hr/>
	\$98,898 12
	<hr/>

LIST OF STATIONARY MACHINES.

Machine tools—

Machine shop, boiler shop and power-house.. \$	75,846 53
Punch shed..	44,673 30
Joiner shop..	2,991 01
	<hr/>
	\$ 123,510 84
	<hr/>

TOOLS AND EQUIPMENT.

Rails in industrial R.R. in yard.. \$	902 50
Oil tanks..	8 00
Ladders..	18 00
Tackle blocks..	279 00
Wire cable..	428 75
Manilla rope..	2,112 65
Assorted lines..	268 25
Ten R.R. cars on Industrial R.R..	150 00
R.R. ties in Industrial R.R..	122 40
Plates and spikes in Industrial R.R..	41 60
	<hr/>
	\$ 4,331 15
Working tools and equipment in tool-rooms..	12,500 00
	<hr/>
	\$ 16,831 15
	<hr/>

SERVICE LUMBER AND TIMBER FOR DRY DOCK EQUIPMENT, JULY 31, 1904.

Staging plank.....	\$	1,091 74
Scaffolding.....		693 84
Keel blocks, &c.....		1,546 34
Pine ribbons.....		154 71
Cedar shores.....		72 10
Horses.....		92 01
B.C. fir in stock.....		1,838 28
Oak.....		17 47
White pine.....		118 20
Hemlock.....		77 22
Cedar.....		400 00
Tamarac poles.....		168 75
Sundry small stock.....		533 33
Mould.....		38 98
Stairs, runways and ladders.....		71 47
Cedar.....		19 50
Gin poles.....		188 80
		<hr/>
	\$	7,122 74
		<hr/>

BOAT BUILDING EQUIPMENT TIMBER.

Launch ways.....	\$2,144 52
Building blocks.....	817 15
Hardwood ribbands.....	59 75
	<hr/>
	\$3,021 42
	<hr/>
Sundry makes wood pattern.....	224 00
	<hr/>

EXHIBIT 4.

STATEMENT OF IMPROVEMENT TO PLANT AND DRY DOCK SINCE JULY 31, 1904, TO DATE.

Machinery.....	\$32,799 45
Tools.....	19,599 96
Foundry equipment.....	5,778 24
Buildings and structures.....	13,991 44
Dry dock.....	14,681 24
Timber.....	2,895 88
Air line.....	1,102 51
Dry dock gantry crane.....	12,733 73
	<hr/>
	\$103,582 45
	<hr/>

Q. Well then, Exhibit 4, Mr. Smith, shows your own total expenditure in plant and dry dock since July 31, 1904, to date?—A. Yes, sir, with the details.

Q. And that totals, \$103,582.45?—A. And the construction is still going on.

Q. But three of these items are included under the dry dock heading, and these three are marked in pencil?—A. Yes, just to explain the value there.

APPENDIX No. 1

By Mr. German:

Q. What is the total in Exhibit 3?—A. I did not add that up.

Q. That Exhibit, No. 3, Mr. Smith, does not include anything for real estate or anything for the old dock?—A. Not even our purchase of this \$4,000 item that the boat house occupies. It states definitely there in that exhibit what each item is for: machinery, \$32,799.45, &c.

Q. As long as there is no misunderstanding about it.—A. I might say this entry, 'equipment,' here, was practically completed in 1904, but I did not include that there. Some of the buildings and structures were completed before 1904, but that is since July 31.

By Mr. Bennett:

Q. Now, then, Mr. Smith, what do you say as to the machinery and equipment that you have included in that Exhibit No. 3; is it or is it not necessary for the proper repair equipment in connection with your dock?—A. Which?

Q. Is or is not the machinery included in Exhibit 3 necessary as a repair equipment of your dock?—A. Yes.

Q. It is necessary?—A. Yes.

Q. There is no doubt about that?—A. None, whatever.

Q. Do you find in the practical working of this business that you actually need such equipment for the repair of vessels?—A. We need a much larger one if the government will only encourage us to put our money into it.

Q. Have you anything to show us in a specific way?—A. I have a telegram which I would like to explain to the committee. From the time a boat goes into dry dock the ship-owners try to intimidate us by this means. On October 9, last year, the Str. *Winona*, belonging to McKay Bros., of Hamilton, was in our dock, that was on Tuesday, she had been docked on Monday, after being on the 'Giant's Tomb' island, and had her bottom badly stove in, and this is the telegram we received:—

(Telegram produced and filed as exhibit 5.)

EXHIBIT 5.

October 9, 1906.

From Hamilton to C'wood. Ship Bldg. Co.

Two hundred and fifty men can work on *Winona*, only half that number employed you guaranteed complete job same time as Detroit or Superior which you are not and cannot do, Superior or Detroit could give us hundred drills and five hundred men please arrange increase force and advise immediately.

R. O. and A. B. MCKAY.

They followed this up with a telephone call.

Q. Do not go into the details, but is it a fact that you cannot carry on business in this dock with a smaller equipment than you have there?—A. We ought to have a larger one in order to induce ship-owners to come to us. They threaten us all the time that they can get work done in the United States quicker, and it means money to them, as their boats are laid up five months in the winter anyway.

Q. You may know, how does the repair work that you do compare with that done at Kingston?—A. Well, it compares very favourably.

Q. Do you do more or do they do more?—A. We do much more.

Q. Is there any reason for that except that you have better equipment?—A. That is the only reason. They have no equipment at all in connection with the dock, there is a little shop there, but often the people at Kingston, the Montreal Transportation Company, send their boats around to Collingwood or to American ports rather than put them in Kingston.

Q. There has been some criticism of the items of \$9,000 and \$13,000 charged up to this dry dock, expenses for coal?—A. I handed you a statement explaining all that.

Q. What do you say, is that a fair amount to charge to the dry dock, have they expended that in connection with the construction of this plant?—A. Yes, I think that is very fair.

Q. This is a detailed statement?—A. Showing our coal purchased and delivered, and showing the year previous to that, practically we had on hand an amount of coal we purchased the year before.

Q. Do you say that amount of coal was necessarily used in building this dock and equipment?—A. To the best of my judgment that is a fair valuation of the amount of coal.

By Mr. Maclean (Lunenburg):

Q. The estimate of Mr. Coste was made in January, 1905, was it not?—A. I do not know anything about Mr. Coste's estimate whatever.

Q. I tell you it was made in January, 1904?—A. I do not know.

Q. Well, that is a fact that you already know?—A. Yes.

Q. You heard the estimate of the engineer, Mr. Penton, this afternoon?—A. Yes.

Q. Has there been any property placed there in the way of machinery or improvements to the plant since that time of Mr. Coste's valuation?—A. Just what is here in Exhibit No. 4.

Q. That shows the difference?—A. Yes, sir, machinery, \$32,799.45; tools, \$19,599.96; foundry equipment, \$5,778.24; buildings and structures, \$13,991.44—some of that work was going on and Mr. Coste knew it was going to be completed very soon, and I have no doubt he had something on it in his valuation. He allowed \$20,000 for the extension of the entrance and cribwork, and it took more than that to complete it.

By Mr. Bennett:

Q. What do you say you fancy Mr. Coste did at the time of his valuation?—A. As I understand it, Mr. Bennett, there was \$20,000 allowed for the dry dock entrance.

Q. Did you understand he had anything else in contemplation that was to be finished?—A. Well, I imagine he would take into consideration the incomplete buildings and anything like that which he knew was rapidly approaching completion.

Q. Which of these were incomplete buildings at that time?—A. The machinery shop was at that time an incomplete building and the foundry.

Q. The machine shop and the foundry was an incomplete building?—A. Yes.

Q. Are these two different buildings?—A. No, sir; it is one building, 160 x 120.

Q. How far had it advanced at the time of the valuation by Mr. Coste which was made on January 15, 1904?—A. I could not tell you, sir.

Q. Were the walls up?—A. Some of the steel work was up, and some of the walls, and foundations were in previous to that, and I think some of the brickwork was there, the bricks and material were all there, with the exception perhaps of the lumber that went into it.

Q. It has a slate roof, has it?—A. Yes, the boiler shop has a slate, steel shingled roof.

Q. When was the work on the *Huronic* started?—A. As near as I can remember, it would be about the beginning of 1901, that is the actual construction in the yard. I have no doubt some of the moulds in the mould loft would be out before then.

Q. The building of the *Huronic* was going on in 1901?—A. Yes, somewhere about January or February, 1901, because I was up there in February and there was some work going on then.

Q. As a matter of fact, I want to get the right facts; the *Huronic* was started in December, 1901, is that right?—A. No, sir. In January or February, 1901—that is the actual construction, you might say. There was some work done on the moulds and designs, and work like that, previous to that, but I think that would be the correct time. I was up there and remember some frames being up and some work going on there in February.

Q. That is your recollection?—A. Yes, sir, and that is the actual record, too.

APPENDIX No. 1

Q. Well, now, at the time the *Huronic* was being built was this dry dock, we will call it, the old dock, was it available for use?—A. Oh, yes, when I went up there the dock was filled with dredges, tugs and boats being repaired.

Q. Then, through the summer of 1901, this dock, the old dock, was being used? —A. They started about the spring to extend it, so as to have a larger dock, as they considered it was too small for the class of boats coming into use.

Q. That was the spring of 1901?—A. Yes, sir, the spring of 1901, and they continued that work along through the summer and winter, and the *Huronic*—I think it was about the middle of August or September, I was there at the launch, but do not remember the date.

Q. Was any work done on the enlargement of the dock in 1900?—A. I cannot say; the first time I was in Collingwood was about February 4, 1901—that is as near as I can remember, anyway about the 4th or 6th of February, that was the first time I was in Collingwood.

Q. And you say the *Huronic* under way?—A. Yes, sir, I was building the machinery in Toronto.

Q. Mr. Keltie had it firmly in his opinion that it was about 1902?—A. The *Agawa* was turned over to the people in 1902, August, and she was a year building after the *Huronic*.

Q. The *Huronic* was commenced in the year 1901?—A. Yes, that was the first extension.

Q. What was done then in the dock in 1901?—A. As I remember they put in the new wall on the east side of the dock, they had a wall that was more or less rubble and incomplete stonework, that was no good. That was not a good first-class job, and they took that down and put in a first-class stonework along there, and part of that was retained in the new dock.

Q. Was that dock available in 1901 for vessels?—A. Yes, they never put it out of commission in the extension of it.

Q. They kept it running all the time?—A. Yes, sir.

Q. In 1902 they were still proceeding with the work on the dock?—A. No, they had completed it, I think they had completed that dock about the summer of 1901. I think there was a little stonework along the south end of the dock that they did in the summer or fall of 1901.

Q. What length was the dock then?—A. I think it would be about 350 feet when that extension work was completed.

Q. How much greater was it then than it had been?—A. Not a great deal, it was a more complete dock in being trimmed down on the sides and being in fair shape.

Q. When was the next work undertaken in view of what is at present existing? —A. I went up there in August, 1902, and there was already a dock there at work.

Q. Was the old dock still being used?—A. They put it out of commission about that time.

Q. About August?—A. It might have been the middle of September, I would not say to a week or two.

Q. Was the work continued all through the winter of 1902-3?—A. All through the winter of 1902, and I think the dock went into commission about November, 1903.

Q. In November, 1903, the dock was finished?—A. Not all finished.

Q. Was it capable of putting a boat in?—A. Yes, and there was a boat launched in it, in 1903, about the middle of August, the *Midland King*.

Q. About the middle of August?—A. Yes, some time about that date, I know it was about the middle of August or a little after that. It was not completed then, they pumped it out after that and did a little work; in fact the reason the work dragged along was they ran out of money.

Q. When the *Huronic* was built what machinery was there, I mean outside the so-called Everitt plant?—A. Not all of it, but considerable. The joiner shop, machinery, and blacksmith's shop, the furnace room. There was considerable there, not all, but perhaps three-fourths of what there is now.

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Q. Was there any work done, other than the work that was done for the extension of the dock, we will call it the first change, did that go to the benefit of the second one at all?—A. I cannot be positive of that just now. I think there was some charge there, that Mr. Osler explained this morning, about \$70,000, and you made a statement about \$16,000, or something that I think there was in that estimate of three-quarters of a million, was there not?

Q. Let us see that estimate that is put in there?—A. That is in my estimate, that extension is not in that, but rather in the statement in the books, as a balance up to July 31, 1904, by Mr. Keltie, and he was not there only up to about the 20th, but there was very little done after that.

Q. Can you show me—if you will get the books now we will have a look at this—show me first that ledger, that is the book I want to see first?—A. Yes, sir, I am not a very good bookkeeper, but I will tell you all I can.

(Ledger produced.)

Q. Let us see this first item, where is this item?—A. Plant.

Q. Can you show me anything that will go to make up this \$20,108.87 for timber in Exhibit 3?—A. In Exhibit 3?

Q. Yes?—A. This item for timber was taken from charges made from time to time.

Q. Show me in the ledger account anything along these lines. I want to know where you find it, was there an account under the heading 'timber'—who was the timber purchased from?—A. From the Brunette Lumber Co., and some other companies, I can find some of it.

Q. How do you make up this statement, what is it taken from?—A. From an inventory of the plant that was made in 1904.

Q. Where is the inventory?—A. It was taken from the books.

Q. Hunt up the wages account for a moment?—A. Here it is under 'dry dock,' all in cash.

Q. Is not this the ledger?—A. Yes.

Q. Where is the wages account?—A. It is down here in cash.

Q. Show us now, in what year is this, 1901?—A. Yes sir, and this is the dry dock extension account.

Q. Now, turn up, for instance, the pay-roll of June 1?—A. June 1, 1901? Here it is right here (indicating in book).

Q. I want to see the details of that.

By Mr. Osler, K.C.:

Q. That will be at page 39 of the Journal?—A. Page 39, did you say. Where is Mr. Keltie, the ex-bookkeeper, he knows about this.

By Mr. Bennett:

Q. He told me he could not get here, his wife is ill?—A. It is pretty hard for me to find these things, I am not a bookkeeper. Here it is here, February 8, 'pay-roll.' This is an extension of these items, \$5,414.

Q. That does not show the names?—A. No, that would be in the timekeeper's list.

Q. Turn up the pay-list of January, 1901?—A. We have not got that.

Q. Well, the gross expenditures for the month of January, 1901?—A. We only started to keep books on February 1, Mr. Bennett. There is nothing on 'dry dock' back of that. I might say that Mr. Mackay went all over the books and checked them up; he checked up everything.

Q. Mr. Mackay did not check up that particular, because he had nothing before that?—A. No, he did not.

Q. Can you show me where this estimate, in the ledger, is made up, or anything approaching it for timber?—A. Just as the timekeepers and bookkeepers made it at

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the time, and it was checked by Mr. Mackay who acknowledged it as satisfactory. Of course it is a matter of detail that will take weeks of bookkeeping to find it all out.

Q. Well, you know who you were dealing with for this timber to the amount of \$20,000, show us some of their accounts?—A. Yes, I am trying to find it.

By Mr. Osler, K.C.:

Q. Here are two items of \$10,000 and \$4,000, that would probably be included in that, plank staging, &c., \$4,800, and launchway and staging—

By Mr. Bennett:

Q. Let us try here now. Looking at this, Mr. Smith, page 157 of the ledger, shows an expenditure of \$4,812.32 on what?—A. Timber, docking, planking, staging, &c.

Q. And that all would go into the dry dock?—A. Oh, no.

Q. Where did it go?—A. It is in the dry dock account, that is only timber, planking, staging, &c.; timber for 'dry dock' is not 'dry dock extension.'

By Mr. Barker:

Q. That item would be for construction or operation?—A. No, that would be for bilge blocks and other purposes.

By Mr. Bennett:

Q. You were buying all this time timber which was going into vessels?—A. Very little went into that.

By Mr. Barker:

Q. Can you find anything charged to 'operation?'

Mr. OSLER, K.C.—It would not be in this account.

Q. Mr. Smith says they continued the operation of the dry dock, where is there any charge for lumber or anything of that kind for operation?—A. There must have been some operating account, we have never looked for the operating account.

Q. Everything has been charged to 'dry dock,' it seems to have been charged there?—A. If you will allow me to see Mr. Keltie, because the ex-bookkeeper of the company who went through the books the last day we were here, and he pointed out every objection he had against the 'construction of dry dock' account. We have a list of that, and I have asked the bookkeeper to trace back these accounts and see if there is anything wrong with them. He traced back everything, except that entry of Mr. Long's for \$200,000 and the real estate, and there was only one thing that was paid a second time, one item that was charged up twice.

By Mr. McCarthy (Simcoe):

Q. Mr. Keltie said that of the \$455,000 it was reasonably correct, that is the way he gave his evidence.

By Mr. Barker:

Q. There must have been very large purchases for operation, for lumber, timber and everything else?—A. For operation?

Q. Yes, for building vessels, &c.?—A. Oh, yes, but I do not think there was anything of that material charged to the dock.

By Mr. Osler, K.C.:

Q. Have you any doubt as to \$20,000 worth was used in connection with the dock?—A. I think all that was purchased for that purpose would be used there. I could not tell you whether it was \$19,000 or \$20,000 or \$22,000 that was used.

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By Mr. McCarthy (Simcoe):

Q. Do you think that a reasonable amount?—A. I do think it is a reasonable amount.

By Mr. Bennett:

Q. How would \$20,000 of lumber go into the estimate of that dock?—A. I cannot tell you the exact distances, but at short distances apart there are great big British Columbia fir timbers bedded in the cement to slide the keel blocks sticks in and out, they are 14 inches square, perhaps and the full width of the bottom, and there are keel blocks at the side there, and to the bilges of the dock starting at the bottom and running to the top four or five feet apart.

Q. Where was this timber purchased from?—A. There were two purchases from the Brunette Company and the Loud Company, of Aux Saubles. I remember that lumber was purchased there. There was a lot of timber purchased from them I know, but I do not remember where it was all purchased from, although I do remember there was timber purchased from them—the Brunette Lumber Company. I do not know whether he understood it, but I remember the peculiar name because I have a weakness for brunettes.

By Mr. Osler, K.C.:

Q. Who is the other man you bought from?—A. Loud & Sons, of Aux Sauble.

By Mr. Bennett:

Q. Well, did you charge up the accounts?—A. I do not know whether it is in the journal or in the ledger.

By Mr. Osler, K.C.:

Q. Look up page 595.—A. (Referring to ledger). Here we are 'Loud & Sons, \$3,360, cash.'

By Mr. Bennett:

Q. Do you find on page 595 an item of \$3,360?—A. Yes, sir.

By Mr. Osler, K.C.:

Q. Those two items that I turned up a moment ago and asked a question about, \$14,000 and \$5,000, are evidently operating timber accounts, that is, not carried into the dry dock.

Mr. BARKER.—Is that shown here?

Mr. OSLER.—That is shown here.

The WITNESS.—Mr. McKay, in his statement, said the books were honestly kept, although a little indifferently or loosely kept; but there were a great many accounts carried backward and forward.

By Mr. Bennett:

Q. Can you find any other account?

Mr. OSLER.—There are a lot of accounts for lumber, none of which went into the dry dock.

Mr. BENNETT.—I want what went into the dry dock.

The WITNESS.—I can go down through the dry dock account from start to finish.

By Mr. Bennett:

Q. If you were suing for \$20,000 you would have to find the account?—A. I would have the bookkeeper here, who could produce the books.

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Q. Then of these items, who can you speak of as having bought lumber from for construction?—A. I could not tell.

Q. Besides the Louds?—A. I know the Brunette Lumber Company, we purchased material from them.

Q. Is there an account in the ledger showing what the company bought from them?—A. I am just looking over it to see. The Brunette Lumber Company. Here is one item, \$2,367. Here is another item.

By Mr. Osler, K.C.:

Q. This shows, for instance, a number of items charged to the Brunette Lumber Company. It shows that \$1,264 was charged up against the dry dock?—A. Charged up against the dry dock.

By Mr. Bennett:

Q. Then in the case of the Brunette Company, all we can find that is charged up is—A. \$1,264.

Mr. OSLER.—By going through the dry dock account you can find all this; there is no trouble about it.

By Mr. Bennett:

Q. Out of \$26,000 all the items you can remember are those two items?—A. I can only account for what was taken from the inventory. That is what was taken from it.

Q. This statement purports to show that \$20,108.87 went into that dry dock, and you cannot show that it did or did not go in?—A. I would take my oath, and I am upon my oath, that to the best of my knowledge it did go in.

Q. To the best of your knowledge it did go in?—A. Yes, to the best of my knowledge it did go in.

Q. Was all that timber that went in bought by you?—A. No.

Q. Who ordered it?—A. Mr. Calderwood and Mr. John Long, and perhaps Mr. Thomas Long, would do the ordering for the company at that time. I purchased the material for the engineering department.

Q. All you can find in the books are the items of Brunette and the other people?—A. Yes, sir, I remember them. At the time this inventory was made I was manager of the shipyard, and I wanted to have a fair and square statement made so that Mr. McKay could intelligently understand it, and I would know myself whether I could stay with the company or not. If they had not been square I would not have stayed with them, and that was the idea I had in getting the statement.

Q. That is so much for the lumber, that you know nothing of the accounts for that?—A. Anything that is there. That is all I know of the accounts.

Q. There is an item of \$12,258. Do you know of that personally?—A. Not personally. I know all these things were used.

Q. Of your own knowledge? Did you go over it and make an inventory and see if they were there?—A. Our bookkeeper did, but I did not.

Q. Who was your bookkeeper?—A. At that time Mr. McGill was. He was Mr. Keltie's successor.

Q. Where is Mr. McGill?—A. In Toronto, I think.

Q. Is there an account in the ledger under the heading of sundry tools purchased and recommended and so on that will aggregate \$121,000?—A. I think there is by going carefully through it.

Q. Let me see the special account?—A. I do not think there is any special account.

Mr. OSLER.—That is made up to show what is actually there. It is not made up with reference to the books at all.

By Mr. Bennett:

Q. Where is the original book that this was copied from?—A. They went through and picked all the items out.

Mr. BENNETT.—The items were picked out and placed on another paper or papers. Where are they?

Mr. OSLER.—They are there from the dry dock expenses account. The dry dock extension account, which is the aggregate of all these things, is set out in another way there. In the case of all these items you would find the aggregate by checking them over from this dry dock extension account.

By Mr. Bennett:

Q. Did you have a cement account in the ledger?—A. I understand there was.

Mr. OSLER.—They do not come under those headings in the ledger. If you find a cement account in the ledger it would be cement used for other purposes, not for the dry dock. This is an aggregation of all the items which are here under the dry dock account, that is all.

By Mr. Barker:

Q. In the case of tools, as in other matters, I suppose they have to be bought again and again? Tools would break and wear out?—A. Yes, sir, the portable tools especially.

Q. Has every tool that is bought in that way been charged to construction account?—A. Oh, no, sir.

Q. Where do you specially charge for tools?—A. We have an inventory twice a year. It is made up very complete at the end of our fiscal year, July 31.

Q. Will you show where you charged any tools at any time in two or three years to operating account?—A. In this book here. I am not familiar with the books. I do not keep them.

Q. All the tools have been charged to construction account?—A. I think all the new tools that have been made for any construction work were charged to that work. Any tool that was made for any particular job would naturally be charged to that job. And the tools that were made to build the dry dock and to do any work such as sharpening picks or repairing picks are charged to dry dock construction. Any special tools made for that purpose would be charged to dry dock extension.

Q. But the ordinary tools used in repairing and everything of that kind have to be replaced, many of them every three or four months or every six months?—A. Six months would be more like it.

Q. You say a certain lot would be charged to operating as a going concern?—A. Yes.

Q. Will you show where that was charged, after the first supply you charged for?—A. Show it in the book?

Q. Yes?—A. I could not do that, sir. I do not know anything about them at all. These accounts are taken—

Q. Do you understand what I mean, the company once equipped with tools—A. If I had had the direction of our accounts here, I would say: 'Why do you do that? Charge all these things to the proper channel.' But they were not handled that way when these books were kept. That is one cause why they changed the bookkeeper; they wanted to have things more intelligently kept.

Q. Then triplicate tools, at least duplicate tools, may have gone to construction, for all you know, in the early days?—A. I could not say. I do not know that any of the things were charged wrongly.

Q. We are not charging you with intentional wrong.—A. Through a mistake they might be charged.

Q. You have got very large sums charged for tools, equipment, and machinery?—A. It takes very large tools.

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Q. In 1901, 1902, 1903?—A. Yes, sir, they did not have very good equipment there in 1901.

Q. There were a lot of tools, replacing tools worn out in the business which ought to be charged to operating expenses, but which may have gone to construction account?

—A. The tools which would be used in a shipyard would not be used in a dry dock.

By Mr. McCarthy:

Q. As I understand it, Mr. McKay represented Reford, and Stark, and Gear, and the Dyments—there were \$300,000 worth of shareholders—and he was put on these books for the purpose of checking this very thing. He has been all over them and the only items he complained about were the large items of \$150,000 and \$200,000. They have been vouched for by the company on demand of these dissatisfied people.

Mr. BARKER.—I think Mr. Keltie is the proper man to give us the explanation.

Mr. MCCARTHY.—He has been examined and he says these are reasonable.

By Mr. Bennett:

Q. You spoke of your valuation as having been made in July?—A. It is not my valuation, sir.

Q. Well the valuation?—A. The inventory.

Q. The inventory was made when?—A. July 31, 1904.

Q. Now I produce here a copy of the report by Mr. McKay?—A. Yes, sir.

Q. Now it reads as follows: 'A valuation of the capital assets as at July 31, 1904, has also been made on behalf of the company by the manager. The amount thereof is entered as a memo. in the balance sheet. We neither endorse nor challenge the figures. In a property of this kind we would not care to be bound by any valuation unless it were made by ourselves or under our direction.' Did you see this report before or a copy of it?—A. No, sir, I never did, but I can explain that to you. There was an item of \$100,000 in for franchise and there was an item for \$70,000 or something of that kind for real estate. There was nothing in our books to show that the franchise was an asset and that our real estate was worth that as an asset. There was no questioning of it, there had been no challenging of it, and I O.K'd. the statement that that was the value of the plant as our directors considered it.

By Mr. Barker:

Q. This you did for an entirely different purpose from that of subsidy? It is charged on the capital account?—A. That has nothing to do with this. This is the inventory of the cost. You folks wanted the cost the other day and I thought we ought to get it for you.

Q. In the summer of 1902 how did the appliances for building vessels compare with the year after?—A. In the summer of 1902?

Q. Yes?—A. Not very well.

Q. Well, you built the *Huronic* before that?—A. Yes, sir. It was about sixteen months under actual construction. You have got to turn them out in about four months now to satisfy people.

Q. Take the building that was there when the old dry dock existed, was it the same office building?—A. The same office building very much improved.

Q. How was it improved?—A. Improved in the interior of it. New floors were put in upstairs and a great many additions and partitions put in and shelves for holding. They cost pretty nearly as much as the building although they do not enter into the valuation of it. That was never put in.

Q. On what date was the machine and foundry building built?—A. It ran on a little into 1905.

Q. Was it commenced in 1904?—A. It was commenced in 1902.

Q. What, the machine and foundry building?—A. Yes, in 1902.

Q. Was any part of it completed?—A. The foundations were put in for the steel work and for the brickwork.

Q. On the 15th of January, 1904, how far advanced would you say that machine shop and foundry was?—A. In 1904?

Q. Yes?—A. Well, the material was all on the ground as I told you before, excepting the lumber. The slate roof and considerable of the steel work was out and some of it erected and the foundations were all in.

Q. On January 15, 1904?—A. Yes, sir, January 15, 1904.

Q. Have you any idea of the value of that building to-day?—A. Have I any idea?

Q. Yes?—A. Yes, sir, I designed and built it.

Q. What do you consider it was worth?—A. The boiler shop and power-house. I want to explain to you that I built the whole lot of them, and the account was kept for the engineering department. There was no separate account kept of it at all, and I could not separate it.

Q. What would you figure the whole lot of them at?—A. It is all down there.

Q. All down where?—A. In the exhibit that has been put in. I think it was \$54,000.

Q. The boiler shop and machine shop?—A. They are of the same design.

Q. How many different buildings do they comprise? The boiler shop is one?—A. They are covered by two roofs; there are two separate and distinct clusters of buildings. The boiler shop and power-house are under one roof. There is a wing which contains the power-house which is attached to the boiler shop and the machine shop and foundry are together.

Q. And your estimate of this was \$54,375?—A. Those are the actual figures from the book.

Q. The actual cost according to the books?—A. Yes, sir.

Q. Were all the buildings comprised in this \$54,375 finished on January 15?—A. Oh, no, sir.

Q. What percentage was finished?—A. The boiler shop and power-house was completely finished. As to the machine shop and foundry, I could hardly tell you off-hand just how they stood, my memory is not clear on that.

Q. Now, in Mr. Coste's estimate—let us understand this as we go along—the boiler shop and power-house is put down at \$50,000?—A. Yes, sir.

Q. And the machine shop and foundry at \$45,000, making \$95,000? Are those the buildings that you comprise under the sum of \$54,375?—A. Do you mean buildings alone or buildings and their machinery? Ours was just the bare buildings.

Q. It simply states machine shop and foundry?—A. Has he got tools below there; that would show it? Has he got machine tools below that?

Q. No.—A. Well, that is it, I guess—buildings and machinery. Those buildings have about \$75,000 worth of machinery in them.

Q. Who do you say compiled the statement? Did the present bookkeeper pick out these items?—A. No, sir, he took those items out for me as they are there.

Q. That is what I say.—A. Yes, sir, from the inventory, but he was not the man that really got the inventory up. The present bookkeeper is Mr. Dennis. The former bookkeeper was Mr. McGill, and his assistant was Mr. Tate and another young man named Stone who was time-keeper. They worked on this to get an intelligent understanding of just the way the plant stood, and it was pretty hard to do that without a great deal of work on those books; so Mr. McKay thought anyway. I know they backed up three or four times, but they got it straightened out, and the invoices all checked up. Mr. McKay found the books were all right, but a little confusing at first.

Q. Can you say that all these expenditures were there on January 15, 1904?—A. They were on July 31, 1904. I could not say honestly whether they were there on January 15, 1904, or not; I think the most of them were.

By Mr. Maclean (Lunenburg):

Q. Do you remember whether there were any purchases made between January and

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July of that year?—A. No, I do not think there was very much, the labour of completing the buildings would be practically all there was to it. Well, the foundry equipment, of course, but, as I stated, that was before July, 1905, and was not included in our estimate of the plant at that time. I think Mr. Coste was familiar with what we were carrying on there, and I have no doubt it might have influenced his opinion as to the value of the property. I never knew what he put in as an estimate. It was nothing to me one way or the other whether they got one cent or \$1,000,000 subsidy; I was only doing the grinding.

(Statement of fuel account filed and marked exhibit 6.)

The committee adjourned.

EXHIBIT No. 6.

FUEL.

1903.		
Dec. 16,	Ledger entry, Folio 255—	
	Chg'd to ship 3 and 4.	\$ 5,580 00
1904.		
July 31,	New Journal entry—	
	Chg'd to ship No. 5.	1,000 00
		<hr/>
		\$ 6,580 00
1903.		
July 31,	Chg'd to dry dock.	9,997 30
		<hr/>
		16,577 30
	Purchased from March, 1901 to May 1902.	\$ 6,820 62
	“ May, 1902 to August, 1903.	16,828 85

STATEMENT OF AMOUNTS CHARGED TO FUEL ACCOUNT.

Ledger, Folio 91.

1901		
March.	. . . . .	\$ 209 95
“	. . . . .	27 00
April.	. . . . .	266 00
“	. . . . .	339 47
May.	. . . . .	289 04
“	. . . . .	15 50
“	. . . . .	68 40
“	. . . . .	256 13
“	. . . . .	150 48
“	. . . . .	177 56
“	. . . . .	337 10
“	. . . . .	328 28
June.	. . . . .	28 22
“	. . . . .	1,404 13
“	. . . . .	8 50
July.	. . . . .	20 35
“	. . . . .	43 50
“	. . . . .	15 36
August.	. . . . .	8 00
September.	. . . . .	19 50

1901.	
October.....	\$36 76
“	9 92
“	54 94
“	310 85
“	324 09
“	1 13
November.....	32 62
“	38 62
“	164 78
“	6 54
“	1,201 00
“	27 75
“	7 00
December.....	4 63
“	29 80
“	66 73
“	55 81
1902	
January.....	62 72
“	15 64
“	92 93
“	7 47
February.....	57 60
“	11 13
“	25 20
“	3 40
March.....	66 15
“	43 90
“	28 80
April.....	19 27
“	1 23

From March, 1901, to April 30, 1902..... \$6,820 88

From March, 1901, to April, 1902, there was very little work done except yard and plant improvement, and the most of the construction connected with building of ships 1 and 2.

STATEMENT OF AMOUNTS CHARGED TO FUEL ACCOUNT.

May.....	\$ 84 33
“	36 50
“	339 32
“	319 88
“	33 75
“	21 37
June.....	15 97
“	28 35
“	14 20
“	91 58
“	680 81
“	155 48
“	1,240 70
“	18 82
August.....	18 82
September.....	10 96

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October \$	3 20
"	395 61
"	349 70
"	186 54
"	60 00
November	1,166 70
"	444 42
"	838 05
"	251 40
"	1,478 20
December	.. . . . .	54 00
"	.. . . . .	5 00

1903.

January	.. . . . .	129 00
"	.. . . . .	10 00
"	.. . . . .	95 08
"	.. . . . .	77 28
February	.. . . . .	9 00
March	.. . . . .	171 99
"	.. . . . .	369 00
"	.. . . . .	22 76
"	.. . . . .	58 35
April	.. . . . .	36 47
"	.. . . . .	273 90
"	.. . . . .	6 00
"	.. . . . .	488 70
"	.. . . . .	428 *6
"	.. . . . .	32 41
May	.. . . . .	369 73
"	.. . . . .	418 56
"	.. . . . .	244 16
"	.. . . . .	65 84
June	.. . . . .	1,606 45
"	.. . . . .	106 15
"	.. . . . .	13 00
"	.. . . . .	7 00
"	.. . . . .	145 50
"	.. . . . .	15 75
July	.. . . . .	7 00
"	.. . . . .	7 00
"	.. . . . .	10 75
"	.. . . . .	307 91
August	.. . . . .	16 45
"	.. . . . .	14 44
"	.. . . . .	218 61
"	.. . . . .	12 77
"	397 36
"	100 00
"	411 52
"	135 73
"	11 75
"	65 55
"	81 21

May 1, 1902, to August 30, 1903. . . . \$16,341 81

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During this period there was a slight amount of work done completing ship No. 2. The balance of the time was occupied in the construction of the dry dock, and the most of the construction of hulls Nos. 3 and 4, and engine and boilers for hull No. 3, and a small amount of work on the hull, engine and boilers, ship No. 5.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

THURSDAY, March 7, 1907.

The Select Standing Committee on Public Accounts met at 3 p.m., the chairman, Mr. Geoffrion, presiding.

The committee resumed the consideration of the payment of \$30,000 to the Collingwood Shipbuilding Company, subsidy for two years to November 16, 1905, on account of 'Collingwood Dry Dock; Subsidy,' as set out at page V—246 of the Auditor General's Report for the fiscal year ended June 30, 1906.

Mr. H. S. OSLER, K.C.—I omitted to make a statement that ought to be mentioned. There has been some comment upon the delay on the part of the department in paying this subsidy, and I think I ought to explain why that took place. The subsidy agreement calls for the payment of the first year's subsidy immediately; apparently it is due as far as the agreement is concerned, and if there is nothing but the agreement, you would think it was due when executed. When that came before the department and the company asked for payment of the subsidy the officers of the department said: 'That may be quite true as far as the agreement is concerned, but the agreement is wrong, because the statute says the subsidy shall not be paid for any part of the year in which the dock is not used and in full working order. Therefore,' they said, 'we cannot pay this until the end of the year.' That was in 1904. On looking into the matter, I came to the same conclusion—that the officers of the department were perfectly right, and that the company had no right to payment according to the terms of the agreement, but had to wait until December, 1904. When December, 1904, came these disputes between the shareholders were being actively negotiated, and everything was, so to speak, at sixes and sevens. Therefore, the application was not pressed until after the reorganization of the company had been entirely completed. That brought it up to probably August or September before the company asked for the payment of the first year's subsidy, correspondence took place, and it was not paid until December of that year.

By Mr. Daniel:

Q. Under the terms of the agreement the subsidy is only paid for those years during which the dock is in working order?—A. That is under the terms of the statute; the agreement says: 'From and after this day,' so much money shall be paid every half year, and it looks, on the face of it, as if it was payable at once, as soon as the agreement was signed. The statute says that the government have no authority to pay a subsidy—I am speaking roughly now from recollection of the terms, but this is the effect, that the subsidy shall not be paid for any part of the year in which the dock has not been in full, active working order. So that if there has been an accident to the gates, for instance, so that the dock could not be used, the company could not get the subsidy until it was repaired. It is really a mistake in the drafting of the agreement that nobody noticed until afterwards.

Witness retired.

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Mr. JAMES M. SMITH recalled.

By Mr. Bennett:

Q. Do you remember the time that Mr. Coste came there to make his valuation?
—A. No, sir, I do not know anything about it.

Q. Were you in Collingwood, in the employ of this company, on the 28th of December, 1903?—A. Oh, yes.

Q. You say that you do not recall the time Mr. Coste was there making his examination?—A. No, sir, I do not.

Q. I may say that, reading from Mr. Coste's report, he said he made his inspection on the 28th of December last—that would be the 28th of December, 1903. You have no recollection of the time Mr. Coste was there?—A. Not definitely. I know he was there from time to time, but as to any particular business, I could not say.

Q. After that, were you ever consulted by Mr. Long as to the value of the dock? When they were making their arrangement with the government as to subsidy?—A. By Mr. John Long?

Q. Yes?—A. No, sir.

Q. Or Mr. Thomas Long?—A. No, sir.

Q. Did you ever discuss with Mr. Thomas Long, or with Mr. John Long, the question of the value of the dock—to assist them in making up the estimate of value?—A. No, sir.

Q. And you are the manager, and you never heard of that question?—A. I was not manager at that time.

Q. What position were you in?—A. I was manager of the engineering department.

Q. Who was the manager of the other business?—A. Mr. Calderwood was manager of the ship department.

Q. Had he charge of the whole business, of the dry dock and shipbuilding, or was he exclusively in charge of the building of boats?—A. He was in charge of the building of boats and dry dock repairs jointly with myself.

Q. And yet in all this time you never heard any figuring done, and you were not being called in to figure or estimate on what return should be made to the government?—A. No, sir.

Q. Would it surprise you to know that Mr. Coste having made his report as to the value on the December 28 according to the docket in the department there, that on January 29, 1904, Mr. John Long sent into the department a statement and in that statement this occurs: 'Clause 4, that the amount of money derived from the issue of stock or loans to the company, and actually expended in the construction of the dry dock, including land, is \$550,765.13?'—A. That was Mr. Long's statement to the government, was it?

Q. Yes.—A. I know nothing about that.

Q. What do you estimate that covered, the machinery as well as the dry dock, of course?—A. Yes.

Q. It must have?—A. Yes.

Q. You gave us here yesterday a statement as to your valuation of this property. I will go over that so that you will have no misunderstanding. Starting off, now, on that question of machinery you make a valuation of the machinery at how much?—A. It is stated there, I cannot recollect from memory.

Q. \$167,144.13, is that correct or not?—A. If that is the statement that is in that exhibit it is correct.

Q. Will you turn me up, please, in the ledger the account for machinery, I think it is page 242?

Mr. OSLER, K.C.—\$202,581.97, that is the amount carried into the ledger.

Q. Plant and machinery, \$202,581.97?—A. In December, 1903.

Mr. OSLER, K.C.—I would suggest that it will make that clearer to state that the total cost is \$753,297.10, as shown by the account at page 242.

The WITNESS.—I think from memory my amount was \$123,000 to \$124,000, that was for tools and machinery.

By Mr. Bennett :

Q. I think that is right, 'stationary machinery' is \$123,510?—A. Something like that.

Q. Now, let us understand first on what you are giving evidence. Would you, to-day, pledge your oath that you can go to those shops and find \$123,510 worth of machinery that was there on December 28, 1903, and that they will aggregate these prices? In 1903, now, not to-day, at all, you must come out and have that as your starting point, December 28, 1903. Will you pledge your oath that there was on that day \$123,510 worth of machinery there?—A. Yes, sir.

Q. How do you know?—A. How, do I know anything.

Q. How do you know that there was \$123,510 worth of machinery there on December 28, 1903?—A. I took an inventory myself of every machine there was on the place.

Q. You did?—A. Yes.

Q. What did you figure your prices on?—A. On the cost of the machines.

Q. Was that inventory carried into this ledger?—A. That inventory was checked with these books.

Q. And it tallied with this book?—A. Yes, sir.

Q. And taking one machine and another machine, and adding the prices by the invoices, it made up \$123,510?—A. By the invoices. There were several machines for which the invoices were not procurable, they were small machines, and we wrote to the manufacturers asking the prices of those machines, and from the condition of those machines at that time we set the valuation.

Q. Who kept this book? Did you keep the book and write them down item by item?—A. Yes, sir, I had my staff do that and I checked it over with them right along.

Q. And you accompanied them as every item was marked down?—A. I may not have been there when every item was marked down, but I was there from time to time and went through the plant and checked up everything.

Q. That was compared with that book here at that time?—A. Yes.

Q. And this book will show \$123,510 worth of machinery there on December 28, 1903?—A. Yes, sir.

Q. This book will show that?—A. Yes, sir.

Q. Now, will you show me this machinery account at page 7. Mr. Smith, I want you look at this book on page 153, on April 30, 1902, there is a balance shown of money expended on machinery of \$8,490.02, is that right?—A. That is right for that amount, but there was considerably more machinery in the yard at that time.

Q. Well, you have just told me, it is by this book you swore?—A. Yes.

By Mr. Osler, K.C.:

Q. You are not taking it right, Mr. Bennett. That shows that \$4,800 had been expended since February 1, 1901, down to April 25, 1902, that is what that account shows.

By Mr. Bennett:

Q. All right then. On January 19 there is an item of \$4.27 paid out?—A. Yes.

Q. On July 11, there is an item of \$1.20 paid out apparently?—A. Yes.

Q. There appears in this account an item, July 31, 'capital account, \$91,504.51,' was that a cash payment made that day?—A. I could not tell you anything about it, that was before I went to work for the company.

Q. 1902?—A. Yes, that was July, 1902, before I went to the company.

Q. Now, we will follow up this machinery account all through. What was the expenditure shown in December 4 on machinery account—\$167,144.13?—A. Yes.

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Q. That is the total expenditure then on machinery up to that date?—A. I expect that is, yes.

Q. Well, if the books are right it is?—A. Yes.

Q. Were there any more expenditures according to the books, on machinery up to December 28?—A. Not that I know of.

Q. When you gave these figures of \$123,000 as your valuation of the stationary machinery the books showed \$167,144.13?—A. Yes.

Q. Well then why did you not value it—you say you are valuing according to the books—at \$167,144.13 instead of \$123,510?—A. That was the machinery in the buildings used in repairs and in construction work. They may have been there. All that I have here is what you asked for, the machinery that was used in the carrying on of the construction and repairs.

Q. Well, can you explain, Mr. Smith, that on this date, when the expenditure showed up to that item, \$8,495 in round figures, that \$91,504 was added?—A. That was before I came to work for the company.

Q. All right, I ask you, can you explain that?—A. No, I cannot.

Q. If this \$91,504 had not been added this \$167,144 account would have been lessened by that amount, would it not? It totals at \$167,144. Had that item not been added of \$91,504, what would the account have stood at—A. Is this \$91,000 machinery or is it capital?

Q. It simply says 'capital account.'—A. That does not say machinery. I thought you were questioning me on the machinery account.

Q. It says 'capital account.'—A. Well, capital is not machinery—you are trying to ask me what the machinery account is.

Q. I want to get at how it is started.—A. The cost of machinery is—

Q. Do these books show on that date that there had been an expenditure on machinery of \$8,495?—A. Yes.

Q. Do the books show that an item was added 'capital account, \$91,504?'—A. The books show that.

Q. Does the aggregate of the machinery account show \$167,144?—A. It does in these books.

Q. Then, had that \$91,000 not been added, the books would have shown what? You can refer to the books.—A. Is that \$91,000 in any way connected with the machinery account?

Q. Certainly, it is added to make up the \$167,000?—A. I see.

Q. Then the amount would have been in your books for machinery \$75,640. would it not?—A. I could not say.

Q. Well, you can add and subtract. There is \$167,144 and if you deduct the \$91,504, in round figures the machinery account, instead of showing that would have shown \$75,640?—A. I do not quite understand.

By the Chairman:

Q. What is that figure in the capital account, \$91,000?—A. I could not say. I am not the bookkeeper. You can hire for \$100 a month a bookkeeper to keep the books.

By Mr. Bennett:

Q. However, if you take the total expenditure in this book, as shown in this book, deduct—

Mr. MACLEAN (Lunenburg.)—Mr. Osler can explain that in a few words if you really want to get the evidence in.

Mr. OSLER, K.C.—This entry of July 31, 1902, 'capital account' shows that this came from the capital account. Now, the reference 'page 2' is to this journal entry, and by referring to this journal entry on page 2 of the journal you see that there is a valuation of the plant and the machinery which was then, on that day, in the build-

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ing, of \$100,000. Now, deducting the amount that already appears in this account, \$8,000, that you have already gone over, that leaves \$91,000 to be charged up so as to make this machinery account show the whole of the machinery in the building on that date.

Mr. Reid (Grenville):

Q. In looking at these books, I understand then that there is \$202,000 in that book, and there was \$91,504 added to make up the \$100,000.

Mr. OSLER, K.C.—On July 31, 1902.

Q. If you take that off it will leave about \$111,000, and then there was \$8,495 paid before that, making about \$120,000 actually put into machinery. Is not that about right, Mr. Osler?

Mr. OSLER, K.C.—Since that date.

Q. That is up to December 31, 1903.

Mr. OSLER, K.C.—It does not alter the fact of what the books are intended to show. We, right or wrong, thought on the 31st July, 1902, there was \$100,000 worth of machinery there in place.

Q. No, that does not show there was that much, but only that there was \$8,495.

Mr. OSLER, K.C.—No, \$8,495 had been paid from February, 1901, to July, 1902, but it does not show that the balance of machinery on the 31st July, 1902, was \$100,000.

Q. There was not evidence to that effect. What I was getting at is this: if you take the \$202,000 that is entered in the book and deduct the \$91,000 that is there, plus the \$8,000, it would leave \$120,000.

Mr. OSLER, K.C.—It is hardly worth talking about, because by your way you get within about \$2,000 of the figures that are there.

By Mr. Bennett:

Q. Well, then, I will ask you now, Mr. Osler, to show us what book this \$100,000 was taken from?—A. I have not got it. I am quite content to rest upon this statement which seems to me to be close enough, as it comes within \$2,000 of Mr. Reid's figures.

By Mr. Reid (Grenville):

Q. Only that there is \$91,000 added on for which there is nothing to show?

Mr. OSLER, K.C.—For which we say there is machinery there, but it does not matter whether there is or not, there was \$120,000 spent within the period, and that is all with which we are concerned.

Q. That is right, the books show that there was about \$120,000 spent.

Examination of Mr. SMITH resumed.

By Mr. Bennett:

Q. Can you say anything as to whether there was \$100,000 spent before the 13th of February, 1901?—A. I came to the company, as I told you yesterday, on the 20th of August, if I recollect rightly, the 20th of August, 1902, as an employee of theirs.

Q. Now, we will take the estimate of the buildings, what was your estimate of the buildings?—A. \$98,898.12.

Mr. OSLER, K.C.—Do you mean excepting the buildings transferred from capital account?

Mr. BENNETT.—Yes.—A. \$45,000, nearly \$46,000.

Q. Looking at this, page 163 of the ledger, on buildings and structures up to a certain date, it shows there was \$4,062.25 spent?

Mr. OSLER, K.C.—That was from the 1st of February, 1901, down to the date of this entry, July 31, 1902?

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Q. On July 31 there was added capital account, \$45,937.74, does that appear in the books?—A. It is here.

Mr. OSLER, K.C.—By referring to page 2 of the journal you will see that it shows ‘valuation of all buildings and structures then on hand’ at \$50,000 even.

Q. Will you let us see that?

Mr. OSLER, K.C.—Here is ‘valuation of buildings and structures’ already charged. \$4,052, making \$45,000 for buildings and structures.

Q. So the books will have to speak for themselves as to why that item is placed in there, \$45,937 odd. Can you say who makes this valuation that these buildings were, at that time, worth \$45,000 odd?—A. I could not say who made the valuation. I expect they were valued by the company, perhaps from the records they had on hand.

Q. And you placed the valuation of the dock at \$189,343?

Mr. OSLER, K.C.—I do not think that is a valuation, that is the amount spent in the enlargement of the new dock from the old dock.

Q. To its present shape?—A. No, including—here is the item here at the bottom—for putting the dock in its present shape from the condition in which it then was, that is on the dock proper as distinguished—

Q. Can you show me in the ledger where that is shown?—A. This is a picking out of the items that refer to the dry dock proper and nothing else.

Q. Turn to page 229—

Mr. OSLER, K.C.—All this account down to page 242, and all the items it gives, go to the extension of the dock proper.

Q. You say that the items have been checked out of the book—by whom were they checked?—A. By the bookkeepers, and they were checked up by the auditor.

Q. That shows \$189,343?—A. And there is more since then.

Q. Up to the 28th of December, 1903?—A. Yes.

Q. Did you yourself check over the items in the books?—A. I helped to check them over.

Q. All of them?—A. I can’t state positively whether I checked every one or not; I think I was through them pretty well.

Q. So that any knowledge that you are swearing to to-day is taken from the books, that is outside a general knowledge and idea of value?—A. From the actual records in the company’s books.

Q. From records in the company’s books?—A. Yes.

Q. Prepared by some one?—A. No.

Q. They are not in your handwriting?—A. The books were prepared by some one else.

Q. The estimate arrived at was not figured out by yourself?—A. It was checked over by me, and I assisted in making it up.

Q. Now, about this lumber, blocks and shores, \$7,000 odd, were they there on that date, December 28, 1903?

Mr. OSLER, K.C.—That is six months before the date of this statement.

A. I think they must have been there, this inventory was taken on July 31 and there was very little material purchased, we had no work on hand, or on the stocks, and I naturally think it must have been there. It was there on July 31.

Q. Now, on referring to page 48, Mr. Smith, I find this entry, ‘July 29, legal expenses, \$1,152.31’.—A. Yes.

Q. I want to see the journal for that.—A. It is folio 193 of the journal.

Q. This item reads:—

‘ J. Birnie, account legislation town Collingwood.	\$ 150 00
‘ J. Birnie, services.	100 00
‘ Paid J. Birnie, services	877 31
‘ McWhinney, Ridley & Co.	25 00

\$1,152 31

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Is that included in the aggregate cost of construction of the dry dock in your valuation?—A. Yes.

Q. How much more of law expenses enters into that account? Turn us up Mr. Birnie's ledger account, will you please?

Mr. OSLER, K.C.—There does not appear to have been a ledger account kept with Mr. Birnie.

Q. How much money was paid to solicitors or to solicitors' firms in connection with this expenditure that you have?—A. I could not tell you off-hand.

Mr. OSLER, K.C.—I think there is a small item there somewhere else.

Q. Show me the plan, Mr. Smith, under which this dry dock was produced (plan produced). Taking this plan there is shown here an office and store building?—A. Yes.

Q. How much value do you place on that, your total value of buildings is \$98,000?—A. I could not call off the details of that, this was compiled from a detailed valuation of each one.

Q. You stated there was \$98,000, is that correct?—A. That was July 31, 1904.

By Mr. Reid (Grenville):

Q. That was the value of the buildings on the ground?—A. Of the buildings on the ground.

By Mr. Bennett:

Q. Exclusive of machinery?—A. Exclusive of machinery, yes.

Q. Here is an office and store building, was that there on the 28th December, 1903?—A. Yes.

Q. What would you place as a fair value on that building?—A. I could not tell you that.

Q. In 1903 what was its value?—A. I could not tell you.

Q. You have no idea of what its valuation was?—A. You are wanting figures that are right, and I am not going to give you a valuation that is all my imagination—I cannot swear to my imagination.

Q. When was that building erected?—A. Before I came to work for the company.

Q. That would be before 1900?—A. That was erected, I think, in 1901, either 1900 or 1901.

Q. You can give no value at all as to what it was worth?—A. No, sir, I cannot.

Q. Here is the joiner's shop, was that building there when you went there in 1902?—A. Yes, sir.

Q. What was the value of that?—A. I could not tell you, I cannot give you the details.

Q. Could you give any idea of the value?—A. No, I do not care about doing so off-hand.

Q. The warehouse, was that there on the 28th December, 1903?—A. I could not say—I say it was not, and it does not enter into the valuation of \$98,000.

Q. What other buildings are there?—A. This is the punch shop and machine shop.

Q. Was that there in December, 1903?—A. Yes, sir.

Q. That one was there?—A. Yes, sir, that was there, and this building here (indicating on plan.)

Q. Can you give any idea of the value of that?—A. No, sir.

Q. This boiler, engine and machine shop, can give you any idea of the value of that?—A. No, sir.

Q. Can you give any idea of the value of this (indicating on plan)?—A. No, sir, I cannot give you any idea of detailed valuation.

Q. The furnace room and blacksmith shop, can you give the value of that?—A. No, sir.

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Q. Give me the authority on which you base your valuation of \$98,000?—A. We took it from the company's books.

Q. Is it in these books?—A. Yes, sir, it is there, but I cannot show you where it is, that is a bookkeeper's job to find it.

Q. If the books are correct, showing \$98,000 value, they speak for themselves?—A. Yes.

Q. And you give no opinion as to value?—A. No, sir, I know the buildings are there and that they are cheap at the price.

Q. On the 28th of December which of these buildings were not finished?—A. When?

Q. 28th of December, 1903, that is the date we are always bearing in mind?—A. That was six months before we took that inventory. The machine shop and foundry building was not complete.

Q. It was not completed?—A. No, sir, it was under way but not completed.

Q. That is on the 28th of December, 1903?—A. Yes.

Q. What would its value be at that time?—A. It is pretty hard to say, considerable material was on the ground, probably three-fourths.

By Mr. Reid (Grenville):

Q. Was the machine shop included in the \$98,000?—A. Yes, sir.

Q. It was all included?—A. Yes, sir, but there were further expenditures on it since then, probably \$8,000 or \$10,000 to July 31st.

Q. The date, December 28, 1903, was an important date because that is the day the valuation was made?—A. There was very little change made between December 28 and July 31, for the reason that we had very little work on hand and very little money with which to do anything.

Q. And there was nothing much done then after the 28th of December, 1903?—A. Oh, there was considerable done after that, on it, it was in course of construction, but the construction halted and the work ceased for a short time for want of funds, and this went along very slowly with just a couple of men working on the buildings whom we wanted to keep in the company's service.

Q. Was the punch shop built at that time?—A. Yes, sir.

Q. It was finished on the 28th December, 1903?—A. Yes.

Q. How long had it been there before then?—A. It was built in 1900 or early in 1901.

Q. Do I understand that the machine shop and foundry and the boiler shop is a combination building?—A. The machine shop and foundry, they are together, and the boiler shop and power-house are also together. The boiler shop and the machine shop and foundry are of the same cross-section and built of the same design all through, and the cost of them was kept in a lump sum, because the material for them was bought and could not be separated without a good deal of bookkeeping, and it did not make any difference to our company, so we kept the cost of these two buildings together so far as material and labour was concerned.

Q. Will you turn up there on July 31, 1902, an item of \$4,000 experimenting for natural gas?

Mr. OSLER, K.C.—In what account?

Q. I presume it is in the ledger?—A. In what account?

By Mr. German:

Q. Has that anything to do with the dry dock account?

Mr. OSLER, K.C.—I do not know.

A. The auditors, Mackay & Co., cut that out. There is an item in here some place that shows that but it is not included in these accounts. There was another item that was cut out.

By Mr. Reid (Grenville):

Q. I see by the plan the following buildings are here, the joiner's shop, warehouse, office, furnace room, blacksmith shop, machine shop, the engine house, and the boiler house. Is that all the buildings?—A. Well, can I look at the list, running them down in that way I cannot remember them all. I can read over the buildings that were on the ground, I think I can remember them all and you can just tick them off.

Q. All right.—A. There is the boiler shop and this large building—I won't go into the details of the small buildings—the boiler shop, the power-house, the machine shop and foundry, the pattern and storage room, the timber shed and the carpenter's tool shanty.

Q. And there is the engine room?—A. There is the dry dock power-house, there is the punch shed and the punch shop and machine shop and the joiner's shop and the boiler house and the blacksmith's shop and furnace shop.

Q. Then there are these buildings (indicating on plan)?—A. Then there is the office building and then there is the stable. The stable is not included.

Mr. OSLER, K.C.—There are a few small ones in addition?—A. Oh, yes.

By Mr. Reid (Grenville):

Q. In July, 1904, Mr. Smith states that he values these buildings at \$98,898?—A. That is taken from the actual cost in the books.

Q. Did that include all the buildings there up to that time?—A. Yes.

Q. That included all that had been expended on buildings and all the buildings that were on the ground?—A. Well, that warehouse—there was money expended on that warehouse but it was removed and there were some other buildings that have been removed since.

Q. It included all the buildings there on that date?—A. Yes.

Q. You say that statement in the books on December 31, 1903, in which it shows that the total amount that had been expended on this dry dock was \$753,297?—A. Yes, sir, I remember that.

Mr. OSLER, K.C.—\$755,000, I think there was an item put in there for fuel of \$1,800.

Q. What was the amount?—A. \$755,115.10.

Q. Now, Mr. Smith, do you think everything that could be charged to that dry dock up to that date was entered in that item?—A. Yes.

Q. Everything that could possibly be charged?—A. Yes.

Q. You have gone into the account, you have examined it thoroughly from the first?—A. Yes, when I say I have it was our staff.

Q. And you have gone into it and satisfied yourself?—A. Yes, and the auditors have also gone through the books.

Q. Now there is an item of \$202,000, as Mr. Bennett stated, there for machinery?—A. Plant and machinery, yes.

Q. Did you see the entry in the books there in which the item had been increased from \$8,000 by \$91,504.56 in order to make \$100,000?—A. Yes.

Q. So that, when that is deducted it leaves about \$100,000 or \$122,000 actually spent in machinery and plant?—A. Yes.

Q. That is all that has been spent on machinery up to that date?—A. Up to that date.

Mr. OSLER, K.C.—That is from February, 1907, when this account started, if you deduct that \$91,000 then you must qualify it that way—that is from February, 1901, the books show that.

Q. Well then you also notice, Mr. Smith, that there was an item for \$100,000 for franchise in there?—A. Yes.

Q. Then you also notice that there was \$50,000 entered in there for the services of John Long?—A. Yes.

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Q. You notice that there was \$13,070.12 for interest?—A. Yes.

Q. And you notice that there was an item of real estate which was jumped from \$5,373.77 to \$75,000, making a difference added to construction of \$69,626?—A. Well, if there was only \$4,000 or \$5,000 in there it was incorrect. I furnished a list yesterday in real estate purchases in 1902, to my knowledge, and that was about \$17,000, so that if there was only \$4,000 in there there has been something skipped.

Q. Then \$17,000 would be the total amount there was spent in real estate?—A. No, that was for a small parcel of it in 1902.

Q. And this \$5,000 more?—A. That \$5,000 more would not cover it.

Q. Have you any idea of what has been spent in real estate altogether?—A. Mr. Long and his associates had acquired all that property there in the early days.

Q. \$5,700 was spent, and it was increased to \$75,000, and included in that total an increase of \$69,000 in the real estate?—A. Yes, sir.

Q. Then there is the old dock, another \$150,000?—A. Yes, sir.

Q. That is included in the item of \$750,000?—A. Yes.

Q. So that if we take the value of the old dock, \$150,000, which is included in that; the franchise \$100,000; John Long, \$50,000; interest, \$13,070.12; then there is \$2,023.42 for buildings that were torn down, and which are included; the advance in the entry for real estate, \$69,626.03; the advance in buildings from \$4,062.26 to \$50,000, making an increase of \$45,937.74; the machinery, \$91,504.56, the advance in the original item and on these items amount to \$522,161.87, in all. If these items are deducted from the \$755,115.10 it shows that \$231,500.13 was actually spent on that dry dock?—A. That is not the half of it, sir. Of course you are taking off things there—if you will allow me to point out—interest. Supposing our company pays the Bank of Toronto large sums of interest.

Q. Then I will not take the interest off?—A. Supposing they pay that—

Q. What else do you object to?—A. Then you speak about taking off a large amount off there, which I have just explained to you should not be taken off. \$75,000 for real estate must stand, as the property is worth it. Of course, if you are going to take everything off at your own suggestion it is different, but you cannot make me agree to it.

Q. I was just asking you, Mr. Smith, how the books show it?—A. Well now, have you looked over the contra accounts?

Q. How do you mean?—A. There may have been some cases where, as there often are in all books, there are contra accounts. I am not agreeing with your deductions.

Q. Is it not a fact that is what the books show?—A. You may have found items there that show that, but I know that your deductions cannot be right.

Q. All right; these books show \$155,115.10 as actually spent, and you state these items are included in that \$755,000?—A. Yes.

Q. They are not for money spent, they are simply for increases in the machinery, real estate, &c.?—A. I know in the real estate you have made that deduction, although I have shown by the statement there was actually more money spent in one year.

Q. Taking it from 1901, there was only \$231,035 spent?—A. There was more than that.

Q. But the books do not show it?—A. These statements which are on record here are statements taken from the books.

Q. Is it not a fact, though? Mr. Osler might check it up with you. But it seems to me that according to the books—the books show \$755,115.10 as capital account?—A. I think you will find more than that on a further research of the books.

Q. Of course, I do not know, but is not that what the books actually state?—A. The books do state that, yes.

Q. If the books state that, is there any other way that it can possibly show more?—A. Yes, I think so. Well, I am sure of it, because these statements that I have furnished to the committee as exhibits are taken from our books.

Q. Can you show me where it is?—A. I have not time. I could tell you in three months. I am not an expert bookkeeper.

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Q. It seems to me that \$755,000 was their outlay that could be charged up to capital account?—A. Yes, of course, that is right.

Q. I see in the books also, and which you also state you saw, \$522,161.87 in the items I have mentioned?—A. Yes.

Q. If you deduct that, it actually shows \$231,035.13 spent by that company?—A. Well, as I have already stated, if you go through the books further you may find explanation of these things—corrections of these deductions you speak of.

By the Chairman:

Q. You mean that the figures quoted may be right, but you do not agree as to the conclusions to be drawn from them?—A. There is such a thing as carrying a thing forward and bringing it back again, through the error of a bookkeeper. That is done every day in business.

Q. Let us trace it through the books, where does it start? Here is where it starts, \$48,000 spent up to that time, there are no credits there. We will go to page 198; there it is brought forward, and there are no credits at all there; then it is carried to page 199.

Mr. OSLER, K.C.—There are no credits there; you will not find any there, of course. I see they do write that \$51,000 off, that is something I had not noticed. That is written off, although we did not see it to-day. That makes it \$290,000. It was charged and then written off as not being properly put against the dry dock.

By Mr. Reid (Grenville):

Q. You are satisfied that \$755,115 is the total cost of everything up to 28th December, 1903? Everything is in that that could be charged?—A. Yes.

By Mr. Bennett:

Q. Mr. Smith, on January 29, 1904, Mr. John Long, president of the company, represented to the government that only \$550,715.13 had been spent up to that time; he was wrong, was he?—A. Up to that time he was wrong.

Q. And the president of the company did not know anything about it?—A. He must have been wrong.

By Mr. Reid (Grenville):

Q. I do not understand as yet. You say according to these figures it makes only \$281,035.13 spent on that dry dock up to that date, that is the way the books show, so that on that date that was all the money that had been spent on behalf of the company?—A. That is according to the footings you have there. I think the books will show more than that.

Q. Of course, we can only go by the books, and you cannot turn up anything else?—A. Yes.

Q. Supposing you were asked to get out a statement of what was actually spent up to that time, you would take the books?—A. Yes.

Q. Then you would have to make an affidavit that \$238,000 was all that had been spent?—A. No, I know there was more than that spent.

By Mr. Osler, K.C.:

Q. What you are speaking of, Mr. Smith, when you are answering these questions, is that, as to this account in this book, under the head 'new dry dock account,' that this account starts in February, 1901?—A. Yes.

Q. And that it shows the expenditure from day to day, during the years following, down to date that has been mentioned?—A. Yes.

Q. So that when you deduct the amounts that you are asked to deduct, as being brought into these accounts, you are merely stating that this account only shows an expenditure of \$281,000 from February, 1901, up to 1903?—A. That is right.

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Q. During that time?—A. Yes.

Q. What you know is that some bookkeeper has brought in these other accounts which you are asked to take off, from somewhere else?—A. I do not quite follow that.

Q. Some bookkeeper has brought into this account \$150,000 for the old dock?—A. Yes.

Q. And he has brought in \$100,000 for franchise?—A. Yes.

Q. And then \$13,000 for interest?—A. Yes.

Q. And \$2,000 for buildings torn down?—A. Yes.

Q. And \$69,000 for real estate which does not appear to have been spent by the details of this account?—A. Yes.

Q. And so on, \$45,000 for buildings which does not appear to have been spent and charged during that time in this account?—A. No, it was before.

Q. It is brought in from somewhere else, also \$91,000?—A. Yes.

Q. The details of which do not appear in this account, but which is brought into this account as a lump expenditure?—A. Yes.

Q. That is what this account shows. Do you know anything from which you could judge where these increases were brought from, and whether they were properly brought in or not?—A. I do not know.

Q. You do not know anything about them?—A. No.

Q. So that all you know, except where they speak on the face of them, as for instance being for franchise, these amounts might all show expenditures made by this company, although they are not charged as expenditures, the details of which are given in this account, is that right?—A. Yes.

Q. Is there any possible question, any possible doubt that the property could have been got there for an expenditure of \$200,000?—A. Is it possible?

Q. Yes.—A. All the doubt in the world; it never could have been put there for that amount.

Q. Could it have been put there for twice that amount?—A. The property that is there now?

Q. Yes.—A. Not for three-quarters of a million.

Q. Could they have got it there at any time for that sum?—A. No.

By Mr. Bennett:

Q. You do not know the value of one of these shops?—A. I beg pardon, I did not say so.

By Mr. Osler, K.C.:

Q. Is it a fact that there has been a great dispute about the manner in which entries were made in this account?—A. Yes.

Q. And accountants have gone through the accounts?—A. Yes.

Q. And skilled accountants have told you that the books, while they appear to have been honestly kept, were badly kept?—A. Yes.

Q. It would not be fair to make deductions from these accounts?—A. No, sir. I could not swear every entry I put down is correct.

Q. The result of the accountants' examination was, that the books were honest, but were not kept according to proper bookkeeping methods?—A. That is so.

By Mr. Reid (Grenville):

Q. I want to ask, Mr. Smith, if the books, rightly or wrongly, do not show that between February, 1901, and December, 1903, the actual cash spent by the Collingwood Dry Dock Company was \$281,035.13?—A. So far as these books go, and as far as that statement shows that is what it would figure out.

Q. You believe them to be right?—A. I believe that is what the books show.

Q. When was this dry dock commenced?—A. You are talking about the dry dock and you have other things there besides. You are confusing things.

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Q. Perhaps you were not there at the time and cannot give me the information. There was that dry dock there before?—A. Yes.

Q. Have you any idea of the time they commenced to extend it?—A. That is shown, February, 1901. I gave that yesterday.

Q. In February, 1901, they commenced to rebuild this dry dock?—A. They commenced to rebuild.

Q. Previous to that it was the old dry dock that had been there, so that from the time they commenced spending any money upon the old dry dock up to 1903 there was \$281,000 actually spent?—A. From the time they commenced to extend.

Q. From the time they commenced to build the new dry dock?—A. To extend the old dry dock?

Q. Yes.—A. Yes, sir, but they had the shipbuilding plant there.

Q. I admit that, I am not speaking about that. But from February, 1901, when they commenced to extend the old dry dock, up to December, 1903, they spent \$281,000?—A. That is according to the books, and in the statement.

Q. And this old dry dock and plant that was there in February, 1901, is the same that there was a valuation made of it, or an estimate, by Mr. Coste?—A. The old plant?

Q. The old dry dock?—A. As I understand it Mr. Coste valued the property about the beginning of 1904.

Q. I suppose he took into consideration the old dock as it was previously?—A. A. I could not say.

Mr. OSLER, K.C.—I want to illustrate the difficulty of drawing deductions from these books, is it a fact that in 1901 you had quite a prosperous paying concern with considerable profits?—A. Yes.

Q. Is it a fact that some time during 1901, as shown by these books here the town of Collingwood paid \$50,000 and you got that money?—A. Yes, sir.

Q. Is it a fact, also shown by these books, that \$300,000 of money came into your coffers?—A. Yes, sir.

By Mr. Bennett :

Q. From what source?—A. Subscriptions on stock.

By Mr. Osler, K.C. :

Q. Is it also a fact that you borrowed as high as \$60,000 or between \$60,000 and \$70,000 from the Bank of Toronto for the purpose of building this dry dock?—A. Yes.

Q. That brings you over \$400,000. Is it also a fact that you were conducting, during all this time, 1901, 1902 and 1903, a paying business in repairing vessels, making profits from dockage fees, repairs of vessels and all that sort of thing?—A. Yes.

Q. Did you ever pay any money out to the stockholders?—A. No, sir, they never received any dividends.

Q. Did you pay out in connection with this construction all your profits as well?—A. Yes.

Q. So that you still owed the bank at the end of that period?—A. Yes, sir.

Q. So that all the money went somewhere?—A. Yes.

Q. Is there any other way in which it went except the building of this dock?—A. No, it was all spent in material and wages, right within the plant, not even the directors got fees.

Q. So that whatever inferences we may draw from the entries in the account here, we have \$450,000 of money that has gone in somewhere into this dock. Is that right—since 1901?—A. Yes.

Q. Whether this account shows that amount you cannot tell?—A. No.

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By Mr. Bennett :

Q. You are under oath, and you are pledging to your oath—were you ever at a board meeting of this company?—A. No.

Q. Were you a stockholder?—A. Yes.

Q. Are you to-day?—A. Yes.

Q. To what extent?—A. \$2,000.

Q. Were you a stockholder last year?—A. Yes.

Q. Now, how can you swear and pledge your oath that \$300,000 was received from the sale of stock?

Mr. OSLER, K.C.—Because the books show it.

Q. Well, let us see the books.

Mr. OSLER, K.C.—We went over it at great length before.

Q. Now, Mr. Smith, you pledge your oath that \$300,000 of stock was sold—if the item simply says: 'Stock sold, \$300,000,' it would not be worth while turning it up. Leaving that for a while, what do you pledge your oath, as a man conversant with the business, as to the value of this plant on the 28th of December, 1903?—A. What do I pledge my oath to?

Q. What do you value that plant at—machinery and dry dock—on the 28th December, 1903?—A. The value of it or the cost of it?

Q. The value of it first and the cost after?—A. The value of it?

Q. Yes.—A. It was worth about three-quarters of a million.

Q. It was \$750,000 on the 28th December, 1903, and yet your president misrepresents, or at least he states to the department, when applying for the subsidy, that it had only cost \$550,000?—A. That is the cost; you asked me the value, and now you are speaking of the cost.

Q. Well, take the cost; what was the cost of it on the 28th December, 1903?—A. That is something the books will show.

By Mr. Maclean (Lunenburg):

Q. Did the president say it only cost \$550,000?

By Mr. Bennett:

Q. Well, now, what Mr. Long gave, and it is fair, I think, to quote it, the public will infer that it came from the books. He says: 'The actual expenditure is \$550,715.13,' and you pledge your oath that that day, according to your value and your knowledge, it was worth how much?—A. Three-quarters of a million as the selling value of it, as a plant in working order.

Q. What do you think its cost was?—A. That is something the books will show. I cannot tell you off-hand.

Q. And when Mr. Coste valued it that day as being worth \$540,000, you think he was wrong, it was worth a great deal more?—A. Yes, it is worth a great deal more.

Q. Has it really made money every year?—A. It has not.

Q. On your oath, has it made money in the past year? Did it make or did it lose money in building the boat called *Midland Prince*?—A. That is something I will not tell you; that is the business of the company, and I am not here to disclose that.

By Mr. German:

Q. You do not need to answer those questions, witness, unless you feel disposed to do so.

Argument followed.

By Mr. Lennox:

Q. Mr. Osler said this dry dock made money and the earnings went into cost of construction?—A. Previous to this estimate of the dry dock, Mr. Osler asked me this question previous to the valuation of this dock by Mr. Coste and others, and up to

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the time that these statements were made for the government, or they applied for the subsidy, did the company make money; and I said that the company did make money up to that time. But, unfortunately, since then we have not been so fortunate. Whether we have made money on a boat that is not yet finished is nobody's business but our own.

By Mr. Bennett:

Q. Do you object to say in which year it started to make profits, and in what year it ceased to make them?—A. I will not state that.

The CHAIRMAN—You are not obliged to state that, witness.

By Mr. Bennett:

Q. In what years did it make profits?

The CHAIRMAN—The witness is not bound to state that.

Argument followed.

The CHAIRMAN—If the witness objects to answering these questions, I say that he is not obliged to answer them. We are not going to force a witness to say whether he is making profits in his business or not, or whether he is losing money on any ship. There is no specific charge before us that would be affected by that evidence.

Argument followed.

WITNESS.—Can I have the floor for a moment? I want to ask you gentlemen what the cost of the dock in 1904, or what the value of it, has to do with our private business or with the cost of a boat we are building to-day, whether we make a profit or a loss on that boat has nothing whatever to do with the government or the country. This, as I understand it, is an investigation as to the actual cost of the dry dock and whether we should be paid a subsidy or not. I want to know what all the tomfoolery is about anyway.

By Mr. Lancaster:

Q. I want to remind this witness that he has no right to lecture the committee, and I would like to call his attention to the further fact that he himself says the books are not right, because he says that the valuation is \$750,000 instead of \$500,000, as shown by the books?—A. I beg pardon, sir; these books show the money spent on the plant and the docks from February 1, and the plan shows the building in 1900 or 1901. It shows the money spent on the buildings and plant from February 1st, 1901, whereas there was a whole staff of men employed all 1900 building that plant up. That was all taken in the old books.

By Mr. Lennox:

Q. Do I understand you to swear that the books, as far as they go, from February, 1901, to December, 1903, are reliable and to be depended upon?—A. Yes, sir, they are to be depended upon.

Q. I understand that the total shown by the books, beginning in February, 1901, and running down to December 28, 1903, amounts to \$755,115.10—you have been over that before?—A. Yes.

Q. The accounting of these books down to the 28th December, 1903, makes a total of \$755,115.10. Now these items that Dr. Reid has read to you are items which were not expended during that period.

Mr. REID (Grenville).—The cash was not paid out for them.

By Mr. Lennox:

Q. The moneys were not disbursed during the period covered by the books?—A. Covered by the books from February 1, 1901.

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Q. They do not appear in the account as being expended during that period from February, 1901, to 28th December, 1903?—A. Yes, that is right.

Q. And these items amount to \$472,161.87?—A. That is right.

Q. Which would leave a net amount shown to be expended during this period of which we are speaking of \$281,035.13 in that special dry dock account?—A. That is right.

Q. Now, this \$472,161.87 comes from some other source, it is carried into these books from some other source?—A. Yes.

Q. In a lump such as is mentioned here?—A. That is right.

Q. As to those items you know nothing?—A. No, I know nothing. Well—

Q. As far as they would appear to have existed before the commencement of this account?—A. Before commencing on February 1.

Q. You began your examination yesterday, did you not?—A. Yes, sir.

Q. I do not quite understand what position you occupy in connection with the shipbuilding company?—A. I am manager.

Q. And was there any one else associated with you there? Mr. Calderwood?—A. Mr. Calderwood was associated with me up to about June 15 or 20, 1904.

Q. From the time you went there first?—A. He was there before I was there. He went there in the winter of 1900, that is about March.

Q. What are his initials?—A. Hugh—Hugh Calderwood.

Q. He was there before you went there?—A. Yes.

Q. In what capacity?—A. Manager of the yard.

Q. So that his personal knowledge would go farther back than yours?—A. Yes.

Q. And then he remained there during a considerable portion of the time you have been there?—A. Yes, sir, up to June, 1904.

Q. And in what capacity was he while you were there?—A. I was manager of the engineering department, he was manager of the shipbuilding company.

Q. So that he would have considerable knowledge of the items you have been dealing with?—A. Yes, sir.

Q. Do you know his address?—A. I could not tell you, he is living in Toronto.

By Mr. German:

Q. I would like to ask one question in order to be absolutely sure. You have looked over Exhibit 3 which is filed here?—A. Yes.

Q. That is a compilation of the expenditures on the dry dock which has been taken from the books of the company?—A. Yes.

Q. Speaking from your knowledge of the situation, I think I understood you to say in your examination in chief, that that was a correct statement of the amount of money expended on the construction of this dry dock since February, 1901?—A. I think some tools were purchased previous to February, 1901.

Q. Some tools were purchased?—A. Some tools, yes, sir, and some buildings were up before February, 1901.

Q. But it is all part of this dry dock construction?—A. Yes, sir.

Q. Whether before 1901, or since 1901, it is part of the dry dock construction and plant?—A. Yes, sir.

Q. And if the figures are properly added up, so far as these exhibits are concerned, it amounts to \$450,000 and over, assuming that they are properly added—and there should be added about \$6,000 to that?—A. More than that, I think, sir.

Q. Well, \$452,000?—A. As a matter of fact they add up about \$460,000 when you take in the \$6,000. I roughly figured it up at \$474,000 and then I subtracted some small expenditures that were added in there, these subsequent expenditures.

Q. So that we are just taking the total cost of the dry dock construction with the equipment shown in exhibit 3, which you say is a correct statement, as taken from the books, it makes about \$460,000?—A. Yes.

Q. And that does not include the price of the land?—A. It includes part of the land, some lots that were purchased.

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Q. It does not include the old dry dock property?—A. It does not include the old property at all.

Mr. OSLER, K.C.—It only includes the land purchased in 1902 that you know about?
—A. Yes.

By Mr. Reid (Grenville):

Q. The buildings that were there in 1901, are they still there?—A. Yes.

Q. The same buildings?—A. Except that building I was speaking about and some sheds.

Q. They form part of these buildings you have estimated at \$98,000?—A. Yes.

By Mr. Bennett:

Q. Your valuation of the 28th December, 1903, you will not to-day venture to value these at the same amount?—A. I might just as well tell you what the value of a match in my pocket is.

By Mr. Reid (Grenville):

Q. In valuing this property at \$750,000, you are not swearing it would actually cost \$750,000 to put that plant there as it is to-day?—A. I am giving the selling value of it if turning it over to another company.

By Mr. McCarthy (Simcoe):

Q. That is the price of the property to-day; if you take the buildings and machinery what would it cost to replace them?—A. You could not duplicate it for that sum to-day.

By Mr. Osler, K.C.:

Q. That is the actual cost?—A. Yes.

Q. You are not putting a lump sum for franchises?—A. The dry dock and buildings could not be duplicated for three-quarters of a million.

By Mr. Sproule:

Q. Am I correct in understanding that is the actual cost, or the actual value?—A. The actual cost, sir, is in this exhibit 3, and it amounts to \$650,000 actual cost as it stands to-day, not taking into consideration the old shipbuilding plant, the old dry dock, or the wrecking company's plant at all; that old dry dock, whatever real estate they had, and whatever machinery and buildings they had on the ground.

Q. The exhibit shows that?—A. I am speaking of my own knowledge now, just as it is, based on the knowledge of a lifetime spent in the business.

Q. I would like to understand whether the exhibit shows that or whether that is your own knowledge?—A. That is my own knowledge, that it is there—the machinery is there, and we have a detailed list of our plant; we can give a detailed list of everything that is there.

Q. I misunderstand you or you do me. I understand that the exhibit in these books does not show an expenditure so large as the sum you have mentioned?—A. The exhibit is not this, if you will allow me to advise you, it is a statement I brought down here, a typewritten statement giving an inventory, which was checked up by John Mackay & Co., when these books were audited by them at the time they were settling up the difference between what is now the common stockholders and the preferred stockholders.

Q. Taken from where?—A. From these books.

Q. They do not seem to show it now?—A. They do not show it all, but practically they do. I will take back what I said when I said it shows it in detail. Perhaps it does not show it all in detail, but there are accounts here that will show all that is in that statement.

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By Mr. Lennox:

Q. In Mr. Mackay's accounts there is an item of \$200,000 unvouched for in any way.

By Mr. Sproule:

Q. I want to get at the difference between the cost and the present value. You may put one dollar in anything, and if you go to dispose of it it is worth more than you put in it. The actual value may be one thing and the amount of money put in it another. What I wanted to inquire was the amount of \$750,000 put into it, taking into account the value of the plant that was there previous to the expenditure of the money?—A. That is something I could not say, there is a franchise in here at \$100,000; I do not know what it cost them, but it cost them something.

Q. So that it is worth \$750,000?—A. It is worth that to our company as a going concern.

Q. You are speaking from personal knowledge, or judgment, one or the other?

Mr. OSLER, K.C.—What he has said is that there was over \$400,000 of money put into it since the date the old plant was in existence as a going concern, without counting anything for the old plant.

By Mr. Sproule:

Q. He said the plant was worth \$750,000 at a certain date, and I asked him whether it was worth that, or whether there was that much money put into it?—A. I say that is what it was worth.

Q. But if the books do not show that?—A. I say I cannot tell you how much was put into it beyond the fact that I know there is a franchise which was valued by the company at \$100,000, but I do not know what it cost them. I do not know what the old dry dock cost them, but they have it in at \$150,000, and in all reasonableness I think that is a fair valuation. It would be much better for our company if they had kept the old dry dock.

By Mr. Reid (Grenville):

Q. In this statement here you have made out \$457,000, and you say that is the amount you claim has been spent in the dry dock up to date?—A. I think it is \$475,000, and there were a few other items which brings the amount up to about \$550,000.

By Mr. Osler, K.C.:

Q. That does not take into account the amount spent since December 31, 1903? There was an amount put in in the figures for an estimate for completion, and that has been spent since?—A. Yes.

By Mr. Lennox:

Q. Mr. John Long says the dock was completed in November, 1903?—A. I am not dealing with the propriety of that, but when you go into the details you will find out there was included in that an amount actually required to complete it.

Q. That is the statement he makes in a declaration he made—that is the oath he took?—A. Whether he was right or wrong, there was an amount there for completion.

By Mr. Reid (Grenville):

Q. Where did you take this amount from?—A. From the books and the inventory.

Q. And these entries are all in there?—A. Well, they are all in there, they are down there anyway.

Q. Did you put \$400,000 or \$500,000 as spent here for this plant?—A. Yes.

Q. Which is the capital account? According to these books, as I figured it out this morning, it shows \$281,000?—A. Yes.

Q. Can you show me by the books where the balance is made up? You say there is about \$200,000 in these books some place?—A. There is a capital account here, when they started these books, of \$200,000.

Q. Well, the \$200,000 would be in that. So that would reduce your estimate by \$200,000.

Mr. OSLER, K.C.—The capital account has no more to do with it than the man in the moon.

Q. In that dry dock account there is \$755,000 which, as I understand it, includes everything—building, machinery, land and everything else. And after deducting these amounts it shows \$281,000 actually spent?—A. Are you not deducting some of the original value, sir?

Q. What I want to understand is this, is Mr. Smith including in this \$457,000 money spent previous to February, 1901?—A. Money spent previous to February, 1901, yes; it is a complete inventory of the plant exactly—not all of it, there are some small things, such as fencing, not included.

Q. The books show \$281,000 actually spent during that period, between February, 1901, and December, 1903. You say \$450,000 was spent, and in order to make that amount up you have taken an inventory of the machinery, &c., and placed a valuation on it. You are not taking it from the books of the company—what was spent?—A. I took that inventory of the plant and we took the building inventory, and every individual tool in the place, on all the buildings, we got the cost of material and labour on the buildings, the actual records; we got the cost of every outlay from the actual records in the company's possession, or where we could not find a few of them, for which the company had not vouchers, we wrote to the manufacturers and said, we have such a tool of such a make, and we got their price for it, and we considered the condition in which it was, and reduced the valuation accordingly if it was not first-class.

Q. These tools and all of it?—A. Yes.

Q. Some of these were purchased previously to February, 1901?—A. Yes, sir.

Q. You must have placed a valuation on the cost of those previous to 1901, because as I understand it the books were burnt prior to that date and you could not take any actual valuations from the books that had been destroyed?—A. We got the actual cost of the buildings from the actual books in the company's possession, time books, &c., that the foreman had. We got a record of the tools, and in case of a few of the tools, for which we could not get invoices, we got from the manufacturers information as to the price, and this information was got in order to have a good fair understanding of the value of the company's property.

Q. That does not settle this unless it practically includes the old dry dock?—A. No, no, that does not include the old dry dock, or the real estate, or the old machinery.

Q. It includes what might be there, what was in the old dock?—A. Let me explain myself.

Q. I do not understand?—A. Well, I want you to understand it, and you want to get the thing clear too, and I will be very pleased to put it clear. I want to explain that includes the buildings and everything, and there is a portion of the real estate in there, but it does not include a great amount of the real estate; these are only small blocks, there is \$17,000 there for small blocks that were purchased in 1902, but there was the real estate of the old dry dock there and whatever conveniences and appliances there were for it.

Q. Is the machinery of the old dock in this?—A. The machinery of the old dry dock is not in it. It was thrown to one side and new machinery altogether put in.

By the Chairman :

Q. Do I understand this statement means to combine what was paid in order to acquire new property and machinery by the new company?—A. That is there was a dry dock and wrecking company which was owned by them. Afterwards they got others to go in and they got machinery to build steel ships; there was a plant for

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building wooden ships, but it does not include the old machinery and the old dry dock.

By Mr. Reid (Grenville):

Q. These books show \$281,000, and I would like to know how that difference comes in between that \$281,000 and another \$200,000?—A. You make a deduction in there for \$61,000 for real estate.

Q. You have only \$17,000?—A. That is only a small portion that we purchased in 1902, to my own knowledge.

Q. Have you anything more than \$17,000 in this statement for real estate?—A. That is all there is.

Q. I have in this statement here \$5,000 for real estate?—A. When was that purchased?

By Mr. Osler, K.C.:

Q. Five thousand is all the items you will find in this account?—A. The account, I think, simply shows that in 1902 there was \$17,000 spent for real estate. I thought in the estimate I had that I might show the thing intelligently before the committee, I want to play fair with the committee and with the gentlemen here. You want a fair and square investigation, and I am willing to do anything I can to give you a square show. You want to get at the bottom of this thing. Now you see our property is worth \$75,000 and you have \$17,000 there, and the difference between the two amounts should be added to the valuation of the plant if you want to get the real value.

By Mr. Osler, K.C.:

Q. Then it is quite plain with regard to this account that is headed 'dry dock account' in this book, that if you deduct all the lump sum entries that come in, as you are asked to do by Mr. Reid, it does not show all the money that you spent?—A. It does not show.

Q. Because, for example, in real estate alone you know that in 1902 there was \$17,000 spent, but only \$5,000 appears here?—A. Yes.

Q. Therefore it does not show all the moneys you have spent?—A. No.

By Mr. Reid (Grenville):

Q. Where would it be shown, then?—A. It may be through the books there and charged up to another account.

Mr. OSLER, K.C.—It is not fair to take simply this dry dock account and then deduct all the lump sum entries and then say it only shows that much expenditure. You will be quite right in saying that all that is spent in this account is \$282,000, that would be a perfectly fair statement, but to say that is all that has been spent is not fair?—A. No, it is not.

By Mr. Lennox:

Q. Where is this \$17,000 to be found?—A. I had our bookkeeper take it right out of our books. I saw it there anyway when I was in Collingwood the last time.

Q. Where can it be found?—A. It is in the books, I say, it must be there because I saw it when I was in Collingwood.

By Mr. Reid (Grenville):

Q. Was not all the land that the dry dock company have bought purchased in connection with the dry dock?—A. Yes, practically all of it.

Q. Do you require all of it for the dry dock?—A. Yes, for the dock and appliances.

By Mr. Lennox:

Q. Including the building of the ships?—A. Yes, for building ships and their repairs.

WITNESS retired.

7 EDWARD VII., A. 1907

Discussion having taken place in regard to the scope of the investigation, and the matters concerning which Mr. Lindsay, a witness asked for by Mr. Bennett, should be examined, the Chairman observed: I still persist in my ruling. I have no objection, for my part, to the witness coming here if he is to be examined on some other points, but I will rule again that he is not obliged to go into the stock transactions of the company. The work done by the new company to obtain the statutory subsidy is the only question, in my opinion, to be gone into by this committee.

The committee adjourned.

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
THURSDAY, March 21, 1907.

The Select Standing Committee on Public Accounts met at 3 p.m., Mr. Finlayson presiding.

The committee resumed the consideration of the payment of \$30,000 to the Collingwood Shipbuilding Company, subsidy for two years to November 16, 1905, on account of 'Collingwood Dry Dock; Subsidy,' as set out at page V—246 of the Auditor General's Report for the fiscal year ended June 30, 1906.

DAVID KELTIE, recalled and further examined.

By Mr. Reid (Grenville):

Q. You were bookkeeper for the Collingwood Dry Dock Co.?—A. I was.

Q. When did you first enter the employ of this company?—A. In October, 1900.

Q. At that time have you any idea what the capital of the company was?—A. A few months later I got the figures of the capital of the company.

Q. Have you the report of the auditors, Mackay & Co.?—A. Yes.

Q. The capital of the company was \$200,000 then?—A. Yes.

Q. And afterwards while you were in their employ it was increased to \$2,000,000?—A. On April, 1902.

Q. Now Mr. Keltie, in those books that were submitted here the entries in that ledger were they made by you personally?—A. I think so.

Q. Now here under the dry dock extension account, page 243, this shows \$753,297.10 charged up to this new dry dock account. That is the total amount up to that time charged in those books?—A. Yes.

Q. Is there any page in that book or any other account that has been opened or anything that could be charged or that was spent on this dry dock?—A. This is the only one I know of.

Q. That is the only one that you know of in existence for the dry dock?—A. Yes.

Q. Did that include also any expenditure for the shipbuilding part of it?—A. No.

Q. This is simply the new dry dock extension?—A. Yes.

Q. Now in that account I find some journal entries have been made which add the following items: On July 31st, 1902, the real estate by journal entry was increased from \$5,373 to \$75,000.

By Mr. Osler:

Q. The total real estate brought into the dry dock was \$76,275?—A. On page 494 of the journal I find this 'For amt. standing at the debit of the latter account now transferred to the former being included as part of the total cost—new dry dock \$76,275.

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Q. What I was getting at was that on July 31st, 1902, the books show up to that time \$5,373.77 had been spent on real estate?—A. That is all.

Q. And charged to the real estate account which was afterwards transferred to capital?—A. Yes.

Q. And by a journal entry on 31st July that real estate is increased from \$5,373.77 to \$75,000 without any money having been spent to make that increase?

By Mr. Osler:

Q. That is wrong. What it does show is that \$5,373.77 had been spent on real estate since September 6th, 1901.

By Mr. J. D. Reid:

Q. These books show that from September 6th, 1901, up to June 30th, 1902, this company had spent \$5,373, show that up to that time \$5,373.77 had been spent on real estate?—A. That is correct.

Q. And on that date a journal entry was made increasing this amount from \$5,373.77 to \$75,000?—A. Yes, increasing it.

Q. Which made an increase of \$69,626.23?—A. That is right.

Q. There is no other place which shows that any other money had been spent between September 6th, 1901 and January 30th, 1902, for real estate other than that?—A. No.

Q. And therefore that \$69,626.23 was a valuation placed on real estate?—A. Yes.

Q. By whom?—A. By the late president of the company.

Q. Now, take buildings. Between February, 1901 and June 30th, 1902, these books show that there had been expended on buildings \$4,062.56?—A. That is right.

Q. And by this journal entry they were simply raised to \$50,000?—A. Raised to \$50,000.

Q. Or an increase of \$45,937.74.

By Mr. Osler:

Q. You should not say that. This is a valuation of the buildings that were in existence prior to that date.

Q. Now then for machinery. Between the same dates February, 1901 and June 30th, 1902, there had been expended on machinery, \$8,495.49?—A. That is right.

Q. And that was valued at \$100,000, making a balance to account of \$91,504.65?—A. Yes.

Q. So that the real estate items, \$69,626, \$45,937.74 and \$91,504.51 were added to the capital for construction account of that new dry dock?—A. They were added to the capital account.

Q. For which no money had been spent between February, 1901 and that date?—A. That is right.

Q. So that \$207,068.48 had been added to capital account between February, 1901 and June 30th, 1902, for which no money had been spent?—A. That is right.

Q. Now then at the same time you were instructed to add to that construction account?—A. This is capital account, increasing capital.

Q. These tend to show that the total cost of the dry dock was a certain amount?—A. I could not say that. That would not be strictly correct. This entry was for the purpose of increasing the capital account. Whether money was paid for these items or not paid I cannot say.

Q. For the purpose of increasing the capital account?—A. Yes.

Q. In that same amount of \$755,000 you see \$150,000 for the old dry dock?—A. \$150,000.

Q. And for the franchise?—A. A valuation of \$100,000. On those two items \$250,000 altogether.

Q. That is \$250,000 on those and \$207,068 on the other items?—A. That is right.

Q. That makes \$457,068.48 that was added to that capital account for which no money had been spent between February, 1901 and December 31, 1903?—A. That is right.

Q. That is between February, 1901 and December 31st, 1903, when this book was supposed to be completed or was completed, \$457,068.48 added on which no money had been spent at all?—A. That is right.

By the Chairman :

Q. Added to what?—A. To the capital account.

Q. To increase the capital of the company?—A. To increase the capital of the company.

By Mr. J. D. Reid:

Q. But it had not been spent on the dry dock between February, 1901 and December 31st, 1903?—A. No.

Q. Is not that right?—A. That is right.

Q. Now you entered the employ of this company in October, 1900?—A. Yes.

Q. Three months prior to February, 1901, prior to those books?—A. Yes.

Q. When you entered the employ of that company was there anything there on the old dry dock and plant as it was then before anything had commenced on this new dock? What I want to know is what condition was the plant in. In February, 1901, had they commenced building this new dry dock?—A. No.

Q. Then there was simply the old dry dock and plant as it existed before they commenced this plant at all?—A. Precisely.

Q. The capital of this company was \$200,000 at that time?—A. That was stated to be the capital at that time.

Q. And that capital was supposed to include the cost of the plant?—A. Yes, buildings and all. Buildings of the dry dock, tools, machinery. I will give the entry as it stands in the books. 'Plant account, debtor to capital account on 31st January, 1901, \$200,000 for real estate, buildings, leases, machinery, improvements and equipment, \$200,000.'

Q. The \$200,000 included all that?—A. All that.

Q. Now, how much money was received by this company for sale of stock?—A. \$300,000.

Q. That is while you were in their employ?—A. Yes, up to the time I left.

Q. Was there any money received from any other source?—A. None that I know of.

Q. Was the bonus received during your time?—A. Yes, a bonus was received.

Q. Was there any other possible source that any money was received from? Did they borrow any money to put into this?—A. Not at that time.

Q. Was there any money borrowed that is for construction work between February, 1901 and December 31st, 1903, that went into the construction plant?—A. No, except at the end of that time we had an overdraft at the bank.

Q. Was it for monies got to go into the construction?—A. Not into the construction. That was to build ships with.

Q. So that the overdraft had nothing to do with the construction part at all?—A. No.

Q. Did the whole of that \$50,000 go into the construction of this plant?—A. No.

Q. What became of it?—A. A reduction was made by T. Long and Brother of \$25,000 and some odds. I cannot give the exact amount. On February 9th, 1901, we got \$25,000 from the town and on March 2nd, \$25,000.

Q. That was paid in cash?—A. That was paid in the town cheques payable to the Collingwood Shipbuilding Company.

Q. And did it go to the credit of the Collingwood Shipbuilding Company?—A. Yes.

Q. Both of them?—A. Yes.

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Q. You say part of this was deducted by Mr. Long?—A. They have explained that to the auditors here. There is no use making any secret of it.

Q. Who explained it?—A. T. Long explained it to the auditors. You have it in evidence already.

Q. You say \$50,000 was received as a bonus. Were there any monies received in any other form? Had there been any profits from between February, 1901 and December 31st, 1903?—A. Oh, yes, we had received payments on account, all payable to dry dock work on dry dock repair work in the usual way of business.

Q. They received payments on account of work done to go into the capital of the company?—A. Not into the capital.

Q. They had received \$300,000 from stock. That went into the capital of the company. They received \$50,000 from a bonus which went into the capital?—A. That is right.

Q. There was the item \$47,000 overdraft but you said that did not go into the construction work, it was simply used as capital to run the business. It was a casual balance due to the bank. That overdraft does not count in this case at all. That \$350,000 is the only possible money that could go into the construction between February, 1901 and December, 1903?—A. That is all.

Q. No other place they could have monies to pay into the construction work?—A. No.

Q. Well there is an item \$13,070.12 for interest?—A. Yes.

Q. That did not go into the construction account. There were \$2,023.42 for buildings turned down. Add those all together as you stated a few minutes ago, that is old dry dock \$150,000, \$100,000 for franchise, increase on real estate, buildings, machinery, &c., of \$472,162.02—this leaves the actual amount expended as per that ledger of \$282,953.08. Now is that every dollar spent on the construction of that plant of the dry dock plant?—A. It must be. If these are the figures you are right.

Q. And the books cannot show any other increase?—A. No.

By Mr. Lennox:

Q. You mentioned the other day about Mr. Calderwood being there at the time you were there?—A. Certainly.

Q. Then you said, I think, that while you were there Mr. Caldewood and Mr. Coste went about and inspected the machinery and made a valuation?—A. Yes.

Q. You spoke of that?—A. I have spoken of it.

Q. And it is stated that some invoices were obtained from you?—A. Yes, from me.

Q. How many?—A. There were several?—I cannot say how many.

Q. I mean where they complete invoices of all the stock that was there?—A. By no means. There were several purchases of various parties.

Q. They were by no means complete?—A. By no means.

Q. But did they complete all the plant and material there?—A. By no means. It was not all bought from the same parties.

Q. But they had given over all the invoices covering everything there?—A. In answer to that I may say that what we were asked for were invoices of the cost of some very expensive machinery just installed.

Q. That is all?—A. That is all as far as I remember.

Q. What date was that or about what date?—A. In 1903, I cannot say the exact time; the summer time I think.

Q. Had Mr. Coste been there for any length of time?—A. I used to see him occasionally.

Q. On that occasion?—A. He was there for the greater part of that day.

Q. The greater part of the day on which he made the valuation?—A. Yes.

Q. Did you mention the day just now?—A. In 1903.

Q. When did you leave the employment of the company?—A. On 23rd June, 1904.

Q. And was there any one else left the employment at that time as well as yourself?—A. Yes, Mr. Calderwood, Frank Lee Johnston and my son.

Q. Why did you all desert at the same time?—A. We did not desert, we were discharged.

Q. Who discharged you?—A. I received a letter from the president saying that my services would not be required after that date and inclosing a cheque.

Q. Is that Mr. John Long?—A. The late John J. Long.

Q. Did Mr. John J. Long come to the premises that day?—A. After I received the letter and cheque.

Q. Did you remember him having a discussion with Calderwood that day?—A. No, I did not hear the discussion with Mr. Calderwood. I only heard that he was very wild and excited.

Q. Did you know of him demanding any papers that day from Mr. Calderwood?—A. Not personally.

Q. Have you any knowledge that he demanded papers from Mr. Calderwood?—A. Only that there was some dispute about certain papers. I do not know what they were at all.

Q. Do you know of any paper about Mr. Coste that was demanded by Mr. Long that day?—A. No.

Q. Did you hear Mr. Long speak of a letter coming from Mr. Coste that he wanted?—A. I heard it, but from whom I heard it I do not know. I heard there was such a letter.

Q. What letter are you speaking of?—A. That I cannot say because I did not see the letter.

Q. You say you heard there was a letter?—A. Yes.

Q. Did you afterwards hear Mr. McDougall speak of that letter to Mr. Long?—A. No, I did not hear anything from Captain McDougall about that letter.

Q. That is not what I asked you. Did you hear Captain McDougall ask Mr. Long about his having demanded such a letter from Mr. Calderwood?—A. It is only a matter of memory and hearsay.

Q. All I want is your memory. Have you heard McDougall and Long discuss the matter. You can give me your recollection?—A. I stated that I did not hear Captain McDougall refer to this matter.

Q. Did you hear a discussion between Captain McDougall and Mr. Long that day in reference to the demand for a paper and explanations with reference to it?—A. Not about this letter at all or paper.

Q. Do you know of anything about the letter from your own knowledge?—A. I do not know.

Q. Did you ever say you did?—A. I have told you I did from hearsay, that I knew something.

Q. Did you ever say that you heard a demand made by Mr. Long of Mr. Calderwood?—A. Mr. Calderwood is here. I have nothing to say only hearsay.

Q. Did you ever say that you heard a demand made by Mr. Long on the day of the discharging by Mr. Long of Mr. Calderwood for a certain letter?—A. I have answered that. I said I heard a discussion in regard to a certain paper between Mr. Long and Mr. Calderwood.

Q. And what did you hear?—A. It was something about a demand made by Mr. Long that he should give him a certain paper and Mr. Calderwood said he would not.

Q. A certain paper from whom? Did you not hear from whom?—A. From hearsay I understood it was this paper you are referring to.

Q. Did you understand Mr. Long at that time to refer to a certain letter from Mr. Coste?—A. Only from hearsay.

Q. From what you heard then?—A. Only hearsay.

Q. You understood that he was demanding a certain letter from Mr. Coste; demanding of Mr. Calderwood. Did he get the letter?—A. I do not know.

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Q. At that time?—A. I did not remain long enough.

Q. Was not Mr. Calderwood willing to give it, or did he refuse it?—A. There was a discussion; a kind of row, but I do not know the outcome.

Q. Did Mr. Long refer to what was in that letter?—A. No.

Q. What the letter was about?—A. No.

Q. In your presence?—A. No.

By Mr. Bennett:

Q. Will you turn up page 7 of that ledger, machinery account. Now will you follow the continuation of that to where you find July 31, 1902?—A. Yes.

Q. Now I find on that date there had been expended up to that time how much?—A. Before you came in I answered all that. It is all in evidence.

By Mr. J. D. Reid:

Q. About those items that I was asking you about the increased real estate \$69,626.23 that was added to the capital account—was there any real estate purchased for that dock other than what had been originally there?—A. Yes, a number of small items. You have got that already in your evidence.

Q. When they added these amounts this \$207,068.48 real estate, buildings and machinery, were they not the same buildings and machinery, buildings, plant and all that, there prior to February, 1901—the old dry dock?—A. Of what time are you speaking of?

Q. In July, 1902. What I am getting at is this. Up to that time they had spent on real estate \$5,373.77 and simply without having spent any more money other than the \$5,000 they increased it by journal entry to \$65,000. The real estate was simply the same as in the old dry dock?—A. Yes. But what year are you referring to because in 1903 we were erecting a new building. If it was 1902 the valuation of the buildings ought to have been just the same as the cost.

Q. It was \$5,373.77 on July 31st, 1902, according to the books, that is between February, 1901, when those books started, and July 31st, 1902, there had been \$5,373.77 spent on real estate?—A. Yes.

Q. Then it was increased. Now the real estate up to that time was just the same at it was prior, when it was the old dock, except for these small amounts that were purchased?—A. Yes.

Q. I see buildings \$4,062.36 spent between February, 1901, and July, 1902, and there was an increase of \$45,937 to bring it up to \$50,000. Were those the same buildings that were on the old dry dock prior to February, 1901, with the exception of this expenditure \$4,062?—A. Yes.

Q. Now in this balance sheet of John Mackay & Company, I see that in the assets on December 31, 1901, they state 'To plant \$200,000.' It says this item is not audited. Have you any idea what that was for? Was that intended to cover dry dock, buildings, plant, machinery and everything else?—A. Mackay explains there that he does not vouch for that item at all.

Q. On July 31st, 1902, you were there then, they state real estate, old dry dock, general plant and franchise written up in the books, value \$238,114.59. Did that cover everything in connection with that plant?—A. It covered everything.

Q. If that covered everything what is the \$200,000 for?—A. Water.

Q. Then on July 31st, the books of that company show according to Mackay's statement \$238,114.59 is actually spent and \$200,000 for watered account?—A. I would not say that.

Q. On July 31st there was a balance sheet made out by John Mackay & Co., the auditors, in which they put down as assets, real estate, old dry dock, general plant and franchise, written up in the books \$238,114.59?—A. That is the total amount charged up to that time?—A. I cannot say that.

Q. \$200,000 is not there because there is nothing to show for it, is that not so?

By the Chairman:

Q. Mackay's took the value at \$200,000 and they wrote up in the books an increased value of \$238,000.

By Mr. J. D. Reid:

Q. My idea is that according to this balance sheet the books show in this one entry that they put in real estate the dry dock, the plant, the franchise and everything at \$238,114 but they put in an entry for \$200,000 on the plant on which there was nothing paid.

By Mr. Osler:

Q. Take 1st January, 1901, this company had a running dry dock?—A. I do not know.

Q. They had a running business, you know from the books?—A. I know that.

Q. And they owned the dry dock?—A. You are asking me to say that they owned that dry dock.

Q. They were working a dry dock then?—A. Yes.

Q. And in connection with that dry dock they were working a certain repair plant. They had certain buildings which you know were in existence and certain machinery. They must have had them?—A. Certainly.

Q. Then you came in October, 1900. At that time they had a capital account of \$200,000?—A. Yes.

Q. And against that capital account they had whatever property they owned at that time, whether it was real estate or dry dock or whatever interest they had in the dry dock?—A. All this plant or machinery was added.

Q. You have already said they had a working business. They had some machinery and some buildings but they had never the building of vessels. They had a dry dock and equipment, and against that they had a capital of \$200,000. Is that right?—A. That is right.

Q. Do you know from entries you have seen as bookkeeper that that company had been in existence since 1899?—A. I think it was 1882.

Q. I think you are right. This company was incorporated in 1889, but it was in existence before that. Now you know enough about the business to know that they were doing a profitable business?—A. Yes.

Q. And do you know this that from 1889—of course the old books which were in existence at that time would show what that business was?—A. I have no books prior to this.

Q. The old books were in the office?—A. Not in the office.

Q. Have you had occasion to see them?—A. I have seen them in T. Long's office.

Q. Did you know this, that from 1889 at all events down to 1901 they never divided up a cent of profits. All the profits were left to accumulate in the business?—A. I did not so understand Mr. Long the other day. They were taking \$10,000 a year in profit.

Q. I do not think he said so.

By Mr. Lennox:

Q. Is that a fact?—A. He said so.

By Mr. Osler:

Q. I am told they never divided up any profits but we will leave it at what the evidence is. Now then, in 1902 there was this increase of stock and the stock was increased from \$200,000 up to \$550,000?—A. Yes.

Q. And entries were made increasing the values of assets on hand, putting the assets on hand at values which purported to pay up this in whole?—A. \$550,000.

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Q. And that was done by valuing the assets, is that right?—A. Well I would not call it valuing them at all.

Q. At all events they were put in for the purpose of making the total capital account read \$550,000?—A. Before the \$300,000 came in.

Q. Now then you have answered a number of questions which I want to ask you about again. Mr. Reid asked you about the figure of \$753,297.10?—A. Yes.

Q. That is the sum total of what was charged in this ledger against the new dry dock?—A. Yes.

Q. Then Mr. Reid asked you as to certain journal entries which he referred to as journal entries which were made and which he deducts as not being expenditures from February, 1901, when this account starts down to December, 1903?—A. That is right.

Q. That includes items for real estate, plant, machinery, buildings and construction?—A. That is right.

Q. And the evidence you gave means that when you deduct these items there remains \$282,953.08 which is charged up against this dry dock account between February, 1901 and December, 1903?—A. That is right.

Q. So in all your evidence with regard to that you are speaking of this new dry dock account?—A. It is all the same dry dock.

Q. You were simply speaking of this account in this ledger?—A. Yes.

Q. Now I want to draw your attention to this machinery account. Down to July 31st, 1902, that showed about \$8,500 in round figures that was spent on machinery between February, 1901 and July 31st, 1902?—A. That is right.

Q. Then comes the addition of this double entry of \$91,504.51 to make a round \$100,000 which then represents according to your books on 31st July, 1902, what machinery you had on hand?—A. That is all.

Q. The \$100,000 represents the valuation that the officers of your company put on the machinery they had on hand at that date?—A. Yes.

Q. Now this account follows on and the total amount in December, 1903, spent on machinery is \$167,144.13.

By Mr. J. D. Reid:

Q. That includes the \$91,000?—A. That is right, or in other words out of and beyond the first valuation they had really spent \$67,000.

By Mr. Osler:

Q. It means that between 31st July, 1902 and 31st December, 1903, they had spent about \$67,000?—A. That is right.

Q. There came a time when the dry dock went out of commission. When the work of extending began it was filled for the purpose of commencing a new dock?—A. Partially so.

Q. Do you remember the time when ship construction was stopped? There came a time when it did not pay to build ships. You know that don't you?—A. I do not remember.

Q. Do you remember whether any ships were under construction in July, 1903?—A. Yes.

Q. What ships were under construction then?—A. The *Midland King* and the *W. D. Matthews*.

Q. When were they finished?—A. In 1903 the *Matthews* was running side by side with the *Midland Prince*.

Q. Do you remember Clarkson & Cross auditing your books for the purpose of ascertaining profits in order to inform those parties who intended to purchase stock?—A. I remember Mr. Cross being there.

Q. And he was auditing your books for the purpose of ascertaining your profits for a certain period that he might inform those intending to purchase stock?—A. Yes.

Q. You helped him with the books?—A. I did not help him but I was there.

Q. Did you see his audit after he had made it?—A. Yes.

Q. This account of Clarkson & Cross showed a net profit for the business for nineteen months ending 31st July, 1902?—A. Yes.

Q. That is to say from the 1st of January, 1901, down to the 1st July, 1902, there is a net profit of \$65,528.85?—A. Yes.

Q. In order to arrive at that profit there has been a sum of \$1,500 and some odds deducted for interest and \$9,300 odd dollars deducted representing depreciation of the structures and plant?—A. Yes.

Q. Have you any doubt that the company was not getting those profits during that period?—A. I have not a doubt about it.

Q. During the balance of the seventeen months from 31st July, 1902, down to the 31st December, 1903, covering the last of the period we have been talking about can you give me any idea about the profits the company were making?—A. They were estimated at \$43,000 if I remember right, but they did not reach that.

Q. During every winter particularly they made a certain amount of profit out of repairs?—A. Yes.

Q. And a certain amount of profits out of docking charges?—A. Perhaps not at this time.

Q. Now they also made profits in the shipbuilding business?—A. Those are the profits.

Q. Now can you give me a rough idea of the profits during the seventeen months following from this period down to the end of 1903?—A. About \$24,000.

Q. You say it was estimated at \$43,000 but did not come to that?—A. It did not come to as much. Allow me to explain that these profits were distributed as dividends of three per cent on the \$300,000.

Q. Which profits were never drawn?—A. They might not have been drawn.

Q. You undertook to say that these profits were distributed?—A. I have referred to those profits that Thomas Long referred to only.

Q. There were two dividends declared. When were they declared, the two half yearly dividends at the rate of six per cent per annum when were they declared?—A. \$10,982 was paid on February the 17th, 1903.

By Mr. J. D. Reid :

Q. And the next was paid when?—A. August 31st, 1903, \$14,100. \$25,000 was paid in dividends and \$24,000 laid aside not paid.

Q. That is to say original shareholders did not draw that dividend?—A. They did not draw their dividends.

Q. And have not drawn them until this day so far as you know?—A. I do not know.

Q. During the first half of 1903, was the company making profits?—A. We were supposed to be making profits.

Q. How much were they in 1903?—A. Mackay's statement gives it for the whole period.

Q. Mr. Mackay after dealing with the net profits and the disposition thereof at 31st July, 1903, carried forward the \$1,821 undisposed of?—A. That is right.

Q. Before he arrives at that he writes off \$7,643.15 for depreciation, then he charges \$49,096.41 as dividends?—A. That is right.

Q. Now that completes the disposition of all these profits?—A. Yes.

Q. So that if there was \$24,000 of those dividends not paid, that is still in the company's coffers?—A. That ought to be.

Q. And that is Mr. Mackay's report as to the disposition of the profits for that period?—A. Yes.

Q. This exhibit No. 7 is an ordinary bank form of W. A. Copeland, manager of the Bank of Toronto. It is his certificate as to the overdraft of 31st December, 1903, and this (exhibit No. 8) certifies as to the deposit of the Collingwood bonus.

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Perhaps you will recognize this bank pass book (exhibit No. 9), showing deposit of \$300,000; perhaps also you will recognize this photograph of the whole of the repairing plant, which is exhibit No. 10?—A. Yes.

Mr. OSLER.—Then I also put in this report of Clarkeson & Cross (exhibit 11.)

SANDFORD H. LINDSAY SWORN.

By Mr. Bennett :

Q. You are the present secretary-treasurer of this company?—A. Yes.

Q. Have you the stock books with you?—A. No.

Q. Where are they?—A. With the General Trust Company.

Q. So you cannot produce them?—A. No.

Mr. H. CALDERWOOD SWORN.

By Mr. Bennett :

Q. You are in the employ of this Collingwood Shipbuilding Company?—A. Yes.

Q. Tell me when you first entered their employ?—A. About May of 1900.

Q. What was your first work when you entered their employ in May, 1900?—A. To design all the buildings and proceed with erection of some so that we could build ships.

Q. Now when did you commence the construction of a ship there. Was the *Huronic* the first?—A. Yes.

Q. When would you place the commencement of the work there?—A. In the autumn of the same year.

Q. Was it as late as December?—A. I think it was probably a little earlier.

Q. There might not be much show for it but the work had started? When was that?—A. Late in 1900.

Q. Now briefly describe to me when you went there in 1900, what there was in the way of a dry dock as to length?—A. Well, there was a very dilapidated dry dock which was just long enough to dock the *Manitoba*.

Q. What was about the length?—A. A little over 300 feet about 325 possibly.

Q. When was the work started to alter or change that dry dock?—A. In the autumn of the same year 1900, I think. It might have been after January, 1901. It was begun when we found it was necessary to strengthen the walls to build the *Huronic* so that she would not fall into the dock.

Q. The dry dock commenced to change in the fall of 1900 or possibly early in 1901. What was the work done in this respect?—A. We tore out the old wall and put in a new wall sufficiently strong to carry the *Huronic*.

Q. What wall?—A. The east wall.

Q. What time did that run along; the construction of that east wall?—A. It ran along during the construction of the *Huronic* the same time.

Q. How long would that extend over?—A. I could not say; it extended through that winter I know.

By Mr. Osler :

Q. That is the winter of 1900-1901?—A. Yes.

By Mr. Bennett :

Q. Was that dock lengthened at that time?—A. It was lengthened just to suit the *Huronic*, so that we could launch her and with an idea that it would not be lengthened any further.

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Q. What was that additional lengthening?—A. It did not amount to very much because the old dock was in the form of V and accordingly we could not launch her into a dock of that shape. It had to be more square at the ends.

Q. Was it lengthened at the bow or the stern end?—A. At one end and very little at that.

Q. Which end?—A. The south end.

Q. Towards the lake?—A. No the other way.

Q. But was it lengthened at the bow end?—A. You may call it that.

Q. Now to what extent was it lengthened there?—A. It was lengthened very little it was simply made square at that end and probably a distance of ten feet. Not much more, if any.

Q. Now describe to me what the next work was that was undertaken in respect to the dry dock. From that on when was the next work commenced?—A. The next work commenced when we decided to build a large dock 500 some odd feet long.

Q. When would you place that? What time?—A. I think in the autumn of 1902, but I would not be positive as to that.

Q. Was there a boat building alongside of it at that time, when you started to lengthen that autumn?—A. Yes.

Q. What boat?—A. The *Midland King*.

Q. What month would it be in 1902? Can you come closer than the fall when you started to lengthen?—A. I could not give you the exact date.

Q. How long did the work continue of lengthening that dock?—A. It was completed in the autumn of 1903 with the exception of the approaches outside of the dock proper.

Q. Who was in charge of the work of superintending the construction, we will call it, of the dry dock?—A. Arthur Stephens.

Q. Personally had you anything to do with it?—A. In an advisory capacity I was consulted from time to time and suggestions given and so on, but I did not take any active part in the construction of the work. I was too busy at other work.

Q. Now this new dock when it was finally completed had a length of over 500 feet. How much of that east wall was utilized?—A. Utilized for what?

Q. You spoke of the new eastern wall being placed when building the *Huronie*? Was that displaced in the new building?—A. No, the only part displaced was the part of the building along the end of the dock. We had to take that out.

Q. Was that in this new dock as it stands to-day on the eastern side?—A. At the approach there is a certain amount of stone work that was built around on the east side.

Q. What as to the west? Was it a new wall in its entirety?—A. Yes. Of course some of the old cobblestones were used as filling, as backing, for the new dock.

Q. Was that all the new dock on the west side?—A. Entirely.

Q. What was the nature of the old dock construction, was it cement or stone?—A. Round cobblestones.

Q. Mortared up or cemented?—A. Neither. It was mighty poor stuff.

Q. In the new wall on the east side what was the nature of construction?—A. Cut stone.

Q. On the west side formation or construction was what, stone or cement?—A. The same. Both sides were faced with concrete for a certain distance but the perpendicular or the part next to the perpendicular was entirely of cut stone.

Q. Now taking the bay end of it; what difference was made in the bay end compared with what was called the old dock?—A. It was made much wider and deeper.

Q. Was it extended further bayward?—A. Very little.

Q. Then to the bottom of the original dock towards the bay was smaller to what it stands to-day except how many feet?—A. Not the bottom. The bottom was all new. It had to be deepened.

Q. How far would you say it was extended south or north? I will say to the water, that would be north?—A. It would not be over twenty feet. I do not think so.

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Q. Coming down to the question of buildings. There is an office building on the ground there to-day is there not?—A. Yes.

Q. On the 28th December, 1903, that was the date Mr. Coste says he made an inspection, there was an office building there. Is that the same building that is there to-day?—A. Yes.

Q. Can you tell whether this is the working plan that the dock was constructed on?—A. No, it is not a working plan at all.

Q. Looking at this plan (filed) where would you say that this office building was?—A. It is indicated as being 60 by 24. I have every reason to believe that is correct.

Q. What is the nature of that building?—A. It is two storeys high, used as a store below and office above.

Q. Was that building there when you went in 1900?—A. No.

Q. When was it constructed?—A. 1900.

Q. Have you any idea of what the cost of that building was?—A. About \$2,000 or \$2,500.

Q. Now on the date, 28th December, 1903, what would you have placed then as the value of that building, combination of office and building?—A. The same, about \$2,000 or \$2,500.

Q. Now will you please show me any other buildings that were on these grounds when you went there in 1900 if any?—A. There is the joiners shop and machine shop.

Q. Is that a two storey building?—A. Yes, it is 80 by 40.

Q. On the 28th December, 1903, what would you have placed as being about the value of that so-called joiners shop?—A. Possibly \$1,800.

Q. That was constructed prior to your going there?—A. No.

Q. After you were there?—A. Yes.

Q. The nature of construction of that was what?—A. A frame building.

Q. Are there any buildings in addition to those two that were constructed before you went?—A. No, there are no buildings shown there.

Q. Now let me take the blacksmith's shop and furnace, what is the size of that as indicated on the plan?—A. 120 by 50.

Q. What is the nature of the construction of that building?—A. A frame building.

Q. Was that built under your superintendency?—A. It was.

Q. Is there a furnace in that?—A. Yes, there are two furnaces.

Q. Were they in the building on the 28th December, 1903?—A. I think they would be.

Q. Were the two furnaces placed there at the same time?—A. Yes, they were complete at the same time.

Q. What is the nature of those so-called furnaces?—A. Brick structures reinforced with iron sides.

Q. About what would be the size?—A. One furnace fully 20 feet, the other 18 or 20.

Q. Is that in height?—A. No, in length.

Q. That building is entirely frame apart from the furnaces, which are brickwork?—A. A stone foundation.

Q. Two or one storey high?—A. One storey.

Q. What do you think was a fair cost for that?—A. I do not remember the exact cost of that, but I should say about possibly \$1,800, that is simply a guess.

Q. They were built under your superintendency?—A. Yes.

Q. Did you make an estimate at the time of what it would cost?—A. I have no doubt I did.

Q. Were they built by piece-work or contract?—A. By piece-work.

Q. On 28th December, 1903, what would you value that blacksmith's shop and furnace as being worth?—A. Possibly \$4,000 or \$5,000. It is simply a guess as I said before. They might be considerably higher or considerably lower.

Q. Now the machine shop and foundry. Was that built under your superintendency?—A. The machine shop and punch shop are under one roof.

Q. What is the construction of that building?—A. That is a frame building with steel trusses on top of the machinery with a moulding loft above.

Q. That is the punch shop?—A. Yes.

Q. What is this so-called machine shop?—A. A frame building too.

Q. Have you any idea as to what the estimated cost of that was at the time and what the real cost was; the combination of machine shop and punch shop?—A. I think the building itself and foundation cost about \$12,000.

Q. Which is that, the two buildings, the combination?—A. Yes, it might have been more or a little less.

Q. Now where is this boiler shop and power-house?—A. That is not shown on this plan.

Q. What was the nature of the boiler shop and power-house as to construction?—A. Steel frame with brick casing.

Q. Have you any idea as to the cost?—A. I would not hazard a guess, it is so long ago.

Q. Do you think it cost \$50,000?—A. I do not think it did.

Q. About what do you think it cost?—A. I would not care to put a figure on it.

Q. Now, the *Huronic* was building in the year 1900 and 1901. When was she launched?—A. I do not remember the date.

Q. Was it in the summer of 1901, was it on the 24th of May, 1901?—A. I do not think so.

Q. Would it be in the subsequent year?—A. I think it would be in the autumn of 1901, in the early autumn possibly or it might have been in the summer of 1901.

Q. Now at that time what working machinery had you?—A. We had complete plant for the building of steel hulls.

Q. Had that been bought a new plant?—A. A part of it.

Q. What part of it was an old plant?—A. Some machines came from the Pacific coast, they were second-hand.

Q. That was what was known as Captain McDougall's part?—A. I presume so.

Q. When was that installed and when did it arrive?—A. It arrived during 1900.

Q. Which of these buildings were complete in 1900?—A. These buildings were all complete in 1900 that are shown on this blue plan.

Q. Now while you were there of course this dry dock was finished by the fall of 1903, and you were still there as superintending engineer of the whole plant?—A. I was still there as manager.

Q. Was there any estimate to your knowledge made of the cost or any account kept of the cost of that dry dock?—A. I presume there was.

Q. Who was bookkeeper at the time?—A. Mr. Keltie

Q. In an account here on dry dock extension on page 46 a reference would seem to show it started on February 12th, 1901, is that correct?—A. I presume it is.

Q. Now, in your capacity as superintendent of this work did you ever at any time figure out or was it a matter of your knowledge of what the cost was about of the dry dock?—A. I had statements prepared occasionally showing how the work was progressing and the money expended on it. That is actual construction of the dock.

Q. What was the actual construction of the dock? Have you any books about this?—A. I have no books.

Q. The actual expenditure was in your possession as manager and superintendent. What was the actual cost of the dry dock exclusive of the machinery?—A. Do you include the pumping machinery?

Mr. BENNETT.—Yes, we will include the pumping machinery.

WITNESS.—You mean the actual cost of the dock without figuring on the old dock at all?

Mr. BENNETT.—Yes, exclusive of the old dock.—A. For time and material sup-

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plied possibly with the fuel used in the construction, the dock did not cost more than \$130,000 in cold cash.

Q. You include the pumping apparatus?—A. I do.

Q. Mr. Coste says he went there to make an inspection on 28th December, 1903, and in his evidence on page 46 he goes on to speak of the nature of the inspection for the purpose of valuation. First he says: 'Mr. Calderwood went through with me. I went through every shop accompanied by the superintendent and I had received from him lists which I ticketed off showing every piece of machinery that was there and I went further than that, I asked Mr. Calderwood to tell me whether these pieces of machinery were acquired for the purpose of repairing vessels or simply for the purpose of building vessels. I wanted to make a difference between machinery used for repairing vessels and that used simply for shipbuilding. So that of this \$210,000 did you see one single invoice that would bear out that valuation—of that large amount did you see a single scrap of paper on which to make that valuation?—A. Yes, I saw actual invoices, freight bills in connection with the freight on these goods. The only thing I may have added myself, I do not know whether I did or not, if Mr. Calderwood did I checked it, was the reasonable cost of installing machinery.' Now did you send Mr. Coste a list of the machinery prior to his going there to make the inspection of the entire plant in the list? I do not know that I did, I might have.

Q. Give us first your own account of the inspection of Mr. Coste when he came on 28th December?—A. I recollect going through the punch shop with Mr. Coste and I think he asked questions about different machinery and so on and I gave him everything he wanted. But so far as giving him a detailed list of every piece of machinery is concerned I do not think I did.

Q. You are sure you went through the punch shop with Mr. Coste?—A. Yes.

Q. First do you remember the time he came there to make this inspection?—A. No, I do not remember the particular date.

Q. Now listen to this, this is what Mr. Coste said:—

'And when I went to Collingwood—a few days before I went I had received this list and I checked all these machines to see that they were in existence and that they were there and then I went up to the office and he showed me a number of vouchers to show that these articles had been actually bought and paid for by the company.'

Q. Would you remember if you had sent this long detailed list to Mr. Coste?—A. Yes, I think I ought to remember.

Q. He says you wrote him a letter in your own name in which you said 'I inclose you a statement showing a list and prices of this machinery in the different shops?—A. It was a regular list.

Q. How many sheets of foolscap was this statement written on because I presume it was a long one?—A. I do not know, four or five sheets of ordinary writing paper?

Q. Did you ever send a statement like that to Mr. Coste before he came?—A. I think possibly Mr. Coste is mistaken in this unless it had been sent by the late president.

Q. So far as you are concerned you did not send one?—A. I do not think so.

Committee adjourned to resume at 8 p.m.

The Committee resumed at 8 p.m.

The examination of Mr. Hugh Calderwood was continued.

By Mr. Bennett:

Q. Pointing you this out what do you read on page 1 of this ledger under the heading, 'capital account,' under the date July 31st, 1902?—A. 'Plant, \$200,000.'

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Q. Now you said that in the fall of 1902 it was determined to lengthen the dock to 500 feet?—A. In the fall of 1902, yes about that date.

Q. Because the east wall was put in, in 1901?—A. Yes.

Q. It was in the fall of 1902 that it was determined to lengthen it to 500 feet. Now on the date I have referred to there, July 31st, 1902, what would you then place as the value of the dock, it having had the new wall added to it?—A. The date 1902?

Q. Yes, that was before they started to lengthen it?—A. That will depend upon the value you will place on the dock in the first place.

Q. I may tell you that reading from the report that was presented by this company to the Department I think they had valued the old dock at \$70,000, that the whole thing had cost \$70,000—you say that when the dock was completed we are simply speaking of the dock, do not confuse or confound it with the machinery, the dock you placed at the value of \$130,000, with the pumping plant included. That was in the fall of 1903. Now what value would you have placed on it on July 31st, 1902? That was after the new east wall had been added?—A. It is pretty hard to tell, I do not remember what work was done there altogether whether there was any bottom work done or not.

Q. I might say that when the valuation was placed at \$70,000 by the company it was on December 20th, 1900?—A. There was practically nothing done then, that is new work on the dock.

Q. Now that came in, in the year 1900 and 1901 when the east wall was built. What did you regard as the probable fair value on July 31, 1902?—A. That will bring up the value of the old dock as it stood there, you have considered that?

Q. Yes, because that is what stood there?—A. I would not place much value on that, it is problematical anyway.

Q. Taking the old dock at \$70,00 we will admit the correctness of their own figures at present, how much added on would have been a fair amount for the east wall that was built in 1900 and 1901?—A. It is pretty hard to tell, it would be simply guessing at it if I was giving you a figure on that.

Q. Can you not give an idea?—A. I could do so, but my idea might be very wide of the mark; I prefer not to give it.

Q. When it was completed, your valuation plus the pumping plant was \$130,000, would it be fair value at \$90,000?—A. What time do you refer to?

Q. July 31st, 1902?—A. No, I would not say that.

Q. Would it be fair value at \$80,000?—A. No.

Q. What would you say about \$75,000?—A. It is no use going down and down the scale because it would be simply a guess.

Q. Now, on the 31st July, 1902, what was known as the McDougall plant was on the ground, the machinery?—A. Yes.

Q. Brought there from the United States. Now up to that time had there been much new machinery added to the McDougall machinery?—A. What date is that?

Q. July 31, 1902?—A. Well, the plant was complete then, as far as we considered it necessary for building ships with everything necessary for building vessels.

Q. There was not, of course as much machinery there on the 31st July, 1902, as there is today?—A. No, that was when the boiler shop, the machine shop and the foundry were added.

Q. Can you tell approximately what there was in addition to this McDougall plant, so called, in the way of machinery?—A. I would have to go over and itemize this and pick that stuff out to tell you that.

Q. Let me take you to another phase then of this; on July 30, 1902, which of these buildings had been placed in position?—A. They were all in position at that time.

Q. It is directly stated by Mr. Smith in his evidence that on the date of the report by Mr. Coste on December 28, 1903, one of their largest buildings had not been completed, and only had the foundation in?—A. It was not completed.

Q. Only the foundation was in, the material was on the ground for a great part

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of it?—A. The material was on the ground, practically all, there might have been some missing.

Q. Then a year subsequent, on July 31, 1902, in what stage were these buildings?

—A. Which do you refer to?

Q. The buildings on the ground to-day?—A. July 31, 1902, that wants a little consideration. I think the boiler shop and power-house was completed, I think that was the only one, mind you, I am not positive with regard to that, I am only speaking from memory.

Q. You think the boiler shop and the power-house were up, was the office there?

—A. Oh, yes, the office was there.

Q. And the joiner shop?—A. Yes.

Q. And the blacksmith shop?—A. Yes.

Q. Was the punch shop up then?—A. Yes.

Q. And the machine shop and foundry?—A. No.

Q. The machine shop and foundry was not there?—A. I do not think so, it may have been started possibly.

Q. At that time as a practical man, knowing the existence of the dock, the buildings that were there, the McDougall machinery, and what had been added up to July 31, 1902, what do you think of a valuation of that plant on that day of \$200,000?—A. I would have to get a sheet of foolscap and about ten minutes to figure that out, and even then it might be wide of the mark, because it is all from memory. —

Q. Well, start in.—A. July 31, 1902?

Q. Yes, and to refresh your memory you can have the list of Mr. Coste here.—A. July 31, 1902, including the dock and everything in that, Mr. Bennett?

Q. Yes, including the dry dock.

By Mr. Reid (Grenville):

Q. The machinery and all?—A. What was the question, what was the figure you mentioned?

By Mr. Bennett:

Q. On the date I gave you what did you value the plant as being worth on July 31, 1902?—A. Did you not mention a figure in connection with that?—

Q. \$200,000.

By Mr. Reid (Grenville):

Q. What do you think it was worth, it might be worth more and it might be worth less?—A. It would certainly be worth more than that.

Q. Including the buildings, machinery and everything?—A. Yes, fully equipped.

By Mr. Bennett:

Q. Do you think, Mr. Calderwood, that would be a fair valuation covering the whole plant, the machinery and the equipment—\$200,000?

Mr. OSLER objects that Mr. Bennett could not lead his own witness.

By Mr. Reid (Grenville):

Q. What do you think would be a fair valuation to include the plant, that is the machinery, the equipment and the tools, the buildings and real estate, everything connected with the dry dock, including the dry dock on July 31, 1902?—A. That is a valuation you want, you do not want the actual cost?

Q. A valuation.—A. Well, it is pretty hard to give an answer to that question, because you must remember that is going back quite a way, you cannot be supposed to be carrying all that in your head, I am perfectly satisfied it would be over \$200,000, it would certainly be more than that.

Q. It would be worth \$200,000?—A. It is quite easy to answer that question.

By Mr. Bennett:

Q. When was it you said you left, in the summer of 1903-4, or were you asked that question?—A. June, 1904, I think, possibly.

Q. Do you know anything about keeping the ledger account there at all?—A. Nothing whatever.

Q. Well, can you say anything as to the value of property and machinery that was brought there after that date, July 31st, 1902?—A. Brought from where?

Q. Brought on the ground there and installed.—A. July 31st, 1902?

Q. Yes.—A. Oh, I can't say anything as regards the value of it without I have an itemized list of the machinery that was there, then I might give you some idea.

Q. The valuation given by Mr. Coste of the cofferdam, \$15,000 on December 28th, 1903, what is your opinion as an engineer?—A. December 28th, 1903?

Q. He placed a value on the cofferdam of \$15,000, what would you say as to that?—A. I would say it was high, but that was only an estimate; Mr. Coste's figures there, are only an estimate.

Q. That is what he says, he is giving an estimate of the probable cost of the work. A. Oh, as an estimate, I would not consider it possibly high as an estimate before the work.

Q. In your opinion what would be a fair estimate of the probable cost of the cofferdam?—A. It would simply be a guess at it, and I do not know that it would have any worth to this committee to know it. I am perfectly well satisfied that \$15,000 was high. You have to consider that timber was placed in the cofferdam, the placing it there and the banking it up outside with mud, and any figure I could give you would simply be a guess.

Q. The dock proper, \$280,000, you have already given us your opinion as to that, at what figure including the pumping plant?—A. At \$130,000, I think.

Q. He adds to the \$280,000 a pumping plant at \$35,000, would you include that?—A. Yes, that was included in mine.

Q. Caisson, \$10,000, what do you say as to that?—A. It is also high.

Q. Would you give an estimate?—A. I could give an estimate as to that because I got out the plans for that myself.

Q. What would be your estimate of the cost of that?—A. It might run all the way from \$3,000 to \$4,000.

Q. The cribwork at the entrance, \$20,000, what can you say as to the cribwork that was done, and as to this figure of \$20,000?—A. The cribwork at the entrance, I presume that includes the entire cribwork at the entrance and also all the wings on each side of the dock. Well, Stephens' who was then engineer in charge of that work, estimate for that work was \$20,000, and I think \$20,000 was about right.

Q. You have spoken already of the punch shop, the machine shop and the foundry, \$20,000?—A. No, I beg pardon, I did not speak of the punch shop, the machine shop and the foundry, \$20,000. If you will have the reporter look up his notes you will find I did not, it was not included.

Q. Did you mean by that the punch shop as it is?—A. I meant the punch shop and what we called the machine shop that was in operation at that day, a very small affair, hardly worth the name of machine shop.

Q. That would be on December 28th, 1903, the punch shop and a small machine shop in connection with it?—A. Yes.

Q. What was the approximate value of that now?—A. I think I gave it to you once before.

Q. What were your figures?—A. I do not care to quote again, I might vary.

Q. All right, it is in the evidence?—A. It is in the evidence undoubtedly.

Q. The boiler shop and power-house had not been completed according to Mr. Smith's evidence, on 28th December, 1903?—A. You say what?

Q. The boiler shop and power-house had not been completed on that date?—A. The boiler shop and power-house was at that date practically completed; you might add a forge fire or some little minor matter, but practically it was completed.

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Q. What would you say as to the value?—A. As I said before, it was a large building and I do not care to give an estimate of it because it would not be worth the consideration of the committee. You are apt to vary a great deal in doing that.

Q. Now this punch shop, with the little machine shop attached to it, was there any of the so-called McDougall machinery there?—A. It was practically all, with the exception of the steam hammer and the bending plant and one or two cranes, possibly.

Q. What new machinery had been added there, what had been placed there?—A. There was the balance of the machinery that was installed there, it would be pretty hard to enumerate it all.

Q. Can you place a value on it at all?—A. Not from memory unless I had an entire list of the contents of the shop, then I could approximate them closely.

Q. In the boiler shop and power-house, was there any of the McDougall machinery in there?—A. No, I do not think there was a dollar's worth.

Q. At the date of the valuation, in December, 1903, can you place any estimate on the machinery that was in there then?—A. I simply reply to that question as I did to the one in regard to the punch shop.

Q. I see, that you would have to see the list. Would your reply be similar as to any machinery in the machine shop and foundry?—A. The machine shop and foundry was not complete at that day.

Q. There was no machinery at all installed in it?—A. There was no machinery installed in that building at that date.

Q. Do you think the machine shop and foundry at that date, as it stood, with no machinery, because it was not finished, was worth \$45,000?—A. At that date the steelwork was erected and the material was all on the ground, the bricks and everything of that nature required for the building of it. It is pretty hard to state the value of it. What was the value of it again?

Q. \$45,000?—A. I would consider that high.

Q. What would you consider was a fair estimate?—A. I would not care to estimate on it, only that the estimate is high.

Q. Do you want to say by what amount?—A. No, I would not care to say by what amount; it simply strikes me as being high.

Q. When this dock was lengthened to 500 feet odd did you allow in your estimate of \$130,000 for the value of the old dock?—A. No.

Q. Did you have any regard to the fact of the east wall being new?—A. Yes.

Q. Had you ever been told by any officers of the company, by the president or the directors, anything as to the allowance for this so-called McDougall machinery?—A. Nothing whatever. If I had been told I have no recollection of it. I may possibly have been told.

Q. You saw the plant when it was enlarged?—A. I was very familiar with it.

Q. What value would you place on it?—A. I would have to see the itemized list. There were quite a number of machines it was composed of. There is a great deal enumerated that I might omit.

Q. Was there any idea fixed in your mind as to its value at that time?—A. Well, we considered it of great value because it was composed of the essential machines we required for our work at that day. They certainly were very valuable.

Q. You do not know yourself what the company paid for it? You were never told?—A. I have an impression that it cost something under \$15,000. As to the correctness of that I would not vouch for it.

By Mr. Reid (Grenville):

Q. I would like to ask you one or two questions. I have looked over that ledger with Mr. Keltie, the bookkeeper, and on December 31, 1903, the ledger shows that the total amount charged up as cost, or amount expended on this new dry dock or plant is \$755,115.10. Now in looking over the ledger I find the following items: Franchise, \$100,000; old dock, \$150,000; amount added for increased real estate—that

is to bring it up to \$75,000, \$5,373.77. This latter sum was spent on real estate after February, 1901, leaving \$69,626.23 added to the value of the real estate. In other words after February, 1901, there were \$5,373.77 spent on real estate and on July 31st there is a journal entry which reads 'real estate \$75,000, less amount expended \$5,373.77,' leaving added to real estate, without any explanation, \$69,626.23—or that is the valuation placed on it by some one, without the money having been expended, after February, 1901. Now there is also an unexplained amount added, between February, 1901 and July, 1902, for buildings amounting to \$45,937.74, and there is an unaccounted balance of expenditure on machinery amounting to \$91,504.51. Adding the \$150,000 for dry dock, the \$100,000 for franchise, interest of \$2,023.42 interest on buildings torn down, and interest of \$13,070.12 on unexpended balances, to the unexplained expenditures for real estate, buildings, and machinery, aggregating \$207,068.48, it gives a total of \$472,162 which, deducted from the total cost in the books of \$755,118.10, leaves a balance of \$282,923.08 as expended between February, 1901, and December 31st, 1903. Do you think, or do you believe, that that would cover every amount that could be expended in the way of the extension of this dry dock from the old dry dock as it was at that time?—A. I cannot follow you. One reason why is that there has been too much levity displayed amongst the committee. There has been a good deal of talk one way and another and I could not follow the figures and I don't know where you are at.

Q. I will try and put it in another way. Did you ever make an estimate of the cost of this new extension?—A. Extension to what?

Q. That is, what it would cost to make this dry dock from what it was in 1901 to what it is now?—A. No.

Q. You never made an estimate? Did you ever see any statement of what it cost up to December 31st, 1903?—A. That is the dry dock?

Q. The dry dock, yes?—A. Well I had estimates, I had figures supplied me by the staff in the office while the work was in progress until it was finished.

Q. Until it was finished?—A. Until it was practically finished, with the exception of the entrance, and the figures I have already given you were based on those.

Q. And what was the sum total of the whole, do you remember?—A. It was \$130,000, as I have already repeated on several occasions, for dry dock only.

Q. Did you have any statement as to buildings?—A. We made out a statement as to buildings, yes.

Q. And what was the sum total of the buildings?—A. At that date the figures were \$240,000.

Q. You mean buildings and dry dock?—A. Buildings and machinery and equipment throughout.

Q. Buildings, machinery, and equipment without the dry dock?—A. Without the dry dock.

Q. That was \$130,000 and \$240,000?—A. Correct.

Q. So that the sum total of buildings, equipment, machinery and dry dock was \$370,000?—A. That is without taking into consideration the value of real estate or value of the old dock or anything?

Q. Exactly, without the real estate?—A. Franchise or anything of that nature.

Q. Well, the dry dock was \$130,000 and the \$240,000 includes machinery, equipment, and tools and everything of that kind?—A. At that date, yes, and of course you must understand—

By Mr. Maclean (Lunenburg):

Q. Should the cribwork be added to that, to the entrance?—A. The cribwork is included there. Possibly there is more of that done now than what we figured on. The entrance was included in the \$130,000. Then there are the wings on either side of the dock.

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By Mr. Bennett :

Q. Were they completed at that date ?—A. No, they were not completed.

By Mr. Reid (Grenville):

Q. Then there would have to be added to that the real estate which would include the whole plant ?—A. The real estate, the franchise, and allowance for the old dock.

Q. That \$340,000 is practically correct only there is a possibility of a variance in connection with the finishing of the machine shop and foundry which were not complete at that time.

By Mr. Osler :

You mean \$240,000 ?—A. Yes I mean \$240,000.

By Mr. Reid (Grenville):

Q. I said \$370,000. What I want to get at is the exact condition at that date, and, as Mr. Calderwood states \$370,000 included everything on December 31st, 1903, except the old dry dock and some part of the buildings not finished ?—A. The real estate, franchise, and everything of that nature had been counted which I am not prepared to place a value on.

Q. How many acres were in that land ? Have you any idea ?—A. No I do not know, Mr. Reid, I never figured it out.

Q. Would you think \$75,000 was a fair valuation for the real estate irrespective of any buildings ?—A. I certainly would.

Q. Have you any opinion at all as to what would be a fair valuation of the real estate ?—A. I might have an opinion, but it is pretty hard to say whether it would be correct or not.

Q. Can you not give us an opinion as to the value of real estate in that locality ? I do not mean an exact opinion, but within a few thousand dollars ?—A. You would have to get at the real estate they owned at that time.

Q. Some part of the property was under lease from the Grand Trunk Railway in December, 1903 ?—A. Certain portions of it.

Q. Do you know about how much was under lease ?—A. In acreage or square feet or how much ?

Q. You know the whole property, about how large a proportion ?—A. It is pretty hard to say, possibly—oh, I don't know, I would not give a guess. It would be simply guessing, it would not be of any material value.

Q. But a portion of it was under lease ?—A. Yes, a portion of it.

Q. From the Grand Trunk Railway ? Have you known any property around there to be sold and have you heard the value of it ?—A. There was certain property sold at that time and bought in. I don't remember what price was paid for it—I don't remember that. We bought Dey's property and several other properties.

Q. You must remember that out of \$755,000 there was \$17,000 paid for real estate ?—A. I don't doubt it.

Q. So they put in \$69,000 in addition for real estate ?—A. They put a certain amount in addition ; I am not prepared to say how much.

Q. I am saying that the books state that \$69,000 were put in in addition to the \$17,000 and the \$5,000 ?—A. That they paid ?

Q. No, they paid \$17,000 real estate ?—A. Exactly.

Q. And they paid \$5,000, which makes \$22,000. In addition to that they put \$69,000 more.—A. They might in addition put any figures on to that.

Q. Do you think that \$22,000 already charged was a fair valuation for all the property they owned ?—A. Pretty close to it if it includes all the property they bought and paid for.

Q. You think there was not any justification in adding \$9,000 if they had already charged \$22,000 as having been paid ?—A. It certainly was a low valuation in my opinion.

Q. To that extent?—A. I would not say it was \$69,000; I would not say to that extent.

Q. Do you think \$22,000 is a fair valuation for all the property they own outside of that lease?—A. Thirty-two thousand dollars?

Q. No, \$22,000?—A. No, I think there is some other property which is not included in your figure of \$22,000 which they own.

Q. There is some property they owned outside of that?—A. Yes, I think so.

Q. That they owned?—A. That they owned, yes. Of course I don't know. You have given me an arbitrary figure and I am simply trying to place a valuation on it.

By Mr. Bennett:

Q. Now, Mr. Calderwood, late in the summer of 1901, the question was being discussed, I see from certain correspondence here, of that dock being 530 feet in length, 78 feet in width, and 15 feet deep on the mitre-sill. Do you remember the question when it was being discussed that the length should be 530 feet?—A. Yes, I remember that the question was discussed frequently.

Q. Did you see Mr. Coste in connection with it?—A. Quite likely.

Q. Now I will read you the estimate Mr. Coste gave the company for a dock of exactly the same length.—A. A dock only.

Q. A dry dock, yes. (Reads).

Value of present dock.	\$125,000 00
Removal of old pier, dredging, say.	10,000 00
Deepening to 16 ft., rock excavation, masonry and concrete work.	62,000 00
Crib and pier work on extension.	62,000 00
Cofferdam and pumping.	35,000 00
Caisson complete.	65,000 00
Docking appliances, bilge blocks, &c.	8,000 00
Auxiliary pumping plant.	7,000 00
Derricks, hoists on large boiler, &c.	12,000 00
Land and improvements on same.	30,000 00
	<hr/>
Total.	\$364,000 00
Adding 10 per cent for contingencies.	36,000 00
	<hr/>
Total.	\$400,000 00

If you deduct from that \$400,000 the sum of \$125,000 what would be the amount left?—A. You know.

Q. I want you to do it?—A. Well as I figure it out—what is it you say \$125,000.00?

Q. \$400,000 less \$125,000 gives \$275,000?—A. \$275,000.00—yes.

Q. Now in that \$275,000 is included \$25,000 for land and improvements on same. If that is deducted that will leave the amount for the dock proper \$245,000.—A. \$245,000.

Q. If you deduct from the \$36,000 which Mr. Coste allowed for contingencies it will leave the amount at \$202,000?—A. \$202,000—yes.

Q. Had you heard at that time of this estimate of Mr. Coste's with the figures I have given?—A. No, I do not think so; I have no recollection of it. Bear in mind Mr. Bennett, that is simply an engineer's estimate based largely on the plans and so on that were required to be done. When that work came to be worked out they might be able to get along with a great deal less.

Q. Your opinion of that dock as it stands to-day is that it can be built for \$130,000?—A. That is the dock proper?

Q. Including pumping plant?—A. Including the pumping plant.

Q. Having knowledge of the fact that you personally supervised the work?—A. Certainly, those are the figures I have already given.

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Q. By the way there was a gentleman gave evidence here, an American, Mr. Penton. Do you know the gentleman's name?—A. Yes, I know Mr. Penton.

Q. You know him?—A. I know of him.

Q. Do you know him personally?—A. I do not. I may have met him once, but I have no recollection of it.

Q. He referred to a dock built at Detroit of similar size to this. You have been at Detroit frequently, I suppose?—A. Not in recent years.

Q. Do you know of that dock there?—A. I don't know what he spoke about, if you would give me the evidence I might be able to tell.

Q. Well a dock of about these proportions, similar proportions to this one. Can you say anything as to that dock at Detroit?—A. No, I don't know what he was referring to unless he was referring to a floating dry dock which was put in there, which is an entirely different proposition.

Q. You do not know whether he was referring to that one?—A. I presume he was possibly. That is the only dock that has been built there in recent years that I know of.

Q. The only dock that has been built there in recent years is a floating dock?—A. That I know of. I know that Mr. Penton at that time, the time the dock was built, was in charge of that shipyard. Possibly that is what he was referring to; I don't know, I have not heard the evidence.

By Mr. Lennox:

Q. I want to ask two or three questions. Have you received, have you got in your possession, a letter from Mr. Coste making a demand of three per cent on \$500,000?—A. I have not.

Q. Have you a letter making a demand at all?—A. I have not.

Q. Have you ever had a letter of that kind?—A. I don't think it is necessary to answer that question.

Q. Well, I think it is?—A. Well, I appeal to the chairman.

The CHAIRMAN.—You are not obliged to say.

Mr. LENNOX.—Why not?

The CHAIRMAN.—Because it is a personal affair between them.

By Mr. Lennox:

Q. Have you ever had a letter from Mr. Coste making a demand of three per cent on \$500,000 on the company?—A. I never had.

(Objection raised by Mr. Osler.)

Q. Have you ever had a letter from Mr. Coste making any demand upon the company?—A. I don't think it is a question that should be brought up here. I don't care about answering it unless I am compelled to by the chairman.

Mr. LENNOX.—I am instructed you had.

(Objection raised by Mr. Osler to the question.)

By Mr. Lennox:

Q. I am asking you if you had a letter from Mr. Coste making a demand on the company for money?—A. I have already said that I do not care to answer that question unless I am compelled.

The CHAIRMAN.—I am not ready to direct the witness to answer that question, I rule it is not relevant to this investigation.

By Mr. Lennox:

Q. Now I want to go a little further than that, I will come back to that after I have cleared the ground a little. Mr. Calderwood you probably know that Mr. Coste was settled with for a bill of \$3,500?—A. I do not know.

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Q. I am not speaking of that \$3,500, that is what I want to call your attention to, that \$3,500, which he put forward as a legitimate fee, I am speaking of a demand outside of that. Now, I ask you outside of that \$3,500—you do not know anything about the \$3,500?—A. That is correct—I beg pardon.

Q. About the \$3,500 claim for professional services?—A. I do not know anything about that.

Q. I am not speaking about that. I am asking you, outside of that, did he write a letter making a demand upon the company for money?—A. I have already refused to answer that question.

The CHAIRMAN.—That is the same ruling.

Mr. LENNOX.—I will appeal from that ruling.

Question put and ruling of the Chair sustained: Yeas, 13; nays, 5.

Mr. LENNOX.—I move that this evening's proceedings and the evidence and the votes be reported forthwith to the House.

Question put, motion lost, yeas, 5; nays, 13.

By Mr. Reid (Grenville):

Q. You stated that the valuation of the machinery, buildings was \$240,000 and the dry dock proper, \$133,000; making \$370,000, that includes the old dock?—A. It did not include the old dock, no.

Q. That is not including the old dock?—A. There is nothing allowed for the old dock in that estimate.

By Mr. Barker:

Q. I would like to ask you a question. Did you ever have in your possession a letter from Mr. Coste with regard to compensation to be made to him by this company for any purpose?—A. That is the same question that was put before.

Q. I don't care about that.—A. Well, I decline to answer, again.

Mr. BARKER.—Eh!

A. I decline to answer.

Q. That will answer the purpose. Did you ever know of such a letter having been sent to any person connected with the company, the Collingwood Dry Dock Company, or whatever they call it, with regard to any compensation to be made to him for any services to the company?—A. I decline to answer, that is the same question.

Q. You decline to answer that. Have you ever been informed by any person connected with the company that the company had received from Mr. Coste a demand for any compensation for services?—A. I give you the same answer again.

Q. I would like to ask Mr. Calderwood one more question. Have you in your possession, or do you know of the existence at this moment of any such letter as I have referred to in my question to you?—A. I have not in my possession any such letter.

Q. Do you know of the existence of any such letter?—A. I refuse to answer that question as I said before.

By Mr. H. S. Osler, K.C.:

Q. Mr. Calderwood, I understand you have come here saying that you are not an expert in bookkeeping and that you do not pretend to say what should be proper entries in any book?—A. No, I do not profess to be a bookkeeper.

Q. Am I right in saying that you do not profess to be able to draw proper conclusions from any entry in any book?—A. I am not here giving evidence of any entry in any book.

Q. You are pretending to have no knowledge in that regard. I also understand you to say when you were asked to-day any questions as to values that you

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have not had placed before you sufficient detailed information to enable you to give information as to distinct values?—A. I have not had sufficient information placed before me by any member of this committee in regard to that.

Q. You are not prepared to make an estimate of the cost?—A. I am not prepared to make an estimate of the cost unless I have such information given to me.

Q. In regard to these figures that you gave for buildings and machinery, \$240,000, I understand that is your recollection of an estimate that was placed after investigation which satisfied you at the time?—A. I have a carbon copy of that inventory which was made from which to refresh my memory.

Q. There was a list made with which you were satisfied?—A. Certainly.

Q. That was the valuation placed on buildings and machinery?—A. That was the valuation, yes.

Q. Now, I will ask for a moment to look at this plan and see if you recognize it as a plan on a small scale of the old dock—the dock shown there being the old dock, then being the old location of the Grand Trunk?—A. It is meant for that.

Q. You see all the surroundings and you recognize the streets?—A. Yes.

Q. Now I draw your attention to the blocks which are crossed in red on that plan?—A. Yes.

Q. Can you tell me from recollection if that was the property that was bought in 1901-2 for the purpose of this dock extension and extension of plant? You remember that there were properties bought there by Mr. Long or some one in connection with the company?—A. Yes, the names as given there appear to be correct. Whether the frontage given there is correct or not I am not prepared to say.

Q. Referring to the land?—A. Referring to the general location but not to the frontage or number of feet given.

Q. You remember that such a property was purchased?—A. Some property was owned by the parties named there at that time.

Q. And was purchased by the company?—A. And was purchased by the company but whether the frontage given there is correct or not I am not prepared to state.

Q. Have you in mind the prices that were paid for these properties at that time?—A. I have.

Q. Did you know at the time what prices were paid?—A. I had in mind the cost; I would not say that I knew in every case.

Q. But speaking from your general recollection of the transaction, is it consistent with your recollection that a sum of \$17,000 was paid for these properties in 1901-2? I mean these properties crossed off in red?—A. Yes, I should not wonder if they would figure up at that amount.

By Mr. Lennox:

Q. Have you any recollection at all what the amount was?—A. No individual figures.

By Mr. Osler:

Q. Can you tell us what property was under lease from the Grand Trunk?—A. This property over here (indicating on the plan). In this neighbourhood, that lot.

Q. Do you know whether it was the whole of that?—A. No, it was not the whole of that. It is from this point here (indicating on the map).

Q. Do you remember whether it was one-half or a third of this block?—A. It was one-half extending straight along here (indicating on the map) one-half between the dock. This property here adjoining the town slip may have been leased from the corporation or may have been deeded by the corporation; that I am not sure of.

Q. Then your evidence is, speaking first of the west of the dock and of the property next to what is marked 'shipyard,' part of it may have been leased or got in some way from the town?—A. Exactly.

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Q. You do not know whether it was leased or not?—A. It was either leased or deeded.

Q. Then, speaking of the block which is shown to the east of the dry dock, lengthways, half of that was under lease at one time from the Grand Trunk?—A. Half of it, just about one-half of the area.

Q. I say half lengthways. Do you remember if that east half was next to the dry dock or next to the Grand Trunk?—A. Next to the dry dock.

Q. Was the half next to the dry dock owned by the company?—A. I presume it was. I would not say it was entirely owned by the company but as my recollection goes fully one-half of this area was leased from the Grand Trunk.

Q. Do you remember the terms of this lease?—A. They paid a nominal rent for it.

Q. Do you know whether the company ultimately acquired it from the Grand Trunk?—A. I do not.

Q. But you know they had it at a nominal rent?

Q. Do you know the nature of the ground through which the dock is constructed?—A.—It is rock excavation to a certain depth down.

Q. Six or eight feet?—A. A good deal more than that.

Q. How much do you say?—A. The old dock was in place there when we started to work and the rock began immediately we uncovered the bottom.

Q. Do you know how far up it went?—A. Originally? I do not.

Q. You did not see the original excavation. How much rock excavation was necessary in order to build the original dock?—A. I did not.

Q. What you do know is that the original dock as excavated was utilized in the new dock?—A. Undoubtedly.

Q. And some considerable portion of the east wall, I think you said?—A. The east wall was never used.

Q. Then, the west wall?—A. Not the west wall, it was rebuilt.

Q. I thought you said some considerable portion of the wall?—A. The wall was entirely rebuilt. The only circumstance in which the wall was used was in back filling and a portion of the approach was built around.

Q. I thought you told me, or told Mr. Lennox, or perhaps Mr. Bennett, that the end of the dock was square and a lot of masonry was put in position there?—A. Yes.

Q. And that is there to-day?—A. It is not.

Q. Is some of it there?—A. Any that was taken out had to come out of the square end.

Q. What do you say as to the sides?—A. The sides still remain there. But that is not old sides, it was all new work.

Q. It was new work before the work of extending the dock 530 feet was begun?—A. Yes it was all new work.

Q. New work put there before the extension of the dock for 530 feet was begun?—A. Yes.

Q. That was put there before you began to build the new dock?—A. Certainly.

Q. That is what I understood and it was put there in connection with the improvement of the old dock?—A. Exactly.

Q. For the purpose of launching the *Huronic* or about that time?—A. That is correct.

Q. Then we understand each other in that way. Now will you tell me, Mr. Calderwood, what you call shipyard tools as distinguished from machinery in the various shops?—A. Shipyard tools were those employed to construct the hull of a ship and not used for boiler work or anything of that nature.

Q. Not used for boiler work?—A. Not for boiler work or for machine shop work, but used entirely for the hull of new construction.

Q. In what shop would they be?—A. In the punch shop.

Q. Exactly in the punch shop?—A. In the punch shop, furnace room, blacksmith's shop and the small machine shop already referred to.

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Q. And the small machine shop in connection with the punch shop?—A. That is right.

Q. But you would not include any of the machinery in the big machine shop?—A. No.

Q. There is one tool I am curious about—'angle iron shears'. Do you remember a tool of that kind bought from Hilles & Jones?—A. Hilles & Jones?

Q. You know Hilles & Jones?—A. Yes, know them well.

Q. Do you know if an angle iron shears was got from them?—A. I cannot say I do remember particularly.

Q. Have you in mind the tool I mean?—A. Well we have an angle iron shears in the shop there that came from Everett. That was used altogether in ship construction.

Q. Did it come from Hilles & Jones originally?—A. I rather think it did.

Q. There is only one tool of the kind there?—A. I think there is another in the boiler shop.

Q. What value do you put on these tools?—A. They run from \$1,200 to \$1,500, it all depends on the size of the tool you want and the work you have to do.

Q. I am speaking of the tool you have there?—A. I would say from \$1,200 to \$1,500.

Q. One other question as to figures—you said to Mr. Bennett I think, that your figures for the blacksmith's shop and foundry was from \$4,000 to \$5,000?—A. I never gave a valuation on the blacksmith's shop and foundry.

Q. You were asked by Mr. Bennett about the blacksmith's shop and foundry?—A. I never gave a valuation on the blacksmith's shop and foundry, for at that time we did not have a foundry in the place.

Q. What did you have?—A. A blacksmith's shop and furnace room.

Q. Is that what would be referred to as a blacksmith's shop and foundry building?—A. I presume that is what you are referring to now.

Q. That would be the name given to it? at the completion, very probably?—A. I should think so.

Q. And was \$4,000 to \$5,000 the price of it?—A. No, sir.

Q. What is the price of it?—A. You mean the building alone?

Q. I am asking you the figures. I took down your evidence that it was \$4,000 to \$5,000 for the blacksmith's shop?—A. That is quite different from \$45,000.

Q. I did not say \$45,000. I said four to five thousand dollars?—A. No, you said \$45,000.

Q. \$4,000 to \$5,000 was what I meant and what I said. Is that the figure you gave?—A. That is the figure I gave.

Q. What you mean by that is the furnace room and the foundry?—A. The foundry shop and blast furnace.

Q. Does that include equipment?—A. It does not include the equipment, not all the equipment, it includes the furnace.

Q. But not any tools that may be in it?—A. Not any other tools.

Q. Does it include anything else except the furnace?—A. The figures I gave you includes simply the furnace and the shop.

Q. Does it include what is known as the plate furnace?—A. It includes the plate furnace, and the bar furnace and the buildings, as I have repeatedly told you.

Q. What about a steam hoist for lifting things up?—A. I don't know of any steam hoist in the neighbourhood for lifting things up.

Q. It is here for you to see?—A. I am not assisting you I admit that.

Q. Oh, I think you are an average witness?—A. I admit I am not assisting you much.

Q. I think you are an average witness?—A. I don't think I am showing any nervousness.

Q. I did not say so?—A. You are making the insinuation that I am a nervous witness.

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Q. Perhaps you had not better go into that.—A. Go into it as fully as you want to.

Q. Perhaps if I did you would change your mind?—A. Proceed on any line you like.

Q. Does this statement include a cast-iron platform in connection with the building?—A. It does not—no platform is there.

Q. Your figures do not include it? What figure do you make for the platform?—A. I'll give you the cost for that if you would like to have it.

Q. Yes?—A. Would you like the value of that platform or what it cost the company.

Q. I don't care, either one or the other? What is a fair value for it is what I am trying to get at?—A. Oh, about \$1,000.

Q. So that if we take the building, and the furnaces, and the platform together, from \$5,000 to \$6,000 would be the value you would put on it?—A. What was the other figure?

Q. \$4,000 to \$5,000?—A. Yes.

Q. I will read you some tools and we will see if these are shipyard tools or not?—

Mr. BENNETT.—Are you referring to the tools there on 28th December, 1903?

Mr. OSLER.—I am.

Mr. BENNETT.—All right then, this witness understands that these tools were there on December 28th.

By Mr. Osler:

Q. (Reads)—Angle iron shears?—A. They were never in the shop.

Q. Were they shipyard tools?—A. They certainly were, but not included in the figures I have given you.

Q. You are quite right, we are not discussing that?—A. That is right, I only want you to know it.

Q. '18 feet steam rolls, top roll 18 inches, bottom rolls 13 inches diameter, built by Wicker Bros., Saginaw.' Is that a shipyard tool?—A. It certainly is. What are those horizontal rolls?

Q. It does not say, 'Hilles & Jones, 1 horizontal punch, capacity $\frac{3}{8}$ -inch hole through $\frac{3}{4}$ -inch plate?'—A. Yes, that is right.

Mr. BENNETT.—Is the witness stating that these tools were there on the 28th December, 1903.

The WITNESS.—He is.

Q. Hilles & Jones horizontal punch. Would that be included?—A. There is a horizontal punch there. I would not swear that that was the make of it.

Q. Would that be a shipyard tool?—A. Certainly.

Q. If any tool I read off to you is not a shipyard tool, and you do not think it was there at that time, I would like you to correct me. 'Long & Allstatter Co., 1 double punch and shears, 36-inch depth of throat, capacity $1\frac{1}{2}$ -inch hole through 1-inch plate?'—A. Yes.

Q. 'Hilles & Jones, No. 2 double punch and shears, 25-inch depth of throat, capacity 1-inch hole through 1-inch plate?'—A. Yes.

Q. 'Hilles & Jones, No. 4 plate planer' and 'Dunkirk plate planer'?—A. There is a plate planer there. I don't know whether Hilles & Jones made it.

Q. I think there are two Hilles & Jones?—A. There is only one plate planer there in the shop.

Q. There is only one plate planer?—A. No; there is another plate planer in the boiler shop.

Q. Described as a shipyard tool?—A. No, it would not if we have two of them—if we have one in the punch shop and the other in the boiler shop.

Q. 'Plate flanging machine,' '2 radial drilling and countersinking machines'?—A. Yes.

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- Q. 'Hilles & Jones, mangle rolls'?—A. No mangle rolls.
- Q. You had none?—A. Not in the punch shop.
- Q. Would they be called shipyard tools?—A. I don't think so.
- Q. 'The Nilles Tool Works Company's steam bull rivetter, with 66-inch throat and 36-inch cylinder, 50 tons pressure capacity 1-inch rivets'?—A. Yes.
- Q. New pattern No. 15 Bryant cold saw, made by the Nilles Tool Works Co., can cut up to 20-inch beam'?—A. Yes.
- Q. 'Hilles & Jones copeing machine'?—A. Yes.
- Q. 'Ajax rivet making machine'?—A. No rivet making machine.
- Q. Called 'The Ajax'?—A. No rivet making machine at that time.
- Q. 'Beam bender and straightener, made by the Cleveland Punch and Shear Works, bend up to 15-inch channels'?—A. Yes, we had one at that date.
- Q. You have one from the Cleveland Punch and Shear Works?—A. We had one sent us, but I would not be positive as to that date.
- Q. '1,100-lbs. steam hammer, made by Bement & Miles'?—A. Yes. That is tools in the blacksmith shop. That is one of the forging tools.
- Q. That is a shipyard tool, is it not?—A. Yes.
- Q. 'Compound Belt Driven Air Compressor, 16½-inch by 10½-inch by 12-inch, capacity of free air per minute, 446 feet'?—A. Yes.
- Q. '4,000-lb. cranes for punches'?—A. 4,000-lb. cranes for punches?
- Q. Yes?—A. There were two or three of them.
- Q. '4,000-lb. Harrington hoists'?—A. Yes, a number of them.
- Q. Then another Harrington hoist?—A. Yes, there were a number of them.
- Q. '12-inch by 24-inch by 30-inch tandem compound Reynolds-Corliss engine set up complete, 2 boilers supplied, horizontal return tubular type, 60 inches by 14 feet, steam pressure 125 lbs.'?—A. Yes.
- Q. Locomotive crane?—A. No locomotive crane.
- Q. You had no locomotive crane at that time?—A. No locomotive crane.
- Q. At that time?—A. Never a crane at any time.
- Q. 'Hammers, No. 1, 2 and 3, for caulking and chipping'?—A. We had a number of air tools.
- Q. Those are air tools?—A. Yes.
- Q. Long stroke rivetting hammer, drive rivets up to 1-inch diameter; No. 0 hammer for heavy chipping, drive rivets up to ¾-inch diameter'?—A. We had several.
- Q. No. 000 yoke rivetter complete, with 30-inch pipe frame, will drive rivets up to 1-inch in diameter'?—A. Those are air tools.
- Q. '1½-inch by 6-inch rivetter, with or without frame, will drive rivets up to 1¼-inch in diameter'?—A. Yes.
- Q. 'The Long Stroke Shell Rivetter complete'?—A. Yes, I think there is one of them.
- Q. 'No. 3 Boyer drill, two of them'?—A. Yes, there are Boyer drills.
- Q. 'Oil rivet heating forge, capacity 500 rivets per hour'?—A. Yes.
- Q. Now, taking what you say you had there as shipyard tools, what do you say is the fair value for that whole lot?—A. Well, I have already given a value of the entire output, say \$240,000.
- Q. I know, but I would like to get at the value of this lot?—A. I cannot begin to cut it up.
- Q. I have given you all the details?—A. I would be simply speaking from memory, and putting a value on them in that way, they would probably run up, and when you came to foot them up, there would be discrepancies shown.
- Q. You told me a while ago that the fair value of tools for shipbuilding would be \$2,000?—A. I beg your pardon, I never made such an answer.
- Q. I think I took it down?—A. Refer to the evidence.
- Q. Give it to me again. What is fair value of your shipyard tools, that is the class of machinery you have had there?—A. Why should I answer that question?
- Q. You said I did not state it right, give it to me again?—A. I am not prepared to give it to you because it includes too many tools

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Q. You are not prepared to say even after I have given you the list of tools ?—
A. No.

Q. Will you say that \$50,000 for the tools I read out as shipyard tools is a fair valuation ? Get your recollection brushed up ?—A. I don't need to get my recollection brushed up ?

Q. Are you sure you never gave Mr. Coste a list of tools ?—A. I may have given him certain information relative to tools but I have not given him a complete list of the tools of the new plant.

Q. Did you ever give him a list of the shipyard tools as classed ?—A. I may have given him a list of some tools, possibly the forge tools or some others in the punch shop. I am not prepared to say I did or did not.

Q. You said a while ago that you did not remember giving him any list of tools ?—A. I never gave him a complete list.

Q. Wait a minute, answer my question ?—A. You said complete.

Q. Answer my question ? Did you give Mr. Coste any list of tools ?—A. I may have.

Q. What is your recollection of the subject ?—A. My recollection is quite hazy.

Q. Do you remember that you ever did give him a list of tools ?—A. I know I gave him no complete list; I will vouch for that.

Q. Did you ever give him a list of tools of any kind ?—A. I may have.

Q. Could you have given him a list of shipyard tools ?—A. I may have.

Q. Did you give him that list of shipyard tools ? In the first place let me ask you whose handwriting is that on the classified price list of shipyard tools, from which I have been reading, 'angle iron shears, Hilles & Jones' ?—A. Part of it is mine.

Q. What part is yours ?—A. This part here (pointing to the statement)—That part is not mine.

Q. The figures are not yours ?—A. The figures are not mine.

Q. The figures '\$1,500' are not yours ?—A. The figures \$1,500 may be mine; the balance of it is simply not mine.

Q. The \$1,500 you say may be yours. Now, if Mr. Coste says when he was inquiring into the valuation of this plan for the purpose of making his estimate that you gave him that list will you deny it ? I am speaking now of the typewritten list with your amendments and not with any other pencil marks on it ?—A. I understand. Give me time to look it over without interrupting me.

Q. Understand, I am not now speaking of pencil figures at the bottom at all, only the typewritten figures there.—A. If I gave that list to Mr. Coste, I did not give it as a list—

Q. That is not my question, I am asking a simple question, and you can make an explanation afterwards. If Mr. Coste swears he got that list from you at that time ?—A. With the object of what ? What did I give him the list for.

Q. I am not saying anything about that.—A. I refuse to answer it unless you give me reason why I gave it.

Q. I want to know if Mr. Coste swears you gave him that list at that time will you deny it ?—A. I must first know what Mr. Coste had it for.

Q. What can it matter what purpose it was given for ? If he swears you gave him that list with any object will you deny it ?—A. No, not with any object. I may have given him that with a certain object in view, yes.

Q. Let me draw your attention to the sketch at the bottom of this in pencil, marked 140 x 50, a building, is that a fair representation of the furnace and blacksmith's shop, as a rough sketch ?—A. It is meant to represent that, it is quite evident.

Q. It is evident it is made to mean to represent that. If Mr. Coste swears that you gave him, at that time, a figure of \$12,000 as the value of that, what was shown on it, including the cost of the iron platform, what do you say about that ?—A. That is just about right.

Q. That is what you said a short time ago your figure was \$6,000 for ?—A. You

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have to include there the furnace shop and furnaces, as the sketch shows there are a whole lot of tools.

Q. What outline does it show outside the furnaces?—A. The steam hammer, the blacksmith's fires and such like.

Q. And what else, what is a fair figure to put on the steam hammer?—A. I told you before, I think, you can refer to the evidence, I told you that once before.

Q. You will answer it three or four times if necessary.—A. I do not have to.

Q. Yes, you have?—A. \$1,200 or \$1,500.

Q. What are blacksmith's fires worth?—A. Probably \$30 to \$50 a piece.

Q. There are six of them shown here, I suppose that means forges, does it?—A. Yes.

Q. That is the whole of it that makes up your \$6,000, that is \$8,000?—A. Yes.

Q. That is far away from \$12,000?—A. You will remember when I gave you the figures for the bending slabs, I gave you the figures of what they cost, not as their value.

By Mr. Reid (Grenville):

Q. That is what is put down probably for 3 per cent commission to Mr. Coste?—A. I beg pardon, I did not say that.

By Mr. H. S. Osler, K.C.:

Q. If Mr. Coste swears that he got from you the detailed figures for all the different shops and machinery in them and noted it down himself at the time?—A. Yes.

Q. What would you say to that?—A. I would deny it.

Q. You would deny it?—A. Surely.

Q. One other question. When do you say that boiler shop was started?—A. The boiler shop?

Q. Yes.—A. I do not think I ever gave the date when it was started.

Q. I think you said it was finished at the end of 1903?—A. I may have said it was finished, but I never gave the date when it was started.

Q. I thought you said that was one of the buildings you took into consideration in your estimate of \$200,000?—A. I did not give an estimate of \$200,000.

Q. Wait a moment, \$200,000 was the figure you put upon the whole property, in working order, on the 31st of July, 1902, is not that right?—A. I do not think I put that figure on it.

Q. What figure did you put?—A. I do not remember putting any figure on it.

Q. You were asked for a figure and you said \$200,000 was reasonable.—A. They may have quoted that figure to me, and I may have said it was reasonable, but I would not give any figures.

Q. That is what I am told you did do, we will take it at that. Did you include in that the boiler shop?—A. You can get the question and find out whether it was.

Q. I am asking you now, what I want to know, Mr. Calderwood, is this, is it your recollection that the boiler shop was included in the assets of 31st July, 1902?—A. 1902?

Q. July 31st, 1902.—A. That is a different proposition. I would not be prepared to state that. It was included in the estimate of 1903.

Q. Have you any recollection as to whether the boiler shop was in existence, and if so, at what stage was it in July, 1902?—A. I would not give an estimate.

Q. You would not undertake to say how that is?

By Mr. Reid (Grenville):

Q. You have been at the Kingston dry dock?—A. Yes.

Q. Have they machinery, tools, everything of that kind equal to the Collingwood dock in so far as shipbuilding is concerned?—A. Why, they have no tools there at all but the pumping plant.

Q. In the government dry dock at Kingston there is nothing but practically the dry dock proper?—A. That is all.

Q. What you represent at Collingwood as \$130,000?—A. Exactly.

Q. I have just asked Mr. Calderwood how the Kingston dry dock is as compared with the Collingwood dry dock. What the \$130,000 represents; what do you mean by that?—A. What is the question?

Q. \$240,000 you place on their tools and machinery, &c., at Collingwood. They have not anything to represent that amount at Kingston?—A. Nothing whatever.

Q. So that the \$130,000 represents the dry dock at Kingston, outside the pumping plant?—A. Kingston is a government work, and you know what government jobs cost.

Q. When this dry dock was built at Collingwood, had it been built simply for vessels to have been repaired there, the same as at Kingston, it would not have been necessary to spend \$240,000?—A. No, it would have been necessary to spend a considerable amount for machinery. Kingston is simply a dry dock; it cannot repair vessels there.

Q. Have you ever known a vessel to be repaired at Kingston there?—A. Yes, there is one being repaired there now under my supervision, but the work is being done by the foundry company; the machine work is done outside the dock.

Q. The dry dock people do not do the work?—A. No.

Q. But the dry dock is there complete?—A. Yes, complete for docking ships, but without the tools.

Q. This \$240,000 was spent for plant for the purpose of building vessels?—A. For building vessels, and repairing vessels, and for repairing the machinery for vessels, and for repairing the boilers, &c.

By Mr. Lennox:

Q. There is a wall spoken of as a new wall; I think you spoke of it?—A. Which wall?

Q. One wall which was utilized in building the new dock?—A. Yes, there is a new wall.

Q. One wall was utilized in building the new dock?—A. Yes.

Q. I thought you spoke of that as a new wall?—A. Well, they are both new walls.

Q. Of course there would be new walls now?—A. They are both new walls.

Q. When was this first wall built?—A. In the winter of 1900 and 1901.

Q. After they had decided to enlarge the dock?—A. Yes.

Q. But at the time they built that first new wall they had not decided to extend it as much as 530 feet?—A. Oh, no.

Witness discharged.

Committee adjourned.

(Price list of shipyard tools produced and filed by Mr. Calderwood as exhibit 12.)

EXHIBIT No. 12.

PRICE LIST OF SHIPYARD TOOLS.

Angle Iron Shears—Hilles & Jones.

18' steam rolls, top roll 18"m, bottom rolls 13" dia., built by Wickes Bros., Saginaw.	\$5,000
Hilles & Jones No. 1 horizontal punch, capacity $\frac{3}{8}$ " hole through $\frac{3}{4}$ " plate.	925
Long & Allstatter Co. No. 1 double punch and shears, 36" depth of throat, capacity 1 $\frac{1}{2}$ " hole through 1" plate.	2,100
Hilles & Jones No. 2 double punch and shears, 25" depth of throat, capacity 1" hole through 1" plate.	1,400
Hilles & Jones No. 4 plate planer.	650
Dunkirk plate planer.	1,028
Plate flanging machine.	1,450
2 Radial drilling and countersinking machines, each \$375.	750
Hilles & Jones mangle rolls.	1,500
The Nilles Tool Works Co.'s steam bull rivetter with 66" throat and 36" cylinder, 50 tons pressure, capacity 1" rivets.	1,500
New pattern No. 15 Bryant cold saw, made by the Nilles Tool Works Co.; can put up 20" beams.	1,200
Hilles & Jones coping machine.	750
Ajax rivet-making machine.	750
Beam bender and straightener, made by the Cleveland Punch and Shear Works; bend up to 15" channels.	625
No. 11 steam hammer, made by Bement & Miles.	1,275
Compound belt-driven air compressor, 16 $\frac{1}{4}$ " x 10 $\frac{1}{4}$ " x 12", capacity of free air per minute, 446 feet.	1,650
4,000 pound for punches, each.	480
4,000 pound Harrington hoists, each.	50
3,000 pound Harrington hoists, each.	40
12" x 24" x 30" tandem compound Reynolds-Corliss, set up complete, 2 boilers supplied, horizontal return tubular tube 60" x 14 feet, steam pressure, 125 pounds.	5,200
Locomotive crane.	5,280
PRICE OF TOOLS SUPPLIED BY 'THE CHICAGO PNEUMATIC TOOL CO.'	
Hammers, 1 pound, 2 and 3, for caulking and chipping, each.	100
Long-stroke rivetting hammer; drive rivets up to 1" dia.	200
No. 0" hammer for heavy chipping; drive rivets up to $\frac{5}{8}$ " dia.	125
2 No. 000 yoke rivetter complete, with 30" pipe frame; will drive rivets up to 1" in dia.	225
2 1 $\frac{3}{4}$ " x 6" rivetter, with or without frame; will drive rivets up to 1 $\frac{1}{4}$ " in dia.	275
The Long-stroke shell rivetter complete.	300
2 No. 3-lb. Boyer drill.	125
3 No. 2-lb. Boyer drill.	135
Oil rivet-heating forge, capacity 500 rivets per hour.	125
$\frac{3}{4}$ " wire-wound air hose, 30 cents per foot.	

Our air tools cost us \$3,200.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RESPECTING

PAYMENT OF \$11,907.60 TO CHARLES STRUBBE

IN CONNECTION WITH

INTERNATIONAL PORTLAND CEMENT

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

SEVENTEENTH REPORT.

Your committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$11,907.60 to Charles Strubbe, Montreal, in connection with International Portland cement, as set out at page P—112 of the Report of the Auditor General for the fiscal year ended June 30, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed, and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 FRIDAY, March 1, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the consideration of a payment of \$11,907.60 to Charles Strubbe, Montreal, in connection with International Portland cement, as set out at page P—112 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

Mr. CHARLES STRUBBE called, and sworn and examined.

By Mr. Northrup:

Q. I believe, Mr. Strubbe, that in the year ending June 30, 1906, you sold some cement to the Marine and Fisheries Department, did you not?—A. In 1906?

Q. In the year 1905; it would be in the year ending the 30th June, 1906?—A. Not in 1906.

Q. In 1905 you sold some cement to the department?—A. Yes.

Q. That is the same thing. What amount of cement did you sell to the Marine and Fisheries Department?—A. I had a contract for 6,000 barrels to be delivered at Sorel by public tender at \$2.20 per barrel.

Q. You had a contract for 6,000 barrels to be delivered at Sorel?—A. At \$2.20 per barrel.

Q. And you obtained that contract by public tender?—A. By public tender.

Q. Were tenders advertised for in the newspapers?—A. Yes, sir.

Q. Have you a copy of the advertisement? I suppose you have not?—A. No.

Q. Perhaps the deputy minister of Marine and Fisheries will give us a copy?—A. You had the contract last year, and you questioned me about it then.

Q. But one cannot carry it in his mind the whole year. The first contract was for 5,000 barrels and subsequently another thousand was added?—A. No; under the contract 6,000 and another thousand by order, by order given by the minister direct.

Q. You had a contract for 6,000 barrels separately at Sorel and 1,000 subsequently?—A. And one thousand for Quebec.

Q. Subsequently?—A. Yes.

Q. That is 7,000 barrels altogether. At what price were the thousand barrels additional to be?—A. The thousand barrels would be \$2.25 and 8 per cent over weight.

Q. When you made your contract what were you paid for the thousand barrels?—A. \$2.25 was the amount; the others were not barrels.

Q. And if the cement went over weight?—A. Eight per cent.

Q. So that you were paid how much?—A. Twenty cents per barrel.

Q. That is \$2.45 per barrel?—A. Yes.

Q. You saw the advertisement in the papers and sent in a tender, did you?—A. Yes.

Q. Have you a copy of the tender you sent in?—A. No.

Q. Perhaps I can show you one. Would that be a copy of the tender you sent in (producing file)?—A. My tender was—

Q. Is that a copy of the tender sent in by you?—A. No; my tender was \$1.80.

Q. Is that a copy of a tender sent in by you?—A. This (indicating copy on file)?

Q. Yes?—A. No.

Q. That is not a copy of any tender sent in by you?—A. My tender was \$1.80.

By Mr. Maclean (Lunenburg):

Q. What are you looking at?

Mr. NORTHROP.—The file from the department, which contains a copy or what purports to be a copy of the tender made by Mr. Strubbe—which he says is not a copy of the tender sent in by him—dated the 8th March, 1905.

The WITNESS.—That is \$1.95 net; you have to add 40 cents to that.

Q. I am merely asking if this is a copy?—A. No; my tender was at \$1.80 and 40 cents.

Q. Will you look at that (indicating letter on file) and see if you ever received the letter of which that is a copy?—A. Yes.

Q. This is a letter dated the 29th of March, 1905. It is a copy of a letter received by you?—A. Yes.

Q. Will the deputy minister kindly let me have a copy of the tender this letter refers to. Mr. Strubbe repudiates the copy of his tender furnished by the department on the file? The tender on the file is dated March 19, 1905, and is addressed to Honourable R. Préfontaine, Minister of Marine and Fisheries, Ottawa, and reads as follows:—

‘I hereby agree to supply your department with 1,500 barrels of quick-setting and 3,550 barrels slow-setting Portland cement from the International Portland Cement Company of Ottawa at the price of \$1.95 per barrel f.o.b. cars at the mill at Hull. Barrels of 350 lbs. net in bags of 87½ lbs. each, bags to be charged at 10 cents each and refunds made when returned in good order.

‘Hoping the offer will be accepted, I remain, dear sir,

‘Yours truly,

‘C. STRUBBE.’

Mr. Strubbe repudiates that tender.

By Mr. Maclean (Lunenburg):

Q. I do not suppose he means to repudiate it?—A. I do not repudiate it; it must be a copy of it, I suppose, but I remember my price was \$1.80 per barrel.

Q. You think that is not a copy?—A. It must be; if that is there it must be a copy. All these things are two years ago, and when I was here last year you asked me everything about this, and I brought the letters and everything else for you to see.

Q. I did not ask about this last year at all; this account was not here?—A. You asked me everything about it. You questioned me about all these things last year.

Q. I do not think I did, but we will not discuss that now. If I did we will go over it again this year, and perhaps be equally successful. You think you did send in such a tender?—A. It must be mine if it is signed by me.

Q. It is only a copy—if you will say you did or did not send it?—A. Yes.

Q. You did tender to supply cement at \$1.95 per barrel f.o.b. at Hull?—A. Yes.

Q. Here is a copy of a letter dated the 29th March, 1905, from the deputy minister to you. Have you the original letter?—A. No, not that I remember.

Q. See if you will remember this:—

‘I have to inform you that your tender to supply this department with 1,500 barrels of quick-setting and 3,550 barrels of slow-setting Portland cement from the International Portland Cement Company, of Ottawa, at \$2.20 per barrel delivered at Sorel has been accepted. A barrel to weigh 350 lbs. net in four bags of 87½ lbs. each. A refund of 10 cents is to be allowed for bags returned in good order. The cement must be delivered in Sorel by the middle of May next, but before beginning delivery you must supply samples as called for by the specifications which will be kept for standard comparison.’

A. Delivery is to be by the middle of May.

Q. This letter speaks of the price being \$2.50; it was originally, and then it was changed to \$2.20. Which would you say it was?—A. \$2.20, and that is to be delivered in Sorel by ‘the middle of May next.’

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Q. Are you clear it was \$2.20 per barrel?—A. \$2.20 per barrel, yes.

Q. It was to be supplied in bags?—A. In bags.

Q. And if the bags were returned?—A. The contract is at \$2.20.

Q. Your original offer was at \$1.95 per barrel at Hull?—A. I believe so.

Q. And then there was to be 40 cents allowed for bags?—A. Yes.

Q. Would that 40 cents be included in the \$1.95?—A. No; \$2.20 less 40 cents makes \$1.80.

Q. You tendered at \$1.95 and then you were to be allowed 40 cents addition for bags?—A. Yes.

Q. And if the government returned the bags they were to be credited with 40 cents?—A. Yes.

Q. So that would come to \$1.95 per barrel if the bags were returned?—A. Yes, net; \$2.35 with the bags.

Q. And if the government returned the bags then they would get forty cents back?—A. Yes.

Q. That was the tender you made. Now the tender that was accepted is the tender at \$2.20 per barrel?—A. Yes.

Q. That is a different tender to the one you put in. Did you put in another tender?—A. No, I did not put in another tender.

Q. You only put in one tender?—A. Yes.

Q. Can you explain your tender of March 18 and the government's answer of the 29th, because there are two different amounts mentioned?—A. I recollect that at the time there was a telephone that the price I put in was too high.

Q. That was afterwards?—A. And that I had to cut it down.

Q. After the advertisements for public tenders you sent in a tender?—A. Yes.

Q. And you were telephoned by the department to say that your tender was too high, so you cut it down 15 cents per barrel?—A. Yes.

Q. And that is the way you got the contract?—A. Yes.

Q. From whom did the telephone message come asking you to cut it down?—A. Nobody. I telephoned myself that I found I had quoted too high.

Q. After you had sent in your tender but before you heard from the department?—A. Yes, sir.

Q. Is that it, before you heard from them at all?—A. Yes.

Q. You telephoned to whom?—A. To the minister.

Q. Where?—A. At Ottawa.

Q. Did you telephone saying, 'I made a mistake; I charged too much; cut it down to \$1.80?'—A. Yes.

Q. What was his reply?—A. He did not reply, he wrote me that letter.

Q. You did not write anything to the department after your first tender?—A. No.

Q. You just telephoned the message?—A. Yes.

Q. By this accepted tender you were to supply samples for comparison before delivery?—A. The samples were there a long time before.

Q. Did you supply samples?—A. Yes.

Q. When did you supply them?—A. Long before that. They had samples at the testing department here all the time.

Q. Before you tendered at all?—A. Yes, all the time. They sent samples nearly every week. Of course the works are here at Hull and the testing department is here in Ottawa.

Q. Did the International Portland Cement Company send samples over to the department every week or so?—A. Nearly every week.

Q. These were the samples you expected to be tested?—A. Yes.

Q. Did you arrange that with the minister?—A. Well, it was marked in the specification that the cement should be tested according to the specification by the engineer of the department.

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Q. Were you requested at all by the department to send them samples of the cement?—A. No.

Q. You did not receive any letter requesting that?—A. No.

Q. I find a letter—a forgery probably—professing to be addressed to you on May 6, 1905:—

‘SIR,—Referring to your letter of the 25th ultimo stating that a barge load of quick-setting cement will reach Sorel about the 18th inst., I have to advise you that the engineer in charge there states that he has not yet any place where it can be stored. You would therefore better await shipping instructions. I have further to draw your attention to the fact that the cement is required to fulfil the requirements of a standard test. Please send me samples for testing.’

A. At that time he had had samples already for a long time.

Q. When this letter was written to you by the chief engineer he had these samples for a long time?—A. Yes.

Q. Where did he get them?—A. From the company. You can see the register of the cement department; they keep a register of the cement tested there every day.

Q. The government is purchasing cement from this International Portland Cement Company continually, I believe?—A. Well, no. I am talking about two years ago when they had just started; this is two years ago.

Q. I am speaking about this time?—A. At that time they had their cement tested every week, and the reports are in the register there where everybody can see them, and according to the specification it is not necessary to have any other samples sent.

Q. The International Portland Cement Company were sending their samples to the government to be tested every week?—A. Nearly every week.

Q. And you did not think because of that it was necessary to send samples to the government because you were under contract to deliver their cement?—A. Yes.

Q. As a matter of fact was it their cement you delivered to the government?—A. Yes. The first lot I sent was Olson Portland cement, but they could not take that. I also sent them two barge loads which was tested and up to the standard, but the engineers were not ready to take the cement at that time, and I forwarded the two barges to Montreal to the Harbour Commissioners.

Q. I do not want to wander all through the history of that cement, but am trying to get at this question of testing. You have told me already you did not send any cement from the International Portland Cement Company because that company was sending samples every week to the government?—A. Yes.

Q. And you told me that your contract was to sell International Portland cement to the government?—A. Yes.

Q. Under these circumstances you did send some samples to be tested, did you not?—A. Well, I do not think so. Of course they had samples all the time.

Q. Did you not send Olson cement to be tested?—A. Yes.

Q. And that was at the time when your contract was to deliver International Portland cement?—A. Yes.

Q. Did you follow up your sample for testing purposes by sending any Olson cement to the department at Sorel?—A. I sent some Olson cement.

Q. You did send some?—A. Yes.

Q. Two barge loads?—A. Two barge loads.

Q. Two barge loads of Olson cement?—A. Yes.

Q. And samples of it were sent up for testing?—A. Yes.

Q. Was the Olson cement accepted?—A. Yes. They could not accept the barge loads because the engineers were not ready. They did not take the cement, they have not used a barrel of it, but the test was accepted.

Q. They did not accept it as a matter of fact?—A. Because they were not ready.

By the Chairman:

Q. When you say ‘accept it’ you mean that the test was declared sufficient, but

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the cement was not accepted?—A. Yes; it was accepted as to the test but they did not take the cement.

By Mr. Northrup:

Q. They did not accept that cement?—A. Not because the quality was not good but because the engineers were not ready to start to work.

Q. The point is they did not accept it. The reason is that the engineers were not ready to start the work?—A. Yes; the letters are there.

Q. I find here a memorandum to the deputy minister, Col. Gourdeau, by Col. Anderson, dated the 13th June, in which he says:—

‘No report on this cement has been received from the Public Works Department, and apparently the test of the Olsen cement has not been made yet.’

A. There was no more question about that, because it was altogether finished. I took the two barges back and there was no more question about supplying the Olsen cement, so that it was not necessary.

Q. But as late as the 13th June this Olson cement had not been tested?—A. Yes, it was, because I have a report at the house that it was all right.

Q. You had that before the 13th of June, had you?—A. Yes; they had reported the test from the department, and if the engineers had been ready they could have accepted it.

Q. If Colonel Anderson said on the 13th of June that this cement had not been tested, you say it was wrong, that you had the report itself before that?—A. I do not say I had a report. I know that the cement was all right.

Q. I am not asking you that. I find here a report of Colonel Anderson’s as late as the 13th of June?—A. Oh, yes, I remember.

Q. So that on the 13th of June that had not been tested?—A. It had not been tested, but they had a test from the Olson cement in the register.

Q. Have you the date when you first delivered any of the International Portland Cement Company’s cement at Sorel? Can you give me the date?—A. Yes, you have it there; it was as far as August.

Q. What?—A. In August.

Q. It was in August before you delivered any cement?—A. Yes.

Q. I think we have the dates over here in the accounts?—A. You have the invoices there.

Q. I see August 19 is the earliest date?—A. Yes.

Q. That is the date on which the International Cement Company’s cement was first supplied?—A. Yes.

Q. And then you kept on supplying it from then to October?—A. To the end of the contract.

Q. You bought this cement from the International Portland Cement Company?—
A. Yes.

Q. When did you make your contract with them, was it before you tendered or after?—A. It was before I tendered.

Q. Before you tendered to the minister you had made your contract with them at a certain price?—A. Yes. At that time I was not an agent. Now I am an agent of the company.

Q. Relying upon that contract with them you made a tender to the minister?—
A. Yes.

Q. And your tender was accepted?—A. Yes.

Q. And you got the cement from the International Portland Cement Company?—
A. Yes.

Q. And I suppose they delivered it at the price you agreed upon?—A. Yes.

Q. Who paid the freight between Hull and the place it was delivered?—A. I did—well, the company paid it and charged it to me. The International Portland Cement Company paid it and charged it to me. The government did not pay anything for freight.

Q. The government would not pay anything for freight at all?—A. No; it was \$1.80 freight paid at Sorel.

Q. If there was a difference between your tender and the contract can you tell me how much was allowed for freight?—A. For freight?

Q. How much of that \$2.20 was for freight per barrel?—A. I could not say, but the price was whatever it was there; it was the only price, delivered at Sorel.

Q. Was it all delivered in bags?—A. All in bags.

Q. I suppose it was all paid for by the government, allowing 10 cents for the bags?—A. Yes.

Q. What became of the bags?—A. Well, the bags were returned, but a lot of them were torn and others that were returned were not ours, and I only got 13,700 good bags which I accounted for to the government.

Q. You only got 13,700 good bags returned?—A. 13,700.

Q. Was there any refund made for them?—A. Yes, I refunded \$1,370.

Q. You paid \$1,370 to the government, did you?—A. Yes.

Q. When?—A. Well, it was deducted from the thousand barrels delivered at Sorel. You will find that in another account.

Q. Look over these accounts and see if you can find the refund?—A. Here is a copy of the account here:—

1,000 barrels at \$2.25	\$2,250 00
Eight per cent over weight	200 00
	<hr/>
	\$2,450 00
By damage for handling	342 82
	<hr/>
	\$2,107 18
Allowed for empty bags delivered, 13,700	1,370 00
	<hr/>
Balance due	\$737 18

That is \$340 that I have lost. That is the way I have been treated by the department, and I would not do any more business with them.

Q. They have robbed you and won't make it right?—A. No.

Q. Here is a bill here for 1,002 barrels. Is that the one in September?—A. At Sorel?

Q. Would that be the one?—A. No, no, there is nothing on that.

Q. It is not here at all, that account?—A. No; of course that is in this season, 1906.

Q. There must be some other account. What is the date of that?—A. It was supplied in November, 1906.

Q. What I want to get at is this: you got \$1,370 allowed you by the International Portland Cement Company?—A. Yes.

Q. And the cement was delivered in the summer and fall of 1905?—A. During the summer and fall, yes.

Q. And these bags were the bags in which those 6,000 barrels of cement that we have been talking about this morning were delivered?—A. Yes.

Q. I suppose the government paid you for these 6,000 barrels, did they?—A. Yes.

Q. And if we look through we will find the cheques here?—A. Yes, they are all right.

Q. And that wound up, in the year 1905, your transaction in connection with these 6,000 barrels?—A. Yes.

Q. And the government paid you for how many thousand bags?—A. 13,700.

Q. No, no, they paid you how much?—A. The whole amount.

Q. For how many bags would that be?—A. 24,000 bags.

Q. The government paid you in 1905 for 24,000 bags?—A. Yes.

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Q. And in that year you closed the transaction in connection with the 6,000 barrels?—A. Yes.

Q. What did you pay back in that year 1905, up to the time the contract was closed, for the bags that you got back?—A. I did not pay, and rightly——

Q. Excuse me, how much?—A. Nothing at all. The government owed me at that time \$2,250, and until this was settled the refund for the bags was not settled. As I have shown you in the account that I gave you, the Marine Department at that time owed me \$2,450 for cement I had supplied them, and after I had paid them the \$1,370 refund for the good bags returned there was a balance due me of \$737.18.

Q. Well, we will come to that later, but one thing at a time. The government had paid you for 24,000 bags?—A. Yes.

By Mr. Maclean (Lunenburg):

Q. Is that in connection with this contract?—A. Yes.

Q. The government paid you for 24,000 bags, and I have a statement here showing they delivered back to you 22,230?—A. They never did.

Q. They never did?—A. Well, yes, perhaps they did, but some of them were spoiled.

Q. At all events the government charged you up with 22,230 bags delivered back. Is that correct?—A. I received from the government 13,700.

Q. It is 22,230 here?—A. They may write whatever they like, but I only received 13,700.

Q. When the government officials say that they returned 22,230 that is not true?—A. I only got back 13,700 in good order. There may have been 22,000 returned, but the remainder were no good.

Q. They claim they gave you back 22,230?—A. This settles the whole thing. Here (producing document) is a letter from Colonel Gourdeau stating that the department had inquired into the matter of the empty bags and find that some bags were sent to Ottawa by steamer, and were placed on the deck, and the rain came on them and made them useless. The department accepted the statement of the International Portland Cement Company as to the number of bags returned in good order, and that settles the whole thing.

Q. That is plain. The government in the fall of 1905 paid you in full for 6,000 barrels of cement, including 24,000 bags?—A. Yes.

Q. Then time rolled by, and after they had settled up that transaction, as you say, a year later, in September, 1906, there is a letter from the department sending you a cheque for \$737 in connection with some other account and crediting you in that with \$1,370 for the bags?—A. Yes.

Q. When was the contract made with the government under which this balance of \$737 was paid to you?—A. It was ordered in October, 1905.

Q. Under what terms? Was there an advertisement for tenders?—A. No, it was a contract—an order that I received from the minister, and there was a question, and the minister went away then.

Q. I merely asked you when it was?—A. Well, I have received back 13,700 bags; I cannot say more.

Q. That is not what I asked you. When was the contract made with you for that thousand barrels?—A. In October, 1905.

Q. Another contract was made with you?—A. It was not a contract but a verbal order.

Q. From the minister, to you, to deliver a thousand barrels in——A. To Sorel.

Q. At what price?—A. At \$2.45.

Q. That is to say, a different quantity to be delivered at a different place at a different price?—A. Yes.

Q. When did you deliver this cement to Sorel?—A. Right away.

Q. In the fall?—A. In the fall of 1905.

Q. When was that contract closed?—A. I told you it was a verbal order.

Q. When was that order filled?—A. They refused it and made \$342 of useless expenditure, because the agent said there was nothing on file to show that the order had been given. There was a dispute, which has been lying over until Mr. Brodeur settled it in 1906, so I was not ready to give back money to the government when they owed me money.

Q. Certainly not?—A. That is it; and as I told you I lost \$342.82 on the transaction, and that is the result of the whole business.

Q. What was the dispute between you and the government about this thousand barrels for Sorel?—A. Because there was no written order. The order was given verbally, and Colonel Gourdeau was present when the minister gave the order.

Q. There was no dispute about the price?—A. No, not about the price.

Q. What did they pay you eventually?—A. \$2.45 per barrel.

Q. \$2.25?—A. Yes, and 8 per cent for over weight, that is \$2.45. Then, as I told you, I deduct \$1,370 for bags and \$342 of useless expense that I was put to.

Q. When you had completed your delivery of the 6,000 barrels, you were paid according to the contract, were you?—A. Yes.

Q. Did you get anything more for the 6,000 barrels than your contract called for?—A. Yes; the contract called for the cement to be supplied by the 15th of May.

Q. Please don't tell me that. Did you get anything more than your contract called for?—A. I got 10 cents more per barrel because the duty was increased and the price of cement was raised, and I would not supply them except they allowed me 10 cents difference in price according to the increase in duty.

Q. You got 10 cents per barrel more on this cement you bought in Hull on account of the increase of the duty?—A. Because of the increase of the duty.

Q. That was not in your contract?—A. No.

Q. But on account of the increase in the duty you got 10 cents per barrel more?—A. Yes.

Q. That is on the whole contract. You told me a little while ago that you made your bargain with the International Portland Cement Company before you tendered?—A. Yes.

Q. And you told me they supplied the cement at the price they bargained to supply it for?—A. Yes.

Q. You were not hurt by the increase in the duty then, so there is nothing in that?—(No answer.)

Q. Were you hurt by the increase in the duty?—A. Not at all. I made 10 cents more on the sale of the cement, but other people had 10 cents more. If the government had taken the cement at the time mentioned in the contract I would not have got it.

Q. That 10 cents per barrel came to—how much money, do you remember—\$561, is it not?—A. 6,000 barrels would be \$600. I did not get it on all.

Q. You let the government off easily. You only charged them on 5,610 barrels. You ought to sue them for the balance?—A. I might.

Q. Well, at the time they settled with you in the fall of 1905 the government paid you in cash \$561, being 10 cents per barrel increase?—A. You see, '5,610 barrels at 10 cents, on account of increase of duty allowed by minister,' that is plain.

Q. The point I want to get at is that when they settled with you in the fall of 1905 they paid you \$561 in cash?—A. Yes.

Q. At that time you had received back the bags?—A. Yes.

Q. And at that time when they paid you \$561 in cash you had not paid for the bags?—A. It is all the same, they owed me money. It is the same as if you owed for a suit of clothes and wanted another pair of pants; it is all the same account.

Q. At the time you made the contract with the government for the 6,000 barrels of cement you said you were not an agent for the International Portland Cement Company?—A. No.

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Q. What was that company selling its cement for at its works in Hull at that time?—A. What you want to know is what profit I made. I made $7\frac{1}{2}$ cents per barrel. I bought it at $\$1.72\frac{1}{2}$ and I sold it at $\$1.80$. I advanced the money for it and everything for $7\frac{1}{2}$ cents per barrel.

Q. For $7\frac{1}{2}$ cents per barrel?—A. That was my profit.

By Mr. Maclean (Lunenburg):

Q. They made more out of it than you did?—A. Of course they did.

Q. You have told us already, Mr. Strubbe, that you had an order for an additional thousand barrels to be delivered at Sorel?—A. Yes.

Q. Did you get another order in the fall of 1905 for a thousand barrels to be used in Lake St. Peter?—A. No.

Q. I am not quite clear whether you had two orders for a thousand barrels each?—A. There was one for Sorel that I got on contract price.

Q. In addition to that there was another thousand?—A. Yes, for Sorel, a thousand, an increase on the contract, and 1,000 for Quebec.

Q. The reason I ask you is this. There is a letter to you on the 15th September, 1905:—

'I am advised by the engineer at the work in Lake St. Peter, that we shall require 1,000 barrels of cement in addition to that already ordered from you, with delivery in two weeks. Will you be good enough to attend to this promptly. Payment to be at the former rate with the addition of 10 cents per barrel as approved by the honourable the minister, on account of the increase in duty.'

A. Yes.

Q. You have told me already about 6,000 barrels, and about a thousand barrels ordered for Sorel. Is this in addition to those?—A. In addition.

Q. Was that in the fall when you supplied the thousand barrels at Lake St. Peter? Would that be the 1,002 barrels that we find here in this account? There is one account for 982 barrels marked 'Lake St. Peter'?—A. Have you got it according to the date?

Q. That would be September?—A. It would be the last.

Q. The deputy minister says he thinks that was never delivered?—A. You have all the accounts there. You had only 6,000 barrels altogether.

Q. That is the point that puzzles me. I do not quite understand it myself. Your original contract was 6,000 barrels?—A. That is all I delivered.

Q. Then I find here another order for 1,000 more barrels, this one for Lake St. Peter?—A. You have it all there.

Q. I have less than 6,000 here. I have added up the account, and I find that the department has purchased 2,000 barrels, and the next is 588 barrels; then the next is $\$561$, which is the charge of 10 cents on 5,610 barrels, and the 982 barrels, and then 1,002 barrels. So far as these accounts go here they are a little under the 6,000 barrels. It is 5,700, I think; we added them up?—A. Of course, it would make it $\$13,200$, that is 6,000 barrels at $\$2.20$.

Q. So far as I can find out there are 5,700 barrels, and in addition to that you tell me there is an additional thousand at Sorel, another order of 1,000 barrels to Lake St. Peter. There is an item here, I find, of 325 barrels at $\$2.30$ for Isle de Grasse. Would that be the lot?—A. No, that is not the Marine and Fisheries Department.

Q. Yes, that is the Marine and Fisheries Department?—A. I had no other account then for that.

Q. Isle de Grasse—is that in Quebec? They charge you up with 325 barrels there?—A. Yes, that is the same price, that is $\$2.20$ with the addition of 10 cents, making

it \$2.30. Perhaps that cement has been shipped from Sorel to Isle de Grasse. Some went to Lake St. Peter, but that is only a portion of the whole amount.

Q. That is not included in the 6,000 barrels?—A. It might. I had no other order than for the 6,000 barrels.

Q. 6,000 barrels were all you had altogether?—A. Yes.

Q. You must have had 1,000 additional to the 6,000?—A. If you have the invoices there you can see.

Q. You told me of another thousand barrels; that was an error?—A. For Quebec. That was in the wood and not in bags.

Q. We have nothing to do with that this year?—A. No.

Q. That is for the thousand barrels for Quebec?—A. Yes, of course it would be in the year 1906, but it was delivered in 1905.

Q. From what these accounts show we will take this for granted that you only sold the 6,000 barrels to the Marine and Fisheries Department?—A. More or less, under that contract.

Q. And 1,000 subsequently that went to Quebec?—A. Yes.

Q. That would cover the whole thing?—A. I suppose so. I have not the details here.

Q. I do not care which way it is, I only want to know how it is. Here is an order to you for a thousand barrels to Lake St. Peter. Will you say it did not come this year?—A. I could not tell you. I supplied over the contract. I have it in my mind.

Q. Would not that be the thousand you are talking about?—A. No, no, that is altogether different.

Q. There would be 8,000 barrels altogether, 6,000 on the original contract and two additional orders of 1,000 each?—A. The original contract was only for 5,000 barrels, and that thousand for Sorel makes 6,000; that with the other thousand makes 7,000 altogether.

Q. The 5,700 that is accounted for here with the quantity that went to Isle de Grasse makes the even 6,000?—A. That is right.

Q. What about the overweight, I do not quite understand that?—A. Of course the price was made at what they paid for the English cement, \$2.25 per barrel of 325 lbs., and the barrels that I sent were 375 lbs., which gave 50 lbs. per barrel; well, that makes eight per cent on the price.

Q. That is to say that by the contract you were to supply cement at 325 lbs. per barrel?—A. Yes, \$2.25.

Q. And in fact you supplied it at 375 lbs. per barrel?—A. Yes.

Q. And so you were allowed eight per cent more?—A. Eight per cent more for the overweight.

Q. I find by the contract between you and the department that they say the barrels should weigh 350 net?—A. That was under the contract, but the thousand barrels were in bags.

Q. It was only on 1,000 barrels you got the overplus?—A. Yes.

Q. That you got the overplus on the contract price?—A. Yes.

Q. And you got that contract by a verbal order, and by it the barrel was to go 325 lbs.?—A. 325. I was to get the same price that they had paid up to that time for the cement they were using.

Q. I understand you to say when you made this verbal bargain with the minister you were to supply a thousand barrels at the same price?—A. At the price that they were paying at the time, \$2.25 per barrel of 325 lbs.

Q. As a matter of fact your barrels had been 350 lbs.?—A. 375.

Q. The barrels that you had been delivering up to that time had been 350?—A. No, 375 lbs.

Q. But up to that time, when you made this bargain with the minister you had been delivering a lot of cement under contract?—A. I had been delivering in barrels, in wood, before that.

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Q. But you had been supplying a lot of cement?—A. Yes.

Q. And that had been described as being delivered in barrels and you were paid so much per barrel?—A. Yes.

Q. It was delivered in bags, but you were paid so much a barrel, and in that way all these barrels were to be 350 lbs. each; was not that how it was?—A. Yes.

Q. So that, although up to that time you had been delivering cement at 350 lbs. to the barrel, the minister agreed to pay you the same price that had been paid at that time?—A. That was for cement in Sorel, but this was for cement in Quebec. He agreed to pay me the same price as the department had been paying for cement in Quebec to other parties.

Q. I see, now, the bargain you made with the minister as to this 1,000 barrels was that you were to be paid the same price that the department was paying other people?—A. Yes.

Q. And what they paid you, and you say what they had been paying other people in Quebec was \$2.25 for a barrel of 325 lbs.?—A. Yes.

Q. Had you any talk with the minister before making this bargain as to what prices they were paying for this cement in Quebec?—A. No. It was in his office; he told me he needed a thousand barrels in Quebec, so I took the order, and the minister went away a few days after that. Colonel Gourdeau was present when the minister told me to send a thousand barrels, and a few days after the minister went away.

Q. What minister was that?—A. The Hon. Mr. Préfontaine.

By Mr. Northrup:

Q. At the time you made the bargain with Mr. Préfontaine was anything said as to the price?—A. Yes, it was to be the same price as others were getting.

Q. They did not mention the amount?—A. No.

Q. Did you know at that time who was supplying the government at Quebec?—A. Yes.

Q. Did you know the price that had been paid?—A. Yes.

Q. So that you knew what the price was to be?—A. Yes; but this has only been settled in 1906.

Q. That International Portland Cement Company would sell to the government direct would they not?—A. They could, of course, but they did not.

Q. That is not as far as you know?—A. Well, the government advertised for tenders and they could have tendered as well as I did.

Q. You spoke of the International Portland Cement Company sending their samples over to the government every week or so for test?—A. Yes.

Q. You knew they were selling direct to the government?—A. No; at that time I was not their agent.

Q. Did you know at that time that the International Portland Cement Company were selling to the government?—A. No, I did not know that they were.

Q. Have you any reason to believe they would not have sold to the government direct?—A. No, not at all.

Q. And I suppose the government could have bought as cheaply as any other purchaser?—A. I do not think so.

Q. Do you think you could have got cement cheaper than the government could?—A. It must be, because they preferred to sell it to me. At that time they could have tendered as well as I could.

Q. They could at that time tender just as well as you could?—A. Yes.

By Mr. Johnston:

Q. Do you know whether they tendered?—A. They did not tender at that time.

By Mr. Taylor:

Q. Did they get the chance, do you think?—A. It was advertised in the papers.

Q. In what papers?—A. In all the papers.

By Mr. Maclean (Lunenburg):

Q. Why did they not tender?—A. Perhaps they thought I was better pay.

Q. I think anybody would rather sell to the individual than to the government?—
A. I wish somebody else had and then they would be here in my place now.

By Mr. Northrup:

Q. These are the cheques you received in payment of your account (producing file)?—A. Yes.

Q. And the amounts are \$2,304.60; \$1,352.40; \$2,721.40; \$6,881.60. Were these cheques sent to you in Montreal or delivered to you here?—A. Sent to Montreal.

Q. Which is your bank in Montreal? What bank do you do business with?—A. Well, I do business with several, you know, last year you had me bring all my bank-books here, all my books and everything.

Q. What bank do you do business with?—A. The Federal Bank.

Q. With the Bank of Hochelaga?—A. With the Hochelaga Bank.

Q. Are you doing business with any other bank?—A. You can see there from the endorsements.

Q. Do you do business with any other bank than the Bank of Hochelaga?—(No answer.)

Q. Have you an account at any other bank than the Bank of Hochelaga?—A. Yes.

Q. With what other bank?—A. With nearly all the banks.

Q. With any other bank in Montreal?—A. Yes.

Q. You are doing business with other banks than the Bank of Hochelaga?—A. Most of the business is with the Hochelaga Bank. I have done some with the Provincial Bank.

Q. Any other bank?—A. The Bank of Montreal.

Q. I notice the first cheque—A. I will send you by bank-book up first mail if you want it.

Q. I do not want to see that at all. The first cheque went into the Bank of Montreal at Montreal. Was that deposited to your credit?—A. Yes.

Q. And then the others all went to the Bank of Hochelaga?—A. Yes.

Q. You had an account of your own in the Bank of Montreal, had you?—A. Yes.

Q. And this cheque went to that account?—A. Yes.

Q. Did all these cheques go to your credit?—A. Of course they did.

Q. Exactly, of course. Did any person else get a share of the profits?—A. No.

Q. You got every dollar of the profits yourself?—A. 7½ cents a barrel I have told you. I made 7½ cents a barrel, and I will bring you the invoices of the International Portland Cement Company if you like.

Q. Whatever the profit was you had it all to yourself?—A. Yes, and it was not very much.

Q. I am not saying there was. I am only wishing to see whether you got a fair profit.

By Mr. Reid (Grenville):

Q. You say you sold this cement to the government at \$1.80 a barrel?—A. Yes.

Q. At \$1.80?—A. Yes.

Q. And 40 cents extra for bags, making \$2.20?—A. Yes.

Q. That was for 325 lbs.?—A. 350.

Q. To the barrel?—A. Yes; 87½ lbs. per bag, four bags to the barrel.

Q. What about this overweight, that is what I am trying to get at?—A. That had

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nothing to do with the Sorel business, but was for the thousand barrels supplied to Quebec afterwards.

Q. But the price was \$2.20 for in the neighbourhood of 5,000 barrels?—A. Yes.

Q. The price was \$2.20 delivered?—A. Yes.

Q. That was for 350 lbs.?—A. Yes, in four bags of 87½ lbs. each.

Q. The \$1.80 and 40 cents made \$2.20?—A. Yes.

Q. You say you paid \$1.72½ for that?—A. Yes.

Q. But the International Portland Cement Company charged you 40 cents extra for bags, making it \$2.12½?—A. Yes. That I have paid them, and they refunded me \$1,370, and I refunded to the government the same amount.

Q. And your profit was 7½ cents a barrel and the 10 cents you charged on account of the advance in duty?—A. Yes.

Q. You really made 17½ cents per barrel?—A. No, I did not. When the price was increased on account of the duty the profit was not the same. I had to buy other cement to supply other purchasers.

Q. You bought from the International Portland Cement Company this 5,000 or 6,000 barrels?—A. Yes.

Q. And you paid them \$1.72½ per barrel?—A. Yes.

Q. And you sold that cement to the government?—A. Yes, to be delivered in May, and if the government had called for it without delay it would have been delivered.

Q. You did not pay that extra ten cents to the International Portland Cement Company?—A. No, but I paid it on other cement that I had to purchase. They had no cement there for the government. The whole supply is there for everybody, and at the time the government took delivery the price had increased and the government had to pay more for it.

Q. You bought all this cement from the International Portland Cement Company?—A. Of course I did.

Q. They did not charge you more for it on account of the increase in price?—A. But they did on other lots of cement that I was buying. I charged more for it because the price was increased. I did not pay 10 cents more for that exactly.

Q. You contracted with them at a certain price so that your profit was 17½ cents per barrel on all that you sold to the government?—A. The profit was not. I had to pay 10 cents more for what I sold to other parties.

Q. Do you sell to other parties outside the government?—A. Of course. Do you think I live on the government's business alone?

Q. But you charged them more. If the price went up you made them pay the advance?—A. I didn't buy it for the order, and when I buy for the other places I have to pay 10 cents more.

Q. But you would get 10 cents extra if you had to sell to other parties after the increase; you would get the advance from them just the same?—A. If you want it, yes.

Q. I do not exactly understand about this eight per cent overweight?—A. That is another thing altogether. Perhaps I may come back next year for that.

By Mr. Maclean (Lunenburg):

Q. As I understand it, this ten cents extra was in the nature of damage or loss for non-acceptance of delivery in May?—A. Yes.

Q. That was the reason?—A. That was the reason. The contract called for delivery on May 15.

Q. When you bought this 5,000 and odd barrels from the International Portland Cement Company you did not go and put a mark on that particularly and put it in one corner did you?—A. No.

Q. It was not earmarked?—A. Not at all.

Q. It went into your general stock, did it not?—A. Yes.

Q. If the government had accepted delivery in May you would not have claimed the ten cents extra?—A. Not at all. I had no reason to.

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Q. In the meanwhile this particular lot that you purchased from the International Portland Cement Company went out to your other customers?

Mr. BARKER.—He does not say that he has a warehouse.

By Mr. Maclean (Lunenburg):

Q. Had you a warehouse?—A. I had a warehouse at the time.

Q. You were engaged in the cement business?—A. Since twenty years.

Q. You sell to other people besides the government?—A. Yes.

Q. Do you make as much profit out of other people as you do out of the government?—A. A little more.

Q. This delivery of 5,000 barrels of the International Portland Cement Company's cement entered into general stock did it not? Where did it go to?—A. It was all shipped direct from Hull to Sorel for the government.

Q. Where did it remain?—A. In Sorel. It was used in Sorel by the government.

By Mr. Barker:

Q. It was not in any warehouse?—A. It did not go through the warehouse at all. They used it right away.

By Mr. Maclean (Lunenburg):

Q. But in the meantime the price of cement had risen 10 cents per barrel?—A. Yes.

Q. By reason of the increase of 10 cents in the customs duty on cement?—A. Yes.

Q. You could have disposed of these 5,000 barrels in Sorel to anybody else and made this extra profit?—A. Yes, of course.

Q. Therefore you claim it was a fair claim for non-acceptance by the government in May?—A. Of course it was fair.

Q. You say public tenders were asked for this?—A. Yes.

Q. Did you notice the advertisement in the papers yourself?—A. Yes.

Q. The International Portland Cement Company had just as good an opportunity of tendering as you had?—A. Yes.

Q. Can you buy cheaper from the International Portland Cement Company than the government can?—A. To-day I am their agent. I just represent them. I am interested in the company and their agent.

By Mr. Northrup:

Q. Mr. Taylor understood you to say that you had dropped \$300 odd on this contract?—A. Yes, \$342.

Q. On the 6,000 barrels?—A. No, the thousand barrels delivered at Quebec.

Q. You claim that the money you lost was on the thousand-barrel contract, not on this delivery?—A. No.

By Mr. Reid (Grenville):

Q. You said the International Portland Cement Company refunded you \$1,370?—A. Yes, the same amount that I returned to the government.

Q. Is that all you have received from them for the bags?—A. Yes. I have a certificate here in my pocket—do you want to see it? That is the same amount I returned to the government. I had paid for the bags to the company also.

By Mr. Northrup:

Q. Is it an advantage to the company or to the shipper to have the cement in bags?—A. It is bought cheaper, of course. The barrels cost 35 cents, and when they are used they are not worth anything any more.

Q. When a purchaser buys a barrel of cement he owns the barrel?—A. Yes; but it is not worth anything.

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Q. And if he buys a bag he is charged ten cents, but that is refunded?—A. Yes.

Q. Would the International Portland Cement Company rather ship in bags or barrels?—A. In bags. They do not ship any more in barrels. It is cheaper for the purchaser to have it in bags because they have the same amount of cement for 35 cents less.

Q. What is the experience with regard to returning bags? As a rule can the purchaser return all the bags he receives?—A. That depends upon whether they take care of them.

Q. They must be in pretty good condition when they are returned or they would not hold the cement?—A. The company would not accept it unless the bag were in good condition.

Q. So that if the bags were not returned as they should be it would be a great loss to the purchaser?—A. Yes.

By Mr. Johnston:

Q. As a matter of fact, in the course of transportation the bags get spoiled?—A. Yes.

By Mr. Northrup:

Q. What caused the spoiling of these bags?—A. When they get wet they cannot empty them well.

Q. Do you happen to know why so many of these particular bags were spoiled, only 13,000 being returned out of 22,000?—A. It is explained, I think, by the fact that they were sent down by barge to Montreal, and in Montreal it was handed to the Forwarding Company and taken in another boat. The bags got wet and were spoiled; they were as hard as wood.

Q. Was not the trouble with these bags that the department allowed them to get wet and left them lying on the wharf a long time. There is something of that kind here in the file?—A. Yes, that is it; instead of sending them by rail. If they had done so perhaps they would not have had so many as that spoiled.

Q. It is a fact, is it not, that they were dropped on the wharf and left there?—A. They were sent by boat to Montreal and put on the wharf, and remained there and got wet.

Q. That is the reason so many were spoiled?—A. Yes.

By Mr. Maclean (Lunenburg):

Q. I am instructed that the department has a claim against the Transportation Company now on that account?—A. I wrote them at the time that the bags arrived.

Q. The reason you did not submit a sample of your cement for test to the engineer was the fact that you knew the International Portland Cement people were sending there cement there?—A. Yes, regularly.

Q. You knew that?—A. Yes.

Q. And that explains the reason why you did not send samples?—A. Yes; the cement was accepted by all the departments.

By Mr. Northrup:

Q. When this cement was shipped from the International Portland Cement Company to whom was it sent?—A. Direct to the chief engineer at Sorel.

Q. You never handled it at all?—A. No.

Q. You simply gave in your order to the company and they delivered at to Sorel?—A. Yes, and I paid for it, and put up the guarantee with the government.

By Mr. Johnston:

Q. Do you do that in the case of any other customer than the government? That is you make sales to other purchasers of cement which is forwarded to them direct from the factory?—A. Certainly.

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Q. That is the usual custom?—A. Certainly; only for the government you have to put up \$2,000 or \$3,000 guarantee and wait for your money.

Q. Every man that does business understands that it is done that way?—A. Of course.

By Mr. Maclean (Lunenburg):

Q. Did you have to pay storage at Sorel?—A. Not at all. The government took delivery of the goods right away.

By Mr. Reid (Grenville):

Q. In that original tender of yours the price was \$1.95, I think, f.o.b. Hull?—A. No, no.

Q. \$2.20 per barrel?—A. Delivered at Sorel.

By Mr. Maclean (Lunenburg):

Q. With regard to these tenders you spoke about; were the tenders asked for this cement f.o.b. at Sorel or Hull?—A. Sorel.

Q. Then this first tender of yours was not in compliance with the advertisement for tenders?—A. That is so.

Q. That probably accounts then for your second tender. You say that tenders were invited giving a price f.o.b. at Sorel?—A. Yes.

Q. That was the condition in the advertisement. Well, now, apparently you put in a tender f.o.b. Hull. That was a mistake, was it not?—A. Yes.

By Mr. Reid (Grenville):

Q. I will read the tender on file here:—

MONTREAL, March 18, 1905.

'HON. R. PRÉFONTAINE,

'Minister of Marine and Fisheries,
'Ottawa.

'I hereby agree to supply your department with 1,500 barrels of quick-setting and 3,550 barrels of slow-setting Portland cement from the International Portland Cement Company, of Ottawa, at the price of \$1.95 per barrel f.o.b. cars at the mill at Hull.'

A. No, that is a mistake, at Sorel.

Q. Afterwards here is a letter from Colonel Gourdeau?—A. It should be at Sorel.

Q. Colonel Gourdeau writes:—

'29th March, 1905.

'SIR,—I have to inform you that your tender to supply this department with 1,500 barrels of quick-setting and 3,550 barrels of slow-setting Portland cement from the International Portland Cement Company, of Ottawa, at \$2.20 per barrel, delivered at Sorel, has been accepted.'

A. That was a mistake, it should be Sorel. The advertisement called for delivery at Sorel.

Q. What I want to ask you is this, this freight was shipped from Hull to Sorel?—A. To Sorel.

Q. Who paid the freight?—A. I paid the freight.

Q. Who paid it?—A. Well, the company paid it and charged it to me.

Q. They paid it and charged it to you?—A. Yes, because I charged the government \$2.20 and they charged me \$2.12½. I paid them \$2.12½, as I told you, and made 7½ cents a barrel.

Q. You paid them \$2.12½ and charged the government \$2.20?—A. Yes.

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By Mr. Taylor:

Q. But the government paid the freight?—A. Yes, it was included.

Q. What boat was it shipped on?—A. On the cars.

Q. I thought you said they shipped it down on the barge?—A. Oh, no.

By Mr. Maclean (Lunenburg):

Q. You must have put in two tenders, did you not, or can you recollect?—A. No.

Witness discharged.

The committee adjourned.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RESPECTING A PAYMENT IN CONNECTION WITH

THE WESTERN DIVISION OF THE

NATIONAL TRANSCONTINENTAL RAILWAY

PRINTED BY ORDER OF PARLIAMENT



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EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

TWENTY-FIRST REPORT.

Your Committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$352,191.73 to the Grand Trunk Railway Company of Canada in connection with surveys purchased for the National Transcontinental Railway east of Winnipeg, as set out at pages W—251 and 323 of the Report of the Auditor General for the fiscal year ended 30th June, 1906, and also to the special and trust accounts of the Grand Trunk Pacific Railway, as set out on page 7 of the Public Accounts of the same year, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses, and the exhibits filed during the said examination; and your Committee recommend that the same be printed, and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

March 5, 1907.

The Select Standing Committee on Public Accounts, met this day at 10.30, Mr. Geoffrion, chairman, presiding, and proceeded to the consideration of the payment of \$352,191.73 to the Grand Trunk Railway Company in connection with surveys purchased for the National Transcontinental Railway as set out at pages W—251 and 323 of the Auditor General's Report.

Mr. COLLINGWOOD SCHREIBER, called, sworn and examined.

By Mr. Ames:

Q. What is your name?—A. Collingwood Schreiber.

Q. And your position?—A. General consulting engineer for the government and chief engineer of the western division of the Transcontinental Railway.

Q. Where is your headquarters?—A. At Ottawa.

Q. When were you appointed to this special position that you presently occupy?—A. I do not remember the date.

Q. About when, roughly speaking?—A. I could not even tell you roughly.

By the Chairman:

Q. About a year?—A. About a year, I think it is.

Q. About a year ago?—A. About that, I should think, about September, 1905.

By Mr. Ames:

Q. What are your duties in the position?—A. My duties are to inspect the work, and see that it is properly done, and to issue the certificates in favour of the company.

Q. How are you assisted in the performance of this work?—A. I have two assistants on the ground, inspecting engineers they call them.

Q. They are doing outside work?—A. Yes.

Q. And about the inside work, the clerical work, how is that done?—A. The work of examining the accounts, and so forth, is done through the accountant's branch of the Railways and Canals Department.

Q. By whom were the surveys of this part of the National Transcontinental made?—A. They were made by the company.

Q. They were made by the—? A. By the Grand Trunk Pacific Company.

Q. And are the property of the company?—A. They are.

Q. How about the part that the company took over? Did not the government purchase a portion of the surveys made?—A. That is on the eastern division; I have nothing to do with that. My duties extend from Winnipeg to the Pacific coast.

Q. Your duties, I think you have explained, are to supervise the construction?—A. Yes.

Q. And issue the certificates?—A. Yes.

Q. Then what do you mean by the surveys?—A. I mean the amount of expenditure that has been made during each month.

Q. Chargeable to—? A. Chargeable to the government guarantee.

Q. For what general purpose?—A. For the issue of bonds?

Q. Yes. It covers cost of construction?—A. Cost of construction.

Q. It covers cost of construction?—A. Yes.

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Q. That is the only thing it covers?—A. That is all, cost of construction and equipment.

Q. You have not got the cost of equipment yet, I suppose?—A. Only for construction purposes.

Q. What does that term 'cost of construction' mean and include?—A. It includes the grading, the bridging, the culverts, the clearing and grubbing and fencing, telegraph, rails, track-laying, ties and ballasting; in fact to complete the road for operation under the Act.

Q. What steps do you take to make sure that the cost of construction of that part of the line which is under your supervision shall be established to the satisfaction of the government?—A. Formerly the accountant of the department visited Montreal and examined the vouchers and books and all documents there to verify the expenditure. Now it is the assistant accountant. They are both able accountants.

Q. Who are they?—A. Mr. Shannon was the accountant but a short time ago he was promoted to a position on the Intercolonial at Moncton. Since then it has been the assistant accountant, Mr. Bell.

Q. So that for a time Mr. Shannon acted in the capacity of auditor, and for a time Mr. Bell?—A. Yes.

Q. The bonds that you speak of are issued on the evidence of your certificate?—A. They are.

Q. And then the vouchers, the checking is done by the accountants of the Railways and Canals?—A. Quite so; and in addition I should say that the account of the work executed by each of the contractors during the month passes through the hands of two engineers on the grounds, and they check these and forward them to me certified, and if there is any error they correct them.

Q. You have given us your definition of 'cost of construction.' Is that defined by the Act?—A. Yes, I think so.

Q. You might look at clause 15 of the schedule to the Act and see if that is your interpretation of 'expenses occasioned by the construction'?—A. Section 15, do you say?

Q. Yes.—A. Yes. (Reads section.) Quite so, that is right.

Q. That is all right?—A. That is all right.

Q. Then there will be no objection to entering that in the minutes as representing your views?—A. Not at all.

Q. The clause reads as follows:—

'15. The expression "cost of construction," in the case of the Eastern Division, shall mean and include all the cost of material, supplies, wages, services and transportation required for or entering into the construction of the said Eastern Division, and all expenditure for right-of-way and other lands required for the purposes of the railway and for terminal facilities, accommodation works and damages and compensation for injuries to lands and for accidents and casualties; cost of engineering, maintenance, repairs and replacement of works and material during construction, and superintendance, book-keeping, legal expenses and, generally costs and expenses occasioned by the construction of the said Division, whether of the same kind as, or differing in kind from the classes of expenditure specially mentioned, including interest upon the money expended;—'

By the Chairman:

Q. Is that the Eastern Division?

By Mr. Ames:

Q. Yes, and clause 18 says the cost of construction of the Western Division shall include the like classes of expenditure as in the case of the construction of the Eastern Division. With regard to legal expenses, superintendance, &c., how do you certify

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to that?—A. That appears in the accounts, and they are in the accountant's department.

Q. That does not pass through your hands?—A. It passes through my hands inasmuch as the accountant's report passes through my hands.

Q. Taking the accountant's report, what report is made from time to time by the accountant?—A. He makes a report every month giving a statement of what he considers should be charged, after having examined the books and vouchers, and certain items which should not be charged, and with regard to those which should not be charged he is acting under the advice of the Justice Department in which I agree.

Q. Have you this statement?—A. I do not keep the records of the department; the accountant does that, I suppose, or the deputy minister, who will no doubt bring them here. I have nothing to do with that.

Q. I presume they can be produced? Does the government require the expenditure to be localized at all? For example, you take an expenditure for advertising, take for instance an advertisement for a large quantity of rails to be used partly on the Eastern and partly on the Western Division; how would you distribute that?—A. There are certain items which have to be divided arbitrarily between the branch from Port Arthur until it strikes this main line—

Q. I would like to have that explained a little more in detail, how that arbitrary division takes place?—A. Directly you get the accounts you will see that; the accounts show that.

Q. You might explain?—A. I forget just what the percentages are; the accounts will show that.

Q. We will postpone that until we get the accountant. Whose accounts are these?—A. The assistant accountant's, I think.

Q. The vouchers you refer to—where are those vouchers?—A. The vouchers themselves are in the Grand Trunk Pacific Railway Company's office at Montreal. But the assistant accountant will have copies of each voucher.

Q. I suppose these vouchers are really still in the control of the government?—A. Oh, yes, the government can examine them at any time under the Act.

Q. They are open to inspection at any time?—A. Certainly.

Q. Whose business is it to see that the material and supplies for the construction are bought, as far as possible, in Canada?—A. I would have to do that, I think.

Q. What steps are you taking to assure yourself that that part of the Act is being complied with?—A. I know all the articles that have been purchased so far, except in rails and fastenings, have been procured in Canada. There was a certain quantity of rails procured in the United States, some 50,000 tons.

Q. Why was that?—A. Because it was alleged they could not be procured in Canada at the time and within the time.

Q. How about the contractors—how about the contractors' claims? Have you taken steps in every case to see that just claims on the works for materials and wages had been satisfied before you certified to the accounts?—A. Well, no further than that no complaint of any kind has reached my office, or so far as I know, has reached the department.

Q. So that if there are no complaints you take it for granted it is all right?—A. That it is all right.

By Mr. Barker:

Q. I suppose, Mr. Schreiber, your subordinates know more precisely what is done than you do yourself?—A. Yes, of course, they naturally would; at the same time I drove through the whole line last summer.

Q. You supervised everything?—A. And I know exactly what was done at that time.

Q. But you supervise everything, and your subordinates can tell you all about the line that you did not see for yourself?—A. No, they only know about the work that is done out there; they cannot say about the vouchers.

Q. I do not mean the engineers, I mean the accountants and clerks?—A. I might say this, I have nothing to do with the accountants, beyond that they are making their report to the deputy minister, who refers it to me. I have nothing to do with the railway department.

Q. Then they know better than you do even with regard to those matters?—A. Oh, they would, naturally.

By Mr. Macdonald:

Q. That is as to details?—A. Yes.

Q. But you yourself personally go through all these matters in order to see that the terms of the agreement and of the Act are being carried out?—A. Undoubtedly so.

Q. And to satisfy yourself as an official, as to the regularity of those things?—A. Quite so.

Q. You mentioned that you had gone over the line of the Western Division last summer, personally?—A. Yes.

Q. You acquainted yourself with the local conditions out there?—A. Quite so.

Q. And would naturally be able to judge about any of these expenditures in the different localities?—A. Quite so.

By Mr. Johnston:

Q. You told us about the purchase of steel rails?—A. Yes.

Q. That the Grand Trunk Pacific Company had bought steel rails in the United States?—A. Yes.

Q. Can you tell the committee the quantity that has been purchased by the Grand Trunk Pacific up to date?—A. Well, there have been forty miles laid at 125 tons to the mile.

Q. Have you inquired as to what steps the Grand Trunk Pacific Railway Company have taken to secure the rails in Canada before purchasing in the United States?—A. The deputy minister in the Department of Railways and Canals has the full correspondence on that subject, and, as far as I recollect, I acted under the order in council.

Q. As a matter of fact you have not taken any steps yourself to ascertain whether or not it was necessary to obtain rails outside of Canada?—A. I might say I saw the correspondence, and the contention between the company and also the manufacturers down in Cape Breton, as to whether they could supply them or not. I assume all that correspondence will be forthcoming, but I do not keep the correspondence, so have nothing to do with it.

Q. Those are all the steps you have taken?—A. Yes.

Q. You have not taken any steps on your own behalf at all?—A. No, my authority was the order in council.

By Mr. Macdonald:

Q. There was an order in council about it, was there?—A. That is my recollection.

By Mr. Johnston:

Q. Then you, as a matter of fact, you have not anything to do with whether or not there is any reason why these people should go beyond Canada to purchase supplies?—A. They had to satisfy the government, not me, about that.

Q. It is a part of your business to see that the contract is lived up to with regard to the purchase of supplies?—A. I would not say that—unless I received some instructions from the government, I should certainly try and see to it, without any doubt.

Q. As a matter of fact is it not incumbent upon you to ascertain whether or not there is good reason why supplies should be purchased outside of Canada?—A. No, it is my duty, if I find anything coming from the United States to report it, and until I get the proper authority, not to pass it; I should not pass it without the authority.

Q. Then you have reported to the government that the Grand Trunk Pacific Railway was purchasing rails outside of Canada?—A. I cannot say whether I reported

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that or not, but it is quite familiar, because it has been discussed between the Minister of Railways, the Deputy Minister of Railways and myself with regard to that matter.

Q. As a matter of fact, is it not part of your duty—a very important part of your duty—to see that the contract is lived up to in all particulars?—A. It is, quite so, and, as I say, unless I had the proper authority I should not pass anything that is contrary to it.

Q. And the contract was departed from in this particular respect?—A. I am not saying that it was departed from in this respect. I should judge it was not departed from for the simple reason that there was the order in council, or some other instructions I have received that the government was satisfied they could not get them.

Q. You will not say that you have reported to the government that the Grand Trunk Pacific was purchasing rails outside of Canada?—A. I think I very likely have done so, I have certainly brought it to the attention of the Minister of Railways.

By Mr. Ames:

Q. What officer of the department will have all the correspondence and documents with reference to that purchase of rails in the United States?—A. All the correspondence and documents of every description are in the care and under the guidance of the deputy minister, who would have charge of all the branches of the department.

Q. Then the deputy minister could lay the papers before the House, and give us all the information we want on the point, I suppose?—A. Certainly.

By Mr. Bergeron:

Q. Do I understand that all the rails that have been used until now were from the United States?—A. Yes, almost all.

Q. You said forty miles had been laid?—A. Well, in the sidings they are not from the United States, but all that are in the main line were from the United States.

By Mr. Johnston:

Q. Have you approved finally of this transaction?—A. I have no 'approval' about it, the government approves and I act upon their approval.

Q. But the government awaits your certificate before approving of any transaction?—A. As I tell you, the rails were in the account some time before I would pass them; I think I got the proper authority. Knowing that they came from the United States, I required authority from the government that they were satisfied with the fact that the rails could not be procured in Canada at the time. The correspondence will show it all.

Q. You refused to approve of the transaction as far as you were concerned?—A. As soon as I got the authority from the government I then certified the voucher.

Q. But before getting the authority from the government, you had refused to approve of the transaction?—A. I did—that is to say, I would cut them out of the estimates.

By Mr. Macdonald:

Q. I notice that clause 37 of the schedule in chap. 71 of 3 Edward VII., in regard to that question, reads as follows:—'The company shall purchase all material and supplies required for the construction of the Western Division and the equipment of the whole of the said line of railway from Canadian producers, when the same are produced in Canada, and when such materials and supplies can be purchased in desired quantities and of equal quality suitable for the purpose required, and for prices and upon terms equally advantageous with those procurable elsewhere.'—A. Yes.

Q. I understand you to say that in this particular case of the \$50,000 worth of rails you called the attention of the government or of the department to the fact that these were being purchased out of Canada?—A. Yes.

Q. It was then for the department or the government to be satisfied whether or not this was a case in which supplies could not be purchased in desired quantities and of equal quality suitable for the purpose required, and for prices and upon terms equally advantageous with those procurable elsewhere? I understand you to say that an order in council was passed in that particular case?—A. Yes, I think it was an order in council. At any rate I had instructions.

Q. You received instructions on the subject?—A. Yes, certainly.

Q. To give that certificate?—A. Certainly.

Q. Your report having been made calling attention to it, you were permitted to certify to the vouchers?—A. Quite so.

By Mr. Johnston:

Q. Does this same procedure apply to all other supplies?—A. I know of nothing else having been purchased outside of Canada, excepting the rails and some fastenings.

Q. In case the company should go outside for the purchase of supplies they could, as a matter of fact, do so?—A. They could do so if they are not to be had in Canada under those conditions that have just been read to me.

Q. There is no pretention that the rails could not have been secured in Canada?—A. Well, there is a pretention as I understand it.

Q. There is?—A. Yes.

By Mr. Ames:

Q. You spoke about the bonds. What is the amount of the bonds that have been guaranteed by the government?—A. Thirteen thousand dollars a mile on the prairie.

Q. Do you know what is the total amount of the bonds that have been issued under your certificate?—A. I think about six millions.

Q. About six millions I think, but the Finance Department could tell that.

Q. The Auditor General could tell us that?—A. The Deputy Minister of Finance could tell you that.

Q. That is on the Western section?—A. Yes.

Q. On your certificates?—A. Quite so.

GRAHAM AIRDRIE BELL, called, sworn and examined.

By Mr. Ames:

Q. What is your name?—A. Graham Airdrie Bell.

Q. And your position?—A. Assistant accountant of the Department of Railways and Canals.

Q. When were you appointed?—A. About December, last year.

Q. That would be December—A. 1906.

Q. What was your position before that date?—A. I was a clerk in the department in the accountant's branch.

Q. What are your present duties?—A. I take up all the outside auditing in connection with the Grand Trunk Pacific Company, and any audits for railway subsidies, and when I am in the department I am general assistant to the accountant. In case of his absence I act, and I am at general work in the department.

Q. But it is understood that the auditing has the first claim on your time, is it?—A. I believe so. Of course that is entirely at the option of the deputy minister. I am under his instructions.

Q. Is your salary charged up against what you audit?—A. Against civil government. The salaries of all the permanent officials of the service are charged against civil government; it does not matter what work they are on.

Q. Under whose instructions are you at present, who is your superior officer?—A. Mr. Little is the accountant of the department.

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Q. Who are under you? Who assists you in the work that you have been describing?—A. In connection with the audits I have no assistance; I do that entirely myself. I may get some clerical work, such as typewriting, but there are typewriters in the department who do that.

Q. You have no assistance in the outside work?—A. In the work of the audit, none.

Q. I want to ask you a few questions especially about the work in connection with the surveys that were purchased by the government from the company, the surveys east of Winnipeg. Were you deputed to audit those surveys?—A. I received instructions through the accountant—Mr. Shannon at that time was accountant—that I was to go to Montreal to form one of a board of audit, to audit these accounts in connection with the taking over of surveys made by the Grand Trunk Pacific Railway, east of Winnipeg. I went to Montreal with Mr. Kent, of Kent & Turcotte, and Mr. Ainsley of Hamilton.

Q. Did you make more than one audit?—A. There were two audits made. The first audit covered up to November 30, if I remember right.

Q. What year was that?—A. 1903, I think. No, I beg pardon, 1904.

Q. Is that the exact date?—A. Thirtieth November, 1904, is given here. I presume that is correct.

Q. That was the first audit?—A. That was the first audit.

Q. Everything prior to November 30, 1904, I suppose?—A. Everything prior to that date.

Q. And then was there any subsequent audit?—A. There was a subsequent audit. The transfer had not been made at the time, and down to the time the transfer was made we made a subsequent audit which only covered a few months, I think to March 31.

Q. Can you give me the amounts that were passed in those two audits?—A. The first audit was conditional. The amount that was passed is \$318,308.24. That was conditional upon the government or the Transcontinental Commission taking over what was known the whole of Party 3. That was the western end of the North Bay branch. You probably would not know those terms. The commission assumed only one-fifth of the cost of that party.

Q. And was it diverted from the—?—A. That was a matter of engineering. That ran into the North Bay branch so that the cost to the commission was \$288,863.67.

Q. That is the net amount after deduction?—A. That was the payment that was made to the Grand Trunk Pacific.

Q. As a result of the first audit?—A. As a result of the first audit.

Q. What was the net amount as a result of the second audit?—A. I have not got that here. It is not in the printed report which I have. A return was made to the committee and the papers of the first and second audits were all sent up.

Q. I believe the total amount given in the Auditor General's Report is \$352,000?—A. That would be about it.

Q. It would be the difference between \$289,000 and \$352,000?—A. Yes. If I could see my own reports I could tell you exactly. They are all here some place.

Q. About \$63,000?—A. Something about that, yes.

Q. It is immaterial. It is simply to get the general idea of the audits. Where did you make these audits?—A. The first audit, which was really the main audit, was made in Montreal. We went down to Montreal and made the audit in the office of the general auditor of the Grand Trunk Railway system in Montreal. We had the general auditor's room and the vouchers were all produced there, and a statement of the vouchers. We went over them. Mr. Kent and I went into each voucher and examined it to see if it was properly certified and properly charged, and so on, and then they were passed over to Mr. Ainsley to check the extensions. That was really a matter of form, because having gone through the Grand Trunk audit office, the extensions are almost bound to be correct. However, he verified those, too. Anything of a contentious nature was laid aside and Mr. Butler, who was supervising anything of an engineering nature that came up, decided it. That was beyond our work, of course. Anything in

the engineering line we were not qualified to pass on, and we took Mr. Butler's decisions on that.

Q. You say anything of a contentions nature. Do you remember anything coming up of a contentious nature?—A. Yes. For instance, that point where the Grand Trunk Pacific surveys ended and where the branch at North Bay commenced. That was a matter entirely for Mr. Butler.

Q. That was an engineering contention, I suppose?—A. An engineering point.

Q. But was there any contentious matter from an accounting point of view?—A. Nothing serious that I remember. We may have asked him the different points—he was more familiar with the country in there—and we may have asked him, for instance, as to goods billed to a certain point, where that point was, and what party it would be for; he would be able to trace it. There was something of that nature, I think, but I have forgotten, you know three years have elapsed, the exact points that came up at that time.

Q. I suppose you had carte blanche to ask any of the employees of the Grand Trunk to give you explanations and assistance?—A. I took my instructions entirely from the accountant, and I was to satisfy myself that everything was correct, and if it was not I was to throw it out.

Q. You had ample assistance by way of explanation?—A. Everything we demanded, I would never have passed a voucher without it.

Q. Who gave you this explanation?—A. Well, they had the chief engineer of the Grand Trunk Pacific, or the assistant chief engineer.

Q. Who is that?—A. It was Mr. Stephens at that time. Mr. Walker, the general auditor, was there, and the chief clerk produced the vouchers; he was more familiar, as a rule, as naturally he would be more familiar, with them than the general auditor.

Q. What is his name?—A. Mr. McCombe. We also had the chief clerk of the chief engineer, Mr. Mellon is his name.

Q. When you were down there what books did you examine?—A. Well, we had the vouchers first; we took the vouchers which show everything. There is a detailed account. For instance, a man puts in a bill for a pound of nails, the bill was there receipted by him as having received payment; it was certified by at least from six to eight different officers of the Grand Trunk Railway Company. The first man who received the goods certified that they had been received, and the chief clerk of the engineer directly in charge of that work, or the engineer himself, certified that he received the goods; then the divisional engineer certified, and then the auditor audits the payment, and the general manager of the road and the president also sign.

Q. And all fixed in proper order, are they?—A. Yes, a Grand Trunk Railway voucher carries from 8 to 10 signatures, all carrying on different points.

Q. Are they numbered consecutively?—A. Yes, of course; when I say numbered consecutively they are all Grand Trunk Railway Company vouchers, not Grand Trunk Pacific Railway Company vouchers, and other vouchers of the Grand Trunk Railway Company would be sandwiched in between.

Q. They are all Grand Trunk Railway Company vouchers?—A. All Grand Trunk Railway Company vouchers.

Q. So that you could not arrange them in numerical order?—A. Yes, oh yes.

Q. Not consecutively?—A. There would be gaps between these, as you will see in the report there, they are not a separate voucher, although, as I say in my last month's audit, they are using a Grand Trunk Pacific voucher now.

Q. Are they now separating their vouchers?—A. Yes, they are, but they do not run consecutively.

Q. You mean that the Grand Trunk Railway Company and the Grand Trunk Pacific Railway Company vouchers may alternate one with the other?—A. Yes.

Q. Do you not think it would be better if they were kept entirely separate?—A. Yes, it would, but that would probably be a great deal more expensive system, and they always take the cheapest method. I do not know whether it would be any more convenient for the purposes of audit because they have them all separated out for us.

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They used their own Grand Trunk Pacific Railway vouchers last month for the first time.

Q. But you could not take the Grand Trunk Pacific Railway vouchers and arrange them in numerical order from 1 to 6?—A. No, there would be gaps between.

Q. It would seem to me that it would be better to have them all run consecutively?—A. You will find that the Grand Trunk Railway system covers all their different lines, and they all run that way, and they can pick out from these vouchers and from their books what is chargeable to any branch line or any particular part of their system, and so they keep them in that shape.

Q. Did you go behind the vouchers at all with reference to the supplies and quantities and prices?—A. In what way do you mean?

Q. For example, in your report where you take the amounts of stock that appear at the different caches?—A. That is not in the audit report, that is the statement; they state that there was so much stock on hand in these different caches.

Q. Yes?—A. We only make our statement from theirs, as you see that is estimated value, then it was for the Transcontinental Commission who have their officers all up through there; we could not go up from here to Winnipeg to check them at the different caches.

Q. Do you know what different steps were taken to see that the goods were at the different caches?—A. No, that would be work for the engineer in charge.

Q. Who agreed upon the prices, and worked it out and all that kind of work?—A. The prices are on the vouchers themselves, and we had knowledge of the articles. I do not know that we asked, but we asked Mr. Butler on engineering questions, instruments and different supplies he would know of. Mr. Kent was fairly familiar, I was not myself, but these vouchers were all certified for payment, and the arrangement was that they should be taken at cost.

Q. Did you understand with regard to the supplies that they had to show you the actual invoices from the wholesaler, giving the prices paid?—A. Oh, they showed us the prices paid, certainly, we had the bills.

Q. The actual invoices from the wholesaler?—A. From whoever they purchased the articles; we had the actual bills there.

Q. Were any supplies sold by the Grand Trunk Railway Company to the Grand Trunk Pacific?—A. Yes, you will find that they are there in the nature of transfers; that will appear.

Q. In that case they were charged what were considered to be reasonable prices rather than what they actually paid for them?—A. No, I think that will be the actual price, practically so, I suppose plus a percentage for handling. That voucher would be certified by the storekeeper in the different branches. There was not a great deal of that.

Q. There was no audit previous to that you made, was there?—A. Not to my knowledge.

Q. And there was no subsequent audit?—A. There was that small one I told you of.

Q. Yes, but I mean by government parties?—A. Not that I am aware of.

Q. The work that Mr. Kent and you did was all that was done on behalf of the government before payment of account?—A. That was final.

Q. You have been, you say, since December, 1906, checking the cost of construction?—A. That is, you mean, the Grand Trunk Pacific Railway Company?

Q. Yes.—A. Yes. Well, I think I made my first audit in November, if I remember aright.

Q. Since November, 1906?—A. Yes.

Q. Now we will get some information about that. Under whose instructions are you with reference to that work?—A. I report direct to the deputy minister.

Q. And you are deputed to examine from time to time accounts in connection with the construction of that particular railroad?—A. The Western Division from Winnipeg west.

Q. How often do you make inspection of the accounts?—A. Every month. It is a monthly inspection practically. We inspect about the same time of the month every month.

Q. You go down to Montreal about the first of every month?—A. No, for instance, the general auditor of the Grand Trunk Railway system will notify me that they will be ready about—on the 27th of the month they will have the previous month's accounts ready. On the 27th of this month they will probably have the February vouchers ready.

Q. And then they would notify you?—A. They would notify me, they have done so ever since I have gone on the work. I had my instructions from the deputy minister to make this inspection from month to month, and the general auditor of the Grand Trunk Railway Company notifies me direct that they are ready for the audit.

Q. That is the auditor of the Grand Trunk Railway?—A. Yes, of the Grand Trunk Railway system.

Q. That is Mr. Walker?—A. Yes, Mr. Walker, and I go down at once.

Q. And it is generally about a month after?—A. No, I go down right off.

Q. You would go down about the 1st of September to audit the accounts for the month of August?—A. About the end of September.

Q. Where did you make this examination?—A. In the general audit office in Montreal, of the Grand Trunk Railway office.

Q. Will you tell us what books of account, statements, and vouchers, &c., you examined in connection with this?—A. In connection with this?

Q. In connection with this?—A. We go principally on the vouchers. I got every voucher and examined it carefully. Then they have a ledger which I go into to check the totals. Of course the totals will vary because I deduct certain items invariably from month to month.

By Mr. Hughes (P.E.I.):

Q. What do you say you deduct?—A. Certain items. There are certain amounts deducted so that the total at the end of six months would not agree with my total, but I check it from month to month.

By Mr. Ames:

Q. And who prepares these monthly statements?—A. The Grand Trunk Pacific Company.

Q. Have you got those statements here?—A. I have got my report; the report of my audit. Their statement is just a mere list of vouchers.

Q. Their statement is a mere list of vouchers? Do they leave that in your hands?—A. Yes.

Q. And you have that among your papers?—A. No, I have not. I do not put that into the department at all.

Q. You have those statements?—A. I have some, yes.

By Mr. Macdonald:

Q. You checked them over?—A. I checked them over.

By Mr. Ames:

Q. Are they not documents that belong to the department?—A. They are really not material, they are not necessary for the—

Q. Well, I think they are. They are documents furnished to you by the Grand Trunk. I should think they ought to be in the possession of the department?—Well, I will tell you—

Q. They ought to be in the possession of the department?—A. You probably misunderstand, Mr. Ames. I could not turn them over to the department. I have got to see them from month to month for checking. They can be produced if necessary.

Q. They can be produced here?—A. Yes.

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Q. At a subsequent meeting you can produce them?—A. If I get an order from my chief, I will produce them here. I do not know whether they are considered the property of the department or not. They are of no value. Any information they contain you can get from the reports.

Q. Mr. Chairman will probably take a memorandum, and ask you the next time you come here to bring these statements with you so that we can satisfy ourselves in that respect. So you examined the company's ledger and the vouchers, and the company furnished you with statements which you can lay before us. Have you any other memoranda or documents?—A. The estimates and things of that nature relate to engineering, and copies all are sent up to Mr. Schreiber. I took copies of all their statements for rails, &c., but Mr. Schreiber or his engineers checked that sort of thing.

Q. Then I understand, you make a monthly report?—A. Yes.

Q. Dealing with the audits that you have made of the accounts of a specified month?—A. Of a specified month.

Q. And you have those reports here?—A. Yes.

Q. I suppose those reports can be left in the hands of the secretary of the committee, and kept in some place where we can have a chance to look through them?—A. Pardon me. Those reports brought over are the original reports of the department. It would take some weeks to get them copied, and we are using them from month to month, or practically from week to week, and the originals were brought over to help things out and not delay matters. My instructions are to bring them back to the department.

Q. What opportunity can you afford us to look through them?—A. If there is any point that you want information on I will give it to you now.

Q. I do not want to take up the time of the committee while I go through these reports. Can you name an hour or a time when we can look through them together? They can remain in your custody here or anywhere else?—A. I will bring them up this afternoon, if you wish it.

By Mr. Macdonald:

Q. That is the individual accounts?—A. These accounts which I was ordered to take over instead of having copies made of the whole file.

By Mr. Ames:

Q. When you examine the vouchers at Montreal, do you initial them?—A. Do I initial them?

Q. Yes, as passed, the Grand Trunk vouchers?—A. No.

Q. You fixed no mark at all?—A. Not to the vouchers themselves. I have the original numbers on them. They could not possibly come up before me again because, you see, the way they run they would be vouchers of a previous month.

Q. Yes, but you do not in any way certify to the accounts at Montreal which are submitted to you and which remain in the hands of the company?—A. Not at all. I make my reports direct to the department on the accounts.

Q. You do not initial or O.K. their accounts?—A. No.

Q. Are the vouchers initialled or O.K.'d in any way by the department?—A. The vouchers?

Q. That they present?—A. No, not that I am aware of.

By Mr. Macdonald:

Q. Further than what you do?—A. Further than what I do.

Q. Do you pass them yourself?—A. Yes, but I do not make a mark on the vouchers.

By Mr. Ames:

Q. You make no mark on the vouchers?—A. Not at all.

Q. They remain in Montreal? Do you make any mark on the statement of the company's vouchers in Montreal?—A. Of course they are re-hashed again, because if I make a deduction, for instance in apportioning and prorating, when the deduction is made, that of course affects the whole statement.

Q. Yes, but when a statement has been altered to your satisfaction at Montreal?—A. They alter no statement that they present to me. In the statement that they present to me if I disallow a voucher I simply make a cross and mark it off.

Q. I see. What happens in case of disallowing a voucher?—A. They do not get the money.

Q. Is there any appeal from your decision?—A. Yes, the chief engineer, if he wishes. I make my report to the deputy minister, and the chief engineer in issuing his certificate, I suppose, could go over my report. Occasionally a question of an engineering nature comes up. I cut out a voucher, and in my report state that it is a matter for the chief engineer to deal with, and that he may allow it or disallow it as he sees fit.

Q. Do you keep a copy of all such reports which you make to the chief engineer?—A. I make them to the deputy minister. They are all here.

Q. Every report you have written with reference to disallowing accounts?—A. Everything is here.

By Mr. Macdonald:

Q. You have disallowed some vouchers?—A. Yes.

Q. Is the statement down to November 30?—A. If you will pardon me, the two are entirely different. That to November 30, which you speak of was the audit on the Eastern Division of the work two years ago. This is the audit of the current work which is going on in connection with the Western Division.

Q. Work of construction?—A. Construction.

By Mr. Ames:

Q. Can you state the nature of the cases in which you have disallowed vouchers?—A. Yes. For instance advertising the railway. We do not consider that enters into the cost of construction. There are different items. They are all here in my reports and my reasons for disallowing them.

Q. Did you ever have any trouble about the localization of expenditure, expenditure of a general character which should be charged in part only to the Western Division?—A. Part only? In what way? Do you mean between the Eastern and Western?

Q. Take advertising, for example. Supposing a general advertisement was put in for rails sufficient to supply that part of the line west of Winnipeg and for that part of the line running north from Fort William?—A. I do not think I clearly understand what you mean by that. The Grand Trunk Pacific Company are building the western half of the road. The Transcontinental Commission are building the eastern half of the National Transcontinental Line, and they would not advertise for a thousand tons of rails, half for the western and half for the eastern.

Q. Yes, but the Grand Trunk are building from Winnipeg west and they are also building north from Fort William. Supposing they advertise for rails, part to be used on the line west from Winnipeg and part on the line north from Fort William, how would you handle the advertisement? Would you accept it in whole or in part?—A. That is apportioned.

Q. How would you apportion it?—A. The Prairie Division is 790 miles, the Eastern Slope is 561 miles, the Mountain Division 418 miles, and the Lake Superior Branch 200 miles. There are two classes in the Western Division, the Prairie and the Mountain. At first before it was decided where the Prairie commenced and the Mountain ended, they covered it by a division called the Eastern Slope. That was afterwards apportioned equally between the Prairie and Mountain Sections. Now in

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apportioning anything that is done for the whole line we apportion on that basis which makes 40·12 Prairie, 28·49 Eastern Slope, 21·23 Mountain, and 10·16 Lake Superior.

Q. Then any expenditure of a general character—?—A. Would be apportioned on that basis.

By Mr. Barker:

Q. These vouchers that you examined at Montreal, what company's vouchers are they?—A. Well, as I said before, they are the Grand Trunk Railway system vouchers, but this month I have noticed that for the first time they have a Grand Trunk Pacific voucher.

Q. Up to this month the accounts that you have been examining—?—A. Up to the first of January.

Q. They have been vouchers of the Grand Trunk Railway system?—A. Of the Grand Trunk Railway.

Q. And I presume they were in possession of the Grand Trunk?—A. Yes.

Q. And are still in their possession?—A. Yes.

Q. They are not in the possession of the Grand Trunk Pacific?—A. Well, the Grand Trunk Railway system are doing all the auditing.

Q. You have explained that, but are they in the possession of the Grand Trunk Pacific Railway, as far as you have seen?—A. Well—

Q. Are they not now among the vouchers of the Grand Trunk system proper? And are they not consecutive numbers of the Grand Trunk Railway vouchers?—A. Yes, of course, but they are always separated for my audit.

Q. And you get them?—A. Yes.

Q. Have you kept copies of any vouchers that you have had to deal with as relating to the Grand Trunk Pacific Railway?—A. Not personally; I have brought up for examination I think some in connection with rails and one thing and another that I have turned over to the chief engineer.

Q. I do not mean that particularly, have you kept copies of all vouchers and accounts which you have been dealing with, as relating to the Grand Trunk Pacific?—A. I could not do that.

Q. Just say whether you have done so?—A. No, oh, no, sir.

Q. You are aware, Mr. Bell, I suppose, that at any time the government can go back on this inspection of accounts?—A. I am, sir.

Q. Do you not think, as an accountant, it would be of value to the government to have in their own possession copies of every voucher that you pass?—A. I do not think so, sir.

Q. Do you know why the Grand Trunk, for example, keeps its vouchers?—A. Do I know what?

Q. As an accountant, why do you suppose the Grand Trunk Railway keeps its vouchers?—A. We can have access to them of course.

Q. If you want them at any time hereafter?—A. Yes.

Q. The government is going to guarantee many millions under this agreement. do you not think, as an accountant, it would be wise to have in the department copies of every voucher that you have dealt with? Whether passed or rejected?—A. I cannot see that.

Q. You never thought of that?—A. Speaking off-hand, I should not think so.

Q. Off-hand you would not think it was necessary?—A. That is, might I qualify that, sir, because we have practical access to them in Montreal.

Q. But in the hands of another company?—A. Yes.

Q. How many vouchers did you pass relating to, say the first month of your inspection for the current year, say July, 1905?—A. I think—

Q. Your first inspection would cover three or four months, I suppose—what months did you deal with in your first inspection?—A. I think my first audit was

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made in November and that would be for—I can tell you directly by looking at the file—my first report and audit was made on the 7th of November, 1906.

Q. In 1906?—A. That is on the report there, it is a report of an 'audit which I made on the 2nd instant.' That would be on the 2nd of November, 1906.

Q. What months would you cover by that?—A. That is dealing with the September expenditure.

Q. One month only; can you tell me roughly speaking about how many vouchers you covered in that inspection?—A. No, I could not tell you, probably 500 or 600 vouchers, I would not say at all.

Q. Having regard to the fact that this construction is going on for some years, that it may be gone back upon again and again, that the vouchers are not in the hands of the company contracting with the government, do you not think it would have been prudent to have obtained copies of these vouchers and have kept them in possession of the department?—A. I do not think so.

Q. Do you not think it would have been prudent for you to put some mark on the Grand Trunk Railway Company vouchers that you looked at so that hereafter you would be able to swear that these particular vouchers were the ones you had inspected?—A. No, because I have the numbers and the amount of the vouchers.

Q. But you have not copies of the vouchers themselves?—A. No.

Q. Well, you do not think that would be an ordinary check in so enormous a transaction as this?—A. Oh, it may be.

Q. But you did not do that at all events?—A. No.

Mr. Hughes (P.E.I.):

Q. You have the number and detailed amount of each voucher?—A. Yes, I have the number of the voucher and the amount.

By Mr. Baker:

Q. You have the number but not the details?—A. The number of the vouchers, what is it for and the amount.

By Mr. Roche (Halifax):

Q. In other words you keep an abstract?—A. Yes.

By the Chairman:

Q. Practically you keep a copy?—A. For instance, if it was for a survey party, for supplies, supposing you bought goods from the Hudson Bay Company it would be 'Voucher 1082, Hudson Bay Co., Supplies, \$200.'

By Mr. Baker:

Q. That is the record that you keep?—A. That is on the abstract, but of course I examine carefully the original voucher.

Q. What would you do where you reject vouchers?—A. I remark that in my statement and in my report.

Q. Do you give some particulars in your report?—A. I give full particulars in my report what they are for.

Q. In exactly the same way as if you had allowed the account?—A. No, not the same, I go into my reasons for disallowance.

Q. But you do not go into the details of the account as in the case where you allow the voucher?—A. Oh, yes, I give really fuller details where a voucher is disallowed. I give my reasons for disallowing it.

Q. Do you give your reason, and the particulars say of the Hudson Bay Company's supplies, and the amount of the voucher in your report when you reject the voucher?—A. Oh, yes.

Q. You do?—A. Yes.

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Q. In every case?—A. In every case.

Q. Having taken that amount of trouble, as a matter of convenience, would it not be quite as easy to take an actual copy of the document itself and have the man's name on the back of it who certified to it, and everything about it?—A. If I did that I would require a little audit staff of my own.

Q. And it would be very difficult to get the Grand Trunk to furnish a duplicate?—A. I can get any duplicate, they are perfectly willing to furnish me with any information; I have not had any trouble about getting information.

Q. I quite admit that, and I suppose there will never be trouble, but I am speaking to you as an accountant, who does his work in such a manner that in case of trouble you will be able to prove what you want to prove. You have never asked the Grand Trunk Railway to furnish you with a copy of these vouchers?—A. Some of them I have.

Q. What would be the nature of those vouchers you have asked them for?—A. Some, for instance, where I wanted to make further inquiry about them. I cannot remember just now what they were. There are certain accounts there each month that are of the same nature, and I would not ask for a copy of those month by month, it would not be necessary, because they speak for themselves.

Q. That is where you wanted to get a principle established or something of that kind?—A. Yes.

Q. But they would furnish you with these whenever you asked for them, but you did not think it was necessary to ask for them all?—A. Not for them all.

Q. To whom do you report your objections?—A. I make my report direct to the deputy minister.

Q. Do you receive instructions from him to allow or disallow according to his report?—A. I allow or disallow according as I understand the Act.

Q. But after you have reported to the deputy minister and he determines what should be done, does he direct you as to allowing or disallowing?—A. I disallow without consulting him.

Q. But after you have done that and reported your disallowance to the deputy minister and he considers your report, at that time do you get any instructions reversing your decisions?—A. I never had any. My decisions have always been taken.

Q. Do you know, from your observations at the offices, whether the Grand Trunk Railway Company furnish the Grand Trunk Pacific Company with duplicates of their vouchers?—A. No, sir, they do not. They have a common voucher.

Q. Then, if by any accident the Grand Trunk Company's vouchers were destroyed, all records would be gone of the actual accounts you examined?—A. Except my summaries, of course.

Q. The original documents would have disappeared?—A. Yes.

Q. Are you aware, Mr. Bell—I suppose you have had some knowledge of these things—that the Grand Trunk was in difficulty for years owing to the destruction of a large quantity of its documents and papers?—A. I never heard of it, sir.

Q. It is well known. It was an accident and the company suffered more than anybody else. Still that did occur. Do you not think it is rather risky, in these enormous transactions to leave every original voucher that you are passing in the hands of another company which has not contracted with the government?—A. I do not from my point of view. We have in our own offices copies of original documents but we do not make copies and store them in a vault.

Q. At all events, Mr. Bell, you have not been instructed to get those?—A. No, sir, I have received no instructions.

Q. You have not done it yourself because you do not think it is necessary?—A. I do not think it is necessary, and I have not received instructions to the contrary.

By Mr. Johnston:

Q. You think for the purposes of your audit that your system is just as effective

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as if you had kept every voucher that is presented for examination by the Grand Trunk?—A. Just as effective.

Mr. S. L. SHANNON called, sworn and examined.

By Mr. Ames:

Q. What is your name?—A. S. L. Shannon.

Q. What is your present position?—A. Comptroller and treasurer of the Inter-colonial Railway.

Q. And how long have you been in that position?—A. Since 1st November.

Q. Of what year?—A. 1906.

Q. And what was your previous position?—A. I was accountant of the Department of Railways and Canals at Ottawa.

Q. Since when?—A. Since October, 1889.

Q. As comptroller of the Department of Railways and Canals—A. Excuse me, I was not Comptroller of the Department of Railways and Canals. I was accountant.

Q. As accountant of the Department of Railways and Canals, you were there in 1903, 1904, 1905?—A. Yes, sir.

Q. When you occupied the position of accountant of the Department of Railways and Canals here at Ottawa, were you from time to time deputed to examine the accounts in connection with the construction of that part of the National Trans-continental Railway not being built by the commission?—A. Not being built by the commission from Winnipeg westward.

Q. You were deputed to examine those accounts?—A. I was.

Q. By whom were you assigned to this particular work?—A. By the Deputy Minister of Railways and Canals and the Minister.

Q. Were any other officials of the department associated with you in that work?—A. No, sir.

Q. Or under your instructions?—A. No, I did it all myself.

Q. When and how often did you make an inspection of the accounts in this connection?—A. At the commencement about once in three months, if I recollect right.

Q. Once in three months?—A. Yes.

Q. You say at the commencement? When did the audit commence?—A. I think I started first somewhere about October, 1905, and my first inspection would take in up to a period of, I suppose, a month or two months before the inspection. That would cover, roughly speaking from memory, a period of over a year.

Q. I suppose the vouchers were comparatively few, probably not more in that year than there would be in a month at the present time?—A. No, there would not be as many as in a month now.

Q. There would be more vouchers in a month now than in that whole year?—A. Yes, certainly.

Q. I understand you then to say you received instructions to make that first audit—it was an audit, was it not?—A. It was an audit.

Q. In October, 1905?—A. October, 1905.

Q. And audited everything prior to what date?—A. From the very commencement of the work.

Q. From the commencement to what time, would it include September accounts?—A. No, that would take up to June 30, 1905.

Q. Would it be the end of June?—A. The end of June, 1905.

Q. You, in October, 1905, commenced your audit and audited it to the 30th of June, 1905?—A. That is correct.

Q. When did you make your next audit?—A. The next one I made—oh, may I change what I said before. I see by this record here I made my first report in October, and I made another one at the end of October, the second one was made on the 27th, 28th and 29th of October.

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Q. And what would that include, how far would that bring the accounts up to?
—A. That practically went over the same audit again with the addition—no, it was practically the same audit again. The reason for that audit was that they substituted a new one, so I went over the second statement, and went over the work again.

Q. What do you mean by substituting a second for the first statement, what was the matter with the first statement?—A. I took exception to a great many items in the first statement, and I had orders to go and make a second inspection and I made that audit of the new statement.

Q. You had orders from whom?—A. From the department, the deputy minister.

Q. From the minister?—A. The deputy minister.

Q. To reaudit what you had rejected?—A. No, no, not at all, to reaudit the new statement, or rather not to reaudit the new statement, but to audit the statement which was then submitted, the second statement.

Q. They submitted the first statement—A. The first statement they submitted was withdrawn.

Q. You had rejected a number of items in it?—A. It was withdrawn, and then there was a second sent in which I audited.

Q. Have you a copy of the first statement there?—A. No.

Q. Where will the copy of that first statement that was withdrawn be found?—
A. I do not know, of course, I have no access to it.

Q. Is the copy of the second statement there?—A. It is here, what was allowed and paid.

Q. Do you remember the difference between the amounts of the first and second statements?—A. I could not say now what the exact amount would be. You see it is a period of over a year ago and I have not thought much about it since.

Q. Tell us what you can remember about that first statement.—A. Well, there were certain expenditures that they would not give me any information about, so I said I would not allow them.

Q. How were these expenditures made up?—A. They were vouchers put in.

Q. How did they read?—A. Well, they would read 'legal expenses,' some were under that heading and some were simply 'amount expended' without any details whatever.

Q. There were no details given?—A. No, not a particle.

Q. And when you asked for details?—A. They would not give them to me so I would not allow them.

Q. How often did you continue to make these inspections, after you had once commenced, in October, 1905?—A. The next one was not made until the 26th, 27th and 28th of February, 1906.

Q. And that would bring the accounts up to what date?—A. That would bring them up to September 30, 1905.

Q. It would be the accounts between the 30th June and the 30th September, 1905?—A. Yes.

Q. For three months?—A. For three months.

Q. I suppose the accounts were not very voluminous even then?—A. Well, there is my summary.

Q. That is your summary of those accounts?—A. No, just simply the details, they would be, I suppose, roughly speaking as many as there would be during the monthly inspections afterwards, 500 or 600, I should judge, but that is only roughly speaking, I would not suggest that I would be accurate in the matter at all.

Q. Practically you were only beginning in the first audit, and you were only getting fairly under way in the next three months?—A. In the next three months.

Q. And the number of vouchers that now constitute a month's supply would be very much larger?—A. Oh, very much larger, yes.

Q. Where did you usually make this inspection, Mr. Shannon?—A. In the office of the general auditor of the Grand Trunk Railway Company at Montreal, I had the use of his private room.

Q. You would go down there to make the audit?—A. I would go there.

Q. And their monthly statement of expenditure was submitted by the company to you?—A. There was a statement submitted to me showing every voucher which they claimed they have a right to put in as part of the expenditure.

Q. Have you those statements?—A. No, I have not.

Q. Where are those?—A. I left them behind me when I left Ottawa.

Q. In whose custody?—A. In the custody of the Department of Railways and Canals.

Q. The statements presented to you by the Grand Trunk Railway Company during the periods you audited these accounts were left by you at Ottawa?—A. Every statement audited by me and which was passed by Mr. Schreiber will be found there.

Q. Do you find them in those papers you have there?—A. No, they are not here.

Q. Did you initial the statements as you passed them?—A. No, I ticked over the vouchers to see that I had every voucher before me.

Q. Did you put any mark upon that statement to show that you were not satisfied with it?—A. If I was not satisfied with any voucher I would make a memorandum as to the reason why I was not satisfied, and I would deal with it in my report the same as Mr. Bell has said in his evidence he dealt with them.

Q. Did you put the mark on the statement furnished to you?—A. On the statement furnished to me if I was not certain that a certain voucher was correct, I would take a note of it so as to deal with it in my report.

Q. And your statement was left in the department, and will show all the vouchers to which you took exception?—A. Yes, certainly.

Q. You can identify these statements?—A. I can always identify my own check.

Q. When you went to Montreal, what books of account and other books did you examine?—A. There they have what is known as the voucher system entirely.

Q. You might explain to us what that system is?—A. They would have what would be called a voucher abstract on which would be entered every voucher for the Grand Trunk Railway, or the Grand Trunk Pacific Railway. There might be a voucher there paying John Smith a large amount of money, of which only one or two items would properly be chargeable against the Grand Trunk Pacific. On the back of the voucher there is a distribution of the amount of the voucher and I would go over those items, all of them, and if they would seem to me to be satisfactory, I would then turn to the distribution and see if the amount they had charged on their statement presented to me, agreed with the distribution on the back of their voucher, and if so it passed. You see they did not have any one particular voucher for the Grand Trunk Pacific Railway alone, but they would simply have a Grand Trunk Railway voucher.

Q. What does a voucher consist of? Does a voucher contain the amount that it is proposed to pay to a number of persons and then will there be attached to this voucher a number of receipts?—A. A voucher will have on the face of it—of course it depends altogether what it is for, if it is travelling expenses—

Q. Can you have a voucher for miscellaneous expenditure, for example?—A. No, each voucher would be for the one individual, and not for ten or twenty different people.

Q. There is a separate voucher for each individual?—A. A separate voucher for each individual.

Q. Now, with regard to steel rails, for example?—A. Well, a voucher for steel rails would show on the face of it the name of the parties from whom steel rails were purchased, and it would show the details of the steel rails, that is as to whether they came in by rail, in which case it would say so, or if they were brought in to Montreal by vessel it would give the name of the vessel; it would then give the quantity and number of the rails, some were 30 feet long and some 28, and some 27, and then the weights, and then the price per ton, and that would be calculated out showing the amount. If there was freight to be charged there would be freight put on, and the total, would be the amount of the voucher. After that had been approved, as Mr. Bell

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has described in his evidence, by all the necessary officers for approval on behalf of the Grand Trunk Railway they would then pay it, and in paying it would send a voucher to the company, and get their receipt for the money, that is to say the amount of the voucher.

Q. In the case of a shipment of rails, say from Belgium, would the receipt of the company from whom the purchase was made be attached to the voucher?—A. If the purchase was made from Belgium, they would draw on sight for the amount, and instead of the receipt of the company being attached to the voucher the draft which had been paid would be attached to it.

Q. Would the freight expenses be there also?—A. That would all be shown there and all be attached.

Q. And when you check the voucher you examined all the papers to see that all corresponded?—A. To see that they all corresponded.

Q. Would the bill rendered by the party be attached?—A. In almost all instances. There might be some cases where it would not be.

Q. In the books of the company under what headings would this expenditure appear?—A. In their abstract of the voucher they would show perhaps one proportion might be charged to maintenance of way, another might be charged to transportation, another might be charged to the motive power, and another might be charged to the construction of a Grand Trunk branch somewhere. And then there might be little items there which belonged to the Grand Trunk Pacific Company.

Q. Would they have special entries for advertising and printing and legal expenses?—A. Certainly.

Q. Would you examine the books of the company?—A. I examined the vouchers; the vouchers are more important than the books.

Q. Would you examine both?—A. They would bring these things into an abstract, particularly for the Grand Trunk Pacific Company, which they would then subdivide as between these different sections, and I would check these accounts with that abstract of the Grand Trunk Pacific Company to see that they would be brought in properly.

Q. Would you not examine the books of the company?—A. Not in the sense that you mean, not to go into all their ledgers and all that. This is merely the vouchers and the abstracts.

Q. You are familiar with this clause in the National Transcontinental Railway Act which defines the cost of construction?—A. I was. I have not been thinking about it since I left Ottawa, but I remember it.

Q. Were you accustomed to classify the cost of construction according to the sub-heads that are given here?—A. I took for my guidance as to the cost of construction the interpretation of that particular clause which was given by the Minister of Justice, and I kept that always in view.

Q. Is that among the papers?—A. That I think will be found somewhere amongst these papers.

Q. If not a copy can be obtained?—A. I remember quoting it in one of my reports; it must be here.

Q. Do you remember the special occasion when you got that report from the Minister of Justice?—A. I think there was some discussion between the Grand Trunk officials and myself. I took one view and they took another view. Then I reported and asked Mr. Schreiber for his view, and I think Mr. Schreiber wrote to the Minister of Justice asking for an interpretation of the Act and he got it.

Q. Do you remember the item or items over which that discussion arose?—A. No, I could not say now, I do not remember.

Q. You cannot say?—A. No, I cannot say.

Q. You did not O.K. or mark vouchers in any way yourself?—A. No, only just as I stated, checked the statement if I was satisfied with the voucher. If not I would mark a cross.

Q. Supposing you should examine again the vouchers that you passed upon eighteen months ago, how could you be sure?—A. All the vouchers run in numerical order and I have the numbers of those which I examined and they also show the name of the people, what it was for and the amount.

Q. They could not take out a voucher and put one in its place?—A. They could not do that without being caught at once.

Q. How?—A. By the numbers, and the amount, and the details that were on them before.

Q. As an accountant could you tell if you went over a bundle of those vouchers whether any voucher had been substituted?—A. If I had my original statement that I was dealing with I could soon tell.

Q. You made reports from time to time?—A. I did.

Q. Are those reports all on file?—A. They appear to be.

Q. You have no private memorandum?—A. No private memorandum.

Q. Everything you had has been turned over to the department?—A. I left everything behind me when I left Ottawa.

Q. When you were examining, from time to time, the books and vouchers of the company at Montreal, who assisted you by way of explanations on behalf of the company?—A. Well, of course, the general auditor, Mr. Walker, was supposed to be the man I was to deal with, but Mr. McCombe, one of the principal clerks, knew more about it than Mr. Walker did, so that after questioning Mr. Walker several times I was glad to continue my questions with Mr. McCombe, who had greater knowledge than Mr. Walker of the whole business.

Q. Was there an explanation always given?—A. Always, by Mr. McCombe, unless he did not know and then I would appeal to Mr. Walker.

Q. Do you remember Mr. McCombe's full name?—A. I think George C. McCombe.

Q. Is he still with the Grand Trunk?—A. No, he left the Grand Trunk some six or eight months ago.

Q. Do you know where he is now?—A. I do not know. I heard that he was with a firm of contractors at Parry Sound, but I do not know that.

Q. Then Mr. Walker or Mr. McCombe used to assist you by way of giving you explanations when the vouchers were too indefinite?—A. Yes.

Q. Any one else?—A. Yes, I have had to go to Mr. Wainwright and to Mr. Morse.

Q. For?—A. For explanations.

Q. Would the explanations they would give you be verbal?—A. They would be verbal.

Q. Would you take no memorandum?—A. No. If the explanations were satisfactory I would pass the account. If they were not satisfactory, I would throw it out.

Q. But you made no memorandum of what they said the explanations were?—A. I do not know whether I did not. I may have made a pencil memorandum on my statements about it; I could not say now.

Q. If the government should decide, as they have a right to by law, that when the road is built they would have a complete audit made of the vouchers there would be no record kept of the explanations which had induced you to pass those accounts of which you had doubt?—A. Merely the memorandum attached to the statements which were submitted for audit. That would show them.

Q. But which had not satisfied you?—A. Which do you mean?

Q. When you got Mr. Wainwright or Mr. Morse to give you supplementary explanations?—A. No, because if the explanations were satisfactory there would be no necessity to make a memorandum about it.

Q. But there would be explanations not carried on the face of the voucher?—A. They might not be carried on the face of the voucher. Perhaps I had better qualify my statement a little more and say that I can hardly remember any one instance in which any explanation was given to me that would make me pass any of these vouchers. My recollection is that the want of explanation made me throw them out.

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Q. And the want of explanation then would send you to Mr. Wainwright or to Mr. Morse?—A. Send me to Mr. Wainwright or to Mr. Morse.

Q. And the explanations they would give you, none of them are carried on the face of the voucher?—A. In most cases they were entirely unsatisfactory and I would not allow them.

Q. In some cases they were unsatisfactory?—A. In most cases.

Q. And were those vouchers passed out for good and all?—A. As far as I was concerned they were.

By Mr. Macdonald:

Q. They were not paid on your report?—A. They were not paid on my report.

Q. They were not included at all?—A. I never included them at all.

By Mr. Hughes (P.E.I.):

Q. Do you say they were contained in your report?—A. I would not have anything to do with them at all, I would not allow them.

By Mr. Ames:

Q. The vouchers produced for audit are not here and are not on file at the department.—A. I always made my report.

By Mr. Hughes (P.E.I.):

Q. They were noted in your reports?—A. Yes, they might be. There might be some in regard to which I would say there were some amounts I would not allow. I could not say without looking through my reports.

By Mr. Foster:

Q. That would be a voucher on which you allowed part?—A. No, sir.

Q. The voucher would be passed in whole or not at all?—A. I will give you an illustration of what I mean. There was a voucher placed before me for a considerable sum of money. I asked explanations of it. It represented a purchase of land and they would not give me the information. I wanted to know how much of that land was to be used for railway purposes, for purposes of the construction of the road and how much might be used for town sites, because I did not think, in my estimate, that they would be entitled to any more than what was necessary for the right of way, and in that case they refused to give me information, and I threw the whole thing out.

By Mr. Ames:

Q. What did they do with that?—A. I do not know, while I was in charge they never got that particular voucher in again.

By the Chairman:

Q. They seemed to have abandoned their pretensions?—A. They may have, I do not know.

By Mr. Ames:

Q. When you went out of the department was there a considerable number of accumulated vouchers which you had refused to pass?—A. There was a considerable number that I had thrown out.

Q. There would be?—A. I should fancy there would be.

Q. So that during your term of office there were a large number of vouchers that you had thrown out and which were in abeyance?—A. I should think so.

Q. You do not know whether they came back afterwards?—A. I have not the slightest knowledge, but I should judge not.

Q. You were mentioning 'legal expenses' a moment ago, did you ever refuse vouchers for 'legal expenses'?—A. I refused a great number for legal expenses.

Q. Why did you refuse them?—A. Well, some of them had to do with what they call 'preliminary expenses.'

Q. With what?—A. With what they call 'preliminary expenses.' I will give you an illustration: they had a lawyer, here in Ottawa, who was here as their representative, and who made a charge every month for legal services.

Q. In what connection?—A. I do not know outside of legal services. I took the ground that that had nothing to do with construction, and therefore I would not allow it and threw it out. I contended that it could not have anything to do with construction, because there was no construction going on at that time.

Q. Do you recollect the amount?—A. I could not say the amount, no.

Q. Have you any idea as to the amount of preliminary expenses that they endeavoured to pass?—A. Oh, there are lots of preliminary expenses in here, expenses that lead up to construction.

Q. But there was a large number of items that they attempted to pass for preliminary expenses which you would not allow?—A. They would not give me any details.

Q. Have you any idea of what they aggregate?—A. No, in my statement I notice what I was not aware of before, that I have specified all the vouchers that I knocked out, and the reasons why. They are all set out there.

Q. Do you find there many vouchers for preliminary expenses?—A. Here is an item of \$81.40 for publishing in the *Canada Gazette* notice of application for their charter, or I think it was.

Q. They wanted you to pass that?—A. And I would not do that.

Q. As being chargeable to the Western Division?—A. To the Western Division.

Q. Take the next one?—A. For printing in the *Canada Gazette*, \$24, and then there is a voucher of the *Railway and Shipping World* for a notice of application, an advertisement; I would not allow that. The next one you see here is 'Department of Public Printing and Stationery—Supplemental Notice,' which is not as much, \$15.40. Then there is the Bank of Montreal, expenses of the Grand Trunk officials to the Pacific coast, \$3,000, and I would not allow that. That was for Messrs. Morse and Hays, they put that in there.

Q. They wanted to charge that against the Western Division?—A. I would not allow it.

Q. An account there like that \$3,000, did that ever come back to you?—A. Never to me?

Q. Never to you?—A. No.

Q. Did you ever have any discussion with Mr. Wainwright about these vouchers?—

A. Mr. Wainwright said I should have allowed them, and I said, no.

Q. You persistently refused?—A. I persistently refused.

Q. And you believe they never came back to you in any other form?—A. I have no reason to believe they have ever been paid.

Q. You do not have any reason to believe that they have?—A. No, I do not think so. These (indicating items on statement) are for notice of application.

Q. Yes, all small items. Now, then, come down here, what is this for, 'E. S. Rowe, services'?—A. That is a man who was sent out to Winnipeg, a clergyman who was down on his luck, and they wanted to provide for him, and this voucher was made out there; they were paying him, and he was not doing very much, and I would not allow it.

Q. How did they explain to you that it was there?—A. They had it charged and I wanted to know in what capacity he was there and what he was doing, and they could not give me any satisfactory explanation, so I threw it out.

Q. You do not think this came back again?—A. I do not think so.

Q. Evidently the Rev. E. S. Rowe got \$125 per month. What is this 'Wainwright, advertising, \$325'?—A. He would not give me any explanation, and I threw it out.

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Q. Then there is William Wainwright again, \$325?—A. Yes.

Q. He would not give you any explanation of that either?—A. No, and I therefore throw it out. He would not give any explanation about that.

Q. Then there is the Ottawa *Free Press*, \$1,260—

By Mr. Foster:

Q. Is that in Mr. Shannon's statement?

By Mr. Ames:

Q. These are rejected vouchers—why did you reject the Ottawa *Free Press*?—A. Speaking off-hand now, it was because it had nothing to do with the construction of the road.

Q. Do you remember what it had to do with?—A. No, I could not say now.

Q. 'The Grand Trunk Pacific Railway Company directors' fees, \$120'?—A. I would not allow that item because it was not construction. It was Grand Trunk Pacific directors' fees, but my view was that it did not come within what is meant as construction and preliminary expenses and therefore I would not allow it.

Q. 'C. M. Hays' trip to England, \$1,132'?—A. He went there to see the English board, but I would not allow that.

Q. Then there is 'London office, salaries, \$4,666,' that is marked 'book entries'?—A. They wanted to charge in there a portion of the cost of the London office of the Grand Trunk Railway and I would not allow that.

Q. 'Grand Trunk, directors' fees, \$2,433.33'?—A. I cut that out, too.

Q. 'London office, directors' fees, \$2,433,' again, that is \$4,866 for London and you would not allow that?—A. No.

Q. 'Salaries and expenses of directors, \$890, London office,' why would you not allow that?—A. That had nothing to do with the construction of the railway.

Q. Now with regard to the 'legal expenses'?—A. First of all they have a statement of general expenses which, mind you this would be pro rata as between the different divisions, that would also include pro rata the Lake Superior section—that represents the total of the general expenditure which I threw out. Now they give legal expenses, which I threw out.

Q. 'Sir Adolphe Caron, \$1,000,' why did you throw that out?—A. Because I could not get any explanation why it should be allowed.

By the Chairman:

Q. Evidently the intention was that preliminary expenses should be charged, expenses in promoting bills and the charter, and your contention was the adverse contention which was carried?—A. It was carried.

By Mr. Ames:

Q. 'Sir Adolphe Caron, \$1,000,' that would mean for promoting the bill?—A. I could get no details.

Q. 'W. J. White, Montreal, \$500'?—A. I do not remember that, I must have had good and sufficient reason for it or I would not have cut it out.

Q. 'H. B. McGivern, \$1,000 and \$900, and \$524'?—A. That they paid to their lawyer, but I would not allow that.

By the Chairman:

Q. They were paid to a lawyer?—A. They paid them, but I would not allow them.

By Mr. Ames:

Q. You refused all those?—A. I refused all those.

Q. Then there is 'F. H. Chrysler, \$825'?—A. That was advice in connection

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with the drawing up of the trust and mortgage deed. As he was one of the lawyers who attended to that and had nothing to do with the construction of the road, I would not allow it.

Q. Then there is 'H. B. McGiverin's account, \$1,000, \$500, \$600, \$150, \$400, \$150, \$150, \$150, \$150,' and many, many others. Did you ask for explanations with reference to this legal account?—A. I asked what they were for and I could not get satisfactory answers so I simply threw them out.

Q. That is they could not give you a satisfactory answer as to what the sums had been expended for?—A. No.

Q. Could not satisfy you?—A. Could not satisfy me.

Q. They gave you no explanations?—A. No.

Q. No explanation whatever?—A. No. There is one here about Mr. Cameron. He was a man they had out in Winnipeg. They said they kept him on as a regular man the same as they did Mr. McGiverin. That was the only explanation they gave.

Q. These are additional legal expenses of about \$23,000 which you rejected?—A. Which I rejected.

By Mr. Barker:

Q. Does it appear at what period those papers were made?—A. That particular statement? A reference, I think, to the heading will show.

Q. Thirtieth of June, 1905?—A. Yes that is from the commencement.

Q. 'Statement of amounts deducted from expenditure to June 30, 1905.' Then all these legal expenses, which amount, I see, to about \$23,322, you refused to audit?—A. I refused to allow.

Q. You refused to allow because of indefiniteness or because it was not proven that they were chargeable to the Western Division?—A. Both.

Q. In any cases Mr. Wainwright gave you?—A. No explanation.

Q. No explanation whatever as to what those accounts were for?—A. In some cases, yes. For instance, that one of Sir Adolphe Caron, I wanted to know what that was for, but they would not give me an answer that would be sufficient for me to allow it as a legitimate charge.

By Mr. Macdonald:

Q. You were not satisfied that any of these expenses or payments came within the definition of the cost of construction?—A. Quite true; that is the reason why I threw them out.

By Mr. Ames:

Q. You could get no explanations?—A. In some cases I got explanations.

Q. In some cases you could get none whatever?—A. In some cases though they did not.

By the Chairman:

Q. They would give you some kind of explanation?—A. They were not what I could take at all.

By Mr. Ames:

Q. These are the amounts that you threw out?—A. Yes, amounts that I threw out.

Q. Then there is an amount, 'F. W. Morse, for terminal lands, \$20,000,' and another 'Peter Larsen, for terminal lands, \$26,500,' chargeable to mountain section?—A. About \$46,000.

Q. \$46,000, you refused?—A. I refused that because they distinctly declined to give me the explanation that I wanted, and I had—I was going to say a fight—but quite a good deal of words over it.

Q. Then there is an item in connection with Prairie Section, 'London office, stamp

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duties on bonds, \$41,254.' Why did you refuse that?—A. I refused that because I thought that did not come within the meaning of what was the interpretation of the construction of the road.

By Mr. Foster:

Q. That is your general answer?—A. I used my own judgment, taking the interpretation of the Minister of Justice. I may have done an injustice or I may not; I do not know.

By Mr. Macdonald:

Q. How much did you refuse in all?—A. I could not say now.

Q. Is the statement added up?—A. I refused \$26,000 of legal expenses, and I refused—

Q. But Mr. Shannon, have you added it up?—A. I have not. I am just telling you roughly.

By Mr. Ames:

Q. These statements are all to be left in the hands of Mr. Shannon. Do you want to go back this afternoon?—A. Not this afternoon, but to-morrow. I have got some business with the department that I want to complete this afternoon.

Q. I would very much like to go over these things with you?—A. Mr. Bell knows as much about it as I do and is just as capable as I am.

Q. This statement here?—A. This one representing the total amount as submitted. Here are the deductions that I have made: The general, as I explained, and the legal, we apportioned pro rata according to the section. As far as the Prairie Section, that represents only the pro rata to the total deductions. No, I beg your pardon. This represents the total they have charged in, and I allow them the portion here which is allowed. I show at page 11 what was allowed, you see. This was what was allowed.

Q. The list of vouchers which you refused when you made your audit is contained in what pages?—A. From pages 1 to 15, inclusive.

Q. Could you roughly run through and say what the total amount is?—A. There would be \$70,000. According to my report that is the total.

Q. 'After making the various changes referred to, the following is the result of my investigation.' How much then did you throw out?—A. I would have to work that out. Roughly speaking, that one would be \$80,000 odd.

By Mr. Foster:

Q. Deducted?—A. Deducted.

By Mr. Ames:

Q. How much?—A. Roughly speaking, about \$80,000.

Q. About \$80,000 was rejected in that particular report? Will you take now your second audit and tell us the pages it covered and how much was rejected in that?—A. That is the next one.

Q. Yes.—A. The next one was for three months. It only represented the period between July 1 and September 30, 1905, and under the head of 'general' my deductions only amount to \$1,486, and under the head of 'legal expenses,' \$1,782, so that was not very much, you see, at that time.

Q. Can you tell us the exact date that you accepted the first audit, the exact date when you initialled the statement as being satisfactory?—A. The one we were looking at a few minutes ago? My report is dated 8th December, 1905, and I commence it by stating that I had made an inspection on the 27th, 28th and 29th ult., and that is of November, so it must have been between those days.

Q. And that was your very first inspection in connection with it? Is there anything prior to that?—A. As I explained before, the first statement I audited they

withdrew and they presented a second one. This is my report upon the second one.

Q. When did they present the first statement which they withdrew?—A. That covered the same period.

Q. When did they present it?—A. That would be sometime in either September or October, 1905; I could not say exactly.

Q. When did they present it?—A. Some time in September or October, 1905, I could not say.

Q. They presented their first statements in September or October?—A. Yes, I think so.

Q. In consequence of your objections to many of the items they withdrew that?—A. They withdrew it.

Q. By whom was that statement prepared?—A. By the general auditor of the Grand Trunk Railway Company, or under his supervision.

Q. By Mr. Walker?—A. By Mr. Walker.

Q. And presented to you by him?—A. Presented to me by him.

Q. What did you do with it?—A. I started to check it.

Q. Where is it to-day?—A. They asked to have it withdrawn as they had in it charges which they said they ought not to have had and which belonged to other matters, and so they asked to be allowed to withdraw it. The department allowed them to withdraw it and to substitute a second account.

Q. And when the department allowed them to withdraw it, then they took back the original statement?—A. Yes.

Q. Who allowed them to withdraw it?—A. Speaking off-hand I should say the deputy minister or the minister, I could not say now, I know it was withdrawn.

Q. It was withdrawn and handed back to them?—A. Yes.

Q. And it contained all these items which you subsequently refused?—A. Yes.

Q. Do you remember now what the total amount of it was?—A. I could not speak from memory.

Q. Do you think it contained any other items than those which you refused in the second audit and those which you passed?—A. Yes, it did.

Q. Do you remember any of those items?—A. I cannot remember what it was.

Q. It was a considerable sum?—A. Yes.

Q. What was the difference in the total between the second statement submitted to you and the first statement?—A. I do not remember.

Q. Have you no idea?—A. No, I could not possibly give you any idea, I do not remember it at all.

Q. Those items you refused were all in the second statement?—A. This is the second statement.

Q. Those rejected accounts were all in the second statement?—A. I do not quite understand.

Q. Were these rejected accounts that you have enumerated contained in the second or amended statement?—A. Yes, because I draw attention to them here as being thrown out.

Q. Then there must have been a good many more in the first statement?—A. Yes, there were.

Q. To whom was that first statement returned, the copy that you have?—A. To the general auditor.

Q. To Mr. Walker?—A. Yes.

Q. Was it returned by you?—A. I do not recollect whether it was by me or not, it may have been, I do not recollect.

Q. How do you know that it was returned to Mr. Walker, that it reached him?—A. Because they delivered the second one in lieu of it.

Q. Do you know they received the first one back again?—A. Oh, yes, they received that back, but you asked me if I sent it.

Q. Did you ever see the first statement again in possession of the company?—A. No, I never saw it again.

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Q. You returned the statement yourself?—A. Yes, I see there is a note here on the file to that effect.

By Mr. Macdonald:

Q. On what ground did they ask for its return?—A. I do not know on what ground.

Q. Is there any correspondence on the subject?—A. No.

By Mr. Ames:

Q. You said that you objected to a lot of items and refused to pass the statement as it was?—A. I will not say that; I refused to allow a great many items which were in the new statement.

By Mr. Macdonald:

Q. And this time a new statement, in which they did not include a great number of items that you had objected to in the first was submitted?—A. That is correct.

Q. And when the second one came you still cut out several of them and your reports set out specifically what they were that you objected to?—A. That is correct, sir.

By Mr. Ames:

Q. Do you remember when you were in doubt about passing vouchers whom you consulted?—A. If it was an engineering matter I would consult Mr. Schreiber, who is the general consulting engineer.

Q. If it was a matter of legal expenses?—A. I do not think I consulted anybody then.

By Mr. Macdonald:

Q. You considered that legal expenses did not come within the legal definition of 'cost of construction'?—A. Yes, cost of construction.

Q. And the Minister of Justice had given an opinion defining the meaning of 'cost of construction'?—A. Yes.

Q. And consequently you acted on his opinion in dealing with this matter?—A. That is correct.

By Mr. Ames:

Q. Do you remember ever having at first refused to pass vouchers, and having subsequently passed them?—A. No, I do not.

Q. Not on any occasion?—A. Not that I remember.

Q. On no occasion did you do so?—A. On no occasion that I can think of now did I do that.

Q. Did you ever pass vouchers reluctantly?—A. No.

By Mr. German:

Q. Did you know that the expression 'cost of construction' includes legal expenses?—A. Yes, but the interpretation put upon it by the Minister of Justice was that the legal expenses incurred in connection with the construction of the railway should be allowed.

Q. Not in preliminary proceedings?—A. No, as you observed from the report that was read here these are the amounts that I took out of the statement, bearing in mind that interpretation.

By Mr. Ames:

Q. When vouchers were presented to you that covered expenses in this way, in connection with the preliminary expenses, parliamentary expenses, promotion expenses of this Bill, did you accept any such vouchers?—A. No, they were cut out.

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Q. Did you have any of them personally?—A. Yes, you see it there, you read them out from my report.

By the Chairman:

Q. You have read them out yourself, Mr. Ames?

By Mr. Ames:

Q. I see a voucher there that says, 'William Wainwright, \$3,000,' you refused to pass that?—A. Certainly.

Q. Did you pass any other vouchers for payment to Mr. Wainwright?—A. Any other like that?

Q. No, did you pass any other vouchers for payment to Mr. Wainwright?—A. Yes, I have passed vouchers for Mr. Wainwright.

Q. For legal expenses?—A. No, not for legal expenses. I think I passed one for a small travelling expense account, a few dollars, something like that. I think he went out there in connection with the work, and I thought that would be a fair charge against construction, and I allowed that, but it did not amount to very much.

Q. Did you ever allow any voucher that represented promotion expenses?—A. No, never.

Q. Did you ever have some vouchers for large amounts by Mr. Wainwright presented to you which were so indefinite that you rejected them?—A. Yes.

Q. Did you ever ask Mr. Wainwright for an explanation?—A. I did.

Q. Did you get any satisfactory answer?—A. There was no satisfactory explanation and I cut them out.

By Mr. Macdonald:

Q. That is to say you got vouchers for expenditures which did not satisfy you that they should go into the cost of construction?—A. I was not satisfied with the explanation and would not allow them.

By Mr. Ames:

Q. Then you had vouchers presented to you covering \$9,000 or \$10,000, did you not?—A. Yes, I did.

Q. For Mr. Wainwright's expenses, which you refused to allow?—A. I think there were some in there of Mr. Wainwright's, but you know it is a long time ago.

Q. Do you remember whether there was one for \$10,000?—A. No, I do not remember one for that amount.

Q. Do you remember the large amounts?—A. There are some vouchers—

Q. Presented by Mr. Wainwright for which when you asked for an explanation he would give you no explanation—in this account?—A. Yes.

Q. There were presented to you vouchers covering expenditures for large amounts on the part of Mr. Wainwright, which you refused to pass?—A. Yes, I think there were one or two.

By the Chairman:

Q. What do you call large amounts?—A. I do not recall from memory, \$6,000 or \$7,000, probably.

By Mr. Macdonald:

Q. Can you tell me the amount of any one of them?—A. No, I cannot.

Q. Not of any one of them, large or small?—A. No, I cannot.

By Mr. Ames:

Q. But they did put through substantial vouchers in the neighbourhood of \$5,000 or \$10,000?—A. They might be.

Mr. MACDONALD objected.

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By Mr. Ames:

Q. My recollection is that the witness said there were vouchers for \$6,000 or \$7,000?—A. You spoke about large amounts and I answered you.

Q. Do you remember having rejected vouchers for large amounts, as you have interpreted it, which were for expenses of William Wainwright?—A. No, I do not remember as to the amounts what they were at all. I think I threw out some, but I would not like to swear what the amounts were.

Q. Tell us anything you can about the rejection of certain accounts which Mr. William Wainwright presented, which you have not any definite record of, of which you could not get any explanation?—A. As to the amounts I could not say now, there would certainly be several thousand.

Q. More than several thousand?—A. I would not like to say the amount now, because it was over a year ago or more, and I would not like to say. I would ask him, 'What was this for?' He would not tell me, and I would say, 'Very well, if you won't tell me, I will throw it out,' and I did.

By Mr. Macdonald:

Q. Can you tell the committee the amount of any one of these vouchers which you rejected?—A. Of any particular one?

Q. Yes.—A. No.

Q. Or any one?—A. Not as to the exact amount, I cannot.

By Mr. Ames:

Q. Were those vouchers that we are just now speaking of with reference to Mr. Wainwright included in the same statement?—A. No, I do not think so.

Q. They were other than those we saw in the list rejected?—A. I think so.

By Mr. Barker:

Q. What is the government's system of vouchers? Do the government simply use one voucher or have they more than one, in duplicate or triplicate?—A. The government's system is to have it in triplicate; one copy for the particular branch to which it belongs, one copy for the department, and one copy for the Auditor General.

Q. You say three copies?—A. The Department of Railways and Canals have them in duplicate, one copy for themselves and the other for the Auditor General.

By Mr. Macdonald:

Q. What is your present position in the Railway Department?—A. I am comptroller and treasurer of the Intercolonial Railway at Moncton.

Q. Do you remember when you went there?—A. I went there in the early part of November last.

Q. Previous to that, you were engaged in the department as accountant?—A. I was there in the department as accountant.

Q. And you were deputized to act under the Act in auditing the accounts of the Grand Trunk Pacific?—A. I was.

Q. In regard to the items which you disallowed I presume you acted on the principle that these items did not come within the technical meaning of cost of construction as defined by the Minister of Justice in his opinion?—A. Quite right.

Q. Your report as to the items which were to be excluded was accepted by the department?—A. It was.

Q. Do you know of any item having been paid that you had reported against?—A. Yes, I do.

Q. Which one?—A. My recollection is that I threw out one for some land at Edmonton which I did not think should be put in. Mr. Schreiber, as chief engineer, thought that it should, I remember that one.

Q. Do you remember the question where Mr. Schreiber thought that this land came within the cost of construction of part of the road and therefore should be allowed?—A. Mind you, I am only speaking from memory; I shall have to refresh my memory from the papers.

Q. Well, perhaps we can shorten it. If there were any cases in which your report was not acted upon I presume it would be cases in which Mr. Schreiber would revise?—A. He would have the right to revise anything which I put in.

Q. And the department would act upon his report?—A. They would act upon his report, not upon mine.

Q. In that sense he was your superior officer and would report to the department upon your decision?—A. My superior officer in the matter was the Deputy Minister. I reported to him and then he submitted my report to Mr. Schreiber for his expert opinion.

Q. And there are no other cases, excepting the matter in which they were referring to Mr. Schreiber, that you know of?—A. That is the only thing that I can recall now.

Q. That is the only thing you can recall in regard to this first account which was at first submitted? Can you tell us when it was first submitted? What is the date of your letter in which you sent it back?—A. November 10, 1905; it would be subsequent to that.

Q. It would be previous to that?—A. I mean previous to that.

Q. The new account must have been submitted within a very short time because you examined it on 27, 28, and 29?—A. Of November, yes.

Q. Was there anything about these items of Mr. Wainwright's which you did not allow in the first account which marked them out from any other items which you did not allow simply because they did not come within the cost of construction?—A. I do not quite catch your meaning.

Q. Was there anything particular in these items of Mr. Wainwright's included in the first account which you did not allow which mark them out specially from any other items which you did not allow, on account of not coming within the cost of construction?—A. No, certainly not.

Q. There was nothing about them that gave rise to any particular impressions?—A. Certainly not.

Q. As a matter of fact the company were endeavouring to charge up in these two preliminary accounts the expenses of every character in connection with the preliminary inauguration of the company?—A. I judged so.

Q. The cost and expenses which would be attendant upon the formation of a company of that kind, of every character, were included in the preliminary accounts and you, by the interpretation which you put upon the cost of construction, deemed that preliminary expenses of that kind were not within the meaning 'cost of construction,' and you disallowed them?—A. Yes.

Q. And that is the principle upon which you acted?—A. Yes.

By Hon. Mr. Fielding:

Q. You spoke of Mr. Schreiber in some matter revising your judgment?—A. Revising my judgment? Yes.

Q. Did he revise your judgment in any case in regard to these legal expenses and cases of that kind or only in engineering and land matters?—A. I do not remember now, Mr. Fielding.

Q. You have no recollection of any except the Edmonton case?—A. I remember the case of the Edmonton land.

By Mr. Macdonald:

Q. You do not recall about your judgment in regard to legal expenses being revised by any one? Your judgment was adopted in that respect?—A. This report was adopted in that respect.

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Mr. AMES.—I think Mr. Shannon had better be allowed to return to Moncton and perhaps in a week or ten days he may come back again.

WITNESS.—I should think Mr. Bell would do just as well as I.

By Mr. Fielding:

Q. As to this method of audit, and as to the practise of the method, what are your views? You are an accountant, do you regard it as efficient?—A. I do, sir.

Q. By whom was it devised?—A. By myself.

Q. You have been accountant in the department before you were transferred to Moncton for how many years?—A. For nearly twenty years.

Q. You had been accountant for nearly twenty years, and this method of audit was devised by yourself in the light of your experience in the department?—A. In the light of my experience, which was a good deal, in connection with the cost of construction relating to railway subsidies.

Q. In your judgment it was efficient and satisfactory?—A. I think so.

Witness discharged.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

FRIDAY, March 8, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the Chairman, Mr. Geoffrion, presiding.

The Committee proceeded to the further consideration of the payment of \$352,191.73 to the Grand Trunk Railway Company in connection with surveys purchased for the National Transcontinental Railway, as set out at pages W—251 and W—323 of the Auditor General's Report for the fiscal year ending June 30, 1906.

Mr. J. M. COURTNEY, called, sworn and examined.

By Mr. Ames:

Q. Will you kindly give me your name and address?—A. John Mortimer Courtney, 460 Wilbrod Street, Ottawa.

Q. You were until recently in the service of the government, were you not?—A. Until last November.

Q. Until November, 1906?—A. Yes.

Q. And in what capacity did you act?—A. Deputy Minister of Finance.

Q. Will you kindly turn to the Public Accounts, page 7?—A. The balance-sheet, I suppose you mean.

Q. You will find an item a little below the middle of the page. 'Grand Trunk Pacific Railway Special Account, \$13,800,555'?—A. Yes.

Q. I understand, Mr. Courtney, that in October, 1905, there was an issue of £3,200,000 in bonds?—A. Yes, I think it was about that date.

Q. They would net about how much money?—A. I forget now, I have not the papers, it was about 90, something like that, 92½.

Q. Somewhere approximately about \$15,000,000, I suppose?—A. Oh, no: three millions at par would be about \$14,000,000.

Q. It was £3,200,000?—A. Well, it could not be much more than \$14,500,000, something like that.

Q. About that?—A. Yes, roughly speaking, figuring it up in my head I should think so.

Q. These bonds were sold by the government, were they not?—A. No, by the Grand Trunk.

Q. Where are the proceeds of the bonds?—A. The proceeds of the bonds were brought out to Canada.

Q. Where are those proceeds now, who is the custodian?—A. The proceeds of the bonds were deposited in the Bank of Montreal, in the Merchants Bank of Canada, the Canadian Bank of Commerce, the Bank of Toronto and the Bank of Ottawa.

Q. In whose name, or to whose credit?—A. The Receiver General.

Q. To the credit of the Receiver General?—A. Yes.

Q. So that practically the government acts as a trustee in respect of that money?—A. In a way, yes.

Q. And the government releases that money from time to time?—A. Yes.

Q. As expenditures are made with regard to the Western Division of the road?—A. On the work of construction.

Q. As the work of construction on the Western Division of the road progresses that money is released?—A. Yes.

Q. So that the government acts as trustees to protect the bondholders?—A. Yes

Q. And to protect the country?—A. Yes.

Q. This item of \$13,800,555 is evidently not the entire proceeds of that issue?—

A. Oh, no, some part of the money was spent before and handed over.

Q. A certain portion of the money was handed over?—A. Yes.

Q. It was spent?—A. Yes.

Q. And it was handed over to—?—A. The Grand Trunk Pacific.

Q. During the fiscal year 1905-6?—A. Yes.

Q. So that all the accounts expended and paid during 1905-6 would be included in the difference between the amount as it stands on June 30, 1906, and the total amount of the proceeds of the issue of last October?—A. Yes.

Q. Will you please turn to the file, Mr. Bell will show you, do you find a letter number 79,868?—A. It is difficult to find it at the beginning.

Q. You will find a letter from Mr. L. K. Jones, secretary of the Department of Railways and Canals to the Hon. W. S. Fielding, Minister of Finance?—A. October 19, 1905.

Q. Shall I read the letter or will you, Mr. Courtney?—A. I will read it.

SIR,—I have the honour, by direction, to inclose herewith, for the necessary action by your department, 4 certificates, dated the 11th inst., of Mr. Collingwood Schriber as chief engineer of the government in connection with the construction of the Western Division of the National Transcontinental Railway, to which position he was appointed by an order in council of that date, such certificates, endorsed on certified statements of expenditure furnished by the Grand Trunk Pacific Railway Company being as follows:

‘For the Mountain section, certificate No. 1, showing a total expenditure of \$96,935.39, of which there is payable by the Dominion government 75 per cent, or \$72,701.50.

‘For the Prairie section, certificate Nos. 1, 2 and 3, showing a total expenditure of \$829,358.34, of which there is payable by the Dominion government 75 per cent, or \$622,018.75.

I have the honour to be, &c.,

Q. Mr. Courtney, would you be good enough, if it is not too much trouble, just to make a total of the entire amount of expenditure shown by that letter, and of the 75 per cent which the Dominion government would pay thereon?—A. The total expenditure would be \$926,291.73, and the 75 per cent would be \$695,715.25.

Q. I think you have made an error in one of the figures. I think it is \$926,293.73?—A. That is right, yes; \$926,293.73.

Q. And now what would your other item be?—A. \$695,715.25.

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By Mr. Barker:

Q. Are you correct, is that three-quarters according to your check?—A. I have simply added up the two figures here.

By Mr. Ames:

Q. This, if I understand you right, is a certified statement which Mr. Collingwood Schreiber, as chief engineer, has had inclosed in this letter, representing a total expenditure of \$926,293.73?—A. Yes.

Q. On the cost of construction?—A. Yes, which Mr. Jones, not Mr. Schreiber, sends in the letter.

Q. But you see the letter speaks of four certificates of Mr. Collingwood Schreiber?—A. Exactly, but Mr. Schreiber did not send the certificates.

Q. It is evident that the four certificates were for 75 per cent of that sum?—A. Yes.

Q. In the letter, Mr. Courtney there are the words 'Such certificates, endorsed or certified statements of expenditure furnished by the Grand Trunk Pacific Railway Company'?—A. Yes.

Q. Will you kindly describe what that sentence means and what the documents referred to would be?—A. I would like to see the documents.

Q. Do you find a certified statement of expenditure there?—A. Yes, the certificate is attached, it is in the letter from Mr. Schreiber to Mr. Emmerson.

Q. There is a letter from Mr. Schreiber to Mr. Emmerson, of what date?—A. Of the 12th October.

Q. You consider that to be a certified statement of expenditure, do you?—A. That is the only thing that is attached; I do not know whether that was the certificate. It is marked on the file 'Account Grand Trunk Pacific Railway in connection with construction of their railway,' and duly certified.

By Mr. Maclean (Lunenburg):

Q. What is the mark on the face of it, Mr. Courtney?—A. That is just all.

Q. I mean on the face of it?—A. Oh, yes; 'The accountant of the Department of Railways and Canals having carefully examined the vouchers—'

Q. That is not what I have asked about, in red ink across the face?—A. 'Not to be acted upon.'

Q. What else?—A. I beg pardon, I should not have quoted that.

Q. 'Not to be acted upon,' is there the signature of any one?—A. 'Cancelled,' 'G,' I think that means.

Q. Is that signed by Mr. Schreiber, that statement?—A. Yes.

By Mr. Ames:

Q. You do not find the four certificates there, and you do not find the certified statement of expenditure furnished by the Grand Trunk Pacific Railway Company?—A. No.

Q. Then, evidently, Mr. Jones transmitted to the Hon. W. S. Fielding, on the 19th of October, 1905, the four certificates endorsed on certified statements of expenditure furnished by the Grand Trunk Pacific Railway Company for the action we have described. Do you find anywhere in the dossier those four certificates endorsed on certified statements of expenditure furnished by the Grand Trunk Pacific Railway Company?—A. I find this note by Mr. Shannon, which perhaps may be useful, 'Statements in detail detached from report and handed to W. Walker, general auditor, Grand Trunk Railway Company, to-day, by order of deputy minister.'

Q. What date is that?—A. November 10th, 1905.

Q. November 10th, 1905?—A. Yes, that is initialled by Mr. Shannon, 'L.S.'

Q. Now, Mr. Courtney, referring again to that letter of Mr. Jones to the Minister of Finance, you see the words 'For the necessary action by your department.' Will you kindly describe the customary action on receiving certificates duly endorsed as

these were?—A. This was the first certificate of any kind that was ever received in that connection, and apparently nothing was done at that time.

Q. These certificates were received in your department?—A. In the department, and received by Mr. Fielding, who no doubt handed them out somewhere about that time. But they were the first certificates—the first certificate is for the Mountain Section and the other three certificates for the Prairie Section.

Q. Well, what action was expected of your department?—A. To pay the money, I presume.

Q. To pay the money?—A. Yes.

Q. All the preliminary steps of certification had been duly taken?—A. I should say so.

Q. The only step remaining to complete the transaction was for you to pay the money?—A. I should say so.

Q. Why did you not pay the money?—A. I do not recollect. I suppose I might have made some inquiry or something. Naturally with a business starting new I would be careful of creating a precedent.

Q. Every formality had apparently been complied with, had it not?—A. Yes, but I should like to look into things before—

Q. But do you not remember, even where it was the first transaction of the character?—A. I do not recollect.

Q. It was rather a notable transaction, a large amount of this kind, and do you not remember any of the circumstances why this had not been paid when it had gone through the necessary formalities?—A. I cannot say I do.

Q. Cannot you recollect anything at all about it?—A. I recollect the thing coming.

Q. Tell us what you do recollect?—A. I do not like to say, I would tell you if I remembered.

Q. Do you not remember any of the circumstances at all, Mr. Courtney?—A. I think it was held up for a month.

By Mr. Macdonald :

Q. Have you a clear recollection?—A. No, I have not.

By Mr. Ames :

Q. On the face of the papers they appear to have been held up from the 19th of October to the 10th of November?—A. Apparently so.

Q. Do you remember having consulted anybody at that time?—A. I think it would be the other way, I think they would consult me.

Q. Do you remember any one consulting with you?—A. I fancy, Mr. Shannon, the accountant, came over.

Q. Did he come over?—A. I think so.

Q. Do you remember anything he said about that time?—A. He used to come over, the railway accountant, every week. I would not like to state that he said anything that I can recollect.

Q. On the face of the papers, as you have them before you, with all the formalities fulfilled, were they not entitled to the money?—A. Probably.

Q. What?—A. Probably.

Q. They were entitled to the money?—A. Probably. A banker likes to see that things are right before paying.

Q. On the face of the documents everything was regular and there should have been no reason why it was not paid. Is that not so, apparently?—A. Apparently so.

Q. Well, now, the fact that they were not paid, does not that seem strange?—A. Probably they were paid; I do not know. But there was nothing done evidently until the 10th of November.

Q. How do you justify your department in holding up a transaction like that and

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not making the payment when it was apparently in every respect regular?—A. Possibly I might have wanted to make further inquiries about it.

Q. As to what?—A. Well, as I said before, it was the beginning of a big series of transactions and perhaps, being over-cautious, I might have wanted time.

Q. Like a good public official?—A. Before creating a precedent.

Q. Did you find as a result that you had been over-cautious in this matter?—A. I would not say so.

Q. Was your action justified?—A. I would not say so.

Q. Now we will go on with the detail of it for a moment. These four certificates apparently were received in your department regular in every particular.

Mr. MACDONALD.—There is no evidence that they were regular in every particular.

The WITNESS.—They were received, the certificates were received.

By Mr. Ames :

Q. These certificates when they were received by you were regular in every particular were they not?—A. I presume so. I should like to see the certificates.

Q. On the face of the certificates, you told us a moment ago, everything up to that point had been regular?—A. Apparently regular.

Mr. MACDONALD.—Mr. Courtney says he is speaking from the documents before him, and apparently the certificates came to him.

The WITNESS.—If you will allow me, I see in the file of correspondence produced by the Department of Railways and Canals, a letter bearing date of the 10th November, when Mr. Shannon apparently had those certificates, a letter that was written by Mr. Jones to the general auditor of the Grand Trunk Pacific Railway. That letter is as follows:

DEPARTMENT OF RAILWAYS AND CANALS,
OTTAWA, November 10, 1905.

SIR,—In compliance with the request contained in your letter of yesterday's date, I return herewith, by direction, four certificates of the president, vice-president, general manager and the chief engineer of the Grand Trunk Pacific Railway Company as to expenditure on the Mountain and Prairie Sections of that railway, the same being required, you state, for purposes of modification.

I am, sir, your obedient servant,

H. W. WALKER, Esq.,
General Auditor,
Grand Trunk Pacific Railway,
Montreal.

(Signed) L. K. JONES,
Secretary.

There is on November 13th an acknowledgment from Mr. Walker, to the following effect:

GRAND TRUNK PACIFIC RAILWAY,
OTTAWA, CANADA, November 13, 1905.

L. K. JONES, Esq.,
Secretary, Department Railways and Canals,
Ottawa, Ont.

DEAR SIR,—I have pleasure in acknowledging return of four (4) certificates per yours of 10th instant.

Yours truly,
(Signed) H. W. WALKER,
General Auditor.

By Mr. Macdonald:

Q. Will you read a letter from Mr. Walker, general auditor, dated November 9th, to Mr. Butler, Deputy Minister of Railways and Canals, in order to complete the documents you have referred to?—A. (Reads):

7. EDWARD VII., A. 1907

GRAND TRUNK PACIFIC RAILWAY,

MONTREAL, CANADA, November 9, 1905.

M. J. BUTLER, Esq.,

Deputy Minister of Railways and Canals,
Ottawa, Ont.

DEAR SIR,—Will you kindly return statements of expenditure which Mr. Shannon took with him to complete his audit, as I wish to amend them?

Also the certificates, which will have to be redrawn to correspond.

Yours truly,

(Signed) H. W. WALKER,
General Auditor.

By Mr. Ames:

Q. What date was that?—A. 9th November.

Q. A month afterwards?—A. Yes.

Q. We will bring that all out in time, getting at it a little differently. If I understand rightly, Mr. Courtney, you have said that the certificates were in regular form when they reached you, and nothing was required to be done but pay the money?—A. I presume so. The certificates are not here; I cannot say anything as to that. They were returned afterwards. I presume they were in form.

Q. You took no objection to the certificates, provided everything under them was regular?—A. I would not say that, because the certificates were not paid. I would not say that I took no objection.

Q. Did you raise any objection as to the form of the certificates or the form or preparation of the certificates?—A. I do not recollect. I should like to see the certificates. Eighteen months afterwards is rather—

Q. We will find where the certificates are later. Do you find they are necessary to your evidence?—A. Yes, I think so.

Q. In order to give your evidence clearly, you require those certificates?—A. Yes, I am trying to speak entirely from memory now.

Q. In order to give your evidence?—A. I would like to see the certificates.

Q. Now, when the certificates came to you, did Mr. Shannon's report accompany them? Mr. Shannon's report is the first document on the file on the very back?—A. Looking at this letter of the 19th October, I should say it did not. (Reads):

DEPARTMENT OF RAILWAYS AND CANALS,

OTTAWA, October 19, 1905.

SIR,—I have the honour, by direction, to inclose herewith, for the necessary action by your department, four certificates, dated the 11th instant, of Mr. Collingwood Schreiber, as chief engineer of the government in connection with the construction of the Western Division of the National Transcontinental Railway, to which position he was appointed by any order in council of that date, such certificates, endorsed on certified statements of expenditure furnished by the Grand Trunk Pacific Railway Company, being as follows:

For the Mountain Section, certificate No. 1, showing a total expenditure of \$96,935.39, of which there is payable by the Dominion government 75 per cent, or \$72,701.50.

For the Prairie Section, certificates Nos. 1, 2 and 3, showing a total expenditure of \$829,358.34, of which there is payable by the Dominion government 75 per cent, or \$622,018.75.

I have the honour to be, sir,

Your obedient servant,

(Signed) L. K. JONES,
Secretary.

Hon. W. S. FIELDING,
Minister of Finance,
Ottawa.

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Mr. Collingwood Schreiber says nothing about any other papers.

Q. He says nothing about any other papers?—A. No.

Q. You had, however, frequent communication with Mr. Shannon?—A. I constantly saw Mr. Shannon.

Q. You constantly saw Mr. Shannon?—A. Yes, about business of his department.

Q. Do you remember being made cognizant of Mr. Shannon's reports?—A. I do not recollect.

Q. Now, will you kindly turn to Mr. Shannon's report and read it, and see if you recollect ever having seen that report before, it is a little long but we would like to get it on the record.—A. It is in the form of a letter to Mr. Butler, the deputy minister.

Q. It is a letter to Mr. Butler, the deputy minister?—A. Yes.

Q. Under date of?—A. 11th October, 1905.

'SIR,—Pursuant to instructions, I made an inspection last week of the books, vouchers, &c., of the Grand Trunk Pacific Railway in Montreal, to ascertain the amount of expenditure made by the Grand Trunk Pacific upon the Prairie and Mountain Sections of the Grand Trunk Pacific Railway from its inception to June 30, 1905, and have the honour to report as follows:—

' Prairie Section.

' Expenditure.	\$241,505 76
' Less refunds.	317 28
	<hr/>
	\$241,188 48
' Add proportion of preliminary expenses.	106,433 00
' Add proportion of general and legal expenses.	88,465 66
	<hr/>
' Total.	\$436,087 14

' Mountain Section.

' Expenditure.	\$ 49,232 82
' Add proportion of general and legal expenses.	47,702 57
	<hr/>
' Total.	\$ 96,935 39

'It will be noticed that there is a difference between my total of the Mountain Section, namely, \$96,935.39, and the amount returned under certificate No. 1, \$97,177.67, a difference of \$242.28, being vouchers 944 for \$147.90, 18243 for \$62.50 and 18266 for \$31.88, charged in error to that section, whereas the first belongs to Thunder Bay branch and the two last to the Eastern Slope section. I pointed these errors out to the general auditor of the Grand Trunk who stated that inasmuch as his statement had been submitted to the board in London at the amount mentioned in the certificate, he could not see his way to changing them, but would give credit for these errors in the next statement to be submitted to the department.

'In addition to the expenditure the company submit a claim for interest on the first mortgage bonds, Prairie Section, guaranteed by Dominion government issued through Messrs. N. N. Rothschild & Sons, £3,200,000—\$15,552,000, interest six months to 1st October at 3 per cent—\$233,280, 75 per cent of which is \$174,960, also for four per cent mortgage bonds Prairie Section issued through Messrs. Speyer Bros., £1,646,000—\$7,999,560, interest six months to October 1st at 4 per cent per annum \$159,991.20, 75 per cent of which is \$119,993.40.

'With regard to these items of interest, I had no means of checking the bonds as to the amounts, or the dates which they were disposed of by the firms of bankers alluded to, the company informing me that the only information they had was as to the total of the bonds—and that they all carried interest from the 1st of April, 1905.

'I submit herewith the various statements in detail showing how the expenditure is made up and it will be noticed in this connection that there are two separate statements, one for legal expenses and the other for general expenses.

'The total of these have been distributed between the various sections on a mileage basis.

'I would draw attention to the item of proportion of preliminary expenses in the statement of the Prairie Section, amounting to \$106,433, this being a portion of a voucher submitted to me for \$162,000, in round figures, but which sub-vouchers to the extent only of \$106,650 were shown me—an amount in excess of the proportion charged—but the details were insufficient to enable me to state whether they were a proper charge against the Prairie Section or not. If it is thought to be a proper charge against this section, then the total of that section as given by me in this report will be correct, if not that total should be reduced accordingly.

'I have the honour to be, sir,

'Your obedient servant,

'LEONARD SHANNON,

'*Accountant.*'

Q. That total should be reduced by \$162,000, according to the view of the accountant?—A. The details were not sufficient to enable him to state: 'If it is thought to be a proper charge against this section, then the total of that section as given by me in this report will be correct, if not, that total should be reduced accordingly.'

Q. Does that letter in any way remind you of the reasons why these certificates were not immediately honoured and paid?—A. No, it does not; I do not know, I really do not recollect whether I saw that letter before. I may explain that in this business, I was going out of the department very soon, and I turned it over entirely to Mr. Boville, my successor.

Q. Will he know more about it than you do?—A. I think he will, he consulted me all through, but he knows more about the details.

Q. Did Mr. Shannon come over to your office, to your recollection, and discuss the substance of this report, particularly the latter part?—A. He may have, I do not recollect.

Q. Would Mr. Boville be likely to know?—A. No, Mr. Shannon came over and discussed it with me.

Q. You think Mr. Boville's evidence is necessary to supplement yours?—A. I think so.

Q. Will you turn now to that letter of November 10, 1905, that is a letter from Mr. Courtney?—A. To Mr. Jones.

Q. To Mr. Jones, has that letter gone on file?—A. Oh, yes.

Q. With respect to that letter, you returned on November 10 the four certificates to Mr. Jones?—A. Mr. Jones wrote a letter to the Finance Department of the same date, I think that ought to be, in which he says:—

'The department is in receipt of a request from the general auditor of the Grand Trunk Pacific Railway for the return of certain statements of expenditure and certificates which require to be withdrawn.

'These certificates in question being now with your department, I have to ask if you will be pleased to return them for transmission accordingly.'

Then on the same date I reply to Mr. Jones:—

'In compliance with your letter of this day's date I beg to return herewith four certificates, dates October 11, of Mr. Schreiber as chief engineer of the government in connection with the construction of the Western Division of the National Transcontinental Railway of expenditure, as follows:—

'Mountain Section certificate No. 1 for \$96,935.37, of which 75 per cent or \$72,701.50 is payable by the government.

'Prairie Section certificates Nos. 1, 2 and 3, showing a total expenditure of \$829,358.34 of which 75 per cent, or \$622,018.75 is payable by the government.'

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Q. In compliance with that letter did you return the certificates?—A. Evidently.

Q. Why did you come to return those certificates?—A. At the request of the Railway Department.

Q. Is it customary to return certificates like that? Do you remember any other occasion when certificates were returned?—A. Oh, yes, you find mistakes in certificates and return them for correction.

By Mr. Maclean :

Q. Is it an unusual thing for a department to ask the Finance Department to return certificates for correction?—A. Oh, no.

By Mr. Bristol :

Q. Was it because of a mistake in the certificates they were returned?—A. I do not know, they simply asked that the certificates be returned.

Q. Then what my hon. friend asked you is not correct, it is not usual to return certificates where there was any mistake?—A. I did not say so.

Q. Do you know of any other case where there were any mistakes?—A. I dare say there were many.

Q. Give us an example?—A. I could not give you an example. The Finance Department as I have said over and over again, turn over a million dollars a day and I cannot tell you what happens. I have no doubt there have been scores of certificates returned to the various departments.

By Mr. Ames :

Q. When you return certificates like that do you take any copy of the certificates?—A. The letter is copied in the book.

Q. But would there be any copy kept of the certificates?—A. No, I should not think so.

Q. Is there any copy in the department of these certificates?—A. I do not think so. I do not know, there may be. I went yesterday to Mr. Boville and asked him to hunt up all the papers there were.

Q. Have you not papers there?—A. I have not.

Q. Are there any papers in the department with reference to this transaction that have not been produced?—A. I do not know. I have only seen them this morning.

Q. I thought your summons asked you to produce the papers?—A. I have not got the custody of the papers in the Finance Department.

By the Chairman :

Q. Very likely you returned the originals to the department?—A. Yes.

Q. Very likely your department does not keep any copy of them?—A. Not when the transaction is complete.

Mr. AMES.—Mr. Chairman, will you allow me to examine Mr. Boville on the same subject for a moment to supplement Mr. Courtney's evidence?

Request granted.

Mr. T. C. BOVILLE called and examined.

By Mr. Ames :

Q. Will you kindly give your name and position?—A. Thomas Cooper Boville, Deputy Minister of Finance.

Q. Are there any letters, or is there any correspondence in your department with reference to the return of these four certificates, with reference to any of the matters that led up to the return of these four certificates?—A. I could not tell you off-hand

without refreshing my memory. I have not looked over the file recently in that connection and I would not like to say without refreshing my memory.

Q. Will you examine the documents when you go back and send over to this committee anything you may have on this subject?—A. Certainly.

Q. Now I will ask you to see if you remember anything in connection with the same transaction. Turn to that letter 79868 of the 19th October from L. K. Jones, secretary of the Railway Department?—A. Yes.

Q. That letter has been read?—A. Yes.

Q. Necessary action on the part of your department on the receipt of these four certificates would be what?—A. From examination to see if they corresponded with the terms of the mortgage and trust deed largely, and if so the necessary payment thereunder.

Q. Do you remember anything in connection with the receipt of these four certificates?—A. I have a dim recollection.

Q. You remember that they were received?—A. No, I could not exactly say it was that they were received.

Q. Do you remember whether the certificates were irregular in form or anything of that kind?—A. I do not remember. Do you mean the certificates of Mr. Schreiber?

Q. These four certificates?—A. I could not say positively that I ever saw those certificates; I could not say positively.

Q. You could not say positively that you ever saw the certificates?—A. No, I could not. I could not say positively that I ever saw them. I have no doubt they were received.

Q. Was there any question in the department as to the irregularity of the certificates, or the form of the certificates, the lack of proper endorsement on the certificates?—A. The only recollection I have is, as Mr. Courtney said, this was the first transaction and a good deal of care had to be taken with it as it would serve as a precedent for future dealings with similar transactions. I think you will find this letter is addressed to Mr. Fielding, the Hon. W. S. Fielding. I think those certificates probably came under his view. I think there was a consultation probably between Mr. Courtney, probably Mr. Shannon was there at the same time, and Mr. Fielding may have had something to do with it, some connection with it.

Q. As to the result?—A. There was a question as to the nature of expenditures that went into this.

Q. A question as to the nature of the expenditures?—A. Not the nature, but the preliminary charges, legal expenditures, and another question—whether they were properly charged against construction.

By Mr. Macdonald :

Q. Are you speaking from a clear recollection?—A. Not a clear recollection because I have not refreshed my memory.

Mr. AMES.—I am examining the witness.

Mr. MACDONALD.—The question was a pertinent one and Mr. Boville says he had not a clear recollection.

The WITNESS.—Certainly.

By Mr. Macdonald :

Q. You have only a dim idea?—A. Yes.

By Mr. Ames :

Q. Now, Mr. Boville, you say there was a question as to the nature of the expenditure, go on with your explanation of what that question was.—A. Let me make this remark, I am dealing very frankly with the committee, and I am dealing with business that took place over a year ago and my answers are, of course, to the best of my knowledge and ability, from recollection.

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Q. Tell us what you remember in that connection?—A. This was the first application in connection with the transaction, and it had to be gone into carefully. So far as my recollection goes I would say that the application made covered items for preliminary expenses, various preliminary expenses, that were not regarded as coming under the terms of the Act, as 'construction.'

Q. Not so regarded by the Finance Department?—A. No, regarded probably by the deputy minister.

Q. You mean the Finance Department?—A. I am speaking of the consultation between Mr. Fielding and Mr. Courtney.

Q. And yourself?—A. Not myself, but Mr. Shannon probably, I do not think I was present. Mr. Fielding said—

By Mr. Macdonald:

Q. If you were not present, how can you tell us what took place. We do not want evidence here except what a man can speak of from his own knowledge as to what took place.

By Mr. Ames:

Q. Give us your understanding of the case as a result of your discussion with Mr. Courtney.

The CHAIRMAN.—Just say what you know, Mr. Boville—the point is well taken—you have to state just what you know. We have to apply the rules of evidence in some way and we do not admit hearsay evidence. If the witness says he was not present at the conversation between two or three persons, he certainly cannot know what was done there except through hearsay. That is the ruling of the Chair, he is to say only what he knows.

Mr. FOSTER.—You will not allow him to give to the best of his recollection, is that your ruling? You are going to shut out by that ruling all that the committee wants to get in the way of general information.

The CHAIRMAN.—I say we do not want to admit hearsay evidence, we want the best evidence we can get, but if a witness is not present at a conversation between two or three persons he has no right to say, 'I have heard from somebody that this and this took place.'

Mr. MACDONALD.—The witness cannot speak of matters of which he has no personal knowledge.

The CHAIRMAN.—Personally I have no objection if the committee wish to hear the evidence, but it would not be admitted in a court of law.

Mr. CROCKET.—I would like to know if the Chairman thinks that a report from an officer of a department to another officer of the department is hearsay evidence and should be excluded?

The CHAIRMAN.—He says he was not present at this conference and was only speaking from dim recollection.

By Mr. Bristol:

Q. I would like to ask the witness from whom he gained his information as to what took place at the interview?—A. From Mr. Courtney.

By Mr. Ames:

Q. What did Mr. Courtney tell you as to what took place at the interview?—A. Of course I am only speaking from recollection. I cannot give you—

Mr. FOSTER.—That is understood.

The WITNESS.—That the statements made by the Grand Trunk Pacific Company contained probably charges, preliminary charges, which could not be rightly construed as part of the cost of construction.

By Mr. Foster:

Q. Contained preliminary charges?—A. That they were practically padded, probably padded. Probably the committee will understand that word.

By Mr. Ames:

Q. And yet they had passed up to your department in that condition?—A. Oh, well, they had come to the department in that condition.

Q. And required only your sanction to be paid?—A. Oh, well, I would not like to say that.

Q. That is actually the fact, is it not? It just required your sanction?—A. You are speaking of the certificates of the government engineer?

Q. I am speaking of the four certificates that came from the Department of Railways and Canals.—A. I am speaking probably of Mr. Shannon's certificates.

Q. Mr. Shannon did not issue any certificates.—A. Mr. Shannon's examination.

Q. But Mr. Shannon's reports did not come to your department. What went to your department was Mr. Schreiber's report?—A. Well, that is the same.

Q. No, it is not. In Mr. Shannon's examination of the accounts there is a very great difference. I will ask you this question and then you will see.—A. Yes.

Q. The total amount of Mr. Schreiber's report was 75 per cent of \$926,292.72?—A. Yes.

Q. Now, if you will turn to Mr. Shannon's letter you will see on the last page that he is dissatisfied with \$162,000 out of that amount.—A. Well, probably—

Q. Is it not a fact that the certificates were based upon the amount of Mr. Schreiber's?—A. I could not say until I saw the certificates.

Q. Turn to Mr. Schreiber's report of October 9 and you will find the totals are the same. If you had \$96,000 and \$828,000 it makes \$926,000?—A. Yes.

Q. So that the certificates covered the whole amount, including the \$162,000 which Mr. Shannon had been dissatisfied with?—A. Yes.

Q. Now, was it on account of the dissatisfaction of Mr. Shannon in connection with the \$162,000 that you held up those certificates?—A. I did not hold them up.

Q. That your department held them up?—A. I should say yes.

By Mr. Macdonald:

Q. What did you say?—A. I should say yes. That does not mean to say—

By Mr. Ames:

Q. You have told us that the reason why these certificates were not promptly paid was because they were padded. You have said that here. They were padded accounts. You have used that word here.—A. That is a little strong.

Q. Now, I have asked you, was it on account of the insertion of that \$162,000 that caused you to withhold your issuing of that money. You have practically said yes.—A. There were other items, I think.

Q. There were other items besides?—A. I should say there were other items.

Q. There was at least that \$162,000?—A. Oh, yes, there were other items.

Q. Then it was not on account of the irregularity of the certificates but on account of certain items that were referred to therein that you did not pay that money?—A. Well, I was not in charge. When you say I did not pay that money.

Q. The department did not pay that money?

Objection raised by Mr. Macdonald to the character of the examination.

The CHAIRMAN.—Perhaps the evidence is not altogether regular, it is not legal altogether and would not be accepted in a court of justice, but the committee is able to judge of the evidence. The witness has answered all the way along that he did not know, that he was not there, or that he heard it, so that the committee is able to form an opinion. We will let Mr. Ames proceed further.

By Mr. Ames:

Q. Have you anything further to say with reference to that particular transac-

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tion, as to why these certificates were not paid—anything you remember in connection with it?—A. There is nothing else I remember, you must recollect I have not thought of this subject, this particular business, for some time. If there are papers in the department I will hunt them up and bring them to the committee, and from these papers I may be able to refresh my memory. I was called without any previous warning.

By Mr. Bennett :

Q. How many conversations had you with Deputy Minister Courtney in addition to the conversation when Mr. Courtney referred to the list as being 'padded,' or the paper as being padded?—A. I would not like to say, because—

Q. Was it a half a dozen?—A. Because Mr. Courtney and myself occupied adjoining rooms and met each other day in and day out.

Q. These ran over the period between October 19 and November 10?—A. Yes.

Q. Was it not a daily discussed matter?—A. No, it would not be a daily discussed matter.

Q. Was it a weekly discussed matter in the department from October 19 to November 10?—A. I would not say it was daily or weekly.

Q. Was it not considered the big subject of discussion between Mr. Courtney and yourself?—A. Just at the time.

Q. It was a big subject?—A. Yes, it was an important subject.

By Mr. Barker :

Q. In the ordinary course of the work in your office, what would have become of these certificates, these four certificates?—A. In the ordinary course?

Q. Yes, supposing there had been no hitch?—A. What do you mean by the ordinary course?

Q. If there had been no hitch about this payment, what would have become of those certificates which were sent to your department?—A. If the certificates had been all right and everything apparently in order, and if the department were perfectly satisfied, and if the department who were making the application to us were perfectly satisfied, they would probably be paid in the ordinary course.

Q. I did not ask you that, and I want you to understand distinctly I do not want you to make a speech. If there had been no hitch about this matter at all, and if it had gone through in the ordinary course and payment had been made, what would have become of these certificates as documents?—A. They would have remained in the Department of Finance.

Q. They would have remained in the Finance Department. Are they there?—A. I could not say, because I have not hunted for them. I have not hunted it up, but, as you see by the file, they were returned by the department.

Q. You know this inquiry has been going on?—A. Yes.

Q. Do you mean to tell me, as deputy minister, that you do not know whether they are or are not in the department?—A. You see by the file—

Q. Do not get off on something else. Do you know or do you not know whether those certificates are in your department?—A. I could not say without hunting it up.

Q. You cannot say without what?—A. I cannot say without hunting it up to ascertain.

Q. You have no opinion upon the point, perhaps?—A. I do not know, unless I went and searched for them I could not tell you whether they are there or not. But I do not think they are there, because in this file you will find a letter of the 10th of November from Mr. Courtney, in which he returned them to the secretary of the Railways and Canals Department.

Q. As between you and the department that sent these papers to you, fully certified, the papers belong to you, do they not?—A. I would not like to say that.

Q. I ask you where they would remain if they were paid?—A. In the ordinary course, if they had been paid the same as other certificates, they would remain with us.

Q. That is what I want. These papers were sent to your department by the Railway Department?—A. Yes.

Q. They were your documents from that moment, were they not?—A. They were not evidently regarded as our documents.

Q. As between these two departments, were you not entitled to those papers?—A. I am telling you exactly how they were regarded by the department.

Q. I must have an answer to my question. I do not want any general opinion, but I want an answer. As between those two departments, were you not entitled to those papers?—A. As between the two departments?

Q. As between the Railway Department and your department, were you entitled to the custody of those papers?—A. We were entitled to the custody of them.

Q. As between you and the Railway Department, they had sent you formal documents which you were to act upon?—A. Yes.

Q. Or refuse to act upon?—A. Yes.

Q. As between those two departments, were they yours—can you not understand that?—A. Well, it is a very difficult question to answer, Mr. Barker.

Q. So you do not know?—A. No, I will not say I do not know, because the practice—

The CHAIRMAN—Do you say you do not understand the question?—A. The practice of the department is that the documents that come to us are regarded as the property of the department, but if the department furnishing a document wishes it returned—it occurs constantly—they have the right to ask that the document be returned, and in ordinary courtesy we return that.

Q. That is quite right, I know that you return them, but they are to come back to you again?—A. Not necessarily.

Q. Do you mean to tell me that if a department of the government, say the Public Works Department, or any other department, sent you a certified voucher, and they want that back, that you will surrender it to them and let it be cancelled after you have received and acted on it?—A. You are varying your question—a certified voucher is a voucher certified for payment, and in that case the voucher is ours, and we would not return it except for inspection.

Q. Supposing the Minister of Public Works sends you a document or certificate?—A. What do you mean by a 'certificate'? An application for payment?

Q. Just wait and let me put the question, and do not try to fence, if you please.—A. I am not fencing, I want to know what you mean by certificate?

Q. You attend to the question, and do not bother about the effect of it. If the Department of Public Works, by its minister, sends you a certificate regarding a payment to be made by your department?—A. Yes.

Q. You understand that?—A. I understand that.

Q. That becomes your property, does it not, the moment you receive it from the department?—A. Nominally, in general, yes.

Q. If the Department of Public Works, in the case I have put, asks you for it again?—A. Yes.

Q. Does that become any less your property? Is it any less in your custody, even if you let them have it to examine it?—A. Oh, I do not know. These cases happen constantly, and we return documents to them.

Q. Would you cancel a paper when a request for it came in in that way?—A. Every department writes to us and says that a certain letter has been sent in and requests us to cancel the letter, and we cancel it.

Q. Would you destroy all evidence of it, send it out of the government possession altogether?—A. Probably, we send it back to them, that is the rule we usually follow.

Q. To whom?—A. To the department that wishes the document cancelled.

Q. But would you be a party to its being sent away out of the government custody altogether? To people who were demanding money from the government, a document of that nature that you had once received?—A. Oh, no.

Q. You would not?—A. Oh, no.

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By Mr. Macdonald:

Q. Mr. Boville, I notice that the history of this affair, as the records of your department, if you will follow the file, will show, is that first, on October 19, Mr. Jones wrote to the Hon. Mr. Fielding a letter inclosing four certificates,—

‘I have the honour, by direction, to inclose herewith for the necessary action by your department, four certificates, dated the 11th instant, of Mr. Collingwood Schreiber, as chief engineer of the government in connection with the construction of the Western Division of the National Transcontinental Railway.’—A. Yes, I see.

Q. ‘Such certificates, endorsed on certified statements of expenditure furnished by the Grand Trunk Pacific Railway Company, being as follows:—’

Now, can you tell the committee, whether or not there was anything forwarded, at that time, by Mr. Jones to the department other than those four certificates, and certified statements of expenditure? I notice that is all Mr. Jones says he forwarded.—A. What he enumerates in his letter would be all that would be forwarded.

Q. Those four certificates, and such certificates are endorsed on the certified statements of expenditure, and that is all that was forwarded?—A. Naturally, yes, that was all that was forwarded.

Q. I presume, in the course of the departmental business, Mr. Fielding has handed out this communication and these matters came into the hands of Mr. Courtney?—A. Yes.

Q. Who was then Deputy Minister of Finance?—A. Yes, I should say so.

Q. Now, the next document on the file there which deals with this matter is the letter from Mr. Jones to Mr. Courtney, dated November 10?—A. Yes.

Q. ‘The department is in receipt of a request from the general auditor of the Grand Trunk Pacific Railway for the return of certain statements of expenditure and certificates which require to be withdrawn.

‘The certificates in question being now with your department, I have to ask if you will be pleased to return them for transmission accordingly’?—A. Yes.

Q. You will notice from that that what Mr. Jones asked for was the statement of expenditure and certificates?—A. Which were mentioned in his letter of the 19th of October.

Q. Can you tell me, whether from your recollection, or otherwise, or from the correspondence that is there, there is anything to indicate that there was anything before your department at any time except the certificates and statements of expenditure?—A. There is nothing in the correspondence here.

Q. Nor in your recollection?—A. I could not say absolutely.

By Mr. Ames:

Q. Had you had access to Mr. Shannon’s report?—A. I do not think so.

Q. Now, Mr. Boville, I find that on November 10, Mr. Courtney writes from your department to Mr. Jones as follows: ‘In compliance with your letter of this day’s date. I beg to return herewith four certificates dated 11th October, of Mr. Schreiber as chief engineer of the government in connection with the construction of the Western Division of the National Transcontinental Railway of expenditure, as follows. Then he describes the certificates. So far as I can see from all the correspondence on this subject, and that is apparently all the correspondence the Railway Department had with the Department of Finance, Mr. Courtney was returning these certificates?—A. Yes.

Q. That was what you had before you from the other departments, was it not?—A. Yes, so far as I recollect.

Q. So far as I can see from the correspondence the Department of Finance had come to no conclusion, as to whether these amounts should be paid, on the 10th of November? Is that right?—A. I think that is right.

Q. That is right?—A. Yes.

Q. Then your department had not come to any departmental conclusion as to what action should be taken, and on November 10 these certificates were returned in accordance with the letter of Mr. Jones?—A. That is apparently right.

Q. You told us of some conversation which you understood had taken place. Will you please tell me who were the parties who took part in the conversation?—A. What conversation do you allude to, Mr. Macdonald?

Q. The conversation in which these matters were being discussed, in which the matter of this claim was being discussed.—A. I presume they were discussed.

Q. I don't want any presumption. Who was present at the conversation which you detailed?—A. The Deputy Minister of Finance. Now you are asking—

Q. In response to Mr. Ames you undertook to tell this committee the substance of the conversation which was, as I understood it, between Mr. Fielding and Mr. Courtney and somebody else?—A. Yes, probably Mr. Shannon.

Q. Probably Mr. Shannon?—A. Probably Mr. Shannon. I think Mr. Shannon was there.

Q. Do you know whether he was there or not?—A. I could not absolutely say.

Q. Were you there yourself?—A. I was probably in the next room.

Q. Were you there?—A. I was in the department every day.

Q. Were you in the conference with Mr. Courtney and Mr. Fielding?—A. I was not in the conference.

Q. You were not?—A. No.

Q. Was Mr. Shannon there?—A. I think Mr. Shannon was there.

Q. Tell us whether he was there or not, no thinks about it?—A. To the best of my knowledge and belief Mr. Shannon was there.

Q. Then you cannot tell us whether Mr. Shannon was there or not, but you think he was?—A. My impression, my recollection, is that he was there.

Q. Your recollection is that he was there?—A. Yes.

Q. Was it Mr. Shannon made this remark to you?—A. What remark?

Q. The remark in which you said one of these gentlemen said to you that these accounts of the Grand Trunk had been padded?—A. Perhaps I should not have used the word padded, because it is a slang phrase.

Q. What was it he said? Was the word 'padded' used?—A. No, the word 'padded' was not used.

Q. By any of these gentlemen?—A. Not at all. Perhaps I should have more correctly said that—

Q. Why don't you tell us the words that were used, and if you cannot tell us say you cannot?—A. It is very difficult to repeat the exact terms of a conversation on a matter of business that took place a year ago, a year and a half ago. Perhaps I should not have used the word 'padded.'

Q. Was the word 'padded' used?—A. No the word was not used. It was a slang phrase that slipped from the end of my tongue.

By Mr. Ames:

Q. It was your own characterization?—A. My own characterization—not my own characterization of the accounts.

Q. Your own characterization of a portion of the accounts?—A. I thought it was a term that would be easily understood by the committee.

By Mr. Northrup:

Q. Of course you thought the term accurate or you would not have used it?—A. I mean that the term 'cost of construction' is defined in the mortgage trust deed and in the Acts relating to the Transcontinental. It is very closely, it is very strictly defined and in these statements on which the payments were to be made it may have been, it was, decided that certain items that had been included were not properly chargeable as cost of construction.

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Mr. FOSTER.—And therefore the account was a padded account?

By Mr. Macdonald :

Q. Who came to that conclusion ?—A. I think the Minister of Finance came to that conclusion.

Q. The Minister of Finance, you think, came to the conclusion that in these accounts submitted, the Grand Trunk were asking the government to pay certain items which they claimed on account of cost of construction but which in his opinion ought not to be allowed ?—A. That is it.

Q. That is all that was referred to ?—A. Exactly.

Q. Had you asked the Department of Justice for an opinion upon what the cost of construction was ?—A. No, because the minister said he would not pay it.

By Mr. Bennett :

Q. Which minister ?—A. The Minister of Finance. I mean to say the Minister of Finance would not pay the certificates.

By Mr. Macdonald :

Q. The Minister of Finance said, without reference to the Minister of Justice at all, he would not pay, he said he thought they were not proper ?—A. Yes.

Q. Now, Mr. Boville, who was it that told you the report of the conversation ? Was it told you in a categorical way ? Was it told you in a definite way by some person who reported to you the result of the conversation, some gentleman who asked you as to whether you had a report of that ?—A. No.

Q. There was nobody who gave you report as an official of the department ?—A. Mr. Courtney would tell me.

Q. Mr. Courtney ?—A. Mr. Courtney would tell me.

Q. Did he tell you ?—A. Yes.

Q. Why not say he did instead of saying he would tell me ? Now, Mr. Courtney, you say, that at this consultation Mr. Fielding considered there were some items being claimed by the Grand Trunk that should not be allowed. Was there any record in your department as to any departmental deliverance on the subject ?—A. Not that I know of.

Q. At that time or any other time ?—A. It would not be necessary.

Q. It would not be necessary ?—A. No.

Q. There was no decision arrived at ? Did you deem it necessary to inform the Department of Railways and Canals about it ?—A. No.

Q. Was there anything unusual in the Department of Railways and Canals asking your department to return documents to them ?—A. Nothing unusual.

Q. It is a matter of business in all the departments ?—A. A matter of business between the various departments and the Department of Finance, it is a matter of constant occurrence.

Q. Then we are to understand that the word 'padded' which you used was an unfortunate expression ?—A. It is a slang phrase.

Q. It is a slang phrase ?—A. It is a slang phrase.

Q. Would you say it was an adaptation to the committee or was it just a word you used ?—A. It is simply a slang phrase from the end of my tongue.

Q. It was not used by any of the officials of the department ?—A. Not at all.

Q. And the information you had from Mr. Courtney on the subject was simply this that the minister thought there were certain items in the account that should not be paid ?—A. Not properly chargeable to cost of construction.

Q. And would not be paid by the department ?—A. And would not be paid.

By Mr. Northrup :

Q. Did you receive a letter in your department—had you not a letter about, I thing, October 12, 1906, from Mr. Schreiber, not addressed to your department, but to somebody else, that reached your department?—A. Yes, I see a letter here addressed—

Q. Keep your hand on it so that you can refer to it. It is addressed to Mr. Emmerson?—A. It is addressed to Mr. Emmerson.

Q. A letter of October 12, 1906, addressed to Mr. Emmerson came to your department?—A. 1905.

Q. Was there anything came with that report, did the certificates, in other words, come with it?

By Mr. Ames :

Q. On the last page of the letter which has been read?—A. I do not understand the question.

By Mr. Northrup :

Q. The four certificates we have spoken of as having been given by Mr. Schreiber came with that letter?—A. Came with that letter of October 19, from Mr. Jones.

Q. They came with the letter of October 19 from Mr. Jones, who also sent the letter of October 12, did he not?—A. I do not think that letter you refer to of October 12 would be inclosed to Mr. Fielding because—

Q. I just want to know the facts, if it was not all right.—A. Because it is not mentioned in Mr. Jones' letter.

Q. I do not care so long as the fact is established?—A. I would not say so, because it is not mentioned in Mr. Jones' letter.

Q. Is there anything in this file that you know of to show how the letter of 12th of October from Mr. Schreiber reached your department?—A. I could not tell you until I examine my own departmental documents.

By Mr. Ames :

Q. If you will look at the letter of 12th October you will find written across it, 'file for present, L. K. Jones.'

By Mr. Northrup :

Q. Would you say that this letter of the 12th of October from Mr. Schreiber came to your department through the Department of Railways and Canals?—A. If it is addressed to Mr. Fielding it would come to the department.

Q. I am referring to the letter of the 12th of October, there is a letter of that date from Mr. Schreiber to Mr. Emmerson?—A. I could not say whether that letter ever came or not. I cannot absolutely say.

Q. You do not know whether it came to your department?—A. It does not profess to come to our department. I cannot tell you whether it did or not until I examine the departmental files.

By Hon. Mr. Fielding :

Q. This (file produced) is the Railway Department file, not the Finance Department file. A letter from an official of the Railway Department to the Hon. Mr. Emmerson would not necessarily come over to my department unless transmitted for some special reason. I understand that letter from Mr. Schreiber is addressed to Mr. Emmerson?—A. I could not tell you, I will have to examine the file.

By Mr. Northrup :

Q. Would there be any record in your department which would tell whether it was or not?—A. There might be.

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Q. Will you kindly look up and see if you can trace whether the letter of 12th October from Mr. Schreiber to the Hon. Mr. Emmerson was received in your department?—A. I will.

By Mr. Ames :

Q. Was that letter received in your department?—A. I could not tell you, Mr. Ames.

Q. Have you not a record in your department of all letters received?—A. I can find out whether it was received or not.

By Mr. Northrup :

Q. Looking at the letter of October 19, which is addressed to Mr. Courtney, it inclosed four certificates from Mr. Schreiber, did it not?—A. Yes.

Q. And you have told us already, I will not follow it up, that these certificates from Mr. Schreiber were certifying to the payment of \$926,000 odd?—A. Yes.

Q. And you use an expression, referring to a certain account that you described, as being 'padded' ?—A. You had better not use that term.

Q. You received an account which you spoke of as being 'padded,' was that an account certified to by Mr. Schreiber to be paid ?—A. That would be the first account.

Q. So that your department had four certificates from Mr. Schreiber certifying to the payment of an amount of \$926,000 which you refused to pay, which you did not pay ?—A. Which we did not pay.

Q. And which you yourself described here as being 'padded' ?—A. I withdrew the term 'padded' out of deference to the committee.

Q. Evidently you had seen that then : did you consider that as being a proper account to be rendered by the Grand Trunk Railway Company—personally, as your own opinion, did you consider it a proper account?—A. It did not come under my consideration.

Q. You knew about it?—A. Yes, because it was in my custody.

Q. You talked with the deputy minister about it, you had the account in your custody?—A. Yes.

Q. You had read it ?—A. What do you mean by 'account,' what account do you mean ?

Q. This certificate of \$926,000?—A. Yes.

Q. When you had it in your possession—

By Hon. Mr. Fielding :

Q. Mr. Northrup is representing you as saying that you had an account, apart from these certificates, is that correct ?—A. I had the certificates.

By Mr. Northrup :

Q. I was talking about an account of which these certificates were the authorization for payment. You had that account, had you not?—A. There was the engineer's certificate with it.

Q. Attached to the engineer's certificate there was an account, was there not ?—A. I do not think so.

Q. At the same time, in your department, had you Mr. Shannon's report ?—A. I could not absolutely state, but I think so.

Q. Do you remember, looking back as a matter of memory yourself, do you remember having the statement, or account, whatever you call it, that was presented by the Grand Trunk Pacific Railway Company?—A. No, I had not that, oh, no.

Q. Are you clear as to whether or not Mr. Shannon's report was in your department?—A. I am not clear, I could not absolutely state, but I think so.

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Q. Now then, coming back to the original question, that account of \$926,000, was all certified by Mr. Schreiber?—A. I think so, mind you I have not seen the certificates and could not say whose signature is on them.

Q. Does it strike you, you being in the Finance Department, that it was an extraordinary thing that you had a certificate from Mr. Schreiber for an account you considered improper?—A. No.

Q. It did not strike you as improper?—A. You are using the term 'improper'; there are very frequently differences of opinion as to what should be and what should not be paid.

Q. You thought it was improper, you decided not to pay it?—A. Oh, when you come to interpret a section of a mortgage agreement or a clause of a statute, there are very often differences of opinion.

Q. That is quite possible, but that is not the point I am asking you about. Come back to the question of the account. Your department considered it improper, rightly or wrongly?—A. Not improper, you are using the word. It was an account that the department did not think came under the terms of the statute and of the mortgage deed.

By Mr. Ames:

Q. And you would not pay it?—A. And we did not pay it.

By Mr. Northrup:

Q. If it did not come under the statute it was an improper account for you to pay?—A. We did not pay it.

Q. Did it strike you as an odd thing that Mr. Schreiber was certifying to an account that you thought should not be paid?—A. There are very frequently differences of opinion as to items that go to make up an account.

Q. In this case, do you remember any of the items of that account at all?—A. None at all.

Q. Have you any impression on your mind now as to what the character of those items were?—A. I could not say off-hand.

Q. Have you no recollection at all?—A. No recollection.

Q. Speaking from memory, I will ask you plainly, were there not items in the account so outrageous that you and the deputy minister and the minister were all shocked? Is that not a fact?—A. No, I do not think so, not as far as I am concerned.

Q. You do not remember anything of that kind?—A. I do not remember anything of that kind, because, mind you, I am speaking of these certificates.

Q. I am speaking of the accounts that these certificates were authorized to pay?—A. I do not remember anything of that.

Q. You do not remember of the items at all?—A. No.

Q. At any rate there were certificates that your department would not pay?—A. Yes, did not pay.

Q. Did you send those certificates back that the account could be rendered again in another form?—A. Certainly.

Q. It was rendered in another form, was it not?—A. I would not like to say that.

Q. The whole account was rendered in another form?—A. It came up again.

Q. Did it strike you, as Deputy Minister of the Finance Department, that it was a very important voucher for you to have, the claim which the Grand Trunk had made the first time?—A. I did not think—

Q. Consider now. If you did not consider it then, consider it now. Your duty in the Finance Department was to check, to audit these accounts, was it not?—A. No, we paid under the certificate of the engineer. If you read the terms of the mortgage agreement, you will find that the department is authorized by that mortgage agreement and by the statutory authority to pay out money on the certificate of the government engineer. We have practically nothing to do beyond that.

Q. It was your duty to pay on Mr. Schreiber's certificate, was it not?—A. Yes.

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Q. Why did you not pay?—A. Because it was the first transaction.

Q. That would make you more careful. You did not pay it. Why did you not pay?—A. Because it was felt—I am only speaking from memory—because it was felt—

Q. I want to know what you were told?—A. It covered items not properly chargeable to cost of construction.

Q. Exactly, it covered items not properly chargeable to cost of construction. Then why did you refuse to pay that account, if you were bound to pay it on Mr. Schreiber's certificate?—A. We are not bound to pay.

Q. That is your answer?—A. We have the power to pay.

Q. You have the power to pay. Is it not your duty to look into the accounts?—A. If there is—

Q. Anything outrageous?—A. Anything out of the ordinary.

Q. Unless there is something quite out of the ordinary you would pay, would you not?—A. I am speaking of the transactions as they come through from day to day.

Q. Then unless there was something quite out of the ordinary—A. I had not control of the transaction itself.

Q. Unless there was something entirely out of the ordinary, would not your department pay?—A. Yes, out of the ordinary.

Q. In this case you did not pay, and therefore this was quite out of the ordinary?—A. They were certainly, as regards, as items coming under the cost of construction.

Q. How do you know they were not proper items to pay?—A. How do I know?

Q. You say they were not proper, do you not?—A. The department regards them.

Q. As improper?—A. Practically, Mr. Fielding regarded them as improper.

Q. Did Mr. Courtney or Mr. Fielding discuss them with you?—A. They never discussed them with me.

Q. Did they speak to you about it?—A. Simply gave decisions.

Q. Did they tell you what the items were?—A. No.

Q. You did not know what the items were?—A. No.

Q. Your practice is to pay on Mr. Schreiber's certificate? Did it not strike your department that it would be a proper thing to keep this account of the Grand Trunk in case other accounts were rendered?—A. I don't think so.

Q. Would you not have held the Grand Trunk to the amounts charged in this account, if they had rendered subsequent accounts?—A. I don't think so.

Q. Why, surely?—A. Perhaps I misapprehend the question.

Q. The Grand Trunk had the right after you returned this account to present others?—A. Yes.

Q. If you had kept this original account would it not have been a check on subsequent accounts sent in by the Grand Trunk?—A. Oh, no, I do not think it would be a check.

Q. Supposing the Grand Trunk had increased any of these items in subsequent accounts?—A. They are quite at liberty to do so.

Q. Certainly, but could not you check them by their first account?—A. You must remember that all these accounts have to be audited by the Railway Department.

Q. I am not asking you whether they are audited, I am asking you supposing the Grand Trunk subsequently rendered accounts for larger amounts would it not have been a great check for the department that they had the first account charging smaller sums to the same items?—A. I do not think so.

Q. Would that be your idea of finance?—A. I do not think so.

Q. Are you sure you understand me? The Grand Trunk having rendered an account for \$926,000, if they were subsequently to render accounts for \$1,500,000 for the same items, would it not be a check on the Grand Trunk if you had their first account showing lesser charges for the same items?—A. You must remember that all these accounts have to be gone over by the auditor of the Railway Department and vouched for by voucher and if they did send in \$1,500,000 worth of accounts and

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they were properly audited and vouched for by the Railway Department, they would have been paid.

Q. Possibly, but that is not the point; I will try to make myself plain to you. If the Grand Trunk sent in an account, as they did, for \$926,000?—A. Yes.

Q. If you returned that account and then later they sent in another account, with the same details, but charging \$500,000 or \$600,000 more, would you not be in a better position to check that second account if you had their first?—A. We would be in the same position to check the second time.

By the Chairman:

Q. You had the statement?—A. We had the statement.

By Mr. Northrup:

Q. Supposing they gave \$5,000 to a lawyer at one time and charged \$15,000 at another, would it not help you to protect the account?—A. We did not get that account.

Q. You did not get that account?—A. These accounts are vouched for by the auditor of the Railway Department.

Q. I am not asking you about their vouching at all. I am asking you simply about the account.—A. They did not send us an account.

Q. Then the fact remains that Mr. Schreiber did certify accounts to your department that you refused to pay because they were improper?—A. They were not paid, they were returned to the department. The fact is they were not paid but returned to the department.

Q. Did the Minister of Finance say he would not pay?—A. He gave his decision that certain things were not properly charged to cost of construction.

By Mr. Ames:

Q. If the accounts had remained with your department for three months or four months would you have been bound to pay?—A. I don't think so.

Q. You don't think they would ever have paid?—A. I don't think so.

By Mr. Barker:

Q. Will you tell me what papers the department had which enabled Mr. Fielding to say that these were improper charges?—A. I could not tell you that.

Q. You cannot tell?—A. No.

Q. Could you imagine how he could tell that if he had only before him the \$926,000?—A. No.

Q. Did not Mr. Courtney tell you how the insertion of these improper charges in the account was found out?—A. No.

Q. You do not pretend that Mr. Fielding guessed it, do you?—A. I do not know what—

Q. And you never understood?—A. I got my instructions at the time from Mr. Courtney.

Q. You did not even have the curiosity to learn how they found out that these items were improperly charged? Do you mean to tell me you do not know?—A. I don't know.

Q. You never heard?—A. I don't know.

Q. I did not ask you that?—A. I have never heard.

Q. Did you ever hear how Mr. Fielding learned that these improper charges were there?—A. I presume through examination of Mr. Shannon's report. I told you that Mr. Shannon, Mr. Courtney and Mr. Fielding were there.

Q. Did you understand from Mr. Courtney that Mr. Shannon was there with his report?—A. I don't know, I could not tell you that.

Q. You did not ask Mr. Courtney how this was discovered?—A. No.

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Q. You had no curiosity at all?—A. I simply got his instructions.

Q. \$162,000 were improperly charged, and you, the chief man in the department at the time— A. Oh, no.

Q. Were you not?—A. I do not understand it.

Q. You have been his successor, you were in the department then, and in discussing the question with the deputy minister you had no curiosity to learn how the deputy minister found the impropriety of these charges?—A. It is a matter largely of the interpretation of the statute and the mortgage trust deeds.

Q. Mr. Fielding did not want even to consult the law department?—A. He gave his decision.

Q. Do you know what the charges were?—A. No.

Q. You never heard?—A. No.

By Mr. Bennett :

Q. When was it you got this fixed opinion in your mind that the minister was opposed to this payment?—A. It would come to me in his decision, it would be probably about—what is the date?

Q. October 10 is the date.—A. It would be around that time, very shortly afterwards.

Q. Then the minister, you know, was very decided in his opposition to it?—A. The decision came to me that the minister would not grant it.

Witness discharged.

Mr. COLLINGWOOD SCHREIBER recalled.

By Mr. Ames:

Q. Will you take cognizance, please, of Mr. Shannon's report, which has already been read?—A. I have heard it to-day.

Q. It had already been read?—A. Yes.

Q. Do you remember when you saw that report for the first time?—A. Just before I wrote my report.

Q. Just before you wrote your own report. When did you write that endorsement upon it, 'not to be acted upon'?—A. I should think it would be early in November; I should think that.

Q. Early in November?—A. Yes.

Q. Turn to that report, and you will notice this phrase 'and which expenses—'—A. Stop a moment, please, allow me to say early in November, 1905.

Q. Turn to your report, and you will see the phrase 'and which expenses the Department of Justice, from the description given them, consider to be such as should be included in the cost of construction.' How did you get that communication from the Department of Justice, that they were satisfied with this item?—A. If you will allow me to explain my position in this respect—

Q. Just answer my question first.

The CHAIRMAN—Let him make his explanation.

A. My position was this: In the Act of 1903, chapter 71, it described what 'construction' was. Then in the Act of 1905, chapter 8, it also describes it, but it adds one other item which I presumed was an enlargement of the first Act, that is 'preliminary expenses.' In the first Act these words did not appear. 'Preliminary expenses' I interpreted to mean expenses preceding construction, the commencement of construction. When these accounts came in and I was dealing with them, the question was raised by Mr. Shannon, and I had a talk with the Minister of Justice about it.

Q. Who was he at that time?—A. The Hon. Mr. Fitzpatrick.

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Q. You had a talk with Hon. Mr. Fitzpatrick?—A. Yes; I asked him whether I was right in including ‘preliminary expenses,’ and he said, ‘yes, he thought so.’ But I did not explain the nature of the preliminary expenses. Therefore I certified on that, and my report went to the Finance Department after an order in council had been passed, and it remained there a little while, when Mr. Fielding, the Minister of Finance, asked me whether I was satisfied in my own knowledge as to whether the legal expenses were fair and reasonable. I answered him that I understood the Justice Department to say they were proper charges, but that for his own satisfaction perhaps he had better refer it to the Justice Department, which he did. So I inferred by a letter I got from Mr. Fitzpatrick afterwards explaining—

Q. On what date?—A. The 11th of November.

Q. It is the 15th of November, is it not?—A. Well, it is here.

Q. Had you written ‘not to be acted upon’ across the face of that report before you got that letter of the 15th of November?—A. No.

Q. Will you read that letter, please; we will get it on record?—A. It is from the Hon. Mr. Fitzpatrick, Minister of Justice, and is dated November 15, 1905:

‘DEAR MR. SCHREIBER,—I cannot think it at all doubtful that the expression “preliminary expenses” in article 1, section 5, of the mortgage schedule A to the Act 4 & 5 Edward VII., cap. 98, was intended not to enlarge the scope of the clause in which it was found, but merely to amplify in somewhat more particular detail the matter specified in the corresponding clause in the 15th section of the agreement forming schedule to the Act 3 Edward VII., cap. 71.

‘The clause deals with the cost of surveys and engineering, so far as its provisions bear immediately upon the present question, and I think it quite plain that such surveys and engineering must be incident to the work of construction, in order to their cost falling within the definition of “construction work.”

‘It follows, in my opinion, that the words “preliminary expenses” must be so construed as to include only such expenses as are preliminary to and connected with surveys and engineering incident to the work of construction.’

Q. That report of the 15th of November differs entirely from the verbal explanation you had been given on the 12th of October?—A. No, I do not think so. You see I did not explain what the nature of this account was, I merely stated there ‘preliminary expenses,’ and whether I was right in embracing preliminary expenses, and he said I was, which he says here in his letter, but they must be incidental to the surveys and engineering.

Q. Did you show the accounts to the Minister of Justice at that time?—A. I did not, not at the time I speak of.

Q. On the 12th of October?—A. No, I did not.

Q. Had he cognizance to your knowledge of the accounts?—A. No, I do not think he had, at that time, any knowledge as to what they were.

Q. As to what the accounts actually contained?—A. No.

Q. Then go on with your story. Your endorsement ‘not to be acted on,’ was written before or after you got that report?—A. It would be after I got it.

Q. After?—A. Oh, yes, evidently.

Q. Did you discuss with any one else the inclusion of this entire amount of \$926,295?—A. No, I think not.

Q. Did you advise with the Minister of the Department of Railways and Canals?—A. He had—no, I do not say he had all the documents before him, including Mr. Shannon’s; they were before the department.

Q. He had all the documents before him?—A. I say the department had. I do not know whether he had them.

Q. Do you know whether he had them, the minister himself?—A. I could not tell you.

Q. Did you talk with the minister about this?—A. I have no recollection of doing so, that is all I can say.

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Q. You have no recollection of discussing whether this \$926,000 should all be paid or not, with the minister?—A. I think not, I do not remember.

Q. Or with the deputy minister or any one connected with the department?—A. I am inclined to think I did not with the deputy minister.

Q. Or with any other minister besides the Minister of Justice?—A. There would be only one other minister I would be likely to, and I do not remember discussing it with him. I remember his bringing a letter up to me.

Q. Do you remember discussing it with the Minister of Justice?—A. Perfectly, but only discussing it in the way I state, understand.

Q. If you will look at Mr. Shannon's report, you will see there is something else besides whether expenditures were properly charged to construction or not. Mr. Shannon says there were no suitable vouchers?—A. He says there were no subvouchers.

Q. Yes, he says '\$162,000 in round figures, but which subvouchers to the extent only of \$106,650 were shown me.' It is perfectly apparent there were no vouchers at all for \$55,000?—A. I do not understand that. I understand there were no sub-vouchers.

Q. There were no sub-vouchers?—A. No sub-vouchers.

Q. And although there were no sub-vouchers and although the details were insufficient on the vouchers for \$106,000, you nevertheless recommended payment of the whole amount?—A. I recommended payment of the amount that was in my report.

Q. Notwithstanding that, you were cognizant of the fact that Mr. Shannon was not satisfied?—A. Notwithstanding anything I did. There is my report, it speaks for itself.

Q. You had seen Mr. Shannon's report, and knew he was not satisfied?—A. He did not have sub-vouchers for that amount.

Q. And that his letter stated that not having the sub-vouchers, he was not satisfied?—A. I think he was not satisfied about the preliminaries. Is that not it.

Q. It says here, the letter is very clear?—A. May be.

Q. That the details were sufficient to enable him to state whether the amounts were properly charged on the Prairie Section or not?—A. It is preliminary, whether they were proper charges.

Q. Then I understand you recommended an amount of \$106,650, of which the details were sufficient to satisfy the accountant, and for \$55,000 there were no sub-vouchers at all?—A. I included the whole thing mentioned by Mr. Shannon in his report, the \$900,000 and some odd dollars.

Q. How did you come to do that?—A. Where there were not sub-vouchers he had vouchers.

Q. What did the vouchers consist of?—A. The vouchers consisted of money received by some one.

Q. Money received by some one?—A. Yes, I don't remember now.

Q. You mean money paid by some one?—A. Money paid by the Grand Trunk Pacific to some one.

Q. It did not state to whom it was paid?—A. It must have done.

Q. Did it give any details?—A. I do not think it did.

Q. There being no sub-vouchers he could not get any details?—A. I think not.

Q. Just a blanket voucher for \$55,000?—A. Not having them before me I could not remember now what that was.

Q. When you signed your certificates who did you transmit them to?—A. To the minister.

Q. That is the Minister of Railways and Canals?—A. Yes, I think so.

Q. Then they would be by the Minister of Railways and Canals examined and transmitted to the Department of Finance. Is that right?—A. I cannot tell you what he did with them.

Q. Did you transmit them to the minister?—A. I transmitted them to the minister.

Q. Was Mr. Shannon's report also transmitted to the minister?—A. That was directed to the deputy minister.

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Q. That went direct to the deputy minister?—A. It was addressed to him, at least I think it was.

Q. Will you look for a moment at the front of Mr. Shannon's statement on the file and read the endorsement on it?—A. Yes.

Q. From that it is evident, is it not, that Mr. Shannon's report had attached to it the statement in detail which had been submitted by the Grand Trunk Railway?—A. Undoubtedly.

Q. So that with Mr. Shannon's report all the papers of the Grand Trunk Railway sent up were all passed from Mr. Shannon to the deputy minister?—A. According to that correspondence, yes.

Q. Will you turn over to a letter of November 14, 1905, from Mr. Wainwright to Mr. Jones and read it, please?—A. (Reads):—

GRAND TRUNK PACIFIC RAILWAY,
MONTREAL, December 14, 1905.

L. K. JONES, Esq.,
Secretary, Railways Department,
Ottawa, Ont.

DEAR MR. JONES,—I send you herewith the certificates originally signed and which have been withdrawn for cancellation, and which perhaps you will kindly hand to Mr. Schreiber in order that he may destroy them or take his name off, whichever he desires to do.

I also inclose you some blank forms as I promised to do.

Yours faithfully,

(Signed) WILLIAM WAINWRIGHT,
Second Vice-President.

Q. Did you receive those certificates back?—A. I did.

Q. What did you do with them?—A. I tore my name off.

Q. You tore your name off?—A. Yes.

Q. Have you got them with your name torn off?—A. I think not, I handed them back to the Department of Railways and Canals.

Q. To whom?—A. To the secretary most likely.

Q. To the secretary?—A. I should imagine so.

Q. Who will have those four certificates with your name torn off?—A. I could not tell you, the correspondence ought to show that, no doubt.

Q. Why did you tear your name off?—A. So that they could not be made use of for any purpose. Yes (reads): 'Statement in detail detached from report handed to Mr. Walker, general auditor Grand Trunk Pacific Railway Company by order of deputy minister.'

Q. That has nothing to do with these certificates?—A. My answer to that is I do not know what became of them after they went out of my hands.

Q. They were handed to Mr. Jones?—A. I imagine so, it would be likely.

Q. Did you ask that these certificates be returned to you by the Grand Trunk officials?—A. I do not understand, explain your question.

Q. These certificates were in the possession of the Grand Trunk officials, were they not?—A. When?

Q. Did these certificates ever get to the Grand Trunk?—A. No, I do not think so.

Q. Mr. Wainwright says: 'I send you herewith the certificates originally signed.' How did they get into Mr. Wainwright's hands?—A. I cannot tell you I am sure. All I know is they went to the Finance Department.

Q. It was Mr. Wainwright that handed back the certificates to you, was it not?—A. That letter said so.

Q. Yes, it did.

By the Chairman:

Q. What certificates would that be?—A. I cannot understand.

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By Mr. Ames :

Q. The four certificates that Mr. Schreiber ultimately received and tore his name from. Turn to the letter of Mr. Walker of November 30?—A. Yes. This is to Mr. Jones. (Reads): ‘Dear sir, I have pleasure in acknowledging the return of four (4) certificates per yours of 10th inst.’

Q. They must have been in the hands of Mr. Walker, the general auditor?—A. No, he is merely acknowledging the return of the certificates from Mr. Jones.

Q. The certificates, read the letter of November 10th, and then tell me where the certificates went?—A. This is from Mr. Jones to Mr. Walker, the general auditor of the Grand Trunk Pacific: ‘In compliance with the request contained in your letter of yesterday’s date, I return herewith, by direction, four certificates of the president, vice-president, general manager and the chief engineer of the Grand Trunk Pacific Railway Company, as to expenditure on the Mountain and Prairie Sections of that railway, the same being required, you state, for purposes of modification.’

Q. Were those the certificates from which you tore your names?—A. I presume so, but I have no real evidence.

Q. The correspondence says that they are. Then these certificates that you had torn your name off went back to the Grand Trunk?—A. Yes, I presume so.

Q. Why should they be desirous of getting them back?—A. Because I suppose they wanted to replace them with others. There are certain charges, and later the Justice Department in their letter to me decides they were not admissible.

Q. Will you look at the second statement, the 30th June, 1905, Mr. Shannon’s second audit?—A. Is it Mr. Shannon’s report you want?

Q. The second audit?—A. Do you want me to read it?

Q. Not the whole of it. I simply want to know whether in the second report you and Mr. Shannon concur as to the amount you would recommend for payment by the Finance Department. Did the certificates which you issued correspond with the amount that Mr. Shannon recommended? That is what I want to find out.

By Mr. Northrup :

Q. I understand you to say that one of the Acts provided for the allowance of preliminary expenses?—A. It does, yes.

Q. Having read that Act— A. I have it here.

Q. Do not bother about it—you had a talk with Mr. Fitzpatrick?—A. I had.

Q. And you said you asked Mr. Fitzpatrick if preliminary expenses would be paid?—A. Yes.

Q. You just spoke of them, you must have said something more than that. Did you not tell him the nature of the preliminary expenses?—A. I do not think so.

Q. Try to recollect. Would it be a reasonable thing at all that he could say whether or not the preliminary expenses should be paid unless you explained to him the nature of them?—A. I have no doubt that I stated in the first Act the words ‘preliminary expenses’ did not appear, and that in the second Act it did, and I asked whether they should be paid.

Q. You surely must have asked what kind of preliminary expenses?—A. I do not think I did.

Q. And you think that in asking whether preliminary expenses should be paid you simply asked, ‘shall preliminary expenses be paid,’ and did not explain what they were?—A. I do not think I did, rightly or wrongly, I may have been wrong in not doing it.

Q. You did talk with Mr. Fitzpatrick then—do you remember a talk with Mr. Shannon at all about his report?—A. Well, we always talk them over whenever a report comes in, we get explanations.

Q. So then you would have talked it over with Mr. Shannon?—A. It is likely we did.

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Q. You understood that he objected to \$162,000 ?—A. He never objected to it, as I understand.

Q. On the ground that these preliminary expenses should not be allowed he did object to \$162,000, that is what the report says ? You did have a talk with Mr. Shannon after you learned he had objected to the \$162,000 ?—A. I am not saying I did, although I have no doubt I did. It was customary and the usual practice to do so.

Q. You see his reports I suppose ?—A. I do, undoubtedly, I always had his report before me when I made my report.

Q. Were the items given in the Grand Trunk account ?—A. Yes.

Q. You saw the various items that went to make up this \$162,000 ?—A. I must have done.

Q. Do you remember what any of these items were ?—A. Yes, there were items for preparing the contract, and for legal expenses, and legal expenses in connection with promotion, &c., for promoting the scheme; the reason I thought these should be allowed was that I thought preliminary expenses, as I interpreted it, but probably wrongly, meant expenses preceding the work of construction.

Q. That is to say you thought you should allow any expenses incurred in getting the charter ?—A. Yes.

Q. And in launching the scheme in any way ?—A. That was the impression I had.

Q. Do you remember as to the items ? Did any particular officials get large sums for which there were no vouchers ?—A. No, I do not remember.

Q. Do you remember as to Mr. Wainwright getting large items for which there were no vouchers, thousands of dollars ?—A. Yes, all those vouchers were allowed at the time.

Q. Do you think he got a thousand dollars ?—A. Yes, I think so.

Q. Have you any recollection as to how many thousands ?—A. I do not remember.

Q. Speaking generally, do you not remember that Mr. Wainwright's receipts were for very large sums ?—A. No, I do not.

Q. You do not remember that ?—A. I do not.

Q. Do you remember there was some \$50,000 odd for which there was no vouchers ?—A. I do not.

Mr. MACDONALD objected to the examination of witnesses with reference to accounts that were not passed or allowed, which are not on the file and which were not paid.

(Argument followed.)

The CHAIRMAN.—I understand that we are investigating the Public Accounts, and the public accounts are the amounts which have been paid.

The Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

WEDNESDAY, March 13, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting Chairman, Mr. McCOLL, presiding.

The Committee proceeded to the further consideration of the payment of \$352,191.75 to the Grand Trunk Railway Company in connection with surveys purchased for the National Transcontinental Railway, as set out at pages W—251 and W—323 of the Auditor General's Report for the fiscal year ending June 30, 1906.

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The name of Mr. H. W. WALKER, General Auditor of the Grand Trunk Railway Company, was called three times without response.

Mr. BARKER.—Have steps been taken to procure the attendance of this witness?

The CLERK OF THE COMMITTEE.—Yes.

Mr. BARKER.—What has been done in that direction?

The CLERK.—The usual procedure was followed.

Mr. BARKER.—What was done?

The CLERK.—I made out the usual form of summons, took it down to the post office and there had it registered.

Mr. BARKER.—Addressed to whom?

The CLERK.—To Mr. Walker. There were two summons; the first one was addressed to H. W. Walker.

Mr. BARKER.—Confine yourself to the summons for this day.

The CLERK.—That was by wire.

Mr. BARKER.—State just what was done.

The CLERK.—I took the message down to the telegraph office and told them to send it.

Mr. FOSTER.—What was the wire you sent?

The CLERK (Reads):

HOUSE OF COMMONS, March 12th, 1907.

Acting Auditor Grand Trunk Railway,
Grand Trunk Office,
Montreal.

Have summonses to H. W. Walker and Acting General Auditor Grand Trunk Railway been served? If so, will they be before Public Accounts Committee to-morrow? Wire answer.

THOS. S. HOWE,
Clerk of Committee.

Mr. BARKER.—What did you do about the summons which was ordered to be sent to Walker? You must have done something before that?

The CLERK.—On March 8 I sent this summons: (Reads)

HOUSE OF COMMONS OF CANADA,
OTTAWA, March 8, 1907.

SUMMONS.

To H. W. WALKER, Esq.,
Grand Trunk Offices,
Montreal.

Take Notice that you are hereby summoned and required to appear at Ottawa on Wednesday next, the 13th day of March, at 10.30 o'clock a.m., in Committee Room No. 32, and give evidence before the Select Standing Committee of the House of Commons on Public Accounts respecting an entry in the Public Accounts in connection with G.T.P. Railway special account as set out at page 7 for the fiscal year ended 30th June, 1906, and further that you do remain in attendance until duly discharged.

By order of the Committee,

THOMAS S. HOWE,
Clerk of Committee.

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Also on the same date a summons was sent to the acting General Auditor of the Grand Trunk Railway. (Reads) :

HOUSE OF COMMONS, CANADA,
OTTAWA, March 8, 1907.

SUMMONS.

To the acting General Auditor,
Grand Trunk Railway,
Grand Trunk Offices.
Montreal.

Take notice that you are hereby summoned and required to appear at Ottawa on Wednesday next, the 13th day of March, at 10.30 o'clock a.m., in Committee Room No. 32, and give evidence before the Select Standing Committee of the House of Commons on Public Accounts respecting an entry in the Public Accounts in connection with the G.T.P. Railway special account, as set out at page 7 for the fiscal year ended 30th June, 1906, and further that you do remain in attendance until duly discharged.

By order of the Committee.

THOS. S. HOWE,
Clerk of the Committee.

By Mr. Barker:

Q. What did you do with the summons to Mr. Walker?

The CLERK.—I sent that by registered letter to Montreal.

Mr. BARKER.—And have you heard anything since?

The CLERK.—No, nothing.

Mr. BARKER.—Nothing from Mr. Walker?

The CLERK.—No, sir.

Mr. BARKER.—Read the original summons and then the answer that you received to it?

The CLERK.—Shall I read the whole summons?

Mr. BARKER.—Yes, you may as well read it to complete the record.

The CLERK.—(Reads.)

HOUSE OF COMMONS OF CANADA,
OTTAWA, March 5, 1907.

SUMMONS.

To H. W. Walker, Esq.,
Grand Trunk Offices,
Montreal.

Take notice that you are hereby summoned and required to appear at Ottawa on Friday next, the 8th day of March, at 10.30 o'clock a.m., in Room No. 32, and give evidence before the Select Standing Committee of the House of Commons on Public Accounts in connection with the Western Division of the National Transcontinental Railway as set out in the Public Accounts and the report of the Auditor General for the fiscal year ended 30th June, 1906, and that you bring with you and then and there produce the first and second statements submitted to the Government for audit and all vouchers and papers relating to the items therein, and further that you do remain in attendance until duly discharged.

By order of the Committee.

THOS. S. HOWE,
Clerk of the Committee.

APPENDIX No. 1

On the 6th March I received this letter: (Reads)

Grand Trunk Railway System,
Accounting Department,
Office of the Auditor of Disbursements,
Montreal.

H. W. Walker,
General Auditor.

N. J. Power,
Auditor of Disbursements.

MONTREAL, March 6.

C. S. Howe, Esq.,
Clerk of Committee,
House of Commons of Canada,
Ottawa, Ont.

SIR.—Your summons dated 5th of March to Mr. H. W. Walker, General Auditor, was received to-day in Mr. Walker's absence. Mr. Walker is in Washington, and will be away for some days, but the summons will be handed to him immediately on his return.

Yours truly,

N. J. POWER,

Auditor of Disbursements.

Mr. BARKER.—Mr. Power is here and I would like him called now for examination.

Mr. N. J. POWER called and sworn and examined.

By Mr. Barker:

Q. Give your full name?—A. Nicholas James Power.

Q. And your position?—A. Auditor of Disbursements of the Grand Trunk Company and the Grand Trunk Pacific.

Q. You are Auditor of Disbursements of the Grand Trunk Company and of the Grand Trunk Pacific?—A. Yes.

Q. You sent that letter to Mr. Howe which has just been read?—A. Yes.

Q. Was Mr. Walker in Washington at that time?—A. He was.

Q. When did he return?—A. Sunday.

Q. Sunday last?—A. The document was given to him on his return.

Q. That was on Sunday last?—A. Sunday, I believe.

Q. What date was that, the 11th?—A. The 10th.

Q. The 10th of March. What did he say?—A. Well, I did not see him myself. He came down next day to the office and then he said he had received it.

Q. Then what?—A. He said then he had received it.

Q. He said he had received the summons?—A. Yes.

Q. What about the second summons read to-day?—A. I received one and he also received one.

Q. When did he and you receive those summonses?—A. I would not be certain, I think it was Monday.

Q. Monday, the 11th?—A. I think so. As I say, I could not be certain now.

Q. Why is Mr. Walker not here?—A. He is on his way to the old country.

Q. He is on the way to England?—A. To the Mediterranean.

Q. When did he go?—A. Yesterday.

Q. He went yesterday? Mr. Walker is the general auditor, he is your senior in the department, is he?—A. Yes.

By Mr. Macdonald:

Q. Who is in charge of his business, who is acting?—A. I am.

By Mr. Barker:

Q. There is no doubt whatever he received both summonses before he left?—A. Well, I understand he did, I don't know personally.

Q. You understood that from him personally, did you not?—A. Well, he did not tell me, but I understood from his conversation arranging matters.

Q. But you could not tell by his arranging to go to England that he was summoned to appear here, could you?—A. Yes.

Q. The fact of his being summoned here accounts for his going to England. Is that it?—A. No. May I explain that he was arranging that before Mr. Hays went to England, nearly a month ago?

Q. I want to see how you know that he got that second summons?—A. I don't know personally.

Q. You did not know from him?—A. No.

Q. What made you think a moment ago that he had received it?—A. From, as I say, from his arranging that I should represent him here.

Q. He had arranged that?—A. Yes.

Q. That you should come here to represent him?—A. Yes.

Q. Did you tell him that you had been summoned also?—A. Yes.

Q. He knew that not only had he been summoned apparently, but that you had also been summoned?—A. Yes.

Q. And he thought that you would answer for both?—A. Yes.

Mr. BARKER.—That is all I propose to ask on that point at present. I propose to go on now with Mr. Power's examination.

By Mr. Macdonald:

Q. Did you say Mr. Walker made arrangements to take this trip some time ago?—A. About four or five weeks ago he arranged with the manager for three months' leave of absence, and also arranged for his passage from Boston this week for himself and family.

Q. Before he was summoned to come here?—A. Four or five weeks ago.

By Mr. Johnston:

Q. I thought you said he had made arrangements before Mr. Hays went to England?—A. Yes, Mr. Hays went to England about a month ago.

By Mr. Barker:

Q. Can you give us the dates particularly when Mr. Hays went to England and when Mr. Walker first arranged to go to the Mediterranean?—A. Mr. Hays went to England the first week in February.

Q. The first week in February?—A. And Mr. Walker had already arranged then. I know personally that he had arranged with the steamer for himself and family before that.

Q. How long before that?—A. It must have been a week or ten days.

Q. Before the first of February?—A. Before Mr. Hays left.

Q. That would be about the third week in January, would it not?—A. Yes.

Q. You are assistant auditor, are you?—A. I am next in position to Mr. Walker. My title is 'auditor of disbursements.'

Q. And in the absence of the general auditor you are the acting or assistant auditor?—A. I am the acting general auditor.

Q. How long have you been acting in that capacity with regard to the accounts of the Grand Trunk Pacific Railway?—A. For—practically from the beginning.

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Q. When did you begin, as nearly as you can recollect, personally to take any conduct of the accounts of the Grand Trunk Pacific?—A. Well, all vouchers, whether for the Grand Trunk Pacific or the Grand Trunk, pass through my hands.

Q. As between the two companies?—A. Well, yes, and individuals; that is to say all payments made by the companies.

Q. Accounts as between the Grand Trunk proper and the Grand Trunk Pacific pass through your hands as between those two companies?—A. Yes.

Q. And as between either company and the individual outside?—A. And the public.

Q. You also deal with it? You have dealt particularly with the accounts as between the Grand Trunk Pacific and the government?—A. I did not personally.

Q. You did not do that personally; who did it?—A. Mr. Walker, as far as I know.

Q. Were you at all familiar with the procedure as to these accounts, as between the government and the company?—A. As to procedure, yes.

Q. Will you tell us, Mr. Power, how the accounts of construction for the Western Division were kept; who paid the money?—A. The Grand Trunk Railway.

Q. Upon what documents?—A. Upon the vouchers.

Q. The vouchers of the Grand Trunk?—A. Of the Grand Trunk signed by the Grand Trunk Pacific officials.

Q. They acted; the Grand Trunk disbursed the money and charged the Grand Trunk Pacific, is that it?—A. Yes.

Q. Where did the vouchers, receipts and accounts appear?—A. In the Grand Trunk custody, in their books.

Q. They were in the custody of the Grand Trunk?—A. Of the Grand Trunk.

Q. And not in the custody of the Grand Trunk Pacific?—A. No.

Q. Who acted in the checking of these accounts for the Grand Trunk Pacific?—A. Do you mean on behalf of the government?

Q. No, the Grand Trunk Pacific?—A. Well, they were not checked on behalf of the Grand Trunk Pacific, because the same officials dealt with the two companies' accounts.

Q. They were simply dealt with then by the Grand Trunk officials as far as the checking is concerned?—A. There is no separation as yet.

Q. Where, after being passed in the ordinary routine, were the vouchers placed?—A. In the Grand Trunk files.

Q. Bearing consecutively common numbers among all the other vouchers of the Grand Trunk?—A. All the others.

Q. Does that continue to this day?—A. No; we are beginning to separate them, within the last couple of months. It has been growing larger, and we had to commence to do it.

Q. Are they kept now elsewhere than in the Grand Trunk custody?—A. No.

Q. They are still in the custody of the Grand Trunk?—A. Yes.

Q. But they have separated the two series of vouchers, is that it?—A. Yes.

Q. Are the original numbers separated too?—A. Yes.

Q. Have you gone back upon the work of numbering the vouchers from the beginning?—A. No.

Q. When did you start the new series of numbers?—A. About two months ago, I think.

Q. You started with 'No. 1, Grand Trunk Pacific'?—A. Yes.

Q. The others up to that time are mixed up with the Grand Trunk papers?—A. Yes.

Q. And are in no way in the custody of the Grand Trunk Pacific?—A. No, apart from the fact that the same officials represent the two companies.

Q. But apart from the men that are behind the two companies?—A. Yes.

Q. Are you familiar, Mr. Power, with the provisions of the statute and the agreement, and the mortgage deeds with regard to the cost of construction of the Grand Trunk Pacific?—A. Well, in a certain measure.

Q. In a certain measure?—A. I have gone through them to read them; I am partially familiar with them.

Q. Are you so familiar with them that you can undertake, as auditor, to allow or disallow an item as being, or not being, part of the cost of construction?—A. I think the Act is pretty clear on the point.

Q. You know quite sufficient for that purpose?—A. Yes.

Q. When did you begin to look into that?—A. About two or three years ago, when the business commenced.

Q. Then you know from the beginning the provisions of the Act, and of the contracts with regard to the cost of construction as it affects the responsibilities of the government?—A. Yes.

Q. What was the procedure in the office at Montreal with regard to obtaining an audit by the government of the claims of the company?—A. When we were ready and had all the vouchers on which payment had been made we notified the government auditor and he came down.

Q. You say, 'we,' who were 'we'?—A. Mr. Walker.

Q. Mr. Walker notified the government auditor, what did he say to him?—A. That the accounts were ready up to a certain date for him to audit.

Q. Did you send him any statement of claims or anything of that kind?—A. No, not then.

Q. You were simply notifying him that you were ready and to come and audit?—A. That we were ready.

Q. I will ask you, who came at the beginning?—A. Mr. Shannon.

Q. When Mr. Shannon came to your office for the purposes of the audit what was then done when he first came in?—A. Well, I was not present when the audits took place. They took place in Mr. Walker's private office, between Mr. Shannon and the clerk assigned for the purpose of going into the thousands of vouchers.

Q. Who was the clerk that was present in Mr. Walker's private office when the audits took place?—A. Well, I cannot say definitely now.

Q. Was it always the one clerk?—A. As a rule, yes.

Q. Not always?—A. I cannot say.

Q. That you cannot say, you cannot say positively whether the same clerk always attended in Mr. Walker's private office for the purposes of the audit. Would Mr. Walker be there?—A. Yes, as a rule; sometimes he was away and the audit would go on in his absence.

Q. Were you never present?—A. No.

Q. Then you cannot say of your own knowledge what passed at these interviews?—A. No.

Q. Was a statement prepared summarizing the claims, totalling them?—A. Always.

Q. Eh?—A. Always.

Q. What was that prepared for?—A. For expedition in checking and for submission to the government on which we expected payment.

Q. That was prepared to facilitate the work, and for delivering to the government, was it not?—A. Yes.

Q. Showing the amount you expected payment for?—A. Yes.

Q. Who prepared that statement?—A. Well, that I cannot say, I cannot remember.

Q. You do not know?—A. No.

Q. It was not prepared by you?—A. No.

Q. Nor in your particular office?—A. It was prepared in my branch of the office, but I do not remember now who prepared it.

Q. Would that statement be sent to Ottawa here, or would Auditor Shannon first see that when he went to the Grand Trunk office?—A. He would see it then for the first time.

Q. It would be given to him there?—A. Yes.

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Q. He would take it away after he had completed his work?—A. I believe so.

Q. What information would he be furnished with, as far as your knowledge goes, to enable him to check the expenditure as between what we may call general expenditure and cost of construction?—A. The vouchers would be furnished for the checking.

Q. The vouchers would be furnished to Mr. Shannon?—A. Yes.

Q. And would these vouchers contain the full particulars of the expenditure?—A. Not always.

Q. Why?—A. I could not say.

Q. You could not say? What would be the nature of those that did not give any such particulars? Would it be a general payment—give me the wording of one of them as nearly as you can?—A. I cannot remember particularly; there are thousands of vouchers.

Q. You cannot say—supposing there is an item there of \$1,000 to Mr. Wainwright, for example, how would that be expressed? You are very familiar with all these things, I know. Would there be any details to show what Mr. Wainwright did with that money?—A. No.

Q. Would it be 'cash' to Mr. Wainwright?—A. Yes, it might be cash, in general terms, or it might be 'amount advanced for advertising,' or 'legal expenses.'

Q. It would say 'advertising' or it would be in general terms?—A. Yes.

Q. Or it would simply be 'advanced'?—A. No, I think they generally stated the purpose to a certain extent.

Q. But nothing more specific than that?—A. No.

Q. Would it represent payments already made or payments to be made?—A. It might be either. Then it might be advanced to Mr. Wainwright, or it might be a reimbursement of money already paid out by him?—A. Yes.

Q. Supposing it was for his expenses, now, for example, his hotel bill, how would that be expressed?—A. Well, generally, expenses of officers in that way are detailed.

Q. I am speaking now—this is a little different from the general thing—supposing there was a voucher of \$3,000 there for Mr. Wainwright, and supposing that was for expenses, would there be a detail of the expenses?—A. Sometimes there might be, sometimes there might not be.

Q. You really cannot say; Mr. Walker could have told us if he were here, of course?—A. No, the voucher is all that we have for the expenditure.

Q. Perhaps you will produce them and we will see them?—A. I have not brought any vouchers, I was not summoned to bring any papers.

Q. You haven't them here?—A. No.

Q. Are you in a position to bring them here?—A. All vouchers? What vouchers are there?

Q. Every voucher that relates to the business of the Grand Trunk Pacific as affecting the Government?—A. Yes, they can be all produced.

Q. You can produce them all? If you were asked now by the committee to produce these at the next meeting of the committee you will have them here?—A. Well, it will take some time to get them out, that is the only difficulty, the time.

Q. If you put two or three clerks at it they will get out as many as we can examine on in a day or two?

By Mr. Macdonald:

Q. Which vouchers would you want, Mr. Barker?

MR. BARKER.—I want every item containing any expenditures relating to the Grand Trunk Pacific; I do not qualify that, I want to see those that were disallowed as well as those that were allowed. It may come up again. However, Mr. Power, you can produce them; they are all within your control?

A. The vouchers for all payments made on account of the Grand Trunk Pacific Railway are on file except any have been lost.

Q. Are all vouchers on file in the same way, that were disallowed?—A. I presume they are.

Q. You have no doubt about it, have you?—A. I do not know anything about it.

Q. There were payments made by the Grand Trunk on behalf of the Grand Trunk Pacific?—A. Yes.

Q. Will not these vouchers be among your regular vouchers the same as any other?—A. They should be.

Q. Is there any physical or official difficulty about your producing them?—A. Not that I know of. We can produce vouchers for all appropriations that have been made by the government to us.

Q. I asked you if there is any difficulty about your producing the vouchers for every payment made by the Grand Trunk for the Grand Trunk Pacific Railway Company?—A. No, my previous answer covers that.

Q. No, because you have just qualified it. Is there any difficulty, physical or official in your producing every voucher of the Grand Trunk Railway for payments made by the Grand Trunk Pacific?—A. They can be produced.

Q. In the course of this checking by Mr. Shannon are you aware whether he asked any explanations of the vouchers?—A. Do you mean about the first account?

Q. Yes, take that to begin with?—A. I do not know anything about the first account; I never saw it.

Q. You never saw that?—A. No.

Q. Then you know nothing at all about it?—A. Not until it was returned.

Q. Now, I am asking you, not merely as an ordinary witness, but as an official of the two companies, have you any knowledge that Mr. Shannon asked for information about any vouchers claimed for in that first statement?—A. No, I have not.

Q. You have no official or other information?—A. No.

Q. You had never heard there had been some difficulty about some of the items in the first statement?—A. Yes, I heard that.

Q. You do know there was some question about it, then?—A. You asked me whether Mr. Shannon objected. I presumed you meant while he was in the office examining the accounts, and I know nothing about that.

Q. Tell me what you did hear?—A. I heard afterwards there were some items struck out.

Q. Did you hear at any time of any question that had been raised as to some items in the first statement?—A. I understood that some items had been struck out.

Q. From whom did you understand that?—A. From Mr. Walker.

Q. Mr. Walker told you some items had been struck out, at whose instance?—A. —That the Government objected to them as far as I know.

Q. Through whom?—A. Well, through their auditor, Mr. Shannon.

Q. We have got back now to where we were before. Mr. Walker told you that Mr. Shannon had objected to some items in the first statement?—A. Yes.

Q. Did he tell you why?—A. No.

Q. Did you ask?—A. No.

Q. Did he say the nature of the items objected to?—A. No, he did not say, simply that some objection had been raised, and as we were hard up for money these items were to be struck out and a new statement prepared, and in that way we understood to obtain the reimbursement.

Q. You did not give up the items that were struck out?—A. In what way do you mean give them up?

Q. I understood you to say you were hard up for money and that you were told to prepare a new statement leaving out the objectionable items so as to get the others cashed?—A. Yes.

Q. Did you understand that you were abandoning those items that Mr. Shannon had objected to?—A. I did not question it at all. I had no—

Q. Did you not think that was the meaning of what Mr. Walker said to you?

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Hon. Mr. EMMERSON objected to witness being asked to give, as evidence what he thought.

By Mr. Barker:

Q. Mr. Walker did tell you to have a new statement prepared?—A. He did not tell me, but he said a new statement would be prepared.

Q. By whom?—A. Under his direction, I do not know by whom.

Q. The first was prepared in your office was it not?—A. Yes.

Q. I suppose you did not know why the second was going to be prepared?—A. I do not know who prepared it, it was done under his direction.

Q. Who did prepare that second one?—A. I could not say that either.

By Mr. Macdonald:

Q. How many clerks are there in your office?—A. 200 or 300.

By Mr. Barker:

Q. Was the second one done in your office?—A. Yes.

Q. You meant you do not know precisely the clerk who did the penmanship?—A.

No.

Q. I want to tell you again I am asking you questions here of your official knowledge, and you need not get on to the particular little boy who did the work. Now, Mr. Power, the second statement was prepared in your office?—A. Yes.

Q. What did you omit?—A. The items, as far as I know, that were struck out and objected to in the first statement.

Q. What were they?—A. I do not know what they were.

Q. You do not know what they were? Did you receive the first statement?—A.

No.

Q. You saw the substituted one?—A. I saw the first statement when it came back.

Q. From where?—A. From the government, when Mr. Walker brought it back.

Q. Did he come here for it?—A. I do not know what the occasion was, but the statement was handed to him, as I understand, by Mr. Shannon when he was here.

Q. Then you understand that Mr. Walker came here to Ottawa and that Mr. Shannon handed back the original statement?—A. That is my understanding of it.

Q. That is your understanding, I think you are right. I think that is on the papers already, except as to Mr. Walker getting it, that is the only thing that is not on the papers. Did he hand it to you?—A. No.

Q. To whom did he hand it?—A. I do not know, to whoever—

Q. How did it get into your office?—A. He would hand it to the person he wanted to remake it.

Q. To the person in your office?—A. Yes.

Q. He gave that direct to the person he wanted to do the work?—A. Yes.

Q. And you do not know who that was?—A. No.

Q. He did not give you any instructions about it?—A. It did not come within the scope of my duty at the time.

Q. Did you know the extent of the objection?—A. In a round sum.

Q. Give me that?—A. Some \$160,000.

Q. And although you were the second in command in the audit office you had no curiosity to know the nature of the objections or the items objected to?—A. It did not affect me or my people.

Q. And you made no inquiry? Do you mean to tell me, Mr. Power, that ever since that occurrence you have never discussed it with any official of the Grand Trunk Railway?—A. I may have discussed the fact that some items were disallowed.

Q. Did you discuss it?—A. I do not remember discussing it in any definite shape.

Q. I did not say in a definite shape, did you discuss it with any officer of the company?—A. No, I may not have.

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Q. I know you may not have, but you may have. I am asking you on your oath who you discussed it with, did you discuss it with any officer of the company, and if you did, then I will ask who the officer was?—A. No, I do not think I did.

Q. Ever since this occurrence you had no curiosity to find out as auditor, or acting auditor, just why these were objected to?—A. No, it did not come within the scope of my duty to find out anything about it. I know that the vouchers gave certain information and anything more than that is outside of me.

Q. You have now no knowledge of the nature of the items that were thrown out?—A. No.

Q. Mr. Walker never told you?—A. No, he did not know himself.

Q. How did you know that he did not know?—A. Mr. Walker?

Q. Yes?—A. Because he had no more information, as far as I know, than what the vouchers show.

Q. You are telling us he did not know; did you ask him if he knew?—A. No, I did not ask him.

Q. Well, you do not know whether he knew or not?—A. By assumption. You ask me occasionally what I know, what I assume, and I assume he did not know any more than I did because the vouchers did not show any more.

Q. You do not know whether he was told by Mr. Shannon why he objected to these items?—A. I do not know whether he was.

Q. You do not know what Mr. Shannon told him on the subject?—A. No.

Q. I am testing you to know what valuable information I am going to get out of you, Mr. Power. What became of that first statement?—A. It was destroyed.

Q. By whom?—A. I do not know.

Q. Eh?—A. I do not know.

Q. How do you know it was destroyed?—A. Because I know Mr. Walker gave instructions to have it destroyed, and told me himself it was destroyed.

Q. Coming from your superior officer, he told you himself that he had ordered it to be destroyed?—A. And he asked in my presence—

Q. How do you know he gave orders to have it destroyed?—A. Because he sent for the clerk and asked him in my presence if he had destroyed it.

Q. Who was the clerk?—A. Mr. Rosevear, I think.

Q. Young Mr. Rosevear?

By Mr. Macdonald:

Q. When was this? When did this destruction take place?—A. That was long ago, I cannot remember.

Q. You think it was about the time the document was returned?—A. About the time the new one was made.

By Mr. Barker:

Q. When did Mr. Walker tell you it was destroyed?—A. At that time.

Q. A year ago?—A. Yes.

Q. Was it just about the time the papers came back from Mr. Shannon?—A. It was destroyed as soon as the new one was made; there was no reason to keep the old one that had been disallowed.

Q. Mr. Walker did not tell you to have it destroyed, he gave the orders himself?—A. He gave the orders himself.

Q. And he told you it was destroyed?—A. Yes.

Q. That it was done by Mr. Rosevear?—A. Yes.

Mr. GERMAN.—You put words in the witness' mouth, Mr. Barker. He did not say that Mr. Walker told him it was destroyed; he said he heard Mr. Walker ask the clerk if it was destroyed. That is as I understand it.

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By Mr. Barker:

Q. Did Mr. Walker tell you he had ordered it to be destroyed?—A. Yes.

Q. Were you informed it had been destroyed?—A. Mr. Walker told me so.

By Mr. Macdonald:

Q. But under those circumstances?—A. Yes; it was the usual thing to destroy the old account when a new one was made out.

Q. That is the usual practice in the office?—A. Yes.

By Mr. Barker:

Q. Did you see that first one at all?—A. I saw it when it came back.

Q. Oh, you did see that?—A. Yes.

Q. There were no marks upon it? No notations?—A. I do not remember that, I only saw it in a casual way.

Q. Did you observe, in a casual way, whether Mr. Shannon had made any notes upon it?—A. No, I did not.

Q. What was the object of destroying it?—A. The usual practice.

Q. It is the usual practice whenever you send an account away to some person, or to some other company, of nearly \$1,000,000, and there is objection made to \$162,000 of it, you destroy that paper, do you?—A. When a new one is made out we destroy the old one, the old one had been withdrawn.

Q. You do not need to point out that this was withdrawn—a new one was substituted?—A. There was no necessity for it then.

Q. You do not see any necessity for it?—A. No.

Q. Do you frequently do this sort of thing?—A. Always.

Q. You get papers back, as this was, after it had been partially audited?—A. Certainly, as I said before, any account that has been cancelled by the preparation of a new one is destroyed.

Q. Yes, but was it cancelled by the person to whom it belonged?—A. It did not belong to anybody.

Q. Had it not been given to the government as a statement of the charge against them?—A. Yes, and we withdrew it and substituted another.

Q. You withdrew it? Was there an order given to withdraw it?—A. Mr. Walker was ordered to withdraw it.

Q. By whom?—A. By the general manager, I presume.

Q. Who was that?—A. Mr. Hays was president and Mr. Morse was vice-president, either of the two, I do not know which.

Q. It was either by the president or—?—A. The vice-president.

Q. And the general manager ordered it to be withdrawn?—A. Yes.

Q. Where did the discussion take place when this order was given?—A. I do not know.

Q. How did you learn that either of these gentlemen had ordered it to be withdrawn?—A. From Mr. Walker.

Q. So that he is the only man that can tell us under what circumstances the order to withdraw this had been given?—A. Yes.

Q. As far as you know?—A. As far as I know.

Q. Were any of the items which had been disallowed by Mr. Shannon included in the second statement?—A. I cannot say. I do not know what the items were which were disallowed, and, therefore, I cannot tell.

Q. Was the second statement \$162,000 less than the first?—A. I believe so.

Q. Are you sure of that? Do you think that was so?—A. I think so, because there are figures. That is all.

Q. You think that is so. Then the whole \$162,000 was, for the time, at all events, withdrawn?—A. Yes.

Q. Did you understand from your superior in the audit office that this was a temporary withdrawal so that you might get cash for the unobjectionable items?—A. I do not know anything about that.

Q. Why did you give the reason that you were hard up for money at the time and wanted to get cash for the items allowed?—A. That was the fact.

Q. Did you understand, as acting auditor, that the whole of that \$162,000 was abandoned?—A. I did not know anything about it.

Q. Did you ever hear that the whole of it was abandoned?

Question objected to by Mr. Macdonald.

By Mr. Barker :

Q. Did you ever understand from any official of the Grand Trunk Pacific, or the Grand Trunk Railway that the \$162,000 was either altogether abandoned, or that only a part of it was abandoned?—A. I did not hear anything definite in regard to that.

Q. You heard nothing definite? Did you hear anything?—A. Well, I might, I cannot remember in regard to it as to that point.

Q. Did you have any conversation with anybody as to that point?—A. I may have, yes.

Q. Of course you may have, I am asking you as a fact?—A. Speaking from memory—

Q. I may remind you of this, that you are acting as auditor in the absence of Mr. Walker?—A. Yes.

Q. It strikes me as a most extraordinary thing if you did not inform yourself on that point, that is the reason I am asking you?—A. That is to say I did not consider it came within the scope of my duty to make any inquiry.

Q. If Mr. Walker were absent the next week would it not be within the scope of your duties then?—A. It might come up then.

Q. And you did not prepare yourself in advance, as acting auditor?—A. I did not make special preparation as to that.

Q. I think you ought to.—A. It is a question for the management.

Q. Do you know, in your Grand Trunk charges, whether you made any distinction between the general charges to capital, and the charges to construction?—A. What is the distinction?

Q. First of all do you know whether any such distinction was made in the accounts?—A. No, there was no distinction.

Q. Now, you ask me a question, and I will tell you; a company might have spent \$200,000 in getting a charter, and that would not be construction account. Now was any distinction made of that kind?—A. No, there was no distinction made on any of the preliminary expenses.

Q. Did the first statement sent in include both kinds of items?—A. It included everything.

Q. The first statement included everything that the company had paid, whether for promotion or getting the charter, or in anything else, as well as the cost of construction?—A. Yes, as far as I am aware.

Q. You are aware, Mr. Power, that the Grand Trunk Pacific has got very much larger additional interests than the Western Division. It has got contracts with the government for many things, materials for the railway for example, in all parts of the company's property. Would the promotion expenses be chargeable to, say, the Western Division, the whole of it?—A. No, they should be pro rata.

Q. Did you pro rata them?—A. I believe they were.

Q. Eh?—A. I believe they were.

Q. Then I am to understand that the \$162,000 did not cover all the payments of that character in the first statement?—A. Well, I cannot say as to that.

Q. Where did the rest of the pro rata go to?—A. To the other divisions; for instance, to the Mountain Division.

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Q. That is the Mountain Section?—A. To the Mountain Section.

Q. I am speaking of the other divisions. What about all the other divisions, branch lines, leased properties, enormous properties, which was part of the general scheme; what proportion did they bear of these promotion and charter costs, and all that sort of thing?—A. I cannot say from personal knowledge.

Q. You do not know whether they were pro rata or not?—A. No.

Q. Or whether you charged all up to the construction of the Western Division?—A. I cannot say.

Q. When you produce those vouchers they will show that, I suppose, Mr. Power?—A. Probably.

Q. From whom did you ever obtain any details at all as auditor of these payments in connection with that statement of \$162,000?—A. I say I cannot say what constituted that \$162,000.

Q. Did you not pass them?—A. The vouchers passed through my hands in the ordinary way.

Q. As Grand Trunk vouchers they passed through your hands?—A. Amongst thousands of others.

Q. We have had some of these items here, \$3,500, \$1,000, \$5,000, \$6,500, to a lawyer here; did you require any evidence in regard to these payments at all?—A. No.

Q. You passed them straight—

By Mr. Macdonald:

Q. Were they properly vouched by the proper authorities of the company?—A. Certainly.

By Mr. Barker:

Q. You are not bound by the signatures of the officers of the company?—A. No, not necessarily, except the general manager's signature. If they bear that I do not go behind it.

Q. You have the right to, I suppose?—A. No, I do not consider I have.

Q. We can see then that with the general manager's signature there was not much inquiry as to these items. Supposing that you found, as was the fact here, that some \$40,000 or \$50,000 was paid for land on the Pacific coast to two officers of the company, you would pass that as a matter of course?—A. If I had the general manager's signature, yes.

Q. You would not inquire whether it was for the town site or for the railway?—A. No.

Q. You would pass that?—A. Yes.

Q. And after being passed by you, for the Grand Trunk, it was passed as a matter of course for the Grand Trunk Pacific?—A. It would be authorized by the general manager of the Grand Trunk Pacific.

Q. So far as the audit was concerned when you passed that through the Grand Trunk office, there was no further audit that you know of?—A. No, except the government audit.

Q. That seemed to have been effectual in some instances. Now, Mr. Power, what was the next step in the office after handing that statement to Mr. Shannon, while the audit was going on was anything else done?—A. Do you refer to the first statement?

Q. There was a certificate drawn?—A. Yes.

Q. And in the course of the audit that certificate was drawn up?—A. Yes.

Q. You assumed, of course, that the accounts were right and would pass for the amount as stated in that statement?—A. Yes.

Q. And you drew up a certificate of what was proposed to be reimbursed, the money, a formal certificate, do you know the form?—A. Yes, I know it.

Q. Have you one of those forms here?—A. No, I have not one of them.

Q. Will you look at that and see if that is the purport of it? (Document pro-

duced.) I will ask you to send one to the committee. Will you send the first form and any substituted forms, I understand you have changed some?—A. I think that is the form.

Q. Now, this is a voucher, or certificate rather, of the Grand Trunk Pacific, and it states at the head the particular section dealt with, the 'Prairie Section' this is; another one would be the 'Mountain Section,' &c. These were addressed to the Minister of Finance and Receiver General. The sum of _____ has been expended in construction work of the Grand Trunk Pacific as follows'; then follow a number of details, every general head of construction, and some things that are not construction. Then at the foot, 'Amount payable by the Dominion government, 75 per cent.' (I would suggest this, Mr. Chairman, that if Mr. Power will take one of these certificates just as it is filled up and send up here then we will have the whole thing.)

By the Chairman:

Q. There will be no objection to that, will there?—A. I presume not, but the government has this on file.

By Mr. Barker:

Q. They are original documents, and we do not want to have them lying about the table here as exhibits. If you will do that and send up a copy there will be no danger of losing the document.

The CHAIRMAN.—Perhaps the department would furnish us with a copy.

By Mr. Barker:

Q. Well, I would rather have this original form which is printed, the copy furnished by the department would not be as good as the form itself. Then there is this certificate, 'I certify the above statement of expenditure to be correct, that the prices paid for the work are not in excess of the fair value thereof, and that all the proceeds of these bonds heretofore received have been used for the purpose for which the payment thereof was made.' That is signed by the president, C. M. Hays, F. Morse, 2nd vice-president, and B. B. Kelliher, chief engineer. Now, that document would be sent to the government in order to obtain the money?—A. Yes.

Q. It would contain, in the ordinary course, the amount of the statement that was submitted to Mr. Shannon for audit?—A. Yes.

Q. Then at the end of that again, on the same paper, there is this certificate: 'I hereby certify that I have examined the accounts, books, vouchers, &c., of the company at this office, and I find the above statement of expenditure to be in accord with the same; and further my information is that the expenditure as set down fairly represents the reasonable value of the work done. (Sgd.) Collingwood Schreiber, on behalf of the Dominion government.' Of course, he certified that upon the audit of Mr. Shannon, that is understood?—A. Yes.

Q. That is the document or certificate that was sent to the government for the purpose of obtaining the amount in this statement that Mr. Shannon was auditing?—A. Yes.

Q. How many? Were they sent in in quadruple, or in triplicate, or in what?—A. I do not know personally.

Q. They have been spoken of here as four certificates?—A. Probably for the four sections.

Q. Oh, for different sections, I see. Well, you would make up a certificate of this account for each of the several sections comprised in the statement?—A. Each certificate would be for a special section, for the Prairie Section or Mountain Section, or whatever section it was.

Q. So that in the statement you handed to Mr. Shannon, if there were four certificates it would mean there were four different sections dealt with?—A. Yes.

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Q. What would be done with that certificate when the officers of the railway signed it and sent it to the government? Who would forward it to the Railway Department, Mr. Walker?—A. Yes, I presume so; either that or it was handed to Mr. Shannon, I am not familiar with the course.

Q. However, it goes evidently to the Railway Department?—A. Yes.

Q. Did you ever see any of those certificates?—A. I haven't seen them after they were filled up, I have seen the blank form.

Q. You have never seen one filled up?—A. I have seen these copies only, yes.

Q. By the by, did you ever see the office copy of that first statement?—A. I saw it at the time it was returned.

Q. Now, the office copy, would that be a press copy?—A. No, carbons.

Q. What became of that carbon copy?—A. They were all destroyed at the time the new account was substituted.

Q. You destroyed, not merely the document sent in, but the copy of it?—A. Yes.

Q. Was there more than one copy?—A. There may have been.

Q. Was there?—A. I presume there might have been two.

Q. There might have been 150?—A. I do not know.

Q. Do you know there were at least two copies?—A. I think there were.

Q. Were they all destroyed?—A. Yes, the original account and all copies were destroyed.

Q. And were they entered in the books?—A. Of course, the original entries were in the books, certainly.

Q. What about the copy for London?—A. There was no copy sent to London.

Q. No?—A. Not that I am aware of.

Q. Was no copy sent there?—A. No.

Q. How did the London auditors do the auditing there then?—A. They were passed first here, the London audit does not audit that.

Q. Have you no longer a London audit?—A. Yes.

Q. How do they make their London audit?—A. From the returns sent, the balance sheet and copies of the documents.

Q. Would they not get a copy of that account?—A. They would not get copies of the account, no.

Q. About these certificates, did you ever hear anything about these certificates covering the amount of this first statement?—A. No, except what I have seen in the papers.

Q. You only see in the papers what passes in your office, eh?

Hon. Mr. EMMERSON.—The witness did not say that.

Mr. BARKER.—But I say it.

Mr. EMMERSON.—You have no right to say it.

By Mr. Barker:

Q. Did you know about these matters only what you saw in the newspapers?—A. Not about the whole of them, but about those certificates; I saw that Mr. Schreiber had torn his name off them, I did not know about that before.

Q. I am not asking you about Mr. Schreiber's office or what occurs there. Do you know what occurs in your own office?—A. I have seen them and had access to these copies.

Q. This first statement?—A. No, I did not see the first certificates at all.

Q. Did you ever hear anything about them in your office?—A. Not that I remember.

Q. You never discussed that with Mr. Walker?—A. No.

Q. Never?—A. No.

Q. Nor with any of your fellow officials?—A. No, not to my knowledge.

Q. Not to your knowledge—would you be surprised if some of your fellow officials would recollect better than you on that point?—A. Perhaps their memory may be a little better, certainly I do not remember.

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Q. Do you know that these certificates were sent into the government to cover a large sum of money, the statement for which was withdrawn and destroyed, but you never heard what became of the certificate?—A. No, except that I saw in the paper that the certificates were destroyed.

Q. Did you suppose, until you saw that in the paper, that these certificates were in existence still?—A. I did not think anything about it at all.

Q. After sending these certificates in would you ever see them again, would they come back to you for any purpose?—A. I am not sure personally because I did not handle them.

Q. It is addressed to the Finance Minister, you see?—A. As I say, I did not handle them, and I do not know personally how they would go.

Q. Can you say in any case that the certificates sent to the government came back to your office?—A. I do not know.

Q. You cannot imagine any purpose for which they would come back to your office here; here is a voucher signed by the railway officers, the president, vice-president, and chief engineer, countersigned by the consulting engineer of the government, and the whole thing addressed to the Receiver General. Was it ever intended, as far as you know, that should come back to the Railway Company?—A. No, I do not know anything about the course pursued at all.

Q. You never heard that the certificates had gone back?—A. No.

Q. Except what you saw in the newspapers?—A. Except what I saw in the newspapers.

Q. Since seeing that in the paper have you made any inquiry?—A. No.

Q. You did not even speak to Mr. Walker about that?—A. No.

Q. Nor anybody else?—A. No.

Q. Not at all?—A. No.

Q. Are you quite sure, Mr. Power?—A. Yes.

Q. As a matter of fact, Mr. Power, how does the \$162,000 now stand in your books?—A. It stands in the Grand Trunk Railway books.

Q. How does it stand there? Unpaid?—A. As having advanced the money.

Q. And never repaid?—A. Not repaid.

Q. None of it repaid. You are simply carrying that in your books?—A. Yes.

Q. Against whom?—A. Against the Grand Trunk Pacific Railway.

Q. How long since that has been carried that way?—A. Well, as it is a part of the first account, some of it may have been carried a good while.

Q. Ever since the autumn of 1905?—A. Yes.

Q. And it is lying there uncollected?—A. Yes.

Q. Has there been any question about that before your department as an audit department?—A. Not to my own knowledge.

Q. You have made no inquiry?

Hon. Mr. EMMERSON.—What have we to do with that? I think that is not relevant to the question before the committee.

(Argument followed.)

The ACTING CHAIRMAN.—I think, Mr. Barker, that with respect to this \$162,000 it is composed of items that have been disallowed by the government, that have not been paid, and I do not think the committee is concerned in knowing about them. You have already got the information that you require, that the whole of that amount, whatever it may be, is still on the books of the Grand Trunk Railway Company as a charge against some one.

By Mr. Barker:

Q. Mr. Power, I find this in Mr. Shannon's report and I want to know what you say about it: 'I pointed out these errors.' He is referring to the \$162,000, 'to the General Auditor of the Grand Trunk,' that is Mr. Walker, I presume, 'who stated that

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inasmuch as his statements had been submitted to the Board in London at the amount mentioned in the certificate, he could not see his way clear to changing them, but would give credit for these errors in the next statement to be submitted to the department.' Was that done? I suppose the general statement was also sent to London showing the expenditure?—A. Well, I could not answer that, I do not know.

Q. You do not know what the procedure was as to that?—A. No.

Q. Very well, then you cannot explain that either; we will have to leave that until Mr. Walker comes back from the Mediterranean, I suppose. Mr. Shannon tells us that certain officers of the company refused to give information as to the items which he was to audit?

Mr. MACDONALD objected that Mr. Shannon did not make that statement, but that he said certain officials did not give him satisfactory information as to the items.

(Argument followed.)

By Mr. Barker :

Q. I want to ask you, are you aware whether any of the officers of the company were instructed at any time not to give any information?—A. No, I certainly know nothing of the kind.

Q. You do not know anything about that, whether it is so, or that it is not so?—A. No.

Q. I think I did ask you before, but in order to make it quite clear, I will ask you again,—the statement, what is called the statement, sent to the government, was made up from vouchers on the Grand Trunk file?—A. Yes.

Q. These vouchers are in existence?—A. As far as I know, yes.

Q. So far as you know? Have you any doubt of any of these being destroyed?—A. I have not any doubt, but I cannot say unless I find the vouchers.

Q. They ought to be there?—A. They ought to be there.

Q. If they are there, I suppose you can replace that statement in effect?—A. Certainly.

Q. You can take from your vouchers, and draw that statement exactly in amount as it was originally sent to the government?—A. Certainly.

Q. Have you any objection to do that?—A. Personally none.

Q. Personally you have none. Will you apply for authority then to your company to do that?

Mr. MACLEAN (Lunenburg).—We have something to say about that, perhaps we do not want it.

By Mr. Barker :

Q. You can do that if you have the permission of your company, Mr. Power, is that so? You can replace that statement if you have the permission of your company?

A. Certainly.

By Mr. Bennett :

Q. Was it reported that these vouchers were destroyed at the same time that the first statement was destroyed?—A. I did not say the vouchers were destroyed.

Q. I ask you the question, were they reported to be destroyed, too?—A. No.

Q. Only the statement?—A. The statement and the copies?

Witness discharged.

Committee adjourned.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 THURSDAY, March 21, 1907.

The Select Standing Committee on Public Accounts, met at 10.30 a.m., Mr. J. B. McColl presiding.

The committee proceeded to the further consideration of the payment of \$352,191.73 to the Grand Trunk Railway Company in connection with surveys purchased for the National Transcontinental Railway, as set out at Pages W—251 and W—323 of the Auditor General's Report for the fiscal year ended June 30, 1906.

Mr. GEORGE B. MCCOMBE, called, and sworn and examined.

By Mr. Barker:

Q. What is your name, Mr. McCombe?—A. George B. McCombe.

Q. When did you enter the service of the Grand Trunk?—A. In the year 1891.

Q. And you continued up till what date?—A. Up till April, 1906?

Q. You then left the service?—A. Yes.

Q. Where have you been since?—A. I have been located in Parry Sound.

Q. You have been engaged in other employment?—A. In contracting work.

Q. What was your position in 1904, 1905 and 1906 on the Grand Trunk?—A. In what years?

Q. In 1904, 1905 and 1906, the last two or three years?—A. Well, I had charge of the disbursements of the Grand Trunk.

Q. What title had you, chief clerk?—A. Chief clerk of disbursements.

Q. And you were immediately under whom?—A. Immediately under Mr. Power, the auditor of disbursements.

Q. And were you under anybody else in a general way?—A. No, Mr. Power was my chief, I reported to Mr. Power.

Q. What was your position as regards Mr. Walker, the general auditor?—A. He was the general auditor.

Q. Had you any business with him as the chief clerk of expenditure?—A. Yes.

Q. In what way?—A. Well, I very often reported to him direct in regard to matters.

Q. You had direct communication with him?—A. With Mr. Walker?

Q. With regard to your own duties and work?—A. Yes.

Q. In the performance of your duties, had you any special work with regard to the Grand Trunk Pacific expenditure?—A. Yes.

Q. What was your usual work in that respect?—A. Well, I prepared statements in regard to the Grand Trunk Pacific work.

Q. You did what?—A. I prepared statements of the actual expenditures that went through for the Grand Trunk Pacific.

Q. When the expenditures were made for the Grand Trunk Pacific would they be made at the beginning, and in fact, all your time, by the Grand Trunk, and then they are charged to the Grand Trunk Pacific?—A. No, the Grand Trunk handled the Grand Trunk Pacific.

Q. The Grand Trunk handled the expenditure?—A. Yes.

Q. On behalf of the Grand Trunk Pacific?—A. On behalf of the Grand Trunk Pacific, yes.

Q. Did your duties cover these expenditures as well as the ordinary expenditures of the Grand Trunk?—A. They did.

Q. Does your knowledge of the expenditure and proceedings enable you to say when the actual construction work began?—The work of construction apart from preliminaries?—A. I could not say right off?

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Q. All right, just say now if you can tell me; I ask you—you cannot say?—A. No, I cannot say without any data.

Q. Did you continue until April, 1906, in the performance of the duties you have spoken of?—A. Yes.

Q. Who was chiefly concerned with the accounts and vouchers for the expenditures of the Grand Trunk Pacific in the office; who did the actual work?—A. Well, the vouchers came to me, I handled them.

Q. They would all go through your hands, I suppose?—A. Yes.

Q. In fact I presume you had really the direct responsibility under Mr. Power and Mr. Walker?—A. Under Mr. Power and Mr. Walker.

Q. I might say almost every account passed through your hands in some shape or other?—A. Yes.

Q. Were you in frequent consultation with Mr. Walker about these accounts?—A. Well, do you mean about the vouchers that went through?

Q. About anything at all in connection with your duties. Moneys that would be paid and vouchers that would have to be prepared, anything?—A. I was in frequent communication with Mr. Walker in regard to matters concerning the Grand Trunk Pacific.

Q. Whenever any question arose in reference to these matters, with whom would you consult?—A. With Mr. Walker.

Q. With anybody else?—A. Nobody else.

Q. Did you ever consult with anybody, any officer, in the matter of these accounts?—A. No.

Q. You never had any discussion with any officer of the Grand Trunk, or the Grand Trunk Pacific, with regard to any question that arose about any of these accounts?—A. No, I reported to Mr. Walker who was my chief.

Q. If any difficulty arose would you consult any officer and what officer?—A. No officer except Mr. Walker.

Q. And as a fact either before or after handling the accounts, you never did consult with any man connected with either company?—A. Nobody except Mr. Walker.

Q. Nor did you discuss any question with any man. Was it your duty to distribute the payments in the classes of work or expenditure?—A. In what way do you mean, distribute?

Q. I suppose in a railway company different payments are charged to different headings, are they not?—A. Well, it depends on what kind of work it is on.

Q. I am speaking now, and you will understand throughout without my repeating it, of the particular kind of accounting we have been discussing up to the present moment. Had you anything to do with charging up under particular headings the different amounts of outlay?—A. Yes, we charge to the various sections of the Grand Trunk Pacific.

Q. Try and answer the questions, and we will get through much quicker. It was part of your duty—A. To distribute to the various sections of the Grand Trunk Pacific.

Q. Did you ever discuss with any officer of the company how any such accounts should be distributed?—A. With Mr. Walker.

Q. Only with Mr. Walker, never with anybody else?—A. No.

Q. So Mr. Walker was the guiding hand in that kind of thing, was he?—A. Yes.

Q. When did you arrive in Ottawa, Mr. McCombe?—A. I arrived here last night.

Q. What time?—A. About five o'clock.

Q. Have you been in communication with any person since then, except in regard to your private affairs?—A. I have.

Q. With whom?—A. With Mr. Rosevear who succeeded me in the office.

Q. With anybody else, only one man?—A. That is the only one with whom I have been in communication. Well, I have met one or two, but not in regard to this.

Q. I have qualified it by saying otherwise than solely in regard to your own private affairs?—A. No.

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Q. I think Mr. Rosevear who is here as a fellow-witness with you, he was on the staff when you were there?—A. Yes, sir, he succeeded me.

Q. You paid a visit to Montreal last January?—A. Yes.

Q. Have you any objection to stating the object of your visit?—A. It was purely personal.

Q. Purely personal?—A. Yes.

Q. You were called by telegraph?—A. I was called by telegraph from my own family.

Q. Your brother, I believe, is that right?—A. Yes.

Q. Did you visit the Grand Trunk offices at that time?—A. I did.

Q. Whom did you see?—A. I saw Mr. Power, and Mr. Walker, and several others, I went around the office.

Q. Did they expect you?—A. No.

Q. What?—A. No, I do not think so. Well, they had no reason to, because I do not think they knew I was coming.

Q. What did you discuss with Mr. Walker?—A. Nothing, beyond the fact that he asked me how things were going with me, and I asked him how matters were with him; it was purely personal.

Q. Did you discuss any of these matters of business?—A. No.

Q. Did you say a word to him at all, or did he to you about a possible inquiry into these accounts?—A. No.

Q. Do you say that?—A. I say so, I am under oath.

Q. I understand you are.—A. Yes.

Q. Did you ever say anything to the contrary to that to anybody else?—A. No.

Q. You never said to any man that you discussed a possible inquiry into these matters with Mr. Walker?—A. No.

Q. You swear to that?—A. I swear to that.

Q. You did see Mr. Walker?—A. I saw Mr. Walker.

Q. Will you tell me, was there any other officer of the Grand Trunk present?—A. No, I was alone with Mr. Walker in his private office.

Q. What was the subject of your discussion with Mr. Power?—A. I had only a few moments conversation with Mr. Power, nothing more than passing the time of day with him.

Q. That was all, on purely personal matters?—A. Yes.

Q. Did you learn in January that Mr. Walker contemplated a visit to England?—A. He told me so.

Q. Was anything said about Mr. Power being sent to give any explanation that might be necessary about this matter?—A. No.

Q. Did you ever say so?—A. No.

Q. Eh!—A. Did I ever say what?

Q. Did you ever say so to any person?—A. I have said so, when I heard that Mr. Walker had gone away, that probably Mr. Power would be summoned to Ottawa.

Q. You said you thought Mr. Power would be summoned on this question. I ask you did Mr. Walker say to you in January that if there was any inquiry or investigation Mr. Power would be sent up?—A. He did not, we did not discuss anything regarding Grand Trunk Pacific when I saw Mr. Walker.

Q. Mr. Walker did not say anything to you on that subject—A. He did not say anything to me on that.

Q. And you have never told any man that Mr. Walker and you did discuss that?—A. No.

Q. Did Mr. Walker at that time, as far as you learned from his conversation, know that there was likely to be an investigation?—A. He did not tell me so.

Q. In so many words?—A. He did not say anything about the Grand Trunk Pacific accounts to me when I saw him.

Q. And you never said; I will ask you once more, did you ever say to any person that he did?—A. I did not.

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Q. Did you see any person connected with the Grand Trunk, or the Grand Trunk Pacific, other than Mr. Walker and Mr. Power on that occasion?—A. I saw a great many, I went around the different offices having been there a good many years.

Q. I do not mean ordinary clerks, I mean any official?—A. I saw Mr. Biggar, I went in and saw him and shook hands with him.

Q. Did you see any one else?—A. I saw Mr. Tisdale, Mr. _____, assistant.

Q. Did you see Mr. Wainwright?—A. No, I did not.

Q. Did you have any discussion with Mr. Biggar on other than perfectly and absolutely private matters?—A. No.

Q. Do you recollect the first claim that was made by the Grand Trunk Pacific upon the government for expenditure on the Western Division?—A. I do.

Q. Who prepared that statement of claim?—A. I did.

Q. From whom did you receive instructions to prepare that?—A. From Mr. Walker.

Q. What was done with it when you prepared it?—A. It was typewritten and Mr. Shannon came down and checked it over.

Q. How did Mr. Shannon know it was ready there to be checked, how did he happen to come down, was the statement sent to him?—A. No.

Q. Or was he advised?—A. It was given to him on his arrival.

Q. How did he know it was ready?—A. He was advised.

Q. By you?—A. Not by me.

Q. By whom was he advised?—A. I think by Mr. Wainwright, or somebody advised him that we were ready for audit.

Q. When you prepared it how did Mr. Wainwright have anything to do with it?—A. He is comptroller of the Grand Trunk.

Q. Did you have any discussions with him about the statement?—A. No.

Q. Did he ever look at it, with you, go over it with you?—A. No.

Q. Who did?—A. Mr. Walker.

Q. What did Mr. Walker tell you to put in those statements?—A. He told me to put in, there are certain amounts that were charged direct in connection with construction works and surveys, and there were some other preliminary expenses.

Q. There were in your books certain expenses connected with construction and surveys?—A. Yes.

Q. And there were other items relating to preliminary expenses, can you tell me what the nature of the preliminary expenses would be?—A. Well—

Mr. MACDONALD.—In view of the discussion as to the relevancy of anything connected with the claims made against this government, which were abandoned, which is going on in the House, it seems to me that this committee should not take up its time going into evidence in relation to these accounts. The matter has been so frequently discussed and voted on in this committee that the principle has been settled here that we, that is the committee and the House, are only concerned in the matters which relate to the amounts which have been paid; that any examination along the line that Mr. Barker is developing we are not concerned in, there is no necessity of going over it again. I submit there ought not to be a discussion how this account was made up or anything about it. It has been withdrawn. Any evidence which relates to the payment of claims, which have been paid and which are in the Public Accounts, or which relate to claims which are before the committee, can be received, but this cannot be received.

Mr. BARKER.—What I have asked this witness is this, and he has answered the question, and I am now showing that there were in the accounts certain items relating to construction and also items relating to preliminary expenses, and I have asked what is the nature of the items in the preliminary expenses.

Mr. MACDONALD.—That is this first account?

Mr. BARKER.—I have not said a word, I am not asking about the first account. I

understand the member for Pictou objects to that question. What is there improper in the question itself?

The CHAIRMAN.—Before the witness is asked to answer that, his attention ought to be directed to the particular account. Was it the account that was first put in and which we have decided over and over again we should not take up the time of the committee in investigating, or was it preliminary expenses in the account that was afterwards passed and paid and settled?

Mr. BARKER.—I am coming to my point that in the books or accounts he was dealing with there were items charged relating to construction and items relating to preliminary expenses. Now in the contract certain preliminary expenses are chargeable and I want to know from him what were in the preliminary expenses in his books, and the hon. gentleman submits that I cannot ask that question.

Mr. CARVELL.—The books of the Grand Trunk or the Grand Trunk Pacific are not before us and are not relevant to this inquiry.

The CHAIRMAN.—I think, Mr. Barker, it has been the decision over and over again that we have no right to investigate what may be in the books of the Grand Trunk Pacific Railway company, but the account that is referred to in the Auditor General's Report, that is what we are investigating. I think we should ask him if he knows anything about the account that was afterwards paid and settled by the government.

Mr. BARKER.—You have ruled that I cannot ask that question.

The CHAIRMAN.—Yes, you cannot without laying a foundation for it.

Mr. BARKER.—I ask the opinion of the committee upon that point and want that recorded.

The CHAIRMAN.—I rule that Mr. Barker is not permitted to go into that question, that question need not be answered, and that questions relating to the preliminary expenses contained in the original account that was not paid or settled by the government and with which it has been decided several times before by this committee, as I understand it, we have nothing to do, cannot be asked. The question is as to whether my ruling shall be sustained or not.

Ruling of the Chair sustained by 21 yeas to 8 nays.

The CHAIRMAN.—Is not the original account which was paid and settled by the government now before the committee. Mr. Barker can take that account and ask the witness anything he likes with regard to that.

Examination of witness resumed.

By Mr. Barker:

Q. Do you recollect the occasion of Mr. Shannon coming to Montreal to the Grand Trunk Pacific, to examine the statement you prepared?—A. I do.

Q. Did you take any part at all in the discussion or in that audit?—A. I produced the vouchers for Mr. Shannon to audit.

Q. You produced the vouchers for Mr. Shannon?—A. Yes.

Q. Did Mr. Shannon pass the whole account?

Mr. MACDONALD.—Which account?

By Mr. Barker:

Q. The first one.

Mr. MACDONALD.—The one which was withdrawn, or the one which the government paid?

Mr. BARKER.—There was a statement of certain accounts and Mr. Shannon went through them and I asked did Mr. Shannon pass any of the vouchers.

(To Witness)—I ask you did Mr. Shannon pass any vouchers that you produced?—A. In what way pass?

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Q. Did he accept them as sufficient audit. You did not understand what I meant by 'pass,' did you?—A. No, I did not understand that.

Q. I say in auditing did he accept as satisfactory any accounts which you produced?—A. As far as I know he did.

Q. As far as you know?—A. Yes, but the amounts were not paid by the government.

Q. I am not asking you that, sir, did Auditor Shannon accept any of the vouchers as satisfactorily accounted for?—A. As far as I know he did.

Q. Are you in doubt about it?—A. Well, the accounts are there, I presume.

Q. Did he tell you there he was satisfied?—A. He told me he would make his report.

Q. I am not asking you about reporting, did he tell you then and there as to any vouchers you produced he was satisfied?—A. He did not tell me whether he was satisfied with the account, as it stood or not.

Q. I did not ask you that question, you need not fence, sir.—A. I am not fencing.

Q. Just answer the question you had put to you.—A. I answered the question in a way, I think, I have a right to answer.

Q. Did he express himself as satisfied with any voucher that you produced?—A. Yes, he did.

Q. He did?—A. Well, I do not know, I do not understand what you mean.

Q. You had better listen, and not think of what you are authorized to speak about?—A. I beg pardon, I am not authorized to speak about anything, I am a witness here under oath and I am not authorized to speak about anything.

Q. You are not authorized to speak by anybody, whose authority do you want?—

A. I do not need any authority, I am a free lance.

Mr. SINCLAIR asked that the witness be protected and that Mr. Barker withdraw the question asked.

Mr. BARKER.—It was because the witness used the word 'authorized' that I used it.

The WITNESS.—I did not, sir.

The CHAIRMAN.—I think that the question as asked in that way implies an insinuation and it is quite improper.

Mr. BARKER.—I did not make any insinuation. I did not intend to use the word 'authorized' but the witness used it first.

The WITNESS.—I did not, sir.

Mr. BARKER.—My impression was that the witness in answer to my question used the word authorized, I do not know in what connection he used it at all. I do not mean that he was authorized by some individual, I thought he had in his mind something that he was compelled to answer here and I said, you need not mind what you are authorized to do.

The CHAIRMAN.—I think it is quite plain, Mr. Barker has admitted he did not mean any such insinuation as has been implied, and that the committee might properly draw from the question asked, and if he says he did not mean it that is practically a withdrawal.

Examination of witness resumed.

By Mr. Barker:

Q. I understand you to say, witness, that Mr. Shannon, it appeared to you, accepted as satisfactory some of the vouchers you produced?—A. He did appear to me, he did not tell me so.

Q. Did he mark them as far as your observation went, did he tick them off as satisfactory?—A. He ticked some items off as far as I could see, he did not tell me anything he held in abeyance.

Q. You have said that several times, did he tick them off, as you understood, as being satisfied with them?—A. I understood so, yes.

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Q. Did he deal with others as if he were not satisfied with them?—A. I understood so.

Q. I am not asking the particulars now, will you tell me in what class the non-accepted vouchers were?—A. There were some in the preliminary expenses, and some payments for land, if I remember aright, in connection with the terminal.

Q. Can you give a general description of them, a little more fully than that?—A. I cannot, I have not the accounts now.

Q. You cannot from memory do it?—A. It is two years ago since this happened.

Q. Can you tell me to what extent he was satisfied with the account?—A. I cannot tell.

Q. Can you tell me to what extent he was dissatisfied with the statement?—A. I cannot tell.

Q. You cannot tell?—A. No.

Q. When he got through with the auditing was there any discussion in your presence by anybody?—A. There was pretty much discussion all the time in regard to the vouchers.

Q. If you will listen, witness, when you got through with that work was there any discussion?—A. I cannot recollect, I do not know.

Q. You do not recollect?—A. No.

Q. Was there a discussion during the audit as to the items that were allowed, or as to the non-allowance of items?—A. A discussion about various items which he said he would hold in abeyance.

Q. There was a discussion about various items which he said he would hold in abeyance. Are you aware whether there had been at any future or subsequent time further discussion about these items?—A. I do not know.

Q. You do not know, you do not know that you are aware of it, is that what you say?—A. I do not know what discussion there was, no, no.

Q. You are not aware of any subsequent discussion about that?—A. No, I do not know anything about them.

Q. Were you ever deputed to give explanations about any disputed items?—A. No.

Q. Did you ever go to Ottawa to give explanations as to any of these disputed items?—A. I did, not explanations.

Q. Who sent you?—A. Not for explanations.

Q. For what?—A. I was deputed to show some vouchers.

Q. By whom?—A. By Mr. Walker.

Q. You were sent by Mr. Walker to Ottawa?—A. Yes.

Q. To show some vouchers relating to disputed items?—A. Yes.

Q. Why did you not show these on the first occasion?—A. They were shown.

Q. They were shown?—A. Yes.

Q. The same vouchers?—A. The same vouchers.

Q. And you were sent to Ottawa to show these again to whom?—A. To Mr. Shannon.

Q. The same vouchers that you had shown before?—A. Yes, the same vouchers.

Q. For what purpose was that done?—A. I do not know.

Q. You were sent down simply as a messenger to show these?—A. Yes.

Q. Simply as a messenger?—A. That is all.

Q. Did you carry these vouchers down to show them to Mr. Shannon—and what then, did you leave them with him?—A. Nothing else, to show them to him.

Q. And then bring them back?—A. And bring them back.

Q. Were you instructed by Mr. Walker to give any explanation?—A. No.

Q. You were simply to show Mr. Shannon vouchers which he had already seen?—A. That is all.

Q. Eh?—A. That is all.

Q. You were sent to Ottawa with a number of vouchers and were told simply to show those to Mr. Shannon and bring them back to Montreal?—A. That is all.

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Q. And he had already seen them. Had Mr. Shannon asked for those vouchers?—
A. I do not know.

Q. Did you understand from Mr. Walker that he had asked for them?—A. I did not.

Q. Can you give any explanation of the reason that Mr. Walker had, if he had any, for again showing to Mr. Shannon vouchers that he had examined before?

Question objected to by Mr. Carvell.

Q. Are you aware at all of any reason there was for exhibiting those vouchers a second time to Mr. Shannon?—A. I am not.

Q. Were you told of it?—A. No.

Q. So far as your knowledge goes, then, you were simply to act as a messenger to bring down to Ottawa vouchers already seen by the auditor, and you were to say nothing, explain nothing?—A. No, I was to explain nothing.

Q. And you did that?—A. I did that.

Q. What did Mr. Shannon tell you?—A. He looked at the vouchers and said he would speak to the minister.

Q. He looked at the vouchers and said he would speak to the minister. Are you sure, to be correct, that it was the minister or the consulting engineer?—A. I understood it was the minister; I think it was the minister.

Q. I only want to be accurate about it?—A. I am pretty sure he said the minister.

Q. You were probably told it was the department?—A. I understood it was the minister.

Q. How many of these vouchers were there?—A. I could not say.

Q. Were they old ones that he had been dissatisfied with?—A. I could not say.

Q. Were there one or two, or a large number?—A. There were several.

Q. How many?—A. A good many.

Q. Being chief clerk, have you no recollection whether you took all the rejected vouchers down or not?—A. No, I could not say, I do not think so, that they were all.

Q. You do not think they were all?—A. Because I understood afterwards there were several items that were thrown out.

Q. You understood afterwards?—A. That there were a good many other items held in suspense.

Q. A good many other items you did not take the vouchers for to Ottawa?—A. I understood that.

Q. Were you present when the vouchers that were to be sent to Ottawa were selected?—A. I was not present, I was told by Mr. Walker to take them.

Q. I asked you if you were present when the selection was made of those that were sent to Ottawa, and those that were not sent?—A. I do not know there was any selection, I was instructed to take certain vouchers to Ottawa.

Q. A certain number out of a greater number, is that the case?—A. There were a great many vouchers connected with the Grand Trunk Pacific.

Q. We are speaking of the vouchers, that, on the first occasion, the auditor was not satisfied with, you cannot tell me the exact number of them?—A. I cannot say, I understood there were a great many he was not satisfied with.

Q. As far as your knowledge goes did you take all those he had not been satisfied with, did you take them all to Ottawa?—A. I don't think so.

Q. Did Mr. Walker make the selection of those that were to be sent to Ottawa, or did you assist him?—A. No, I did not assist him.

Q. Were you present when the selection was made?—A. No.

Q. Did Mr. Walker tell you why he sent some and not all?—A. No.

Q. And you do not know?—A. I do not know.

Q. Did you have any conversation at all with Mr. Shannon as to the vouchers you brought back to Ottawa to him, then, when he said he would refer them to the minister or the department?—A. Not to my recollection.

Q. How long were you with Mr. Shannon on that occasion?—A. I was probably with him an hour.

Q. Probably with him an hour and all that time you did not say a word?—A. Not beyond showing the vouchers and having a friendly conversation.

Q. Having what, a friendly conversation about the vouchers?—A. No.

Q. You simply showed him the vouchers?—A. I showed him the vouchers.

Q. You did not say a word about the vouchers?—A. Not to my recollection beyond that I had been sent to show him the vouchers.

Q. He did not ask you?—A. He did not ask me.

Q. You know you were the man who got up, who prepared these vouchers, were you not?—A. No.

Q. Did you not in your capacity as chief clerk, have these vouchers in your charge, and were they not prepared under you?—A. They were not prepared under me.

Q. Under whom?—A. The vouchers were prepared under the various departments responsible for the expenditures.

Q. But when they came to be certified, when they came on for audit in the company's audit office, did they go through your hands?—A. Yes.

Q. And you, knowing all that, were not asked by Mr. Shannon anything at all about any of these vouchers?—A. No, Mr. Shannon simply said, 'I do not know about these, I will have to refer the matter,' as I understood, 'to the minister.'

By Mr. Clarke:

Q. The vouchers you are speaking of there, covered items which were withdrawn? A. I understood so.

Q. What have we to do with those?

Mr. BARKER.—They were not withdrawn at the time.

By Mr. Barker:

Q. What became of those vouchers?

Mr. MACDONALD objected to the question as the vouchers were not included in the claim which was abandoned and not paid by the government.

By Mr. Barker:

Q. Are you aware whether any of those vouchers that you brought back on this occasion were allowed then or subsequently?—A. I am not.

Q. You never heard any of them were allowed?—A. I never heard.

Q. Or any part of them?—A. I never heard.

Q. Are you aware that at any time a disallowed item, or any part of it, was paid?—A. I am not.

Q. When you say that you are not aware do you mean that you have no personal knowledge of the matter or that you have never heard of it?—A. I have neither personal knowledge nor have I heard.

Q. Have you ever told any person that you did know that items that had been disallowed had been got through, and had been got through by you?—A. No.

Q. You never said that?—A. No, I never did.

Q. You say that, you thoroughly know what you are saying?—A. I am under oath.

Q. You thoroughly understand what you are answering?—A. Never.

Q. That you were able to get items passed that had been disallowed?—A. I never did.

Mr. MACLEAN (Lunenburg) objected.

The CHAIRMAN.—Mr. Barker has not laid a foundation for contradicting this witness, and if it comes before me when I am in the chair I will rule that he cannot call a witness for that purpose.

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By Mr. Barker:

Q. At present I do not want to say who the person was, that will come in good time. Where any items had been rejected or with which Mr. Shannon had not been satisfied, were they put forward in another shape to your knowledge?—A. I understood that there were some items he had objected to which were included in our second claim.

Q. In another shape?—A. No, in the same shape.

Q. But not the same vouchers?—A. The same vouchers.

Q. Exactly the same vouchers?—A. Yes.

Q. Not under any other heading than that they had been put under originally?—A. Just the same.

Q. Were they then allowed or disallowed?—A. Disallowed.

Q. Some items were in that had been first rejected and were allowed in the second statement?—A. No.

Q. You do not know of one?—A. I am positively certain there were not, I could not swear to it.

Q. I want your recollection.—A. My recollection is that they were not.

Q. Not one, not a dollar?—A. No, not a dollar.

Q. In the auditing by Mr. Shannon did he, in your presence, give any reason at all for rejecting vouchers?—A. He did.

Q. You say he did?—A. He did, yes.

Q. Will you state what the reason was as given by him?—A. Well, he showed me a letter from Mr. Fitzpatrick which said that—he had written a letter to Mr. Fitzpatrick asking him for his opinion in regard to what the government should pay, whether purely construction, or whether there should be any preliminary expenses in it, and he showed me a reply from Mr. Fitzpatrick stating that the government were only liable for what would be purely construction work.

Q. And that was the reason he gave for rejecting that?—A. That is the reason he gave for rejecting.

Q. Was that at the Montreal audit or after?—A. It was, I think, the second audit.

Q. That was at the time of the second audit?—A. Of the second audit.

Q. He was rather speaking of the audit at Montreal?—A. They were all held at Montreal, all the audits, beyond the time that I came up with some vouchers to Ottawa.

Q. I am speaking of the first audit, did he give you any reason for rejecting these?—A. No, he did not.

Q. Nor in your presence did he give anybody?—A. No.

Q. When was it that you were sent to Ottawa?—A. I am not very certain, I think it was about two years ago, or a little later.

Q. Can you not give me the month?—A. Well, no, I should say it was about April or May of 1905.

Q. April or May of 1905?—A. I think so, yes.

Q. Why the accounts run up to the 30th of June, 1905, you did not audit them in April or May?—A. I think it was April or May, 1905, I left the Grand Trunk in April, 1906.

Q. Yes, the audit—A. Well, the audits were periodical.

Q. How often did you audit?—A. Every three months.

Q. Then there had been audits before Mr. Shannon's audit of the 11th of October, 1905? He says, I may tell you, in his statement that in September or October, at the end of September or the beginning of October, he received the first statement from your office, that is September or October, 1905, and his report is dated the 11th of October, so you must be making some error there, I think?—A. It may have been late in 1905, it was prior to the 1st January, 1906.

Q. That is nearer to it.—A. I was under the impression it was earlier in the year.

Q. The first statement covered expenses from the beginning, for about a year, did it not?—A. It covered expenses up to within a month or two of the date of the audit.

Q. And from the beginning?—A. And from the beginning, yes, it included all surveys.

Q. At that time, then, they could not have been rendered quarterly, that was for over twelve months?—A. No, not; that was not for the first, there were some audits afterwards, quarterly.

Q. Very well, the first report as produced is to the 11th October, 1905? Was your visit to Ottawa within a day or two of that time?—A. I cannot recollect. I thought it was earlier in the year; it was subsequent to his audit, his first audit.

Q. And can you recollect how long it was before his report upon that?—A. I do not know, this is the first time I have been told what was the date of his report.

Q. You had all the vouchers with you on that occasion, that were questioned?—A. I did not know, I said before I did not know what was questioned.

Q. Were all the vouchers that you had in your possession ones that had been questioned?—A. I do not know.

Q. You did not know even that?—A. I was not told anything about it.

Q. You simply took a number of vouchers, that you did not know whether they had been passed or approved or disapproved already?—A. I did not.

Q. You did not?—A. I did not know anything about it.

Q. I judged from your position that you would have known a great deal more than that?—A. I was not told anything about it.

Q. You had a large number of vouchers in your possession, a considerable number?—A. All that I could take in my hand.

Q. You took them back the next morning by train, did you not?—A. Yes, with me.

Q. The next morning by train?—A. Yes.

Q. You put them away?—A. I put them away.

Q. In a bag or in your pocket?—A. I had them in my bag.

Q. Did you show them to anybody?—A. No.

Q. Are you quite sure of that?—A. Quite sure.

Q. Not to anybody?—A. To nobody except Mr. Shannon.

Q. I mean on the train?—A. No.

Q. You did not?—A. No.

Q. Any person that saw them must have seen them without your knowledge?—A. Nobody saw them.

Q. Eh?—A. Nobody saw them as far as I know.

Q. If anybody did see them he did it without your knowledge?—A. I do not think anybody could have seen them.

Q. If any person did see them, it was without your knowledge, can you answer that question?—A. Yes.

Q. Did you read the vouchers yourself?—A. Did I read the vouchers myself? Well, I had seen them before, I did not read them on that date particularly, they had been through my hands before.

Q. Did you look at them when going home to Montreal?—A. No.

Q. Do you recollect what was in them?—A. I cannot say, no.

Q. You do not know whether any of these were allowed by Mr. Shannon?—A. I am positive they were not.

Q. You are quite positive?—A. That they were not.

Q. You looked into that afterwards, did you?—A. They were not allowed in the claim.

Q. How do you know that?—A. Because they were all included in one amount.

Q. In one voucher?—A. There was one amount put in for it.

Q. In the statement there was just a lump sum for all these?—A. A lump sum.

Q. Which was cut out?—A. Yes.

Q. What did that amount to?—A. I cannot say, it was one hundred and some odd thousand dollars; \$150,000, or something like that, I do not know.

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Q. Was it \$162,000?—A. It may have been, I cannot say.

Q. You won't say?—A. I do not recollect the figures.

Q. Not to one dollar, or to say a thousand or two, but was it something like that in your recollection?—A. I think it was something in that neighbourhood.

Q. And there was one item that covered that amount?—A. Yes.

Q. For which you had a number of independent vouchers?—A. Independent vouchers, yes.

Q. Were there any accounts in that other than for the Grand Trunk Pacific?—A. No, not to my knowledge.

Q. Not to your knowledge. Were there any items in that account that did not relate to the Grand Trunk Pacific at all?—A. Not to my knowledge.

Q. You thought that they were all, as far as you knew, they were all for the Grand Trunk Pacific?—A. I thought so.

Q. Had you looked up every one of them?—A. I had.

Q. And you did think really all these related to the Grand Trunk Pacific?—A. I understood they did.

Q. I ask you did you think they were?—A. Well, it was not my place to think in regard to that.

Q. Before you went home, or after you went to Montreal did you learn what action had been taken by the department or the minister with regard to the papers you showed Mr. Shannon?—A. Well, subsequently I understood that they were to be cut out, that the claim was cut out of the account.

Q. From whom did you learn that?—A. From Mr. Walker.

Q. Did Mr. Walker say why they had been disallowed?—A. He did not.

Q. Did you ask him?—A. I did not.

Q. Were you surprised that accounts properly vouched and forwarded by you from your department should be disallowed?—A. No, I discussed the matter with Mr. Shannon in regard to what was to be allowed, and there were certain things he claimed, directors' fees, the amount payable to Mr. Hays, that he said under his ruling from Mr. Fitzpatrick, we could not recover. I pointed out to him that the road was only bonded for a certain amount and I did not see that it made any difference.

Q. Did Mr. Shannon ask you to leave the vouchers with him in order that he might show them to the department?—A. No, he did not.

Q. How soon after the hour that you had with Mr. Shannon did you leave the department?—A. I was not in the department, I was at his own house.

Q. You were at his own house, what time of the day was it?—A. I got to Ottawa about seven o'clock and it was between that and eight o'clock I saw Mr. Shannon.

Q. In the morning?—A. No in the evening and I left the following morning.

Q. You came up at seven o'clock in the evening, went to Mr. Shannon's house, and showed him those vouchers?—A. And left the following morning.

Q. He said he would have to submit the matter to the minister and as you have told us he did not ask you to leave the vouchers?—A. No.

Q. Did you show them to anybody?—A. No.

Q. I mean about the department?—A. No, I showed them to nobody but Mr. Shannon.

Q. To nobody whatever?—A. Nobody.

Q. In Ottawa here?—A. Nobody.

Q. Did you understand when Mr. Shannon was to see the minister about it?—A. I did not.

Q. Do you know that he did see the minister about it?—A. From Mr. Shannon I understood it.

Q. From whom?—A. From him later.

Q. That is Mr. Walker, did you understand from Mr. Shannon?—A. From Mr. Shannon, later on when he came down he told me he had seen the minister and the minister had refused to accept them.

Q. Was it in consequence of your visit that the second statement was made?—
A. I cannot say, I do not know.

Q. The second statement was made by you?—A. Yes.

Q. You have mentioned some items here that we have already had in evidence about the second statement. Mr. Shannon gave evidence and mentioned some things, I see, that you have mentioned, the director's fees, the London office, &c. I see Sir Adolphe Caron was put down for two single thousands, and there is another thousand in the statement, Mr. Shannon says he disallowed that?—A. I understood he did, as well as a good many other legal fees.

Q. That is one of the things you put in the second statement?—A. Yes.

Q. The statement of course is out of existence, can you recall what these three thousands were for?

By Mr. Clarke:

Q. Is not that second statement in existence?—A. The second statement, I fancy is in existence. I think that statement shows it was for legal services, it is for legal services.

By Mr. Barker:

Q. The three thousands, or whatever they are for Sir Adolphe Caron were for legal services?—A. That is how the vouchers read.

Q. Who certified that voucher?—A. Mr. Wainwright.

Q. That is in existence, of course, as far as you know?—A. I believe it is, yes.

Q. To your knowledge was Sir Adolphe Caron employed legally in connection with the construction of the road?—A. I do not know.

Q. Do you know in what capacity he was employed legally?—A. I do not know.

By Mr. Macdonald:

Q. Would you be in a position to know?—A. I would not.

Q. A gentleman connected with accounts very often knows a great deal, you know. Do you know at what time the services were performed according to the account?—A. I could not say. I think the account, if it is put in would show the date.

Q. You think it would show the date?—A. The date the money was paid to him. The voucher would not show the date on which the services were performed, I do not think so, it would show that services had been rendered for so much money.

Q. I suppose the payments would be before the audit?—A. I presume so.

Q. Would the statement show the date of the payments?—A. It would show the month in which the payment was made, it might show the actual date the payment was made.

Q. That statement of Mr. Shannon does not appear to be among the papers produced by the government. A member of the committee here says it is produced. If it is I would like to see it.—A. I think the second statement would be here.

By Mr. Ames:

Q. The second one has never been produced, not the one prepared by the Grand Trunk?—A. The government were only charged pro rata of that amount.

By Mr. Barker:

Q. You do not know that that second statement was ever taken back by the Grand Trunk?—A. I do not think so.

Q. As far as you know it ought to be with the government?—A. It should.

Q. What became of the first statement?—A. The first statement was destroyed.

Q. By whom?—A. By me.

Q. How did you destroy it?—A. I tore it up with all the copies there were, we had several copies of it.

Q. How many?—A. Several, I destroyed them all.

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Q. By whose direction?—A. By nobody's direction, I kept it for probably several months and then destroyed them. It is our usual custom to destroy them.

Q. Did you burn them?—A. No, I tore it up and put it in the waste-paper basket.

Q. You did that yourself?—A. I did that myself.

Q. We have evidence here that you were directed to do that by Mr. Walker?—A. Well, I do not recollect, I do not think so. I do not think so myself. Mr. Walker may have spoken about it, He turned the statement over to me and I had it in my desk for several months after that, he may have said something about destroying it, but I cannot recollect it in that respect. I destroyed it.

Q. Has every copy of it been destroyed?—A. Yes, I think so.

Q. No pressed copy, no carbon copy was kept?—A. I destroyed the carbon copies at the time I destroyed the original.

Q. I ask you if any copies had been kept by anybody else?—A. Not by me, and I do not think by anybody else.

By Mr. German:

Q. All the vouchers which entered into the making up of that statement are now in the Grand Trunk Company's possession, are they not?—A. Oh, the statement gives the voucher number, I think if you refer to the statement sent you will see it gives our voucher number.

Q. A similar statement can be made up to the one that was destroyed if it is thought necessary to have it, could it not? The vouchers being there, could not a similar statement to the one destroyed be made out?—A. I fancy it could.

By Mr. Barker:

Q. There was an item you say about the land, do you know anything from your knowledge of the books about that item itself?—A. What is that item?

Q. \$46,000 for land.—A. That was, I think, the land on the Pacific coast for the terminal, I do not know anything personally at all.

Q. Were you instructed to give any information about that, that is to your knowledge? Was a part of it, at all events for the right of way and yard terminals?—A. I could not say.

Q. You do not know. The whole of that was rejected?—A. It was rejected.

Q. Even in the second statement?—A. Yes.

Q. There was \$26,000 for legal expenses in the item?—A. Yes.

Q. Did you know, or had any investigation taken place as to what these expenses were?—A. I knew to whom the money was paid, beyond that I knew nothing.

Q. What did the voucher say as to that?—A. Legal expenses.

Q. Just legal expenses? Will these vouchers show the date when the money was paid?—A. Yes, I think the statement will also.

Q. The statement also, that is the second statement will show it?—A. Will show the month in which it was paid probably, not the date.

Q. That will be near enough, that second statement would show at least the month in which the various payments were made for legal expenses and otherwise, and will it show the persons to whom the payments were made?—A. Yes.

Q. Were there any vouchers appended to the statement, receipts, for instance?—A. There was no voucher appended to the statement, the vouchers were examined in our office.

Q. There were no receipts or anything appended?—A. No, nothing appended to the statement.

Q. Would there be any receipts attached to the vouchers that you had, in the company's office?—A. All vouchers are receipted.

Q. And I suppose it would be your duty, or somebody's duty to see they are receipted by the person receiving the amount?—A. By the person in whose favour they are drawn.

Q. Did you ever see Mr. Shannon's first report?—A. No.

Q. Did you ever see any papers that were detached from that report?—A. No.

Q. Did you ever hear what became of the papers that were detached?—A. No.

Q. You know nothing about that?

By Mr. Macdonald:

Q. Were there any papers that you saw at any time that were detached from that report, and that came into your possession?—A. Not to me.

Q. Or to the office there?—A. No.

By Mr. Barker:

Q. You know nothing about papers that were detached?—A. No.

Q. Was that second statement the last one you had anything to do with?—A. No, I think there was a third statement.

Q. Where is it?—A. My recollection is that I had prepared a third statement.

Q. For what period would that cover?—A. I think the last statement I prepared was to December 31st.

Q. Eh!—A. Either September 30th or December 31st, 1905.

Q. That was a three months' statement?—A. Yes, to December 31st I think.

Q. I believe that nearly all passed?—A. Well, I understand so.

Q. That was from 1st of July to the 30th of September, which is referred to?—

A. I think I probably prepared one after that of September 30th.

Q. One after that again?—A. Yes.

Q. Did you have any conversations with Mr. Wainwright about these disputed items?—A. No.

Q. Not at any time?—A. No, not at any time.

Q. Who certified on the vouchers to the correctness of these various items that did not pass?—A. Well, some of them were certified, I think, by Mr. Biggar and some by Mr. Wainwright.

Q. Some by Mr. Biggar and some by Mr. Wainwright.

By Mr. Macdonald:

Q. Is this the first statement now?—A. No, the second statement.

Mr. CLARKE objected to wasting time in taking evidence relating to items which are not in the public accounts and which were disallowed.

By Mr. Barker:

Q. Who certified to Mr. McGiverin's account?—A. Mr. Biggar.

Q. To your knowledge did anybody besides yourself come to Ottawa in connection with these accounts?—A. Not to my knowledge.

Q. Are you not aware that Mr. Walker came?—A. I do not think so, I would not say positively but I do not think he did.

Q. You never heard from Mr. Walker that he came?—A. No, I did not.

Q. Did you ever claim credit to any person for getting items passed that Mr. Wainwright had failed to get passed?—A. No.

Q. You never did?—A. No.

Q. Not recently even?—A. No.

Q. Did you ever say that you could have got even more of them allowed than were allowed if it had been left to you?—A. No.

Q. You never said that even?—A. No.

Q. Not within a few months?—A. No.

Q. If any person comes here to swear to the contrary he is telling an untruth is he?—A. Yes.

Q. If he says so on his oath, eh?—A. He is.

Q. You saw Mr. Biggar when you went to Montreal in January last?—A. Yes.

Q. Did you have any conversation with him about this inquiry or as to your recollection of these matters?—A. None.

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Q. Or what evidence you would give on the inquiry?—A. No.

Q. Neither then nor at any time?—A. No, I had no conversation with him about that at all.

Q. About this inquiry or about the evidence, or your recollection of what transpired?—A. No.

Q. You never talked with Mr. Biggar on the subject?—A. No, I did not know anything about the inquiry then.

Q. I did not ask you if you knew anything about the inquiry, he may have told you something about it, did you ever have any conversation with Mr. Biggar in any way relating to these matters, or of your recollection of them, in regard to this inquiry?—A. I saw him when I came to the hotel last night, and I told him I was coming up for examination and he said, 'What do you know,' and I said 'I do not know very much about it.' That is all the conversation that took place.

Q. Where did he see you?—A. In the Russell House.

Q. Did you have your conversation there?—A. Yes.

Q. All of it?—A. Yes.

Q. In whose room?—A. In no room.

Q. In the public room there?—A. I told him I had been summoned to Ottawa; he asked me what I was there for and I told him I had been summoned, beyond that we had no further conversation.

Q. Where did you go with him?—A. We went and had a drink.

Q. That is not what I mean, I do not care whether you had a drink or not. I do not think it would be very great harm if you did. Did you go anywhere with him to pursue that little conversation further?—A. No, not beyond going to have a drink. We did not pursue the conversation.

Q. You did not talk much when taking a drink in the bar room. Did you go anywhere with Mr. Biggar to continue that discussion or to discuss these matters?—A. I did not have any discussion further than what I have said.

Q. All your discussion was, he wanted to know from you what you could say, was that the only thing in the Russell House?—A. In the Russell House.

Q. You spoke to him on that subject but you went nowhere else?—A. Nowhere else.

Q. You went nowhere with him, it was in the public corridor?—A. We went and sat down at a table down in the Russell House.

Q. Did you talk about it there?—A. Not beyond what I said.

Q. That was all that passed between you there?—A. That is all that passed.

Witness discharged.

JOHN M. ROSEVEAR, called, and sworn and examined.

By Mr. Barker:

Q. What is your position?—A. Chief clerk of expenditure.

Q. You are chief clerk of expenditure?—A. I am the successor to Mr. McCombe.

Q. Have you been in the room while Mr. McCombe has been giving his testimony?—A. I have.

Q. You have heard what Mr. McCombe has said about the discussion of that statement?—A. I have.

Q. Do you know the circumstances under which it was destroyed?—A. I do not, at the time it was destroyed I was not engaged in the Grand Trunk Pacific work. In fact I was not in the office at all, my duties were entirely on the road.

Q. Mr. Power says that Mr. Walker sent to the clerk and asked, in Mr. Power's presence, if he had destroyed the statement, and Mr. Power is under the impression that Mr. Rosevear was the clerk? He says, 'I think,' was he mistaken in that?—A. He was mistaken.

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Q. He was mistaken as to the person who did it?—A. That is right.

Q. There are no other Rosevears in the office but you?—A. Not in the audit office.

Q. Then so far as Mr. Power is concerned as to the person sent for, in saying he thought it was you, that is not quite correct?—A. That is not correct.

Witness discharged.

Mr. G. A. BELL, assistant accountant, Department of Railways and Canals recalled.

By Mr. Ames:

Q. Mr. Bell, we have had frequent references to statements prepared from time to time by the Grand Trunk on account of the Grand Trunk Pacific which statements consist merely of a summary or list of the vouchers, giving the number, the name, the purpose and the amount. We do not find in this list here the statement that is referred to in Mr. Shannon's second report, the one on which the first payment was made, do you know where that statement is?—A. It is in my possession.

Q. And has not yet been put on the file?—A. Has not been filed.

Q. Will you kindly file it?—A. If I get orders to file it I will.

By Mr. Barker:

Q. You say it is in your possession?—A. It is in my possession, because I require all these statements in making my audit.

Q. It is not in your possession personally, but as an officer of the government?—A. Of course as an officer of the government.

By Mr. Ames:

Q. Have you any other documents or statements in your possession not on this file?—A. I have all the monthly statements.

Q. You have no other memoranda or documents except those and what is on the file?—A. Everything else is in the record.

Q. You have not the first statement or a copy of it?—A. Not the first one, no.

Q. You have the second one?—A. I believe the second one is there; it was handed me by Mr. Shannon.

Q. Why did you not put it in with these other papers?—A. Because I require them in making this audit. I require to take these statements with me every month to Montreal, I require them for the purposes of my audit. I have no doubt when this thing is all finished, as a matter of course, I will turn them all into the department, but until it is finished I do not consider it necessary as I require them personally.

Q. When Mr. Shannon made his report did he make any memoranda to your knowledge as to rejected accounts, or as to the certificates which were attached to the report at that time?—A. You asked me, in looking over the file once before, you asked me that question, and if the Grand Trunk statement was not the one that was attached to the file. I said I did not think so. However, I made sure of that. Mr. Shannon made, as far as I know, no memoranda except what is in his report and the reason I am sure of that is that I looked at the pressed copy, from our own copy, and there is no statement there with it, and no leaves have been taken out of the book. I will explain why I was of that opinion, if you notice in his next statement he makes up a memoranda of the statement which is attached to his report proper, he evidently knew his duty and pointed it out in his letter and attached the Grand Trunk statement which was subsequently removed. You asked that question at the time and I did not think it was attached to it.

Q. You have never seen that statement which was attached to that first statement, or report, that is the Grand Trunk's first statement?—A. I do not know about that, I may have seen it but never examined it carefully.

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Q. To your knowledge was there any list of rejected accounts prepared by Mr. Shannon?—A. I do not think there was.

Q. Where are those statements?—A. In my possession in the office in the department.

Q. You could get them now, could you?

By the Chairman:

Q. You could have copies prepared.

By Mr. Ames:

Q. I want to see the originals. I ask that he now produce the originals, it will only take five minutes, and when we have consulted them we may want to ask questions on them.

By Mr. Macdonald:

Q. I want to understand from you in regard to the amount that has been mentioned in Mr. Shannon's report?—A. His letter should be on the file here.

Q. 'I would draw attention to the item of proportion of preliminary expenses in the statement of the Prairie Section, amounting to \$106,433, this being a portion of a voucher submitted to me for \$162,000, in round figures, but for which sub-vouchers to the extent only of \$106,650 were shown me—an amount in excess of the proportion charged.' I am not very clear from reading that report as to whether the amount which was claimed by the Grand Trunk was \$106,000 or \$162,000 as referred to?—A. The amount is \$106,000. They never charged in the statement \$162,000, they only charged a proportion which was chargeable against the Prairie Section, and the \$162,000 was never claimed by the Grand Trunk from the government.

By the Chairman:

Q. What would that cover?—A. That would cover the total amount, and it would be pro rata over the whole. At that time they had the North Bay and Superior branches and the remaining portion would probably come into those.

By Mr. Macdonald:

Q. \$106,000 and not \$162,000 is all that went into that statement?—A. Yes.

Q. This memorandum or statement, &c., was detached?—A. Was detached.

Q. What do you understand these statements in detail to be?—A. As I understand Mr. Ames, he asked me the question once when going over the file, and I gave him then the information that it was Mr. Shannon's own statement. He asked me if it was the Grand Trunk statement and I said I would not be sure. I am sure now it was the Grand Trunk statement, the first statement.

Q. That was what I understood it to be myself on reading it, but some members of the committee have drawn the inference that Mr. Shannon had some private information?—A. He had not.

Q. This is nothing new?—A. Nothing new at all.

By Mr. Reid (Grenville):

Q. What I have understood so far is that the \$162,000 was 60 per cent of the total amount that was claimed, is that right, or is Mr. Macdonald right when he says, No, that \$162,000 was the total amount altogether and there was only a claim for 60 per cent of that made by the company?—A. You can see that at once, on looking at the file, and comparing Mr. Shannon's report with Mr. Schreiber's certificate, all that Mr. Schreiber includes in his certificate is \$106,000 and Mr. Shannon makes that in his summary, and that is all that the Grand Trunk ever claimed. They never claimed \$162,000. You will notice that Mr. Shannon says: 'A portion of a voucher submitted to me for \$162,000 in round figures,' he gives the exact figures at \$106,423 as being the amount they claimed.

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Q. My impression all along was that the total amount would have been practically \$250,000 and that this \$162,000 was the 60 per cent of that amount which they asked the government to pay, now I find it is only \$162,000 altogether?—A. Yes, that was all that Mr. Schreiber certified, \$106,000, which was about 60 per cent.

By Mr. Barker:

Q. You were summoned as a witness in this matter to produce all such reports, memoranda, correspondence, &c., as may be in the possession of the Department of Railways and Canals in reference to the construction of the Western Division of the National Transcontinental Railway. Why did you not bring these?—A. I always consider that documents which are in my possession, until they are put on the files of the department are confidential documents, and unless I receive positive orders to produce confidential documents, I do not consider the ordinary subpoena sufficient.

Q. You thought this was a confidential document that this committee had no right to order the production of?—A. They can order if they please, but I do not think I ought to produce them unless specially ordered to do so—I do not object to producing them.

Q. You thought this committee could order what it pleases but it did not cover confidential documents?—A. I really do not know what the powers of the committee are, I am only giving you my impression.

Q. Having in your possession a statement that had been dealt with more than a year before, and being ordered to produce all papers and you considered that confidential, did not produce it?—A. I considered it confidential until placed on the files of the department.

Q. And if you never choose to place it on the files of the department is it your understanding that you are not obliged to produce it?—A. Only when specially ordered.

Q. Did you consult anybody on that particular point?—A. Not that I am aware of.

Q. Did you consult anybody when you got the summons whether you should produce this paper or not?—A. I did not. If you notice, I was not summoned on this case at all, but in connection with the Eastern Section, that is the surveys east of Winnipeg.

Q. You are mistaken, I think, will Mr. Howe kindly look that up?—A. I am quite positive of that, I was summoned on the Eastern Division.

By Mr. Macdonald:

Q. These statements make up the \$915,000 within the last financial year?—A. They are simply the number of the voucher and the amount of the voucher.

By Mr. Ames:

Q. How long would it take you to get them?—A. It will take me probably fifteen or twenty minutes.

By Mr. German:

Q. You hold this statement as a government official, having been received by you as an officer of the Department of Railways and you have not put it on the files of the department at once, why would it be considered as a confidential statement?—A. When I speak of it as being confidential I mean that it is especially in my charge, I am using it from month to month, and I do not show it all around the department. I consider it as confidential until turned over to the department.

Q. It is a monthly statement on account of the Grand Trunk Pacific construction given to you by the company?—A. They give it to me.

Q. Each month?—A. Yes.

Q. Month by month?—A. Probably I had better explain how they come to me. I generally receive a notice—since I have taken over this work, I have received a

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notice from Mr. Walker each month that the accounts are ready for audit, just a few lines, say on the 27th of the month, that is generally the time, asking me if that date will suit. If it does I immediately communicate and tell him that I will be down. As soon as I go into the Grand Trunk office in the morning they hand me a statement which is merely a list, a summary for the use of the auditor. I really could make up that summary myself, but it is office work and they prepare it for me.

Q. You could make it up from vouchers they hand to you when you go there?
—A. Yes I could, but it saves time.

Q. Then it really is not a public document in itself?—A. I do not consider it so, it is not a voucher.

Q. Now Mr. Bell, we will go back again. When you go to Montreal to audit the accounts you are handed this statement to aid in your duties as auditor?—A. Exactly.

Q. If they did not hand you a statement you would have to make one up yourself?—A. I would have to make it up as I passed each voucher. I would have to take the number of the voucher, in whose favour and the amount, which is practically the same.

Q. And when you finish your audit you could tear it up and throw it away, could you not? Is there any duty incumbent on you to keep the statement if you made it up yourself?—A. No, in making an audit, it is not necessary to go so far into detail as that. I do not think it would be considered necessary if I made this memorandum to turn it into the department or keep it. We generally keep it for a reasonable length of time and if I made any notes I would keep them a reasonable length of time and destroy them afterwards.

Q. As I understand it, your object in keeping that statement is to have it when you go down on the next audit to aid you in making the next audit?—A. Yes, exactly.

Q. You go down there every month?—A. Yes.

Q. From month to month?—A. Yes.

Q. When it is suggested that it be produced here as a public document I want to ascertain whether it is a public or a private document. Is it a document so far as your duties as an officer in the department are concerned that you would be compelled to place on the files of the department?—A. I would never consider it so.

By the Chairman:

Q. Do they ever go on the files? This is one, is it not?—A. This audit is exactly similar to the audits made for subsidy purposes and that statement has never been considered necessary for the file. Mr. Shannon never considered it necessary to put it on the file, and I have not done so. It never goes on the files.

Q. How long have you been in the department?—A. When Mr. Shannon went to Moncton as comptroller, I was promoted to assistant accountant in November last.

Q. You have been in the department before that?—A. Oh, yes.

Q. And in this branch of the department, so that you have been conversant with the practice in this branch for a long time?—A. Probably more than any officer in the department, because I have worked with Mr. Shannon for a long time and that was the reason I was given this work. This system of audit is practically the same as that made in connection with subsidy, for subsidy purposes, and Mr. Shannon who went into this whole question and studied it, considered it as the best form of making an audit, and we always call for that statement before making an audit. If I am instructed by the deputy minister to make an audit for subsidy purposes, I at once write to the comptroller or treasurer of the railway to prepare me a statement similar to this so that when I go up there, say to Toronto, I save spending two or three weeks there doing clerical work which they can do for me ahead of time.

Q. Is it the practice of the department to file this as a public document?—A. Never, it has never been filed. These documents are just for the convenience of the auditor.

By Mr. Ames:

Q. Your statement, if I understand rightly, is simply a list of vouchers?—A. That is all.

Q. Which is submitted by the Grand Trunk Pacific in order that you may check the vouchers?—A. Yes.

Q. Your statement is prepared by the Grand Trunk Pacific in order that it may be officially presented to the government for checking?—A. No, it is not a certified statement at all, it is simply a list.

Q. But if you went out of the department it would be prepared and presented just the same, would it not?—A. I would say so, if the next auditor asked for it.

Q. And that statement gives the number of the voucher, the name of the man, and the purpose for which it is paid; is not that the only record there is in the department as to what vouchers make up a certificate?—A. Certainly.

Q. That is the only record the government has when they pay out \$500,000 as to what makes up that amount? If these were destroyed what evidence would the government have on that point?—A. They have sufficient confidence in their auditor.

Q. No, no, confidence in whom? Confidence in the auditor of the Grand Trunk?—A. They would have to have sufficient confidence in their own auditor, that he knows his business and is doing his work.

Q. The government would have absolutely no protection if these statements passed from their possession?—A. I can hardly see how that would be. If all the statements were gone they would still have the original vouchers.

Q. The government has the right under the law to have a complete re-audit again after the road is completed. Supposing they were to have a complete re-audit again at the end of the building of the road, would not these statements which give the numbers of each voucher, the name of the man and the purpose for which the payment was made, be an essential document in the hands of the government to see how the amounts that were paid from time to time were made up?—A. Not necessarily, the auditor would go on and make his audit on exactly the same basis that the previous auditor made his, he would not require the statement of the first auditor.

By Mr. Barker:

Q. It would not be of any value as a check, I suppose?—A. He could check the totals, he could at once use it to check the totals.

Q. It might be a check on the items?—A. It might be.

By Mr. Ames:

Q. What do you keep them for? To see the items?—A. Yes.

Q. And if you pass out of the department it would pass to your successor?—A. I suppose so. I am giving you my own opinion, that is the way I look at it.

Q. Is not that practically the only record which remains in the hands of the government as to the way in which these different items are made up?—A. Not necessarily.

Q. Is it not?—A. I will explain that, for instance, take the Prairie Section, if none of the details of the previous audit were on file in the department and a new auditor were to go down to check up he could at once see by the vouchers, and by the total as compared with the total of the previous audit, what vouchers the first auditor threw out.

Q. If one statement happened to be missing, but if all were missing?—A. That would follow on the same line.

Q. If one was missing he would check all the others and find out what was contained in the missing statement?—A. No, take, for instance, I make an audit in January, and I have this list before me, and I deduct certain vouchers and supposing I go out and another man went down next week and made the same audit, he would get the same statement, he is bound to have it because the totals would show, and he could either pass the vouchers or reject them.

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By Mr. Barker:

Q. If you were making a final audit, or say at the end of two or three years you wanted to go back for those years for any purpose and if you had those statements in your office they would enable you to check over every item, and in the absence of those statements you would have to go over every item, would you not?—A. Yes.

Q. Yet you think they are not records of value?—A. They are records of value in a certain sense, they are records for the auditor. I do not pretend those statements should be destroyed before the final audit. The first statement I made was that we keep these statements until they are no further use.

Q. They were left by your predecessor in the department?—A. I will leave them for my successor. Pardon me, they were handed over personally to me.

Q. Because you succeeded him, you were in the department, they were not handed to you as Mr. Bell?—A. They were handed to me because I was taking up that work.

Q. They were left by your predecessor in your hands, is not that it?—A. Yes.

By Mr. Macdonald:

Q. Do I understand that these statements were the statements that were prepared by the auditor in the Grand Trunk office, showing a list of vouchers that made up among them the amount of the account?—A. By somebody in his office.

Q. We are also to understand that what occurs is this that no regular account is made up by the Grand Trunk every month as against the government, but you go down and audit the payments that are included in this statement. There is no official account?—A. No official account, as I say this is merely a list for the convenience of the auditor, it is not an account against the government as debtor to the Grand Trunk Pacific, not at all.

Q. It is just a list of vouchers?—A. Just a list of vouchers, that is all.

By Mr. German:

Q. Now, at the end of the month Mr. Walker communicates with you and says that they are ready to have the month's accounts audited?—A. Yes.

Q. You go down there, supposing you go down without any statements at all, and you go down there to audit the payments of the Grand Trunk Railway in regard to the Western Division of the Grand Trunk Pacific, and you go into the office without any statement at all, how could you audit anything without some sort of account of payments made by the company, a great many bills would be placed before you?—A. I could not very well do it without going over them and taking out practically what they do.

Q. Where would you get it?—A. From their vouchers.

Q. You would simply have to take the vouchers for the payments made during the month, each of the vouchers you are there to audit?—A. Yes.

Q. When a voucher is audited, do you put a mark on it or earmark it in any way to show that the voucher has been audited?—A. It is not necessary with the statement. I check over my statement.

By Mr. Barker:

Q. That is the reason we want to see it.

By Mr. German:

Q. Do you earmark in any way the voucher itself?—A. No.

Q. If you see it is a correct payment, properly certified, and you pass it, and if the statement is not prepared for you you will put it down on your statement that you will prepare yourself with the number of the voucher, the amount of the voucher, and what it was for? And when you go through the month's vouchers in that way you would make up your own statements from the vouchers you have examined?—A. Yes.

Q. The Grand Trunk Company having given you that statement you go and verify

that, and see if it is correct according to the vouchers, that is the position is it not?—
A. That is the position.

Q. Now it has been suggested that the accounts might be paid twice. You audit the month's accounts, and would there be any possibility of any voucher which you had audited for the month of January coming in to you in another month's time?—A. None whatever, it would be caught at once.

Q. How?—A. By the voucher number and the date.

Q. Very well, by the voucher number and the date; but is there no record kept in the office of the voucher number and the date except the statement you make?—A. All disallowed vouchers that are rejected, there is a statement made of them.

Q. What about the allowed vouchers?—A. We do not keep a record of that.

By Mr. Ames:

Q. You keep the Grand Trunk statements?—A. Yes.

By Mr. German:

Q. You keep a record of the disallowed vouchers?—A. The record of every disallowed voucher you will find there.

Q. You do not keep a record of the allowed vouchers except in that statement you have mentioned?—A. No.

Q. Then why should not that be kept in the department as an official document?—
A. I am using that from month to month in my audits.

By Mr. Ames:

Q. Would not a copy serve you as well?—A. No, I must have the one with my check marks on.

By Mr. Barker:

Q. These are not your marks, but Mr. Shannon's?—A. Well, Mr. Shannon's marks are necessary for me.

By Mr. Taylor:

Q. I understood you to say that when you passed these vouchers and ticked them off on this statement you did not mark them 'cancelled,' or number them?—A. I did not mark them or what?

Q. You did not number the voucher?—A. I did not number the voucher.

Q. The ones that you passed?—A. They are all numbered on the statement.

By Mr. Macdonald:

Q. Is there ever any official document presented to the government with regard to any of these statements on behalf of the Grand Trunk Pacific with the exception of the certificates?—A. I never saw the certificates at all.

Q. You never see the certificates at all?—A. At least not on these visits, the certificates are sent direct to Mr. Schreiber.

Q. Is there any official statement of any kind that comes from the Grand Trunk Pacific to the government in regard to these monthly payments or otherwise in the way of indicating the amount of money to be paid, or the claim payable, other than that formal certificate signed by the railway officials?—A. I never heard of it.

Q. You never heard of anything else?—A. No.

Q. There is no such thing as a statement of claim or anything of that kind?—A. No.

Q. There might be without your knowing it?—A. No, the Grand Trunk Pacific send their certificates up with their own figures and after Mr. Schreiber receives my report, he goes over these, and he strikes out their figures and substitutes what he considers are the correct figures.

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Q. There has been a great deal of misconception here about claims made by the Grand Trunk Pacific on the government from time to time, and I wanted to know whether there are any official documents at any time that ever pass except these certificates which are corrected finally by Mr. Schreiber and upon which moneys are paid?—A. Occasionally a mistake is made and they often will admit that, but probably the returns have been made to London and they will ask that I take note of this and leave it over until the next month, so that they can adjust it, and they do that the first thing next month.

Witness retired.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

OTTAWA, FRIDAY, March 22, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., Mr. Geoffrion, acting chairman, presiding.

The committee proceeded to the further consideration of the payment of \$352,191.73 to the Grand Trunk Railway Company in connection with surveys purchased for the National Transcontinental Railway as set out at pages W—251 and W—323 of the Auditor General's Report, for the fiscal year ended June 30, 1906.

Mr. GEORGE BELL recalled.

By Mr. Ames :

Q. Will Mr. Bell please produce the papers in accordance with the resolution of this committee ?

(Documents produced.)

Q. Are these all the statements in your possession ?—A. Those are all the statements from which payments have been made to date.

Q. That is not the question I asked. Are these all the statements in your possession ?—A. All except the current one for January which is being dealt with now. I did not think it was necessary to bring that. This brings it up to December 31 last.

Q. Are these the statements which Mr. Shannon handed over to you ?—A. Everything.

Q. You have no other papers in your possession ?—A. None, with the exception I have stated.

The CHAIRMAN.—These papers will stay in the custody of Mr. Bell himself ?—A. It is most important that these papers should stay in my possession without any mark of any kind whatever. They are originals, and we are using them. I will be using them right away, if any member of the committee wishes to look over them I will be very glad to produce them.

By Mr. Ames :

Q. Will you kindly hand me the second statement ?—A. That is everything Mr. Shannon handed over.

Mr. AMES.—I think it might be understood that at any time during the session of this committee Mr. Bell might appear and produce these papers, so that they may be produced here whenever demanded by a member during a session of the committee.

The CHAIRMAN.—Yes, but they must remain in Mr. Bell's possession.

Witness retired.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

IN CONNECTION WITH

ONTARIO SUB-TARGET GUN CO., LIMITED

PRINTED BY ORDER OF PARLIAMENT



O T T A W A

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

TWENTY-SECOND REPORT.

Your committee have had under consideration the purchase of 250 sub-target guns from the Ontario Sub-Target Gun Company, Limited, by the Department of Militia, as set out in Sessional Papers No. 136, of this session, and referred to the committee by the House of the 1st of March on motion of Mr. Foster, and as set out in a supplementary return referred to the committee by the House on the 20th March on motion of Sir Frederick Borden, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,

Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 MONDAY, March 11, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the chairman, Mr. Belcourt, presiding.

The committee proceeded to the consideration of the purchase of 250 sub-target guns from the Ontario Sub-Target Company, Limited, by the Department of Militia, as set out in sessional papers No. 136 of this session, and referred to the committee by the House on March 1, on motion of Mr. Foster.

Mr. H. W. BROWN, called, and sworn and examined.

By Mr. Foster:

Q. Mr. Brown, what is your position in the Militia Department?—A. Director of contracts.

Q. You are director of contracts?—A. Yes.

Q. What does that imply?—A. It means really purchasing agent for the department.

Q. That you have something to do with the negotiations for the purchase of supplies?—A. Well, yes, that is the orders for supplies are given from that office.

Q. And that you prepare or supervise all contracts of the department?—A. I should not say all contracts, nor indeed are orders for all supplies given from that office.

Q. Then just give in your own words briefly your position?—A. Well, it is the purchase of supplies except—well, except supplies for construction work, that is engineering work, and some supplies for the medical service, technical supplies. The director of medical service looks after, generally speaking, the supplies for the medical service which are obtained by that office.

Q. Then with reference to contracts what have you to do?—A. Well, I suppose the preparation of all contracts.

Q. Then the carrying out of them afterwards?—A. Well, yes, seeing that the provisions of the contracts are fulfilled; that is to say that the goods, that the supplies, whatever they may be, more particularly contracts for supplies as a usual thing, seeing that the supplies are furnished and delivered in accordance with the terms of the contract.

Q. So that you would be familiar both with the contract itself and you would follow out carefully all supplies delivered under that contract?—A. Yes.

Q. To see that the terms of the contract were carried out and the supplies up to the order?—A. Yes, of course, not always personally.

Q. But you had the supervision of that?—A. Yes.

Q. How long have you been in that capacity?—A. Since 1st July, 1904.

Q. Are you conversant with the contracts since the 1st July, 1904?—A. Yes.

Q. Are you conversant with the contract entered into by the department with the Sub-Target Gun Company?—A. Yes, I am more or less familiar with it since that date; that is I have had to do with the delivery of the machines under the contract.

Q. Yes, and seeing that the contract was carried out as to its terms. Have you any knowledge of any negotiations which preceded entering into that contract?—A. No, sir.

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Q. Who has?—A. Well, I could not tell you, sir; presumably it would be either the late deputy minister, Colonel Pinault, or the late director of contracts, Major Benoit, who has been superannuated, but that is really a guess because I know nothing about the contract until after my appointment.

Q. Then you know nothing at all of the circumstances which took place before the contract was entered into?—A. No, sir. I witnessed the execution of the contract.

Q. You knew that the contract was made?—A. Yes, I was a witness to it.

Q. And you are acquainted with its terms?—A. Yes, sir.

Q. And you have seen afterwards that those terms were carried out as far as you could?—A. Yes, sir.

Q. Do you know by whom the matter was brought to the attention of the department?—A. No, I do not—well, I know Mr. Jewell was interested in the company, and I know he did a great deal of business of the company, Mr. Jewell and Mr. Dewart, of Toronto.

Q. Of Toronto. Would it be correct to say that the parties who particularly brought this matter to the attention of the department, and who were known in the department, were Mr. Jewell and Mr. Dewart?—A. Yes, I should think so.

Q. Would it be correct to say they would be the chief parties that pressed the matter?—A. I could not tell you as to that. I do not know what their interest was.

Q. I do not want to know about their interest, but as to the part they took in pressing for a contract and in looking after the terms of the contract?—A. Well, of course, I know nothing of the negotiations prior to the making of the contract.

Q. After that I mean?—A. After that, as far as I had to do with the papers, I saw Mr. Jewell and Mr. Dewart, and afterwards Mr. Riddell.

Q. He being?—A. The successor of Mr. Jewell. I understand Mr. Jewell was managing director.

Mr. MACDONALD.—Is this examination in regard to items in the Auditor General's Report?

Mr. FOSTER.—No, with regard to papers that were sent up by the House. I made a motion in the House, and all the matters upon which I am inquiring are included in those papers.

Mr. MACDONALD.—What is the purport of the motion you offered to the House, Mr. Foster?

Mr. FOSTER.—Perhaps the secretary will read it.

The CLERK (reads):—

'Return to an Address of the House of Commons dated the 10th December, 1906, for a copy of all orders in council, contracts, reports of experts or officials, and all correspondence relating to the adoption and purchase of 250 sub-target guns by the Department of Militia, and especially all letters passing between the Ontario Sub-Target Company, Limited, Mr. J. H. Jewell, Mr. Hartley Dewart, K.C., or any director or shareholder of the Sub-Target Company and the Minister of Militia, or his private secretary, in reference to purchase or contracts or agreements to purchase, either proposed or consummated, and payments made thereon or in pursuance thereof.'

The CHAIRMAN.—You might now read the order of the House.

The CLERK (reads):—

'On motion of Mr. Foster, it was ordered, that sessional paper No. 136, of this session, relating to the purchase of 250 sub-target guns from the Ontario Sub-Target Company, Limited, by the Department of Militia, be referred to the Select Standing Committee on Public Accounts.'

That was on March 1, 1907.

Mr. MACDONALD.—May I ask my humble friend whether or not the reason he made

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the motion in that way was because there is no payment of any amount that appears in the Auditor General's Report?

Mr. FOSTER.—Yes, there is an amount, but it is so small that possibly objection might have taken.

Mr. MACDONALD.—As to whether it would cover the whole?

Mr. FOSTER.—As to whether it would cover the whole or not. It is an essential part of a thing but a very small part. I made a motion in the House with the assent of the House and the motion passed.

By Mr. Foster:

Q. Did you have anything to do, in the working out of this contract, with Mr. H. H. Wickwire?—A. That is the first contract, the contract of June 30, 1904. As I say, I had nothing to do with the working out of the contract. You mean deliveries under the contract?

Q. Yes?—A. No.

Q. Well, with any one outside with the exception of Mr. Dewart and Mr. Jewell?—A. The three I mentioned, that is right, sir.

Q. Will you look at a letter on page 7 and read it please?—A. (Reads):—

‘TORONTO, July 11, 1904.

‘The Hon. Sir FREDERICK BORDEN,
‘Minister of Militia and Defence,
‘Ottawa, Ont.

‘DEAR SIR,—I herewith inclose a series of recommendations from the officers of the militia, who were present at the demonstrations at Kingston and La Prairie, numbering Two hundred and seventy-two.

‘Kindly acknowledge the receipt of the same.

‘I have the honour to be,
‘Yours faithfully,

‘(Sgd.) J. H. JEWELL.’

Q. What follows that in those papers?—A. The first is apparently—do you wish me to read it?

Q. State what it is, generally speaking?—A. It is a testimonial signed by J. R. McCann, of the demonstration with the sub-target gun machine at Kingston.

Q. Also, just turn over and go on?—A. One from Lt.-Col. Fages, at Kingston; one by Lt. Jamieson, 5th Field Battery, Kingston; also Capt. Quartermaster Macall, Capt. Leslie, Kingston; Capt. Bruce Carruthers, Kingston; Major Sinclair, 14th Regiment, Kingston; Lieut.-Col. Kent, Kingston; Major W. J. B. White, Kingston; Quartermaster Sergt. Thompson, Kingston; and 126 men of Military District No. 3; one signed by Col. Lawrence Buchan, commanding Barrifield camp, Kingston, and 73 officers of Military District No. 3; another one signed by Lt.-Col. Roy, D.O.C., and 72 officers of Military District No. 7—this was a demonstration of the exhibition of the machine at La Prairie—and one signed by Wm. Butal Heeney, of Belleville. This is addressed to Sir Frederick Borden, at Belleville.

Q. That concludes that list of recommendations?—A. Yes, sir.

Q. And these recommendations appear by the letters to have been sent by military men?—A. Apparently, yes.

Q. Will you turn to page 22?—A. This is a letter from Mr. Jewell to Sir Frederick Borden, dated June 17, inclosing a list of officers at London, and testimonials.

Q. Read that letter please?—A. (Reads):—

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'TORONTO, June 17, 1904.

'The Honourable Sir FREDERICK BORDEN,
'Minister of Militia,
'Ottawa, Ont.

'DEAR SIR,—Inclosed please find list of officers at London camp who witnessed the exhibition of the sub-target gun machine. Owing to the work they had to do it would take a great deal of time to secure letters from each one separately, consequently I have adopted this plan in receiving testimonials. I also inclose a copy of same. Kindly acknowledge receipt of the same.

'Very truly yours,
'(Sgd.) J. H. JEWELL.'

Q. In receiving testimonials?—A. In receiving it reads here.

Q. It should be securing, I think. Will you just run over in the same way the list of those that were sent in at that time?—A. There was one sent by Lt.-Col. Chas. S. Ellis, and 19 officers of Military District No. 1. Apparently that is all.

Q. That is all that you find?—A. Yes.

Q. Now, turn to page 25?—A. Shall I read that?

Q. What is the letter at page 25?—A. It is a letter from the Sub-Target Gun Company to Sir Frederick Borden.

Q. Read it?—A. (Reads):—

'RUSSELL HOUSE,
'OTTAWA, June 27, 1904.

'To the Hon. Sir FREDERICK BORDEN,
'Minister of Militia and Defence,
'Ottawa.

'SIR,—We beg to urge upon your consideration the necessity that exists in the interest of the militia of Canada for the purchase of the sub-target gun machines which have been on exhibition in our various armouries and camps during the past month.

The testimonials forwarded you must sufficiently indicate the imperative importance of equipping each unit of our militia forces with at least one such machine, as early as they can be supplied. We understand there are over 1,000 such units, and that the purchase of 1,000 machines would only allow one for each company.

'We therefore respectfully urge upon you that a contract should be made by the government for the purchase of 1,000 of such machines at the standard price of \$250 each.

'Yours very truly,
'THE SUB-TARGET GUN COMPANY, LIMITED.
'(Sgd.) J. H. JEWELL,
'5 King St. West, Toronto.'

Q. This is signed by whom, do you say?—A. J. H. Jewell.

Q. Is that apparently the same man who wrote the preceding letter?—A. Apparently the same.

Q. What do you find on page 26 there?—A. Shall I read that?

Q. Yes?—A. (Reads):—

'TORONTO, June 27, 1904.

'The Hon. Sir FREDERICK BORDEN,
'Minister of Militia and Defence,
'Ottawa, Ont.

'SIR,—I have the honour to inclose you herewith a series of letters and recommendations from officers in the militia, representing all branches of the service

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throughout the Dominion of Canada, expressing hearty appreciation of the sub-target gun machine. As you will see, these letters come from every point at which exhibitions of the gun have been held, Montreal, Kingston, Hamilton, London, Toronto, Niagara-on-the-Lake, Quebec, St. John and Halifax.

'I venture to suggest that so hearty and voluntary endorsement of a machine of such vast importance to the Militia Department has never before been made.

'I trust you will be pleased to lay the matter before council at an early date.

'I have the honour to be,

'Yours faithfully,

'J. H. JEWELL,

'*Chairman of Executive Committee.*'

Q. Then, following that, there are I think a number of these testimonials of which he speaks. I do not think it is necessary to take up the time of the committee going over them; they will be found to be almost entirely in favour of the gun. There are some few notes on certain qualities that it does not have, but as a rule they are favourable. Now, will you go to page 50?

By Mr. Macdonald:

Q. Mr. Foster might have Mr. Brown look up the letter of Col. Pinault of June 23. It is immediately after the letter of Mr. Jewell of June 17?—A. (Reads):—

'June 23, 1904.

'SIR,—I have the honour to acknowledge receipt of your letter to the Minister of Militia and Defence, of the 17th inst., inclosing a list of officers who witnessed the exhibition of the sub-target gun machine at the London camp, which has been noted.

'I have the honour to be, sir,

'Your obedient servant,

'L. F. PINAULT, Colonel,

'*Deputy Minister of Militia and Defence.*

'J. H. JEWELL, Esq.,

'King St. West,

'Toronto, Ont.'

Q. Then on the page following that, from the officer commanding Ottawa, June 24th?—A. Well—

By Mr. Foster:

Q. What is the purport of that letter?

Mr. MACDONALD.—It indicates that it was taken up at the summer camps.

Mr. FOSTER.—I will take that up in a moment. I have it indicated here, but I wish to follow this point first. Will you turn up page 50?—A. Shall I read that letter?

Q. What is the letter on page 50?—A. It is a letter from J. H. Jewell to Sir Frederick Borden inclosing a list of officers.

By Mr. Macdonald:

Q. What is the date?—A. 4th August, 1904 (reads):—

'TORONTO, August 4, 1904.

'The Hon. Sir FREDERICK BORDEN,

'Minister of Militia and Defence,

'Ottawa, Ont.

'DEAR SIR,—I have the honour to inclose herewith a list of the officers who witnessed the demonstration of the sub-target gun machine at Three Rivers, camp. Kindly acknowledge receipt of the same.

'I have the honour to be,

'Yours faithfully,

'J. H. JEWELL.'

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Q. Who sent that?—A. Mr. J. H. Jewell.

Q. Then follows a list of recommends?—A. Yes.

Q. Now, will you turn to page 119 please, and read that letter?—A. (Reads):—

‘TORONTO, March 14, 1905.

‘HON. SIR FREDERICK BORDEN,
‘Minister of Militia,
‘Ottawa, Ont.

‘MY DEAR SIR FREDERICK,—Having regard to the application of the Sub-Target Gun Company—

Q. No, leave that for a moment. Will you turn to page 34, please. What is that letter?—A. That is a letter from Mr. E. F. Jarvis, Deputy Minister of Militia. That is for the deputy, I suppose, to the Deputy Minister of Justice.

By Mr. Macdonald:

Q. What is the date of that?—A. 29th June, 1904.

By Mr. Foster:

Leave that for a moment and look at page 26?—A. That is a letter from J. H. Jewell to Sir Frederick Borden, dated the 27th June.

Q. Yes, will you kindly read that?—A. This has been read already, I think.

Q. Then look at page 26?—A. That is the one I read a moment ago.

Q. Then look at page 30?—A. That is the testimonial by Lieut.-Col. Oscar C. Pelletier and 27 officers of Military District No. 7. This comes from Quebec.

Q. That was one of the testimonials sent in. Do you find a letter from Mr. Dewart there?—A. This is it.

Q. On page 37?—A. Yes.

Q. Will you read that letter, please?—A. (Reads):—

‘TORONTO, July 8, 1904.

‘SIR FREDERICK BORDEN,
‘Minister of Militia,
‘Ottawa.

‘DEAR SIR,—In accordance with my undertaking when in Ottawa last week, I now forward to you notarially certified copies of the documents, which I then referred to relating to the investigation made into the sub-target gun machine in the United States and the purchases by the Ordnance Department at Washington of the said gun machines.

‘Yours truly,
‘H. H. DEWART.

‘Encs.’

Q. What follows that?—A. This, the first, is a certificate signed by Mr. Dewart, certifying that the documents annexed are true copies.

Q. Yes; and following the certificates there are documents—of what import?—A. An ‘extract from proceedings of Board of Ordnance and Fortification’ at Washington regarding the testing of the sub-target machine there, and authorizing the purchase of a number.

Q. And after that?—A. Following that is the order.

Q. Then from a perusal of those papers, so far as you would infer that from the papers, it would appear that Mr. Jewell and Mr. Hartley Dewart were the parties who were prominent in pressing this matter upon the department, and in obtaining from the different officers and authorities such testimonials as they could get in favour of the gun?—A. Yes, sir.

Q. As a rule you will find, I think, that these testimonials were favourable to the gun itself. Very well. Now, was any examination made by the department with

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reference to this gun consequent upon the application and those recommends?—A. Before the contract was made.

Q. Yes?—A. Well, as I say, I knew nothing about the contract until it was executed. I could say nothing as to that.

Q. You could not say as to that?—A. That would be a matter apparently for the military officers of the department.

Q. Do you find amongst these papers there, among these letters, any report of an investigation that was held? You will find it just about that time, I think?—A. A report?

Q. Yes. What was that letter that you had there, Mr. Macdonald, that was in connection with that report, was it not? The letter that Mr. Macdonald asked you to read, witness?

The CHAIRMAN.—That is the letter of the 23rd June?

A. The letter that you speak of does not appear here in this copy. That was a letter from Col. Pinault, was it not, acknowledging the receipt?

By Mr. Macdonald:

Q. Yes?—A. A letter of Col. Pinault to Mr. Jewell of 23rd June; there is no endorsement on this copy.

By Mr. Foster:

Q. What is that?—A. It is a letter by Col. Pinault acknowledging the receipt of Mr. Jewell's letter of the 17th June, inclosing a list of officers who witnessed the exhibition of the machine at the London camp.

By the Chairman:

Q. You read a letter by Colonel Pinault to somebody inclosing the testimonials and asking a report?—A. That, as I understand, was simply an endorsement, and not a letter.

By Mr. Macdonald:

Q. There is a letter of Col. Pinault to Mr. Jewell acknowledging the receipt of his letter of the 17th June?—A. Yes, I have it here.

Q. And then a memorandum: 'The officer commanding the militia?—referred for report. (Sgd.) L. F. Pinault, Colonel, Deputy Minister of Militia.'

The WITNESS.—That endorsement is not here apparently.

Mr. FOSTER.—Then we do not appear to have got the whole of the original papers. Mr. Macdonald appears to have been favoured with the endorsement, but the papers before the committee do not contain it.

Mr. MACDONALD.—I shall be very glad to submit to you what is here.

By Mr. Foster:

Q. Just see if you find any order for a report among those papers before the contract was made? Do you find any report there?—A. I see none.

Q. There is no order for a report?—A. There is no order for a report here. It should be on that letter apparently, but the copyist has overlooked it.

By Mr. Macdonald:

Q. Apparently it is just an endorsement on the letter?—A. Yes, that is what he would do.

By Mr. Foster:

Q. The return is evidently incomplete, because there is a prior agreement that does not appear to be there. Then from the papers you have before you, does it appear that there was no report made upon this gun or machine previous to the contract being made?—A. No report; that is no departmental report.

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Q. No departmental report? But there was a recommendation urged very strongly by Mr. Jewell and Mr. Dewart, and numerous testimonials sent in. What I want to find out is whether the department adopted that of Mr. Jewell's and Mr. Dewart's representations and the recommendations they sent in, or whether they made any independent departmental reports? Does it appear from these papers that there was any such report?—A. Not in addition to these testimonials. Of course these included certificates or testimonials from the district officers commanding who are really departmental officers.

Q. But what I asked you was, whether there was any formal report ordered and made to the department without reference to these?—A. There is no record of that on here.

Q. There is no record of that upon the papers? Was a contract ultimately entered into?—A. Yes, sir.

Q. Can you find there any order that was made for the contract?—A. Any order?

Q. Yes, any order from the department, or from any officer from the department—the minister or the deputy minister—that a contract should be entered into?—A. Giving directions for the preparation?—A. Yes.

Q. Yes?—A. No, sir, there is nothing here; at least I see nothing here, and I do not think there is. I have gone over these papers from the first.

Q. What do you find on page 36?—A. I find a letter from Sir Frederick Borden to Mr. J. H. Jewell, dated 2nd July, 1904.

Q. Just read that?—A. (Reads):—

‘2nd July, 1904.

‘MY DEAR SIR,—I am in receipt of your letter of the 27th ult., and have given the matter to which you refer careful consideration. You are already aware that an order has been placed with the company by means of a contract for the manufacture in Canada of 200 sub-target machines to be delivered within the present financial year, that is before the 1st July, 1905. I have looked somewhat carefully into the requirements of the militia force in this regard, and have satisfied myself that it would be money well expended to supply each of the units in Canada with one or more of the machines. I am satisfied that in the matter of enlistment of recruits alone, great saving could be effected by the use of this machine, and I hope that regulations will be issued before long requiring every recruit on enlistment to be tested with one of these machines. I think, therefore, that it is probable that we shall require to repeat the order already given, annually, until at least one machine is in the possession of each military unit of the militia in Canada. I have not myself carefully calculated the number of units, but I believe it is approximately one thousand.

‘Yours very truly,

‘(Sgd.) F. W. BORDEN.

‘J. H. JEWELL, Esq.,

‘The Sub-Target Gun Company, Ltd.,

‘5 King St. West.,

‘Toronto, Ont.’

Q. Then it would appear from that, first that an order had been given to the company, or to Mr. Jewell, for 200 of these gun machines?—A. That was two days after the contract had been made.

Q. Well, the letter is two days after?—A. Yes, sir.

Q. It would appear from that letter that an order had been given for that number?—A. Yes, sir.

Q. And that a contract had been entered into for these 200?—A. Yes, sir.

Q. Then further, the letter intimates that the number of units is—how many?—A. One thousand.

Q. And that the minister's view is that all these units should be supplied?—A. Yes, sir.

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Q. That is the information as it appears upon the letter which you have read to the committee, that is the fair inference? But you find no intimation there of a report having been ordered and received by the department, or as to who it was gave the order for the preparation of the contract?—A. No, sir.

Q. Will you turn now to that contract?—A. Yes, I have it here.

Q. Will you read the contract? We may as well have it before the committee?—
A. (Reads):—

‘MEMORANDUM OF AGREEMENT made in duplicate this 30th day of June, 1904,

BETWEEN

The Sub-Target Gun Company, Limited, hereinafter called the contractor, of the first part,

AND

His Majesty the King, represented by Hon. F. W. Borden, Minister of Militia and Defence of the Dominion of Canada, hereinafter called the minister, which expression as herein used includes also the successors in office of the said Minister of Militia and Defence, His Majesty so represented being hereinafter referred to as the government of the second part.

‘Whereas it is considered in the best interests of Canada that the sub-target gun machine should be used for the purpose of training the militia of Canada, and whereas the contractor has proposed to undertake to have the said sub-target gun machines manufactured in Canada, and supply the government with such machines so manufactured as the government may require during the currency of this contract, and delivered at a cost to the government not exceeding that which the government of the United States would have to pay for similar machines purchased by or for the said government of the United States in the United States market, the said sub-target gun machine having been first patented and manufactured in the United States.

‘This agreement therefore witnesseth, and it is agreed by and between the contractor and the government as follows:—

‘1. The contractor is to undertake to manufacture the said sub-target gun machines or procure the manufacture of the same in Canada.

‘2. The contractor undertakes to deliver to the government between the first day of July, 1904, and the first day of July, 1905, two hundred sub-target gun machines manufactured in Canada, corresponding to and equal in every respect to the standard sample sub-target gun machine as exhibited in the military camps in Canada in the month of June, 1904, and as approved by the minister, such machines to be delivered as nearly as follows: On or before the first day of October, 1904, fifty machines; on or before the first day of January, 1905, fifty machines; and the remaining fifty machines on or before the first day of July, 1905.

‘3. The government shall be bound and entitled to purchase from the contractor all sub-target gun machines required for the use of the government during the period of five years from the date of this contract upon the terms herein contained. The contractor agrees that if the government so desires and signifies its desire in writing before the expiration of this contract, the contractor will deliver to the government within the year following a number of sub-target gun machines, not more than two thousand, manufactured in Canada, same to be delivered as nearly as possible in monthly even quantities during the said period.

‘4. All the said sub-target gun machines hereby contracted for are previous to delivery to be inspected by the government inspector, and upon such inspection and being found up to sample as aforesaid, delivery shall be taken as complete at the place of manufacture in Canada.

‘5. If at any time or from time to time any modifications or improvements are made in the said sub-target gun machines, the government shall have the benefit of the

same at price not exceeding the rate that may be from time to time charged to the United States government for such improvements; and in case any reductions in the price of the said machines are made in the United States from time to time, the same or similar reductions are to be made in the price charged or to be charged to the government of Canada.

'6. The government shall pay for the said two hundred sub-target gun machines mentioned in the second clause of this contract at the rate of two hundred and fifty dollars for each sub-target gun machine upon delivery.

'7. The contractor shall not be bound to deliver in the time specified in case of strikes or in the event of unforeseen occurrences beyond the control of the contractor, preventing manufacture, but in such case the contractor shall have an equivalent extension of time, the contractor hereby undertaking to resume work as soon as possible.

'8. The standard sample of the sub-target gun machine approved by the minister, and all standard samples substituted therefor, shall remain in the custody of the minister.

'9. Any notice to the contractor hereunder shall be deemed to be well and sufficiently given if the same be left in the contractor's office in Toronto, or mailed in any post office to the said contractor in Toronto.

'10. This contract is hereby, pursuant to the provisions of the 16th section of chapter II. of the Revised Statutes of Canada, made subject to the express condition that no member of the House of Commons of Canada shall be admitted to any share or part of such contract or to any benefit to be derived therefrom.

'11. This contract shall enure to the benefit of and shall be binding on the successors and assigns of the contractor, and where the context admits any reference therein to the contractor shall be taken to extend equally to his successors and assigns.

'12. The wages to be paid in the execution of this contract shall be those generally accepted as current in each grade for competent working men and working women in the district where the work is carried out.

'In witness whereof the contractor hereto has set the corporate seal of the said company attested by the hands of the president and treasurer, and the said minister has hereto set his hand and seal at Ottawa aforesaid, the day and year first above written.

'Signed, sealed and delivered in the presence of

'(Sgd.) H. W. BROWN. (Sgd.) F. W. BORDEN, (Seal)
Minister of Militia and Defence.

'SUB-TARGET GUN COMPANY, LIMITED.

(Seal) (Sgd.) Jno. H. TILDEN,
'*President.*

'(Sgd.) J. H. JEWELL. (Sgd.) H. P. COBURN,
'*Treasurer.*

By Mr. Crockett:

Q. I did not hear the date of that, Mr. Brown?—A. The 30th June, 1904.

By Mr. Foster:

Q. That, then, was the contract ultimately entered into between the Sub-Target Company and the department?—A. Yes.

Q. And that contract was accepted by the Sub-Target Company?—A. Yes.

Q. As will appear there from a letter on page 44 of the return, which it is not necessary to read, it was accepted. Now the provisions of that contract are plainly stated in the different sections. Did this company have any manufacturing establishment of its own?—A. Not so far as I know.

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Q. Where were these manufactured?—A. By the Canadian Rand Drill Company, at Sherbrooke.

Q. Was it true that a contract was entered into by the Sub-Target Gun Company with the Rand Drill Company for the manufacture of them?—A. Yes.

Q. And the manufacturing actually did proceed at Sherbrooke?—A. Yes.

Q. And is being carried on there up to this time by the Rand Drill Company?—A. Yes.

Q. Will you tell the committee whether or not this contract was departed from in any important particular by the company?—A. Well—

Q. And in what particular?—A. There was a supplementary agreement made.

Q. Before that was this contract departed from in any part or parts?—A. Yes, in regard to the manufacturing in Canada; that was not carried out in every detail.

Q. That was not carried out in every detail?—A. That was departed from.

Q. Now, will you read the letter on page 58?—A. (Reads):—

‘The Hon. Sir FREDERICK BORDEN,
‘Minister of Militia,
‘Canning, N.S.

‘TORONTO, August 24, 1904.

‘MY DEAR SIR FREDERICK,—You will remember that at the time when the contract with the Sub-Target Gun Machine Company, Limited, was closed for the furnishing to your department of two hundred machines, we desired to have a clause incorporated in the contract similar to that in the Ross Rifle contract providing that certain special machinery and certain parts of the machinery to be manufactured should be imported duty free in view of the fact that such machinery and such parts of the machine were not manufactured in Canada. We have closed a contract with the Canadian Rand Drill Company, of Sherbrooke, Quebec, for the manufacture of the machines that will be required under the government contract. It will be possible to manufacture from special patterns the machinery that is necessary for the manufacture of the machines, and we think nearly all the parts of the machines in Canada, but as this is an absolutely new industry you will readily see that the completion of such a plant will require some considerable time and will necessarily delay the completion of the first machines to be supplied to the armouries. Under these circumstances it would be impossible to furnish the first machines within the date specified in our contract with the government.

‘The Canadian Rand Drill Company are, however, installing a complete plant for the manufacture of all machines that will be required in Canada, and we feel that the installation of this plant is a matter of so great importance that we may fairly ask, when we propose to manufacture the whole of the machinery required to make the machines, as well as the machines themselves in Canada—that under these circumstances we may fairly ask that certain parts (amounting to about one-fifth of the whole) required for the manufacture of the first fifty machines, may be imported free of duty as they are required for the use of the Department of Militia under the statute.

‘I am inclosing a memorandum of the parts that it is desired should be imported for the use of the Department of Militia in connection with this contract and forwarded to the Canadian Rand Drill Company at Sherbrooke, and I therefore respectfully request that under section 450 of the Act of 1897 these parts should be imported for the use of the Department of Militia, and I trust that the requisite order from the deputy minister of your department may be given in this behalf. Were it not for the urgent necessity of supplying these parts for the use of your department during the present fall that our militiamen may have their use as speedily as possible, we would not ask for this very small consideration.

‘We trust that you will be able to give the necessary directions, and that we may have an early and favourable reply.

‘Yours faithfully,

‘H. H. DEWART,

‘Solicitor Sub-Target Gun Company.’

By Mr. Foster:

Q. Now, to that request of Mr. Dewart's, who crops up here again as being interested in it, what was the answer of the department?—A. (Reads):—

‘ OTTAWA, September 27, 1904.

‘ SIR,—I am directed to acknowledge the receipt of your letter of the 24th ult. and inclosure addressed to the Honourable Sir Frederick Borden, Minister of Militia, asking, on behalf of the Sub-Target Gun Machine Company, Limited, to be allowed to import, free of duty, certain machinery required for the manufacture of the sub-target gun machines, and also certain parts of the machines themselves to be used in the manufacture of the first fifty machines. In reply, I am directed to say that the minister does not feel at liberty to vary the terms of the contract; and as the contract calls for the delivery of a certain number of machines manufactured in Canada, and as no provision is made therein for the free entry of manufacturing plant machinery, the minister cannot accede to your request.

‘ I have the honour to be, sir,

‘ Your obedient servant,

‘ (Sgd.) H. W. BROWN,

‘ *Director of Contracts.*

‘ H. H. DEWART, Esq., K.C.,

‘ Home Life Building,

‘ 60 Victoria St.,

‘ Toronto.’

Q. Then the answer to Mr. Dewart was?—A. A denial, a refusal.

Q. A direct negative, intimating that the minister could not see his way to grant it, that the contract must be lived up to? Now, do you find any variation of that position?—A. At any time?

Q. Later?—A. Well, there was an agreement made the following day.

Q. You might bring it out by reading page 62?—A. That is the letter I have just read.

Q. That is the—A. The letter to Mr. Dewart signed by myself.

Q. That is the negative? Now you will find in the correspondence that the request was afterwards granted, or as a matter of fact, do you know?—A. No, I do not think it was granted in full, that is so far as I know. They asked for the importation duty free of machinery, that is of plant, and also the right of importation duty free of parts to be used in this sub-target gun machine. I am speaking from memory, but my recollection is they endeavoured to get the right to import further plant or parts duty free. As I say, I am speaking from recollection, and that they did get the right under a supplementary agreement of March, 1905, to import certain parts to be used in this sub-target gun machine themselves, but that was not an importation duty free. He asks here for importation duty free.

Q. And the answer to that was that they could not be allowed to import duty free?—A. Yes.

Q. That they were to be manufactured in Canada?—A. Yes.

Q. And therefore the importations were not allowed? An essential part of the contract was that they were to be manufactured in Canada?—A. Yes, sir.

Q. As a matter of fact then the contract was varied to allow them to import certain parts and certain castings free?—A. Not free, no.

Q. From the United States?—A. Yes, sir.

Q. That is the form of the question, that they were allowed to import certain castings and certain parts of the machine from the United States instead of having them manufactured in Canada?—A. Yes, sir.

Q. They also put in an application to have them imported duty free, and that was not granted?—A. That is the terms of Mr. Dewart's letter; he was asking for importation duty free.

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Q. You are familiar with this gun machine yourself, are you not?—A. No, I am not.

Q. You have had charge of the contract and of seeing that it was carried out, but you are not familiar with the machine?—A. Oh, I have seen the machine. I am not at all familiar with it.

Q. Perhaps at page 66 you will find an answer to the question that I will have to ask you what was authorized?—A. At page 65, I find a letter dated Toronto, September 27, 1904. Shall I read it?

Q. What letter is that?—A. It is a letter from the Sub-Target Gun Company to H. W. Brown, dated September 28, 1904.

Q. And what does it ask for?—A. It is an acknowledgment of a letter of September 27.

Q. That was the refusal?—A. (Reads): 'In reply, I am directed to say that the minister does not feel at liberty to vary the terms of the contract—'

Q. That is not the point I want. You do not find anything there then further than what you have said?—A. The letter of September 28 to me is in regard to the supply of machines.

Q. That is not what I want?—A. That is all that letter is about.

Q. Then you do not find anything there modifying the answer of the department which was a refusal to allow the parts of the machines to be imported?—A. There is no question of importation in that letter at all.

Q. What would you consider constituted the machine that was contracted for?—A. Well, what do you mean?

Q. When the government contracted you were director of contracts. The government had a contract with these people, and they were to furnish a sub-target gun machine for the price of \$250?—A. Sub-target machine was the terms of the contract.

Q. What would you consider constituted that machine or gun?—A. Well, at this time I was in doubt about it, and I know I wrote to the company or to Mr. Jewell refusing—well, the letter is here, dated October 1, 1904, refusing a shipment of government rifles to fit to these machines.

Q. Then we had better bring that right out now. They sent up a claim or preferred a request, to the department, did they, for rifles to go with the sub-target gun machines?—A. Yes.

Q. And asked that the government should provide the rifles?—A. Yes.

Q. What was the answer to that request when it was first made?—A. Well, the first answer is the letter sent by myself to the company, dated 1st October, 1904 (reads):—

'GENTLEMEN,—I am in receipt of your letter of the 28th ult., and in reply beg to say that the matter will now have to remain in abeyance until the return of the minister to Ottawa, in about three weeks' time, as he left no authority for the shipment of government rifles to the Canadian Rand Drill Company. Your contract appears to make no reference whatever to any undertaking on the part of the department to furnish rifles for your machines, and in the absence of instructions from the minister, no order to that effect can be given.

'Yours faithfully,

'(Sgd.) H. W. BROWN,
'*Director of Contracts.*

'The Sub-Target Gun Company, Ltd.,
'5 King St. West,
'Toronto.'

Q. What page is that?—A. That is page 66.

Q. That is they preferred a request for rifles, and your reading of the contract led you to refuse that request?—A. In the absence of the minister, yes, sir.

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Q. You would infer from that that the guns were ultimately ordered, and that they were received by the company?—A. Yes.

Q. That is, that the rifles, although not provided for in the contract, were afterwards furnished by the department as though they had not been included in the contract?—A. That was my reading of the contract at the time, sir, but at the time that letter was written I had not seen the machines, and I have learned since that that company, when contracting for the supply of those sub-target gun machines, contracts for the supply of the machines, and not for the supply of the rifles. It is a machine adapted to be fitted with any rifle, and the purchaser, so I am informed by Mr. Riddell, the company's manager, the purchaser always furnishes his own rifles. But at the time when I wrote the letter that was my reading of the contract.

By Mr. Macdonald:

Q. In other words you thought it was not a necessary part of the machine?—A. That is what I should take it to be now.

By Mr. Foster:

Q. Would you consider the machine to be whole unless the rifle were attached to it? You can give no answer as to that other than what you have read from the papers?—A. That is all, sir.

Q. Was there any inspection of these machines?—A. Yes.

Q. At what time and by whom?—A. Well, there was an inspection of the machines before they left the factory. The government by the terms of the contract took delivery of them at the factory, and the machines were inspected before they left the factory.

Q. Who was ordered to inspect the machines?—A. My recollection is, Colonel Cartwright.

Q. Who is inspector of—anything?—A. Well, he was—

Q. He was the inspector?—A. I do not know what. He is inspector of musketry.

Q. Anyway he was detailed to examine and report?—A. Yes.

Q. And what was the nature of his report?—A. Well, I think he passed all the machines, that is the first fifty. I do not know whether he inspected more than that.

Q. Were there any difficulties encountered at that time? Did you have some reports made on it? Probably we had better take these reports—take page 95 and see what you find? Anyway we have got out the fact that Lieut.-Col. Cartwright was ordered to inspect the machines?—A. Yes, sir.

By Mr. Macdonald:

Q. Would it not be better if you took the letter, Mr. Foster? Was there not a letter?—A. I think there was.

By Mr. Foster:

Q. You will find it on page 87?—A. Well, page 95 is a letter from Sir Frederick Borden to Mr. Jewell acknowledging the receipt of his letter of the 13th December, 1904.

Q. Yes, what does that say?—A. (Reads):—

‘16th December, 1904.

‘DEAR MR. JEWELL,—I am in receipt of your letter of the 13th inst., and have forwarded it to Ottawa to be dealt with officially. I do not quite understand why we should supply rifles for the Ontario Government, although in view of the purpose for which they are to be used, I would feel disposed, as I mentioned to you in conversation some time ago, to supply obsolete rifles, but I fear that we have no Lee-Enfield rifles to spare. In fact, as you know, we have scarcely enough for our own purposes. How-

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ever, I am forwarding your letter to the deputy minister, together with a copy of this, and the matter will be dealt with promptly.

‘Yours very truly,

‘J. H. JEWELL, Esq.,

‘F. W. BORDEN.

‘5 King St. West,

‘Toronto, Ont.’

Q. Well, that was a request for the minister to furnish rifles for the machines which were ordered by the Ontario Government, was it not?—A. Yes.

Q. And the minister in his letter which you have read dissents from that view?—A. Yes.

Q. But ultimately action was taken in that respect, and rifles were furnished, were they?—A. They were, I think.

Q. Ross rifles?—A. Lee-Enfield’s, I believe. I do not know. I had not anything to do with it, but I believe that is what they were.

Q. Will you turn to page 103, and we will see Col. Cartwright’s report, and see what that is?

By Mr. Macdonald:

Q. When you speak about furnishing rifles, were these rifles that were to be attached to the sub-target machines, and then come into possession of the government for use in their military schools?—A. Those were the rifles you spoke of, sent to the Ontario Government.

Q. No, I am speaking first of the application to supply rifles for the machines to the Canadian Rand Drill Company?—A. Yes, the rifles were supplied at the factory and were fitted there, and then were inspected, and came back into the hands of the government at once.

Q. And were sent to the military units or cadet corps for the purpose of being used?—A. Yes, exactly. And to supplement my answer a moment ago, Mr. Foster, I should say that these rifles sent to the Ontario Government were loaned, as I understand, loaned to the cadet corps.

By Mr. Foster:

Q. And not given?—A. No.

By Mr. Macdonald:

Q. One question more in regard to the sub-target guns to be used by the Ontario Government. The Ontario Government placed these machines in their schools?—A. The cadet corps, as I understand.

Q. And any rifles that came from the Dominion Government and were attached to the guns went with the guns into the process of instruction of the young men in the corps?—A. That is my understanding of it. I had not anything directly to do with this thing.

By Mr. Crocket:

Q. You mean the machine and the rifle were loaned to the Ontario Government?—A. No, the Ontario Government bought the machine and the Dominion Government loaned the rifle to be attached to the machine, and this was for use in the schools, or cadet corps throughout the schools, in the province of Ontario.

Q. The Ontario Government bought the machines direct?—A. From the Toronto office.

By Mr. Zimmerman:

Q. These cadet corps are attached to the various military organizations?—A. I could not say as to that.

Mr. FOSTER.—They are used in the schools, too.

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By Mr. Macdonald:

Q. An obsolete rifle, Mr. Brown, is just as good as a modern one as long as the hammer will go off?—A. As far as working the machines is concerned I believe it is a question of fitting them. The machine has to be adapted to each particular rifle, so that if you manufacture a machine for the Lee-Enfield rifle you would have to get a Lee-Enfield rifle for it.

By the Chairman:

Q. Are those rifles attached forever?—A. No, they can be taken off the machine.

By Mr. Foster:

Q. Now if we are ready you can go on with Cartwright's report?—A. This is a report by Lt.-Col. Cartwright, dated 14th January, 1905, to the Deputy Minister, Militia and Defence (reads):—

'SIR,—I have the honour to report that pursuant to your instructions to me by letters of November 23, 1904 and December 1, 1904, I proceeded on December 17 to Sherbrooke, P.Q., where I visited the Canadian Rand Drill Company's works, and where I found Mr. Riddell representing the Sub-Target Gun Company. They had about six men under the superintendence of the Rand Drill Company's manager assembling and setting up sub-target guns. I carefully examined each of fifty sub-target guns. I found that the guns actually being set up were only partially manufactured in Canada. Annexed is a list of material marked 'A,' showing approximately parts manufactured in Canada, parts brought from United States, and parts in which the material is brought from the United States but finished in Canada; also the blue print marked 'B,' showing the individual parts of the gun and where they are made or purchased; also, annexed are two letters, one from Mr. N. W. Campbell, of the Canadian Rand Drill Company, and another from Mr. Jewell, of the Sub-Target Company. It is only fair to call your attention to the paragraph in Mr. Campbell's letter stating that for the balance of the machines to complete their present order, they have contracted in Canada for many of the parts which, up to date, they had been obliged to obtain from the United States, in order to make their first delivery promptly. Many of the parts made in Canada are made outside of Sherbrooke, some come from Brantford and some from Montreal, consequently the number of men actually at work at the Rand Drill Company shops does not represent the total employed list.

'It will hardly be possible or desirable in the interest of making a good gun to substitute anything else for the Franklin castings, now only obtainable from the United States. And I would therefore recommend that the company be not pressed in that particular point to fill the letter of their contract.

'There were fifty guns examined by me. These guns were up to sample, the finish being satisfactory and the accuracy, as shown by the proof targets already made, excellent.'

Q. That is in regard to the Franklin castings?—A. The Franklin castings, yes.

Q. And as upshot of that report on page 106 you will find?—A. This is a letter from Col. Pinault to the company, informing the company that the machines cannot be accepted. Shall I read it?

Q. Yes?—A.. (Reads):—

'January 16, 1905.

'GENTLEMEN,—With reference to the fifty sub-target guns recently inspected at Sherbrooke, I have the honour to inform you that the inspecting officer reports that the guns actually set up were only partially manufactured in Canada.

'As under the contract your company is obliged to manufacture, or procure the

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manufacture of, the gun machines in Canada, the guns inspected at Sherbrooke cannot be accepted by the department.

‘I have the honour to be, gentlemen,

‘Your obedient servant,

‘L. F. PINAULT, Colonel,

Department of M. & D.

‘The Sub-Target Gun Co.,

‘5 King St. West,

‘Toronto, Ont.’

Q. Well, now, does Col. Cartwright give there any tabulation of these parts?—

A. Yes, there is a memorandum here.

Q. Will you read that memorandum?—A. (Reads):—

‘Data regarding material in connection with the manufacture of 200 sub-target gun machines by the Sub-Target Gun Company, of Toronto.

‘December 29, 1904.

‘Total number of parts in each machine exclusive of small screws—112

Divided as follows:—

‘Material bought and finished in Canada for each machine.....	81 pieces.
‘Material bought and finished in Canada for each machine, value.....	\$12.99 $\frac{1}{4}$
‘Material bought in United States and finished in Canada for each machine.	9 pieces.
‘Material bought in United States and finished in Canada for each machine, value.....	\$1.49 $\frac{3}{4}$
‘Material imported from United States and used in each machine as imported.....	22 pieces.
‘Material imported from United States and used in each machine as imported, value.....	\$1.89 $\frac{1}{2}$
‘43 small screws in each machine imported direct from the States, value of.	.31

‘NOTE.—30 base castings in the rough, 50 head castings in the rough, 50 elevation plates in the rough, were imported from the United States so that we could get started promptly on the first fifty machines prior to our getting our own iron patterns made. The material for the remainder of these parts has all been secured in Canada.’

Q. Now, Mr. Brown, just make an addition there, will you? There were 81 pieces of material bought and finished in Canada, the value of which was \$12.99 $\frac{1}{4}$. Is that correct?—A. I do not know. I read it different. I read it that the material for the 81 pieces was valued at that.

Q. That the material bought and finished in Canada, 81 pieces, \$12.99 $\frac{1}{4}$?—A. Yes.

Q. Not the pieces?—A. Not the pieces, but the material.

Q. That is, the value of these 81 pieces as put into the machine was \$12.99 $\frac{1}{4}$?—A. I should not read it that way.

Q. That is so far as the material went?—A. Yes, the raw material would cost that. That is the way I read it.

Q. Are you sure of that reading?—A. No, sir.

Q. It reads, ‘Material bought and finished in Canada for each machine, value \$12.99 $\frac{1}{4}$.’ To me it would mean that the finished material bought in Canada that went into the gun was \$12.99 $\frac{1}{4}$?—A. Of course that is my own reading of it. That is all I should take out of it, especially from the heading, ‘Data regarding material in connection with the manufacture’ of these machine guns.

Q. Yes; but if you notice, ‘material’ is defined not only as bought, but it is finished in Canada?—A. This is simply to classify these items. He classifies them.

Q. He makes a tabulation of all these, and the idea is to show what parts, as it seems to me, are imported or manufactured abroad, whereas your contract was to manufacture in Canada. He divides it into three classes, first, the material bought

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and finished in Canada, of which there are 81 pieces valued at \$12.99½, and my reading and the idea I would take from that would be that the material in that class, raw, and when it was put to its finished state was \$12.99½. That is just my reading of it, which may be right, or it may be wrong. Mr. Brown says his idea would be that it meant the unfinished material bought in Canada, but which after being bought was finished in Canada. Now, what is your second list there: 'Material bought in United States and finished in Canada'?—A. Yes.

Q. Nine pieces, the value being?—A. \$1.49½.

Q. Then the third class, 'Material imported from United States finished'?—A. Yes.

Q. Where was that finished?—A. That was finished in the United States.

Q. There is no doubt about that?—A. No doubt at all.

Q. Twenty-two pieces, and the value of that was?—A. \$1.89½; that should be 21 pieces, I think.

Q. I think that was corrected afterwards?—A. Yes.

Q. Outside of this there were 43 screws, the value of which was?—A. Thirty-one cents.

Q. Where did they come from?—A. They were imported direct from the United States.

Q. And they, of course, would be finished?—A. Yes.

By Mr. Bergeron:

Q. Thirty-one cents for the whole thing?—A. Yes, they are very small screws.

By Mr. Foster:

Q. What does that total?—A. \$16.69½.

Q. That is all that material which went into the gun, either finished when it went in, according to my reading, or a part of it unfinished, according to your reading; the valuations was?—A. \$16.69½ to the Canadian Rand Drill Company, the manufacturers.

Q. If your reading is correct there would have to be added to that the cost of finishing the parts bought unfinished, and the cost of assembling, in order to make up the cost of the machine. Besides this there were thirty base castings, fifty head castings, fifty elevation plates, which were brought in the rough from the United States. Do you know whether or not they required such finishing?—A. I do not know personally, but from the fact that he says these were castings in the rough it is evident they would require finishing; at least I would say so.

Q. Then the company is notified that these cannot be accepted, and the reason is given therefor,—what was done in the end?—A. In the end there was an agreement made varying the terms of the contract of 30th June, 1904, providing for the importation of certain parts, I think it was altogether 21 parts, and 30 parts outside the 43 small screws; I think that was what it was.

Q. And the effect of the amended contract was to allow this to be read as varying the primal contract?—A. Yes.

Q. And consequently by allaying, by taking away that objection of Col. Cartwright's—he had no objection as to the quality of the machines?—A. No.

Q. Or the like of that, but simply with reference to the parts?—A. Yes.

Q. What have you on page 118 there?—A. This is a letter from J. H. Jewell to H. W. Brown asking to have the contract typewritten in duplicate.

Q. That is the amended contract?—A. The rearranged contract, yes.

By Mr. Macdonald:

Q. What is the date of that?—A. 6th of March.

By Mr. Foster:

Q. So that on the 6th of March you have a request from Mr. Jewell asking that the rearranged contract should be put into shape?—A. Yes.

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Q. Then on page 125?—A. That is a letter from H. W. Brown to J. H. Jewell.

Q. What is the date?—A. 21st March, 1905, saying that the supplementary agreement had been signed by the minister.

Q. Yes; then on page 126 you have?—A. The supplementary agreement.

Q. The amended agreement?—A. Yes.

Q. To what extent are amendments made in that agreement over and above the preceding or first agreement? It is short, is it?—A. Well, it is several pages.

Q. Can you pick out what the differences are?—A. I think the recital will give the effect of it, possibly:—

‘Whereas by an agreement bearing date 30th June, 1904, the government agreed to purchase from the contractors 200 sub-target gun machines to be manufactured in Canada, on the terms and subject to the conditions in the said in part recited agreement more particularly set out, and at the time of the execution of the said agreement, it was in the contemplation of the parties thereto, that the said contractor would require to import into Canada certain material and parts not manufactured or obtainable in Canada to be used in the said machines so to be manufactured by the contractor for the government, but the contractor was not, at the date of said agreement, able to specify the details of said material and parts so required to be imported. And whereas it was understood that upon proof of the fact by the contractor—

Q. Just one moment. On that paragraph do you find anything in the correspondence which would lead you to conclude that it was in the mind of the department or any officer of the department, as stated there, that these modifications were to be made?—A. Nothing in the record there that I have seen.

Q. Nothing on the record?—A. (Reads):—

‘And whereas it was understood that upon proof of the fact by the contractor such an amendment to the said agreement should be made as would permit the importation into Canada by or for the said contractor of such materials and parts as aforesaid, and the use of the same in the manufacture of the said machines.

‘And whereas the contractor has entered into an agreement with the Canadian Rand Drill Company, Limited (a Canadian manufacturing company, whose works are situated at Sherbrooke, in the province of Quebec), for the manufacture by the last-named company of the said two hundred machines for delivery to the company, and two hundred and fifty of the said machines are now ready for inspection and delivery.

‘And whereas the said Canadian Rand Drill Company, Limited, has found necessary in undertaking the manufacture of these machines in Canada to import certain material and parts not manufactured in Canada, and certain parts covered by United States patents and manufactured only in the United States, and certain parts the dies for which are in the possession of United States manufacturers, and also a certain number of parts to facilitate the manufacture of the machines under their contract and in order to obtain material of known merit on all of which duty has been paid in accordance with the customs regulations.

‘And whereas it appears that there has been a substantial compliance on the part of the contractor with the provisions of the agreement—

And so on. Then it goes on and specifies the parts to be imported.

Q. That specification covers practically the parts that appear in this gun?—A. Yes, according to Col. Cartwright.

Q. Practically covers the parts that were taken exception to as being brought in from abroad, or not made in Canada, by Col. Cartwright?—A. With that slight change mentioned by Col. Cartwright.

Q. Is that the contract which is at present in force?—A. There was an order given last summer for 250 machines, and that order was given subject to the terms of this contract, this agreement and to the contract of June 30, 1904. That is to say the terms of these contracts were to govern the quantity.

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Q. So that the first contract with this amendment to it, still rules in the manufacture of these gun machines?—A. Yes, sir.

Q. That is 450 so far?—A. Yes, sir.

Q. Were there any machines imported entirely ready-made from the United States—A. I do not think so. There were twelve machines I think sent—I think, I am not personally acquainted with this, but my understanding is that there were twelve machines sent to the United States, sent to Boston for fitting.

Q. Sent to Boston for fitting?—A. Some headquarters of the company, the foundry of the American Company wherever it was.

Q. Not sent from Canada?—A. Yes.

Q. Sent from Canada?—A. I was under that impression, but it is perhaps not worth while for me to give any answer at all because, as I said, I do not really remember about that.

Q. Who would know about that?—A. Possibly Col. Cartwright might know.

Q. Do you know of your own knowledge whether you have received any machines outside of those that were made at Sherbrooke?—A. No; I think the only machines that have been paid for and delivered are those made at Sherbrooke, so far as I know.

Q. Were twelve machines sent from Boston to the department here?—A. Yes.

Q. And what became of those?—A. I could not tell you.

Q. Those machines were finished?—A. Yes, they were sent here. I could not say where they were made; I really don't know.

Q. Do you know where they were shipped from?—A. They were shipped, I think, from Boston.

Q. Yes, according to the papers?—A. They came here by Grand Trunk and delivery was refused, or rather acceptance was refused, of them at the first, and I think there were some explanations made. As I say, my recollection is that they were sent down there to have some fitting.

By the Chairman:

Q. From where?—A. From the factory, from Sherbrooke, I think it was. I think they were made there and sent down to Boston for some fitting. It is quite possible that especial fitting was required to fit to every rifle, and they were sent from Boston back to the department. But as I say, I am speaking from memory. I had not personally any interest in it.

By Mr. Foster:

Q. I think your opinion probably is right on that subject, and as you do not know—A. It is not of much value.

By the Chairman:

Q. Do you know why they were sent to Boston?—A. No, I do not. I do not really personally know very much about it.

By Mr. Foster:

Q. Would Mr. Helmer have knowledge with reference to this matter of the material that went into the machines?—A. I think he could give a much better opinion than I could. He is familiar with the machines, and I think he could give the information.

Mr. FOSTER.—That is all I wish to ask you for the present, Mr. Brown.

By Mr. Daniel:

Q. With regard to the rifles, I think it was said that any rifle would go with this machine?—A. So I am informed.

Q. Does that mean that when you have the machine you just take the rifle and hitch it on?—A. No, I think it requires an armourer to fit it.

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Q. Requires an armourer to fit it?—A. Yes.

Q. Well, what fitting is required in order to adapt the rifle to the machine?—A. As I say, I am not personally familiar with the machine, but Major Helmer can tell you about that.

Q. There was a question as to whether the rifle should go with the machine. If the rifle has to be prepared and something done with it, that would be an argument in favour of the rifle as part of the machine, and when the machine was furnished the rifle should be furnished—that is what I want to know?—A. Major Helmer's opinion is more valuable on that than mine.

By Mr. Macdonald:

Q. Have you a letter of July 30, 1904? Will you say whether there is such a letter there?—A. From whom?

Q. E. F. Clarke, Toronto?—A. Yes, I have it here.

Q. What does that letter say?—A. Shall I read it?

Q. Yes?—A. (Reads):—

OTTAWA, July 30, 1904.

J. H. JEWELL, Esq.,
Room No. 75, Russell House.
City.

DEAR MR. JEWELL,—In company with Col. Sam. Hughes, M.P., and Mr. Geo. A. Clare, M.P., I went to the Musketry School quarters and examined the sub-target rifle. I was very much pleased with its mechanism, and the musketry instructor in charge spoke highly respecting its value as an aid to the acquirement of the knowledge of rifle shooting.

I had a chat with Sir Frederick Borden, Minister of Militia and Defence, about it last night, and he spoke very highly in its favour.

From the very short time I had at my disposal, I could only make limited inquiry, but those competent to speak had no hesitation in sounding the praises of the gun.

I should say that it would be an invaluable aid in training recruits and speedily giving them a knowledge of rifle shooting, as well as enabling officers to speedily detect any defects in the vision of those joining our militia forces.

I would be pleased to see the gun supplied to the several cadet corps. It would be money well expended to equip each corps with one of the targets.

I am, dear Mr. Jewell,

Yours very faithfully,

(Sgd)

E. F. CLARKE.

Q. Was that Mr. E. F. Clarke the late Member of Parliament for Toronto?—A. Yes.

Mr. FOSTER.—I am not raising at all the question of the efficiency of the gun, and therefore I did not ask to have this letter read. I acknowledge they are all favourable.

Q. Now there is a letter of August 9, 1904, from Perry, the winner of the King's prize at Bisley, in that year?—A. I have it here. (Reads):

TORONTO, August 9, 1904.

The Sub-Target Gun Company, Limited,
Toronto, Ont.

GENTLEMEN,—As a member of the Bisley team, I feel deeply indebted to your company for your great courtesy in providing one of your sub-target gun machines for use on the *Parisian* while crossing the Atlantic, and also at Bisley. I made constant use of the machine, and found it of the utmost benefit and advantage in keeping me in training, and I attribute my success at Bisley in no small degree to the use of the sub-target machine.

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As a device for practice and training, it is impossible to over-estimate its value. The accurate and sensitive adjustment of the machine makes it an extremely valuable muscle and nerve tester, developing accuracy of aim and pressure upon the trigger. I sincerely hope that the Militia Department will adopt the machine for the use of every company. Especially with the cadet corps in the schools will the benefit of this machine be seen, and I trust they will not be overlooked. A machine should be supplied to every cadet corps.

Faithfully yours,

PTE. S. J. PERRY,

Winner of the King's Prize at Bisley, 1904.

Q. Turn to the original contract, Mr. Brown, which was made on June 30, 1904. I notice, following the title there of that contract it recites: 'Whereas it is considered in the best interests of Canada that the sub-target gun machine should be used for the purpose of training the militia of Canada, and whereas the contractor has proposed to undertake, &c.'—till it comes to the provision that the machine shall be 'delivered at a cost to the government not exceeding that which the Government of the United States would have to pay for similar machines, purchased by or for the said Government of the United States in the United States market, the said sub-target gun machine having been first patented and manufactured in the United States.' Have you any information in the department to show what the United States Government paid for the machines?—A. Well, the papers here on file, which I think were referred to by Mr. Foster—

Q. Never mind that. Have you any information in the department showing what the United States Government pay?—A. The papers here, which are copies of the Proceedings of the Board of Ordnance and Fortification at Washington, show that the board had tested and approved of these machines, and authorized the purchase of a number of them at \$250 each.

Q. \$250 each?—A. Yes.

Q. Have you any other information—

By the Chairman:

Q. Does it state the number there?—A. Four.

Q. Have you any information as to whether any more were purchased?—A. That is one extract from the proceedings of the board of 18th April, 1903. There is another extract from the proceedings of the same board dated 5th May, to the same effect, approving the machines, and ordering the purchase of four machines of the latest design, and the copies of the orders given are here.

By Mr. Macdonald:

Q. Have you any information in the department here as to the prices paid by the United States Government when they made other purchases?—A. I have not. I do not know of anything but these two extracts as I say. There was a letter came into the department the other day, since these papers were copied, from the American Sub-Target Gun Company to the Canadian Sub-Target Gun Company, and a letter from the Canadian Sub-Target Gun Company to Sir Frederick Borden.

By the Chairman:

Q. Inclosing copies of these letters?—A. Yes, and showing that the gun machine had been adopted for use in the United States navy.

By Mr. Daniel:

Q. What is the name of the Canadian Company?—A. The Canadian Sub-Target Gun Company, Limited.

Q. The Canadian Sub-Target Gun Company, Limited —A. Yes.

Q. 'Machine,' is it not?—A. No, that is the way it reads here.

By Mr. Bergeron:

Q. What is the difference between the American and the Canadian Company? I understand it is the same name?

The CHAIRMAN.—Do you mean in name?

Q. More than that?—A. It is an American patent, as I understand it.

Q. How does the Canadian Company get it?—A. I really could not tell you that.

By Mr. Macdonald:

Q. I asked you to go through these reports and tell me if you have any information in the department as to whether or not there has been any change in the price paid by the American Government as was demonstrated in section 5 of the contract. Just turn up section 5 of the contract?—A. Do you wish me to read that through?

Q. Yes, read that section please?—A. (Reads):—

‘(5) If at any time or from time to time any modifications or improvements are made in the said sub-target gun machines, the government shall have the benefit of the same at price not exceeding the rate that may be from time to time charged to the United States Government for such improvements; and in case any reductions in the price of the said machine are made in the United States from time to time, the same or similar reductions are to be made in the price charged or to be charged to the government in Canada.’

Q. Have you any information in the department as to whether there was any change in the price paid by the United States Government?—A. There is nothing on record as far as I know. Mr. Riddell, the manager of the company told me there had been no changes.

Q. Do you know whether this machine is furnished to, and whether it is utilized by any other company and approved by it?—A. The letter I mentioned a moment ago that came in since the copying of these papers dealt with that. The machine is in use in twenty-eight countries, I think it is; it specifies them, mentions them, and that the price is never less than \$250, or £50 in England.

Q. Or its equivalent?—A. Or its equivalent. Yes. Well—no it is not part of this letter—but I have heard or seen since an extract from an American military paper saying that the price to private individuals of this machine in the United States, was \$265.

Q. Do you know, I am going to ask you whether you can inform the committee what price was paid by the Ontario government for this machine?—A. No.

Q. Have you any information in the department?—A. Well, I am under the impression that it was \$250, but I do not know.

Q. I am not asking you to swear to it, but am asking as a matter of general knowledge in the department, as to what price they paid and you say you think it is \$250?—A. I think it is, but Mr. Riddell, the manager of the company, is here. He would know, I do not really know myself.

Mr. BERGERON.—How many did they buy?

Mr. MACDONALD.—Fifty were ordered by the Ontario government.

By Mr. Macdonald:

Q. Do you know whether or not this machine is patented originally in the United States?—A. Yes.

Q. And it has been since patented in Canada?—A. Yes.

Q. I presume, also, that as director of contracts you satisfied yourself that the company that sold this machine to the government were the owners of the Canadian patent?—A. Well, the fact is that this contract was in existence before my appointment. It was not necessary for me to move in that matter.

Q. But if you were so very cautious why can you not tell me whether you have

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any doubt that this company you were doing business with was the owner of the patent?—A. I have no doubt about that.

Q. Then why could you not tell us?—A. That is not what you asked me. You asked me whether I had assured myself whether this Company was the owner of the Canadian patent. It was not my business to look into the matter at all.

Q. You have no doubt of it?—A. I have no doubt at all.

Q. Well, just say so, if you have any doubt. I am not asking you to swear to the fact. Do you know whether those goods that are made by the Canadian Rand Drill Company are made for the Sub-Target Company under contract?—A. Yes.

Q. They are? That is, the Sub-Target Company own the patents and deal with the promotion and the sale of these goods, but are not manufacturing them—the goods are manufactured by the Canadian Rand Drill Company?—A. Yes.

Q. And the Sub-Target Company are selling them as the possessors of the Canadian patent? Do you know what they pay the Rand Drill Company for the machine?—A. No, I do not.

Q. You say you do not know. I am not asking whether you actually saw the contract?—A. I do not really know. It may have been told me, but I really could not tell you.

Q. Have you heard?—A. It may have been told me, but I could not say; I could not tell you what it was.

Q. And where the Canadian Rand Drill Company come into this matter they deliver the goods to the department under instructions of the Sub-Target Company?—A. Yes, sir.

Q. How many of these machines have been received by the government?—A. Two hundred and fifty, I think.

Q. Two hundred and fifty have been received to date?—A. There are 200 under order now.

Q. But 250 have been paid for?—A. Yes.

Q. And what has been done with the machines?—A. They have been distributed throughout the country pretty generally, I think.

Q. At military centres?—A. Yes.

Q. And they have been erected in drill sheds and places like that?—A. I think they are used pretty generally at Camps of Instruction, and they are used in drill sheds. The distribution of them is something that the Quartermasters General have to do with, but I know they have been distributed all over Canada pretty well.

Q. What are the reports which the department have received?—A. Good.

Q. Satisfactory?—A. Very satisfactory, I think.

Q. 250 have been paid for, you say, and 200 more have been ordered? You are not in a position to tell us what the cost to the Sub-Target Company of each machine? That is, what they paid the Rand Drill Company?—A. Well, I have seen a memorandum.

Q. Yes?—A. I have seen a memorandum of Mr. Riddell's, the manager of the company, showing it has cost the company so far—

Q. Yes?—A. \$234.

Q. For each machine?—A. For each machine.

Q. Each machine has cost them \$234?—A. Yes, sir.

Q. That is the machine for which they received \$250 from the government?—A. Yes.

Q. That \$234 represents, I presume, the total value paid for all purposes?—A. That would be the royalty, the patent, and everything.

Q. Yes?

By Mr. Bergeron:

Q. How long do these machines last?—A. This contract has only been in existence three years.

By the Chairman:

Q. Do you know how long the machines last?—A. It is pretty hard to say; it is a new thing.

By Mr. Bergeron:

Q. When you spoke of Ontario having bought those fifty machines what year was that?—A. That would be in 1905, I think.

Q. It would be in 1905?—A. I think it was in 1905, I would not be sure, from the correspondence here.

Major R. A. HELMER, called, and sworn and examined.

By Mr. Foster:

Q. What is your position?—A. I am Assistant Adjutant General of Musketry at headquarters.

Q. You have seen this gun machine?—A. Yes, sir.

Q. Turn to page 103. I want to get at your rendering of that classification of the material?—A. This is a report from Col. Cartwright, at page 103.

Q. Col. Cartwright's report and the appendices to it?—A. You mean—

Q. What is your view of the clause in which a value of \$12.99 $\frac{1}{4}$ is mentioned?—A. I see at page 105 'Material bought and finished in Canada for each machine—81 pieces. Material bought and finished in Canada for each machine, value, \$12.99 $\frac{1}{4}$.' I understand that \$12.99 $\frac{1}{4}$ represents cost of the raw material to the Rand Drill Company.

Q. Not finished?—A. Not finished.

Q. How do you come to that conclusion?—A. From what they told me at the factory themselves.

Q. Yes?—A. And from the reading of this memorandum.

Q. And you understood yourself from what they said to you at the factory?—A. I believe it to be that.

Q. You believe it to be the raw material?—A. Yes, sir.

Q. Not finished?—A. Not finished. They manufacture it.

Q. And with reference to the next item referring to material bought in the United States?—A. Well, some material was brought in in a more or less rough state. They had to finish it in Canada, assemble it in Canada.

Q. What is your definition of that?—A. I supposed just from reading it in that way that it was parts that are brought in in the rough and finished in Canada. I am not very sure of that, but that is my impression, because the parts when finished would lead one to suppose they cost a great deal more than is represented here.

Q. Then with reference to the next item, what do you say as to that?—A. They appear to have been finished in the United States. The total cost is \$16.69 $\frac{1}{2}$.

Q. You mean the finished screws and the finished parts imported from the United States ready to assemble. The unfinished material they did not have in Canada, and they bought in United States and finished in this country?—A. Yes, sir.

Q. That is to the \$16.69 $\frac{1}{2}$ you would have to add the cost of finishing in Canada,—the cost of the first and second specifications?—A. Yes, and assembling the balance.

Q. Have you any idea what that cost?—A. No, sir, only from what I have heard since I came into the room this morning.

Q. You have no definite information?—A. No, sir.

Mr. FOSTER.—That is all I wanted you for, Major Helmer, just to give an idea as to what you hold that to be.

By Mr. Daniel:

Q. Major Helmer, will you tell me what is necessary to be done to the rifle to enable you to use it with this machine?—A. Yes, sir. There is a carrier.

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Q. There is what?—A. A kind of carrier, which is attached to the side of the rifle, which is necessary to attach it to the machine. That is universal for all rifles. Then there are electrical attachments.

Q. How is that attached? Can any one attach it?—A. No, sir, it requires to be—

Q. Has it got to be done at a factory?—A. By an armourer having the necessary attachments to do it with.

Q. And the necessary parts?—A. The necessary parts.

Q. Anything else?—A. Yes, sir. There are electrical attachments which are peculiar to the rifle itself which are necessary.

Q. Electrical attachments to the rifle?—A. Yes, sir, to the rifle.

Q. Then this carrier that you speak of includes the arrangement that attaches the target on the machine when you pull the trigger?—A. Oh, no, it is merely to hold the rifle.

Q. Merely to hold the rifle?—A. Merely to hold the rifle on the machine.

Q. Well, is this trigger attachment just an electrical attachment? In other words, is the pin that makes the mark on the target, is that connected with the rifle itself or is that just connected electrically by wire?—A. The pin is not connected electrically at all; it is not the pin that makes the mark, it is the target that marks itself, and that is what leads to confusion. The rifle is connected with its carrier, which is in turn connected with this rod that moves the target around. When the trigger is moved that gives the electrical connection which causes the target to come forward and punch itself on the pin just at the point where it happens to be when the trigger is pulled.

Q. You could not use any rifle with it?—A. You could have it fitted up, but it is an expensive matter; there is quite a lot to be done. For instance, I might explain, when the minister decided to put the Ross rifle on the machines special electrical attachments had to be devised for the purpose. The one that was on for the Lee-Enfield rifle did not suit the Ross rifle at all. There will be quite a difference in the bolt.

Q. There is so much difference between the two?—A. Oh, quite a difference.

Q. Have you any idea what it will cost to fit out a rifle?—A. No, I have not.

Q. You do not know whether it will cost \$5?—A. It would be merely the cost of the work. I might explain that on the Lee-Enfield rifle there is a little steel box which contains two plungers with platinum contact points, and the rifle itself is wired, bored out through the stock, and properly wired with ordinary connection.

Q. It would have to be taken into the machine shop and properly fixed?—A. Yes, it would be no use unless it were.

By Mr. Zimmerman:

Q. The point is, does the company fit this rifle to the machine, or is the machine fitted to the rifle? Is the machine delivered to the government and the government fit the rifle afterwards?—A. Oh, no, the government sends the rifles to the company, or to the Rand Drill Company's place at Sherbrooke for the company. There they fit the rifle to the machine, and assemble it.

Q. There is no further expense?—A. No; the whole thing is packed up by the company and delivered complete, with the rifle and machine in a large box.

By the Chairman:

Q. Delivered wherever the department instructs?—A. Oh, yes.

Q. And the machine may be delivered direct from the factory to the party to whom it is intended?—A. No, the government takes delivery at Sherbrooke, and the Rand Drill Company take their shipping directions from the department.

Q. F.O.B. at Sherbrooke might be f.o.b. to the school or unit for which it is intended?—A. No, it is not actually. It is f.o.b. Sherbrooke, and it is shipped, according to the instructions of the department anywhere from Halifax to Vancouver.

Q. What I mean is, are the machines all sent to Ottawa and distributed from Ottawa?—A. No, they are distributed from Sherbrooke.

By Mr. Blain:

Q. What proportion of the machines have been fitted to the Ross rifle, and what to the Lee-Enfield?—A. None have been fitted to the Ross rifle up to date, but the order for the new machines is for the Ross rifle. When the new machines are delivered they will be fitted to the Ross rifle.

By Mr. Lennox:

Q. Is that the order for 250?—A. The last order.

By Mr. Foster:

Q. Do you know anything about twelve machines that came from the United States?—A. Only that I am told they were shipped back to the United States. The machines were not shipped from Sherbrooke to the United States, I am quite sure, but only the rifles were sent from there to be fitted, and these machines were refused, but the rifles were kept in Canada.

By Mr. Johnston:

Q. Will you make a statement to the committee as to what, in your judgment, the value of this machine is to the militia?—A. My own opinion is that it is of great value, and that we are only commencing to learn the real value of the machine. We have only commenced to get the men instructed in the use of them. I had a great deal of personal experience with the machines last year at Aldershot, in Nova Scotia, and the results were far more than I anticipated.

Q. That is in teaching and training?—A. In the teaching and training of recruits. We saved thousands of rounds of ammunition at target practice.

Q. How long have you been in the militia?—A. About twenty-four years. I have only been in the department a short time though.

Q. Only a short time in the department?—A. Yes; my connection has been chiefly with the militia force.

Q. Your service has been largely in the militia?—A. I have been twenty-one years in the 43rd Regiment at Ottawa, and since May, 1905, I have been acting as Colonel Cartwright's assistant at headquarters, and I am chief instructor at the School of Musketry now.

By Mr. Macdonald:

Q. You have taken a great interest in rifle shooting?—A. Since I was a boy.

Q. And you have been frequently in rifle competitions in Canada?—A. Yes, and in the United States and in England.

Q. You have been in rifle competitions in England?—A. I was adjutant of the Bisley team in 1899.

By Mr. Maclean (Lunenburg):

Q. What do you mean when you say that thousands of rounds of ammunition were saved by the use of this machine?—A. In training recruits to the use of the rifle we have to find some means of teaching them the use of the sights, and in the camps of instruction we have unfortunately been driven to the custom of giving the men so many rounds of ammunition each and letting them go and use it at the ranges. Very frequently they do not hit the target at all, and the efforts of instructors of musketry have been directed towards avoiding this waste of ammunition. By the use of these machines we have been able to instruct men how to use their sights and to use the rifle generally, and then later on to use the ammunition; but we do not now allow them to use the ammunition until they know how to use the target.

By Mr. Macdonald:

Q. This drawing (drawing produced) indicates the make-up of the machine, does it?—A. Yes, fairly well.

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Q. You have seen it before, have you not?—A. This drawing?

Q. Yes?—A. Oh, yes.

Q. How many different and definite parts are contained in it?—A. According to this list, 262.

By Mr. Foster:

Q. That must be an extended list?—A. That includes the gun attachments.

By Mr. Macdonald:

Q. How many would there be exclusive of the gun attachments?—A. I do not know—I am wrong about that, the numbers do not seem to run consecutively here. They run from 1 up to 149 and then they start at 230 and run up to 262 again. There are 149 parts here running consecutively, and there are a lot of parts that are not shown here at all.

By Mr. Foster:

Q. Every little screw comes in as a part?—A. Yes.

By Mr. Macdonald:

Q. These of course all have to be collected in order to make the machine?—A. Yes. It would be useless without it.

Q. And the gun must be attached with proper parts?—A. Absolutely; the machine would be no use without it at all.

Q. Where have the guns been placed that have been received?—A. I have not the distribution before me, but they have been pretty generally distributed all over Canada. Most of the important drill halls have from one to half a dozen. A good many private armouries have them. In all of the permanent depots, I am quite safe in saying, they have from one to three or four. It just depends whether they can get room for them.

Q. Do you know whether this machine is utilized in other countries or not?—A. Yes, I know that it is.

Q. Where?—A. I have not seen it in use in those countries, but I know from correspondence.

Q. You know from correspondence and the information you would necessarily gather in your office?—A. Yes, sir.

Q. What countries do you know of?—A. It is very largely used in England. There are hundreds in use there. It is very largely used in the United States. Switzerland is using it, and even Russia, and France, to a great extent also.

By Mr. Daniel:

Q. Does Germany use it?—A. I am not sure about Germany, but I believe they are in correspondence and it is likely to be used there too. As Mr. Brown said, there were twenty-five countries reported.

By Mr. Macdonald:

Q. Is the original patentee in the United States?—A. It is a United States patent.

Q. And is it manufactured there?—A. Yes.

Q. That is the seat of the home company?—A. Yes.

Q. And this company is a Canadian company which is manufacturing in Canada under the contract?—A. Yes.

By Mr. Roche:

Q. To what rifle is it attached or applied in the United States?—A. They have used the Krag-Jorgensen up to now, but it may be attached to any rifle.

Q. Where is that made?—A. It is an American rifle, sir.

Q. Made where?—A. In the United States. They are made all over; a great many of their arms are made by different contractors all over the country.

Q. What is the number of parts you have there attached to the machine? How many are there?—A. The gun attachment detailed here? There are details for different rifles running from 32 to 62.

Q. Are those the whole of the parts?—A. That would be the parts that would be in the rifle itself, 32 parts.

Q. Two hundred and sixty-two, you say?—A. No, 32.

Q. Is that for the Lee-Enfield rifle?—A. I have not gone over this very carefully. Yes this would be for the Lee-Enfield, because there is a cylinder block and screws.

Q. How many parts would be needed to attach this machine to the Ross rifle?—A. I hope there will be fewer parts, I know there are fewer parts.

Q. Twenty-three parts would be required to attach the Ross rifle?—A. The only changes would likely be with the new cylinder block attachment.

Q. Do you think there would be 35 parts?—A. I should say that; roughly speaking.

Q. About the same number as in the Lee-Enfield rifle?—A. Very nearly. We would probably do away with three or four parts.

Q. The parts of the rifle are not interchangeable, they are accessories?—A. Yes, sir.

Mr. GEORGE I. RIDDELL, called, and sworn and examined.

By Mr. Foster:

Q. What is your name and your position in this matter?—A. George I. Riddell, manager of the company.

Q. Of Toronto?—A. Of Toronto.

Q. Manager of what company?—A. Of the Sub-Target Gun Company, Limited.

Q. How long have you been manager of it?—A. Since the annual meeting last year.

Q. You succeeded whom?—A. J. H. Jewell.

Q. That is Mr. Jewell, whose letters we have heard read?—A. Yes.

Q. He was the manager up to that time, and since then you have taken charge and are now the manager?—A. Yes.

Q. Have you any manufactory or plant of your own?—A. No, sir.

Q. This gun machine is made by whom?—A. The Canadian Rand Drill Company, Sherbrooke, Quebec.

Q. Have you a contract with that company?—A. Yes, sir.

Q. Have you it with you?—A. Yes, sir.

Q. Will you tell the committee what are the terms of that contract so far as prices are concerned?—A. Yes.

Q. What is it that you pay for the work done by the parties to the contract in assembling and finishing parts, and testing, until the machine is ready to be inspected?—A. Sixty-four dollars.

Q. For each machine?—A. Yes, sir.

Q. Now, will you give us your idea as to what the two clauses in Col. Cartwright's report, that have been discussed here, include? The first one is, 'Material bought and finished in Canada, \$12.99½.' Does that mean the raw material bought in Canada outside of the cost of finishing?—A. That means what the Rand Drill Company pay for material that they buy in Canada to be made up in their shops. Some of it is partly finished and some of it is absolutely raw. They have no foundry. They buy their castings, for instance.

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Q. Then included in that will be material some of which is raw, castings we will say?—A. Yes.

Q. And others more or less finished?—A. Well, these screws would be more or less finished.

Q. They would be?—A. Yes, the screws.

Q. What proportion of that would be material that would require to be finished by the Rand Drill Company, involving any considerable amount of labour? Have you any idea?—A. Well, I can only say as to that, sir, that they claim that they would not have touched this contract had it not been they had made such an outlay on parts. They did not make anything on the contract as they felt they should have.

Q. That is with the idea of manufacturing all, or nearly all, the parts at their own place? They wished to do that, I suppose. You do not know then as to what proportion of that would be raw material and what proportion would be finished, and what the cost of finishing the raw material in that respect would be? Do you or do you not?—A. I do not know the proportion, but I know that statement prepared by them at our request was the cost to them of parts as raw as they could get them. Naturally they want to make all they can in their shop.

Q. But that report you remember stated that some of the parts were manufactured at other places in Canada, Brantford and other places?—A. That is the screws—the screw and machine work.

Q. At any rate you pay for all the work that the Rand Drill people do on each of these machines under your contract?—A. Yes, sir.

Q. Then the total of the material, \$16.69½, added to the \$64—by the way, who pays this \$16.69½? Is it paid by the Rand Drill people?—A. Yes.

Q. The \$64 then includes all material and all work?—A. Yes.

Q. You are an Ontario corporation, are you not?—A. Yes, sir.

Q. For how much are you capitalized?—A. A million.

Q. Is that capital all paid up?—A. It is not all issued, sir.

Q. How much is issued?—A. \$545,000.

Q. \$545,000 is issued out of your total capitalization. Is all that paid up?—A. Yes.

Q. About how much actual cash was put up by the Sub-Target Company for \$545,000 stock?—A. Most of that, as I understand it, was paid on account of patents.

Q. Was more than \$5,000 of actual cash put in?—A. Its equivalent was.

Q. But of actual cash, was more than \$5,000 put in?—A. I might say not in that sense.

Q. Was it not actually \$4,500 cash paid up? You did not have to get any plant, or pay out anything, so that you could get along with a small cash capital?—A. That is so.

Q. The patents, I understand, were paid for in stock?—A. No, sir, \$60,000 was paid for that in cash.

Q. How much did they cost you?—A. \$60,000 was the cash part of it.

Q. And the rest was paid in capital?—A. In stock.

Q. If you only have \$4,500 cash in your entire company, how did you raise the \$60,000 that you paid on the patents?—A. The money was borrowed from the bank.

Q. With the idea of paying it out of the profits?—A. I presume so.

Q. Will you just look at that, Mr. Riddell? I have received that as a copy of your last return to the Ontario Government. Will you look that over and see if it is about correct?—A. Excuse me a minute, I will check the items.

Q. You have no doubt that is a correct copy?—A. I presume so, if you have a certificate with it.

Q. Will you now read the list of shareholders and the stock for which they are returned?

Mr. MACLEAN (Lunenburg) objected.

Mr. FOSTER.—There is a reason why it should be read.—A. Well, I have personally no objection to read it.

Q. This is a return for what year, Mr. Riddell?—A. 1906.

The CHAIRMAN.—There is no certificate on it.

Mr. FOSTER.—It was sent me by the department as a transcript of the original.

The CHAIRMAN.—It is authenticated, of course.

By Mr. Foster:

Q. I have asked Mr. Riddell and he says he has checked it.—A. I am not in a position to carry each annual statement in my mind altogether.

(Document filed and marked as exhibit 1.)

Q. Will you read the list of shareholders, then?—A. (Reads):

' Caron, Sir A. P., Ottawa, Ont., barrister	\$25,000
' Coburn, H. B., Hamilton, manufacturer	52,000
' Dewart, H. H., Toronto, barrister	50,000
' Harmer, Robert, Toronto, manufacturer	52,000
' Howe, Mrs. Mabel, Toronto, lady	1,000
' Hurdman, W. G., Ottawa, inspector	26,000
' Layborn, S. P., Halifax, N.S., soldier	1,000
' Levisconte, H. C., Toronto, barrister	20,000
' Lewis, F. O., Montreal, merchant	45,000
' Macrae, H. H., Toronto, barrister	92,000
' Panet, C. L., Ottawa, gentleman	1,000
' Peuchen, A. G., Toronto, manufacturer	45,500
' Riddell, C. J., Toronto, manager	6,000
' Rooney, W. S., Toronto, secretary	75,000
' Tilden, J. H., Hamilton, manufacturer	2,000
' Woods, J. W., Ottawa, manufacturer	11,000

I made a mistake, that is \$110,000. The total, as I said, is \$545,000.

Q. Of which \$4,000 has been paid up in cash?—A. \$4,500.

By Mr. Macdonald:

Q. Were you the original secretary of the company?—A. No, sir.

Q. You are not speaking as to what took place at the inception of the company, are you?—A. No, sir, I am speaking of what is on record in that statement.

Q. That is the return made to the Ontario government as to the present condition of the company in regard to shareholders?—A. Yes.

Q. You do not know, of your own knowledge, what took place at the inception of the company?—A. I do not.

Q. You had nothing to do with the organization of the company?—A. Nothing whatever.

Q. One question I would like to ask you—can you tell me how much money the company has made up to date as a result of the sale of these machines?—A. They haven't made any.

Mr. FOSTER.—Will you allow me to finish my examination as to the stock, first?

Mr. MACDONALD.—I thought you were through, just let him answer this question.

A. We have not made anything, we are out up to date.

Q. You are out up to date?—A. Yes.

Q. How much?—A. About \$29,000, I think.

Q. There have been no profits in the company?—A. None, whatever.

Q. When the proceeds of the orders which you have already received are in will you have a profit?—A. Well, as nearly as I can figure the expenses, the necessary ex-

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penses of the next two or three months, when these machines already ordered are delivered, there should be between \$4,000 and \$5,000 over.

Q. That is of profit?—A. Of profit.

Q. That will be all the profit that the company has had up to this time, or will have at that time.—A. That is all the profit.

Q. How many machines will that be for?—A. \$125,000 worth.

Q. Have any changes taken place in the holdings of the stock, shown in this year's sworn statement, as compared with last year?—A. Yes, there are some changes during the year, sir.

Q. I find, for instance, that last year, that is for 1905, the following purport to be stockholders. (Reads):

'Buchan, Lawrence, Montreal, Que., soldier.	\$ 1,000
'Caron, Sir A. P., Ottawa, Ont., barrister.	25,000
'Coburn, H. P., Hamilton, Ont., manufacturer.	52,000
'Dewart, H. H., Toronto, Ont., barrister.	50,000
'Harmer, Robt., Toronto, Ont., manufacturer.	32,000
'Howe, Mabel, Toronto, care H. H. Dewart, lady.	1,000
'Hurdman, W. G., Ottawa, Ont., gentleman.	26,000
'Layborn, S. T., London, Ont., soldier.	1,000
'Levisconte, R. C., Toronto, barrister.	25,000
'Lewis, F. O., Montreal, Que., merchant.	45,000
'Panet, C. L., Ottawa, Ont., gentleman.	2,000
'Pellatt, Sir Henry M., Toronto, Ont., broker.	67,000
'Pellatt, Sir H. M. (in trust), Toronto, Ont., broker.	50,000
'Pellatt & Pellatt (in trust), Toronto, Ont., brokers.	25,000
'Peuchen, A. G., Toronto, Ont., manufacturer.	65,500
'Tilden, Jno. H., Hamilton, Ont., manufacturer.	2,000
'Wickwire, H. H., Kentville, N.S., barrister.	25,000
'Woods, Jas. W., Ottawa, Ont., manufacturer.	10,000'

It appears by a comparison of the two statements that Mr. Wickwire has gone out. He had \$25,000 worth of stock in 1905, but does not appear on the list for 1906. Can you tell me, as secretary of the company, to whom his stock was transferred?—A. Well, I am not secretary of the company, sir. I can perhaps tell by subtraction which it has gone into.

By Mr. Maclean (Lunenburg):

Q. You do not know as a matter of fact, do you?—A. No, I do not.

By Mr. Foster:

Q. Do you know to whom Sir Henry Pellatt's stock in trust was transferred? Can you answer that question?—A. Well no, I could not tell you definitely how it is divided up.

Q. You have not the stock book with you?—A. No, sir.

Q. C. L. Panet's stock is \$1,000 less. It is reduced from \$2,000. Have you any idea to whom the other \$1,000 was transferred?—A. Yes, I can tell you that from memory.

Q. To whom was that transferred?—A. It should not have been even in the last report. I think it was transferred to J. W. Woods, but the transfer was not recorded.

By Mr. Bennett:

Q. Is that Woods of the Woods Limited?—A. Yes.

By Mr. Foster:

Q. To whom then was that transferred, Mr. Riddell?—A. Mr. Woods was changed from one hundred to one hundred and ten thousand. To Mr. Woods, I would say.

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Q. Is Mr. C. L. Panet secretary of the Minister of Militia and Defence?—A. I believe so.

By Mr. Roche:

Q. What profit in a complicated machine like this would the manufacturers aim at—50 per cent, 60 per cent, 70 per cent or 100 per cent on the cost?—A. I cannot tell you, sir, what the manufacturer himself had, but he would require a very considerable profit.

Q. But usually?—A. The manufacturer? You mean in the factory?

Q. Usually in a machine like this with as many parts and complications and the dimensions of this machine, what profit would the manufacturer, or the producer of the machine usually aim at?—A. In our case, having to buy an expensive patent which had a limited sale, and a very limited sale, there would have to be a large margin of profit or else you would have to face a certain loss.

Q. What would that be?—A. I cannot give you any percentage.

By Mr. Macdonald:

Q. What stage would have to be reached before any profit could be realized on it?—A. That would depend on the number we would sell. Up to date we have lost, as I say. On the machines actually delivered and to be delivered, we are making from six to eight dollars apiece. That would be three per cent, a very small profit indeed.

Q. Would eight dollars be the maximum?—A. The maximum.

Q. Therefore the machine would cost you?—A. Over \$242.

By Mr. Hughes:

Q. If you bought for \$64 and sold for \$250 the balance would go for patents?—No answer.

The committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

FRIDAY, March 15, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee resumed consideration of the purchase of 250 sub-target guns from the Ontario Sub-Target Company, Limited, by the Department of Militia, as set out in sessional paper No. 136 of this session, and referred to the committee by the House on March 1, on motion of Mr. Foster.

Mr. GEORGE I. RIDDELL, manager of the Sub-Target Gun Company, Limited, recalled.

By Mr. Foster:

Q. I understand you want to make two or three corrections in the evidence you gave here on the last day?—A. Yes, sir.

Q. You are quite at liberty to make those corrections?—A. In reading over the evidence, I notice that at pages 73 and 76 I am quoted as saying that the stock issued was \$545,000. That should be \$504,500. That is one correction. I am quoted on page 76 as saying that Mr. Woods' holding was \$110,000; it is \$11,000; it was 110 shares I meant to say and thought I said. I am also reported as saying that we had paid

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\$60,000 in cash on the patent and rights. What I said was that our original contract called for \$60,000. We have paid as a matter of fact \$53,000. And I notice also that the last question is by Mr. Hughes, and that the report ends 'No answer,' and 'The committee adjourned.' I did not hear the question, and I would like to have the privilege of answering it. Mr. Hughes asked me, 'If you bought for \$64, and sold for \$250, the balance would go for patents?' and the report says, 'No answer.'

Mr. HUGHES (P.E.I.).—In the evidence as it appeared to me the witness stated that the profit on each gun was \$8. If my recollection is right—

Mr. FOSTER.—We will have the question read and the witness can give his answer now.

Mr. HUGHES (P.E.I.).—Then, my question was, if you bought for \$64 and sold for \$250 the profit would appear to be greater than the amount the witness stated, namely, \$8, and I assumed there would be some explanation.

The WITNESS.—Yes, that is what I wish to answer if I have the privilege.

By Mr. Foster:

Q. Just answer simply the question that was asked. Just please answer that and that only. We will take up the matter and give you a full chance afterwards. (Question by Mr. Hughes referred to by witness read by the clerk from the transcript of the evidence of Monday, 11th inst.)

Q. What is your answer to that question?—A. My answer is that besides the shop cost of \$64, and the cost of the patents, there was printing and advertising, legal expenses, general office expenses, rent, stenographers, travelling expenses for three years, sometimes three or four men went to the different camps from one end of the country to the other at heavy expense, their salaries for three years; there was the cost of getting the charter, and legal expenses; putting it roughly that amounts to more than the shop cost of the machines. That was overlooked in Mr. Hughes' mind, evidently. There was the general office expenses, the cost of conducting any business. Specifically the amount of the shop cost is \$32,422.81. The general expenses, I have it itemized here from year to year—

Q. We will have to go over all this again?—A. I will give it now if you like.

Q. Maybe it will not be amiss to answer that question?—A. The total expenses of the office other than patents and shop costs is \$32,070.96 up to the 1st of January of this year, for three years. Patents, \$53,045, making a total of \$117,538.77. That is my answer to that.

Q. That is all right. You will hand that statement in and have it marked?—A. Yes.

(Statement filed, and marked as exhibit A.)

STATEMENT in detail of three years' expenses of Sub-Target Gun Co., Limited.

	1904.	1905.	1906.	Total.
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Interest on loan from bank.....	1,253 89	2,113 89	2,287 96	5,655 74
Advertising and printing.....	3,391 90	592 45	220 00	4,203 75
Travelling expenses, exhibitions, &c.....	4,196 36	2,214 54	774 17	7,185 07
Office expenses; rent, help and sundries.....	706 63	576 17	903 15	2,185 95
Legal expenses.....	1,014 00	2,433 58	25 00	3,472 58
Cost of charter.....	385 00			385 00
Sundries purchased and duty.....		300 00	87 99	387 99
Salaries.....	1,900 00	4,894 88	1,800 00	8,594 88
Total.....	12,847 18	13,126 51	6,098 87	32,070 96

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STATEMENT in detail of three years' expenses of Sub-Target Gun Company, Limited
—Concluded.

	\$	cts.	\$	cts.
Total general expense as above	32,070	96		
Shop cost of 500 machines	32,422	51		
Cash paid on account of patents and rights	53,045	00		
Total cash paid out to Jan. 1, 1907	117,538	77		
Add estimated necessary expense up to date of final delivery on contract	3,000	00		
Total	120,538	77		
Proceeds of sales (including 50 machines sold Ontario Government)			125,000	00
Cost as above			120,538	77
Balance—net profit or 3½ per cent on the turnover			1,461	23
Cost per machine			241	07

Q. From whom was this patent purchased?—A. By this company?

Q. By this target company?—A. From J. H. Jewell.

Q. Living in?—A. Toronto.

Q. The patent covers what ground, the whole of Canada?—A. Yes, sir.

Q. And that alone?—A. That was the patent. We held the selling rights for South Africa.

Q. Just explain what rights, what patents this company purchased from Mr. Jewell?—A. The original contract was for Canada.

Q. And embraced the patents and what else?—A. And the rights to all subsequent improvements.

Q. Yes, from the United States Company, and what else?—A. That is all.

Q. I thought you spoke of rights in South Africa?—A. I think that was subsequent. The original contract speaks of Canada.

Q. As a matter of fact, has the Sub-Target Gun Company any other property purchased from Mr. Jewell or any one else in relation to the sub-target gun machine which now belongs to it?—A. No.

Q. What became of the South African rights?—A. They were given up in a settlement with the Boston Company along with our rights to heavy ordnance.

Q. Then what I want to understand is this, when you bought from Mr. Jewell, you bought from him the patent for Canada?—A. Yes.

Q. That is one. You bought also from him, or did you not, certain rights to heavy ordnance?—A. Well, the original patent included revolvers, rifles and heavy ordnance, everything.

Q. That you bought the machine as far as Canada was concerned?—A. Yes.

Q. And you bought also, or did you not, the rights in territory outside Canada?—A. Not in the original agreement, all I read out.

Q. After the original agreement, did you afterwards, as a company, buy rights in South Africa?—A. As I understand it, we acquired them, yes, sir.

Q. You acquired this right, and was the payment for this included in the \$60,000 that you paid?—A. It was included in the \$53,000 that we paid.

Q. In that \$60,000 that you were to pay?—A. No, sir.

Q. But included in \$53,000 that you have paid?—A. Yes, sir.

Q. Just tell the committee what you got for this \$53,000, you as a company?—A. We got the rights for Canada in the sub-target gun machine as now being delivered; we got the rights to all improvements that the Boston Company might make, and which we are required to give this government as soon as they are adopted in the United States, which we are giving them at present, with the exception of heavy ordnance.

Q. But I thought you told me you did buy the rights to heavy ordnance?—A. Originally, but we have given it up.

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Q. You have given it up?—A. Yes, sir. We made a settlement with them. You see there was a reduction there of some thousands.

Q. Then the \$60,000 that you were to pay according to your first arrangement included heavy ordnance?—A. Yes, sir.

Q. And that South African territory?—A. No, sir.

Q. Including heavy ordnance; that is for \$60,000 you were to get that sub-target gun machine and heavy ordnance we will call it?—A. Yes.

Q. Afterwards you made a rearrangement, and instead of paying \$60,000 you paid \$53,000?—A. Yes.

Q. Under that rearrangement what did you give up?—A. The selling rights in South Africa—understand they had no patent for there but the selling rights, that was in the agreement, and we gave up the principle of the attachment of our machine to heavy ordnance, which they value very highly.

Q. Now, about pistols and revolvers?—A. Well, the pistol machine was never completed, either there or here.

Q. What about the rights to it when it is completed?—A. I suppose they have abandoned it; we have.

Q. But if it is revived you will claim the rights for Canada?—A. The rights to the army pistol they have not completed that yet; we have the right to that; we have everything but heavy ordnance.

Q. And your total payment as it is entered under the rearrangement is \$53,000 in cash?—A. Yes.

Q. Any stock beside?—A. Oh, yes.

Q. How much stock did you pay for these rifles?—A. Half a million.

Q. That is to say the payment was \$500,000 in stock and \$53,000 in cash?—A. Yes.

Q. Any royalties?—A. None.

Q. That gives you undisputed right and title. You bought, you say, from B. H. Jewell?—A. J. H. Jewell.

Q. Was he the owner of this patent or was he simply the representative of the owner?—A. He had the option.

Q. From whom?—A. From the Sub-Target Gun Company of Boston.

Q. He had the option from the Sub-Target Gun Company of Boston, and you bought from him through his option?—A. We assumed his position, yes.

Q. And you paid Mr. Jewell \$500,000 worth of stock paid up?—A. Yes, sir.

Q. And \$53,000?—A. Part of that money was paid directly to the Boston Company.

Q. However, it really was a payment to Mr. Jewell as having the option?—A. Yes.

Q. So that we have that transaction clear. Well, then you issued that \$500,000 in stock?—A. Yes.

Q. And you have issued also \$4,500?—A. Yes.

Q. That makes up your total issue of stock to \$504,500?—A. Yes.

Q. We understand that. Your cash paid up stock then was \$4,500?—A. Yes.

Q. Who bought and paid for that stock?—A. Nine directors originally gave \$500 notes each.

Q. Yes?—A. That was the first cash in the treasury. Those notes were discounted.

Q. What became of the notes?—A. They were met, I suppose.

Q. Were they discounted?—A. Yes.

Q. And the money therefrom went into the treasury of the company?—A. Yes, for preliminary work.

Q. Who paid the discounts?—A. I do not know.

Q. The notes did not bear interest?—A. I could not swear as to that. I never saw the notes, but it would go into the general discount and interest account I have not any doubt.

Q. It does not matter very much; it is a small amount anyway. Then these directors met their notes as far as you know?—A. Yes.

Q. You believe they did personally meet those notes?—A. I have no information on the subject. I do not know.

Q. These nine directors were the original incorporators were they?—A. With J. H. Jewell, yes.

Q. Am I correct in saying these were the original directors? You might tell me who the original directors were?—A. To the best of my knowledge they were as follows: H. M. Pellatt—

By Mr. Pardee:

Q. Mr. Riddell, you are not the original manager of the company?—A. No, sir.

Q. You cannot tell us definitely who the original shareholders were?

Mr. FOSTER.—Mr. Riddell has the record; there is no trouble about it.

Mr. JOHNSTON.—This question of determining who the original stockholders or directors were has nothing whatever to do with the question before the committee.

Mr. FOSTER.—I accept the objection. I am not in very much of a fighting humour this morning, but we will settle the matter at once.

By Mr. Foster:

Q. You have the record, the stock book?—A. Well, I am uncertain, unfortunately, I cannot tell from the issue of stock; it is inference merely.

Q. Do you know who the original incorporators were?—A. No, sir.

Q. Who would know, Mr. Dewart?—A. I think so.

Q. Do you know who the nine directors were you have mentioned, and who gave their notes for \$500 each?—A. No, sir.

Q. Tell us then to the best of your knowledge. We will get that. Mr. Pellatt you said was one?—A. Mr. Levisconte, Mr. Wickwire, Mr. John H. Tilden, Mr. Lewis—

Q. Is that Mr. Lewis of Montreal?—A. Yes. Mr. Coburn, Sir Adolphe Caron, Mr. Robert Harmer, Mr. H. H. Dewart.

Q. That is nine, yes. These, then, were the directors, and these were the ones who signed and gave those notes, which notes were discounted, and the result of which notes in the shape of cash went into the treasury. That is what I understand?—A. To the best of my knowledge.

Q. Now, this \$500,000 of stock in part payment for the patent and rights was issued to whom?—A. To J. H. Jewell.

Q. Does that still remain in Mr. Jewell's hands?—A. No, sir.

Q. As a matter of fact, has J. H. Jewell at the present time any stock in this company?—A. Not of record.

Q. At the present time is there any stock in this company held in trust?—A. No, sir.

Q. Mr. Jewell has none in his own name, and there is no stock held in trust. I suppose we can infer from that that Mr. Jewell has disposed of all his stock? There have been changes in that stock. I find in the first year, according to your report to the Ontario Government, the shareholders are as follows: Sir Adolphe Caron, \$25,000—will you tell me from whom that \$25,000 was transferred?—A. J. H. Jewell.

Q. Mr. Coburn, \$25,000—from whom was that transferred?—A. The same.

Q. Mr. H. H. Dewart, \$25,000—is that the same answer?—A. The same.

Q. Mr. Harmer, \$25,000—is that the same answer?—A. The same answer.

Q. Mr. Hurdman, \$7,500—is it the same answer to that?—A. Yes.

Q. Mr. Laybourne, \$1,000?—A. Yes.

Q. And Mr. Levisconte, \$25,000—is that the same answer, too?—A. Yes.

Q. And Mr. Lewis, \$25,000—the same answer?—A. Yes.

Q. And Mr. Panet, \$2,000—the same answer?—A. Yes.

Q. H. M. Pellatt, \$25,000—the same answer?—A. Yes.

Q. J. H. Tilden, \$25,000—the same answer?—A. Yes.

Q. H. H. Wickwire, \$25,000—the same answer?—A. Yes.

Q. Making up \$504,500?—A. I suppose so, yes.

Q. That is the total amount issued with, of course, Mr. Jewell's there remains still in Mr. Jewell's hands, deducting these \$269,000? Now, you come to the return

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for December 31, 1905, which was put in. There is no change in Sir Adolphe Caron, who still holds \$25,000. Mr. Coburn has risen from \$25,000 to \$52,000—\$27,000 is added to that—from whom was that transferred?—A. 270 shares, sir?

Q. Yes?—A. From A. G. Peuchen.

Q. And whilst we are on that, the return for 1906 shows that Mr. Coburn still retains \$52,000?—A. I find it here, sir.

Q. Mr. Dewart's stock rose from \$25,000 to \$50,000—from whom was that extra \$25,000 transferred?—A. Well, the records show a direct transfer from J. H. Jewell—as a matter of fact it was got from Mr. Peuchen, who handed over the certificates, as he got them, in blank.

Q. Mr. Peuchen by the 1904 return owns no stock. Then Mr. Harmer—A. May I explain that in the meantime, sir—

Q. Mr. Peuchen?—A. Yes.

Q. I will come to it a little later. Mr. Harmer rises from \$25,000 to \$32,000—from whom was that \$7,000 transferred?—A. Mr. A. G. Peuchen.

Q. Mr. Hurdman rises from \$7,500 to \$26,000—from whom was that \$19,000 transferred?—A. From Mr. J. H. Jewell, I would say.

Q. From J. H. Jewell?—A. Yes.

Q. Mr. Laybourne remains the same; Mr. Levisconte remains the same; Mr. Lewis takes a jump from \$25,000 to \$45,000—from whom transferred?

Mr. PARDEE.—Is this relevant to the inquiry? I do not want to offer any factious opposition to the inquiry into the case of this sub-target gun, but on looking over the motion that has been made I do not think it is relevant that all the stock transactions of this company should be gone into.

Mr. FOSTER.—I think we have very good reason why they should be gone into.

Mr. PARDEE.—I would ask the ruling of the chair on that.

The CHAIRMAN.—What is the original motion, how is it made, the order of reference? (Order read by clerk.) Surely the question of the transfer of stock from one shareholder to another cannot affect this question?

(Argument followed.)

The CHAIRMAN.—My ruling is that we have nothing to do with the amount of stock Mr. Jewell should have transferred or sold to anybody else, among his colleagues, among the other stockholders. What we have to inquire about is whether the amount which has been paid by the department is the proper amount or whether too much has been paid for it.

Mr. LANCASTER.—Have you nothing to do with the contract?

The CHAIRMAN.—Well, what this committee has to do with the contract is to investigate whether it was right or not, as between the department and the company who sold the machine.

Mr. PARDEE withdrew his objection to the question.

Mr. FOSTER.—The chairman has graciously allowed me to proceed.

The CHAIRMAN.—Because the objection to the question was withdrawn.

By Mr. Foster:

Q. From whom did Mr. Lewis get the \$20,000 transferred in addition to his first \$25,000?—A. From A. G. Peuchen.

Q. Mr. Panet's remains the same. H. M. Pellatt's rises from \$25,000 to \$67,000, that is \$42,000 increase—from whom was that transferred?—A. That is during the year 1905, is it?

Q. Yes, 1905?—A. How much do you wish me to account for, sir?

Q. It is \$42,000?—A. He got 200 shares from A. G. Peuchen and 250 from—

Q. That would be more than \$42,000?—A. Yes, but he made a sale. He got 250 shares from John H. Tilden, and he sold 100 of the 200; that would be 350 accounted for; you want 70 more, is that it?

Q. He sold 100 to whom?—A. J. W. Woods, Ottawa.

Q. Well, there are 350 of them accounted for. There are 70 more shares?—A. Those are from J. H. Jewell.

Q. Mr. Tilden had \$25,000, that is 250 shares, and that is reduced to 20 shares. 230 shares were transferred to some one?—A. Well, Mr. Tilden bought 270 and he sold 500. Would that bring it right?

Q. He bought how many?—A. 270 shares.

Q. From whom?—A. A. G. Peuchen.

Q. And he sold?—A. 500.

Q. To whom?—A. 250 to Pellatt & Pellatt in trust, and 250 to Sir H. M. Pellatt.

Q. Mr. Wickwire, no change in his in 1905 as far as I can see, was there? \$25,000 he had in 1904 and the same in 1905, is that right?—A. Yes, sir, there is no change.

Q. The first new subscriber or shareholder appearing there is Lawrence Buchan, \$1,000—from whom was that got?—A. Sold to him by J. H. Jewell.

Q. Who is Mr. Buchan?—A. He is Col. Buchan.

Q. Of Montreal?—A. Yes.

Q. Was Col. Buchan one of the men who recommended these sub-target machines?—A. I could not say.

Q. Do you not recollect?—A. No, sir.

Q. As a matter of fact, he appears as one who did. Does it appear that in the transfer from Mr. Jewell to Col. Buchan any consideration passed?—A. Yes, sir.

Q. How much?—A. The best proof is that he sued Col. Buchan and got judgment.

Q. What? He sued Col. Buchan and got judgment? He sold to Col. Buchan?—A. Yes.

Q. For how much?—A. I think the suit was for some \$500.

Hon. Mr. EMMERSON.—I certainly want to protest against this. I take the objection simply to emphasize just what we are doing. It is not an inquiry as to anything the company has done in connection with this contract, or what it is doing, or as to the cost or any incidental features connected with that cost, but these questions are as to transactions between individuals who by chance have purchased the stock each from the other. It certainly is not establishing a very high precedent to take into consideration matters that are not relevant to the question under investigation by the committee.

The CHAIRMAN.—I am certainly still of the opinion that the point is well taken. I have not changed my opinion that if this line of examination is to be pursued we might just as well commence an investigation as between the members of the company and their relations one to the other. We have nothing to do at all with that, and if anybody objects certainly my ruling will be that we cannot go into that question in this investigation.

By Mr. Foster:

Q. The next stockholder is Mrs. Mabel Howe—

Mr. MACLEAN (Lunenburg).—If nobody else takes the responsibility of making objection to this line of questioning, I will.

Hon. Mr. EMMERSON.—I did take the objection, and I take the responsibility of doing so.

The CHAIRMAN.—I think the point is well taken. I have the greatest respect for Mr. Belcourt, whose ruling on a previous occasion has been referred to. I was not here on that occasion, but as I am in the chair now, I make the ruling that we have not the right to go into that question at all.

By Mr. Foster:

Q. Mrs. Mabel Howe is down as a stockholder for \$1,000—from whom transferred?

Mr. PARDEE.—I object.

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The CHAIRMAN.—The same ruling applies.

Mr. FOSTER.—That is simply a transfer of stock.

The CHAIRMAN.—That is the same ruling.

Mr. FOSTER.—You rule that I cannot ask as to present stockholders and from whom they got their stock?

The CHAIRMAN.—I rule we cannot go into stock transactions of the company.

Mr. FOSTER.—We have gone into them and you have allowed the questions, and so has the former chairman.

The CHAIRMAN.—Because objection was not taken. The point is raised now, and my ruling is asked on it, and I rule that we cannot go into the stock transactions of the company. That is the ruling of the chair.

By Mr. Foster:

Q. The question I asked the witness is this: Mrs. Mabel Howe, does she appear as a holder of \$1,000 worth of stock in 1905 in the Sub-Target Gun Company?—A. Yes.

Q. She does. From whom was that stock transferred to Mrs. Howe, and was any consideration shown?

The CHAIRMAN.—That is the same ruling. I have already said we cannot go into the stock transactions between stockholders of this company.

Mr. FOSTER.—Then I ask for a vote of the committee on that ruling. I challenge it, and ask for a vote on it. My question is this as I have the answer from the witness that \$1,000 in stock stands in the name of Mrs. Mabel Howe in the affirmative, and then I ask him from whom this stock was transferred. I want to know from what holder that \$1,000 of stock was transferred.

The ruling of the chair sustained by 24 yeas, 11 nays.

By Mr. Foster:

Q. Now, Mr. Riddell, will you say whether H. M. Pellatt, in 1905, held \$50,000 there as additional to that which we have spoken of, in trust?—A. Yes, he did.

Q. By whom was that transferred to Mr. Pellatt. Mr. Pellatt was a stockholder before and is a stockholder now. He has increased his stockholding?

Hon. Mr. EMMERSON.—If we can ask about Mr. Pellatt we might as well ask about Mrs. Mabel Howe.

The CHAIRMAN.—The same ruling applies.

By Mr. Foster:

Q. Does Pellatt & Pellatt appear in 1905 as the owner of \$25,000 in trust, the firm of Pellatt & Pellatt?—A. Yes.

Q. And Mr. Peuchen appears in 1905 as the owner of \$65,500; is that correct?—A. Yes.

Q. And James W. Woods has \$10,000?—A. Yes.

Q. Making up again the \$504,500? Just a question or two with reference to the holdings in 1906. Sir Adolphe Caron's appears to be the same, is that correct?—A. One minute, sir. I have not 1906 here, but he is the same, yes, sir.

Q. Mr. Coburn appears as the holder of the same, \$52,000?—A. Yes.

Q. Mr. Dewart holds his \$50,000?—A. I have not the list here, sir—yes.

Q. Mr. Hurdman is \$26,000?—A. Yes.

Q. Mr. Harmer appears to have had \$20,000 added, and in 1906 has \$52,000; is that correct?—A. Correct.

Q. From whom was this transferred?

Hon. Mr. EMMERSON.—I object.

By Mr. Foster:

Q. Mr. Laybourne, \$1,000 still, is that correct?—A. Yes.

Q. Mr. Levisconte seems to have gone from \$25,000 to \$20,000. Mr. F. O. Lewis keeps his \$40,000; Mr. C. L. Panet, a former shareholder for \$2,000, is reduced to \$1,000. Is that correct?—A. Correct.

Q. To whom was this \$1,000 transferred?

Hon. Mr. EMMERSON.—That is the same objection.

A. I answered that on the last day, sir. It was transferred to Mr. Woods.

Q. Oh, yes, you did. And Mr. Tilden still holds his \$2,000; is that correct?—A. Yes.

Q. And Mr. Pellatt who held \$65,000 in 1905 appears to have no holding?—A. No holding.

Q. And Mr. Wickwire, who had \$25,000 in preceding years, appears to have no holding?—A. No holding.

Q. In the case of Mr. Pellatt's \$67,000, to whom was that transferred?

Hon. Mr. EMMERSON.—Is not that subject to the same objection?

The CHAIRMAN.—That is the same ruling. That cannot be answered.

By Mr. Foster:

Q. Mr. Wickwire has disposed of his \$25,000—to whom has that gone?

Hon. Mr. EMMERSON.—The same objection.

Q. Mr. Buchan, does he still hold any stock?—A. No.

Q. He does not hold any stock? Mrs. Howe holds \$1,000?—A. Yes.

Q. And Pellatt & Pellatt, in trust, \$60,000 disappears?—A. Yes.

Q. To whom did that go?

Hon. Mr. EMMERSON.—Another objection.

Q. Pellatt & Pellatt, in trust, \$25,000, appears to have disappeared; is that correct?—A.—Correct.

Q. Mr. Peuchen's fell from \$65,500 to \$45,500?—A. Correct.

Q. And Mr. Woods ran up from \$10,000 to \$11,000, \$1,000 extra being from Mr. Panet?—A. Yes.

Q. Now a new man appears. Do you find the name of H. H. Macrae, of Toronto, as a holder of stock in 1906?—A. I do.

Q. How many shares?—A. 920.

Q. \$92,000 worth of stock?—A. Yes.

Q. From whom was that transferred to him?

Hon. Mr. EMMERSON.—The same objection.

The CHAIRMAN.—The same ruling.

Q. Mr. Riddell, as manager, has the modest sum of \$6,000 stock; and there is another new name, W. S. Rooney, who is he? He is a Toronto man, I think?—A. Yes.

Q. He is put here as secretary?—A. Not of this company; that is his business; he is a secretary.

Q. How much stock does he hold?—A. \$75,000.

Q. \$75,000 worth, and these added up make again the \$504,500?

Mr FOSTER.—By your ruling, Mr. Chairman, you have cut me off from an important part of my inquiry. Do you keep to your ruling?

The CHAIRMAN.—Yes.

Mr. FOSTER.—We have protested against the ruling, and taken the voice of the committee upon it, and that is as far as we can go at present. The witness may step down for a moment, and I will ask him to come again.

By Mr. Bennett:

Q. Is this Mr. Peuchen a major in the Queen's Own?—A. Yes.

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Q. Is Mr. Macrae a member of the firm of Pellatt & Pellatt, brokers, Toronto?—
A. He is not.

Q. Is he a clerk in their employ or connected with them?—A. Not at all that I know of.

Q. Have you ever seen the advertisement of Pellatt & Pellatt with the name of Macrae in it?—A. Yes.

Q. Is this the same Macrae?—A. No.

By Mr. Foster:

Q. Is Mr. Macrae a barrister?—A. Yes.

Witness retired.

C. L. PANET, called, sworn and examined.

By Mr. Foster:

Q. What is your name and position, Mr. Panet?—A. C. L. Panet.

Q. And your position?—A. Private secretary to the Minister of Militia.

Q. And you are a member of the civil service?—A. Yes.

Q. How long have you been a member of the civil service?—A. About seventeen years.

Q. How long have you been private secretary to the minister?—A. About four years I think, sir.

Q. You have been private secretary then during the period of times that this contract has been in force?—A. I think so.

Q. The contract was in 1904, I think you will find?—A. 1904, yes, sir.

Q. Have you any knowledge of the circumstances which led up to the negotiation of this contract?—A. No, sir, I do not know anything about it.

Q. You have none?—A. No, sir.

Q. Do you know of any parties who were instrumental and who were prominent in bringing this matter before the minister and the department?—A. Well, I do not know, sir.

Q. Your recollection—we must draw on that as to whether you recollect any of the parties who were prominent in promoting this contract?—A. Mr. Jewell, I think.

Mr. MACLEAN (Lunenburg).—You are not asking him now as to any knowledge that came to him in the capacity of private secretary.

The CHAIRMAN.—You are simply to say what you know, witness.

Mr. FOSTER.—When I go into private secretarial matters it is time to object.

Mr. CARVELL.—I object to this witness giving any evidence that came to his knowledge as private secretary of the minister. If you want to know what happened call the minister and not his secretary.

The CHAIRMAN.—If the witness is questioned in his capacity as private secretary and does not wish to answer he is privileged, certainly, and need not answer unless he wishes to, according to the rule of evidence in any country.

By Mr. Foster:

Q. Your answer to that question was that you remembered Mr. Jewell?—A. Yes.

Q. Do you remember any one else beside Mr. Jewell?—A. Well, I think that Mr. Dewart was there.

Q. Mr. H. H. Dewart?—A. Yes; I think those are all the people I remember.

Q. Do you remember Mr. Wickwire appeared about the departments in connection with the machine?—A. No, sir.

Q. Mr. Lewis, of Montreal?—A. No, sir.

Q. Then Mr. Jewell and Mr. Hartley Dewart were the two whom you recollect?—

A. Mr. Dewart. I do not know whether it is Hartley or not.

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Q. This Mr. Dewart is a barrister at Toronto?—A. Yes.

Q. As a matter of fact the contract was granted. That has come out in evidence. Now, you appear on the stock-books as a holder of 2,000 shares of stock?—A. No, sir, pardon me, 20 shares.

Q. \$2,000 worth?—A. Yes.

Q. You appear on the stock-books of 1904 as the holder of 20 shares, or \$2,000 worth of stock, that you acquired in the year of 1904?—A. Yes, sir.

Q. From whom did you acquire that, or will you tell the committee how that came into your possession?—A. Mr. Jewell.

Q. Mr. Jewell approached you?—A. Yes, sir.

Q. In what way?—A. He wanted to sell me some stock and I could not buy it; I had no money. He finally persuaded me to take 20 shares, for which I gave him my note.

Q. You bought 20 shares from Mr. Jewell under his persuasion and explanations, and gave him your note for them?—A. Yes.

Q. Did the note bear interest?—A. I forget.

Q. For what length of time was the note?—A. For six months.

Q. You were making an investment?—A. Yes, sir.

Q. Did Mr. Jewell lead you to believe it would be a very profitable investment?—A. He said the stock was good, sir.

Mr. MACDONALD.—Would it not be better to let Mr. Panet tell his story, and you can cross-examine him afterwards?

A. Well, when the note came due I had no money to pay for it, and I told Mr. Jewell that the stock was no good, and I offered to give him back his stock and he would not take it.

By Mr. Foster:

Q. He would not take it?—A. No.

Q. What was the amount of your note?—A. \$1,000.

Q. You paid in \$50 a share?—A. Yes.

Q. Well, go on?—A. I do not know—

Q. And it is there to this day?—A. Well, I sold 10 shares of it, sir.

Q. To Mr. Woods?—A. To Mr. Woods, yes.

Q. And Mr. Jewell still holds your note?—A. Well, he has never sued me for it yet.

Q. He still holds it; he has not given back the note?—A. Yes, he gave me back the note.

Q. He did?—A. Yes.

Q. So that you received 20 shares, you gave your note, you received the note back, and you have sold 10 of your shares to Mr. Woods?—A. Yes.

Q. That is the way the transaction stands at present?—A. Yes.

Q. And you retain the others?—A. Well, I am returning them to the company. I am returning all the stock to the company.

Q. Did you return it to the company?—A. Well, I have it, but I will return it to whoever it belongs.

Q. It would be Mr. Jewell's stock, I suppose, would it not?—A. I suppose so.

Q. You agreed to pay him for it, and you are returning it, if he will accept, to him—if he will accept it?—A. I have not seen him, sir, at all.

Q. That is your transaction so far as this stock is concerned?—A. Yes.

Q. I suppose you did not give any very careful attention to whether it was best, or not, for you in your position to hold that stock?—A. It never entered my mind. If I thought I was doing anything wrong I might have had the stock put in some one else's name.

Q. You put it in your own name?—A. Yes, sir.

Q. We will not express the inference that comes to our mind on that. What I

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want to bring out is this, that at the time you were persuaded to take 20 shares of stock it never struck you that being an officer of the department and the minister's private secretary, and they having a contract with the government, that it was debatable as to whether you should take stock or not?—A. I never thought of it, I thought—

Q. I am not imputing anything at all to you in that respect. That is a thing which might very well happen, a step thoughtlessly taken, and we might any of us do it. Did you ever have any other money or financial transactions with Mr. Jewell or with B. H. Jewell & Company in any way?—A. I do not remember, sir.

Q. Just think now, and think carefully. Were you ever involved in any financial or money transactions with Mr. Jewell or with B. H. Jewell & Company in relation to the Sub-Target Company and matters arising out of that?—A. I do not think so, sir.

Q. You do not think so?—A. No, sir.

Q. That is to the best of your recollection?—A. Yes, sir.

Q. Were you served in a suit in 1906, a suit by Mr. B. H. Jewell or B. H. Jewell & Company?—A. I think so.

Q. At what time in 1906?—A. I think it was in the fall, sir, I think in September.

Q. Was any one associated with you in that suit?

Mr. PARDEE objected to question.

The CHAIRMAN.—You are not obliged to answer, witness.

(Argument followed.)

The CHAIRMAN.—The ruling of the chair is that the question is not relevant at all.

By Mr. Foster:

Q. The chairman has ruled that the question is irrelevant. The last question that was answered by the witness was that he had been served with a writ. The date of that was, Mr. Panet, was it about the last of August?—A. About that time.

Q. Yes, say the 28th of August, about that time?—A. I should think so, yes.

Q. Now, the next question I ask you is this, were you associated with anybody in that suit? Now that does not ask you who you were associated with, and it does not give away any of your private affairs. I do not want to go into your private affairs. Were you associated with any others in the service of that writ?—A. I think so, sir.

Q. The answer is, you think so. You know so, as a matter of fact?—A. Yes.

By Mr. Pardee:

Q. Did that writ relate to the affairs of the Sub-Target Gun Company?—A. As far as I know it did not.

By Mr. Foster:

Q. Let me ask you another question. We have got this far, that you were served with a writ—mind you it is not a disgrace for a man to be served by a writ; the best of men are served by writ; if a demand is made on you for an unjust payment I am not imputing that as any disgrace. We have the two steps, first, that Mr. Panet was, for some reason or other, served with a writ, and that others were joined with him in that service. Now I have it that far. Now, I want to ask Mr. Panet this, in your knowledge, was Mr. J. H. Jewell—it is J. H. Jewell, not B. H. Jewell—or J. H. Jewell & Company, did he issue that writ for anything that he had sold to you and your associates?—A. I cannot say, sir, I do not know.

Q. You do not know?—A. No, sir.

Q. Well, it is not a common occurrence to be served by writ in distinguished company. Will the witness just recollect? The question is was that writ issued as far as your knowledge and recollection go to recover a debt that you owed Mr. Jewell for something that had been sold to you and your associates?—A. I cannot say, sir, because I do not know. I do not know why he made a writ against me at all.

Q. Very well, then, let me ask you this question: Had you ever bought anything

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from Mr. Jewell outside of this stock that we have spoken of, for which he might have a claim on you as being yet unpaid for?—A. No, sir.

By Mr. Macdonald:

Q. Have you a copy of this writ?—A. No, I have not.

Q. Was the writ served on you?—A. Yes, sir.

Q. Have you the writ that was served on you?—A. No, sir, I have not got it. I do not know what became of it.

Q. What became of it? Did you have a lawyer to defend the suit?—A. Mr. McCarthy, I think.

Q. Did you give him the writ?—A. Yes.

By Mr. Foster:

Q. We have got this far: You have never got anything of Mr. Jewell or Jewell & Company for which you owed and to recover which he might issue that writ, so far as your recollection and knowledge goes?—A. No.

Q. And it did not have, or did it have, any reference to this \$2,000 worth of stock which you had purchased from him?—A. I do not think so. I do not remember.

Q. You had given your note for the amount?—A. Yes.

Q. And the note was never sued?—A. Well, as far as I know, no, sir.

Q. And the note has been returned by him to you?—A. Yes, sir.

Q. So that disposes of that transaction. Had you ever borrowed any money from J. H. Jewell or J. H. Jewell & Company at or about that time?—A. No, sir.

Q. Or at any time?—A. No, sir.

Q. And you owed Jewell nothing at that time apart from the \$2,000 of stock?—A. No, sir.

Q. Well, now, cannot you recollect—

The CHAIRMAN.—Is not that going a little too far, asking the witness whether he had borrowed money from any one else?

Mr. FOSTER.—I did not ask how much.

By Mr. Foster:

Q. Now, having gone over these things, cannot you recollect at all, have you no knowledge that you can give to the committee as to the basis for this suit, the claim made upon you and your associates?—A. No, sir, I do not know anything about it.

Q. I suppose, then, that this is the point, you did not consider you had any interest for which you could be sued?—A. No, sir, except—

Q. I am not talking about the stock now; I am leaving that out entirely. And you looked upon that suit as being rather directed against your associates than yourself?—A. I did not think of it at all in that way.

Q. What was your impression when you were served?

Mr. PARDEE.—I submit that is not relevant.

By Mr. Foster:

Q. Had you any business connection, partnership concern, or in any other way with these associates of yours which might lay the basis for that writ against you?

Mr. CARVELL objected.

By Mr. Reid (Grenville):

Q. I would like to ask Mr. Panet about that writ. Did the writ state what the charges were against you?

By the Chairman:

Q. What the claim was?—A. I think so, yes.

By Mr. Reid (Grenville):

Q. And you handed that writ to a solicitor?—A. To Mr. McCarthy.

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Q. Your solicitor?—A. Yes, sir.

Q. To Mr. McCarthy, of Ottawa?—A. No, Toronto.

Q. You have not the writ in your possession?—A. No, I have not.

Q. Will you bring the writ here the next time and produce it?—A. I have not got it.

Q. Can you get it from your solicitor and bring it, in case the committee decide to have it produced?—A. I will see if I can get it.

By Mr. Foster:

Q. One question—what has been the outcome of that suit; was it contested?—A. I really cannot tell you, Mr. Foster, I do not know.

Q. You do not know whether it was contested or not?—A. No, sir.

Q. Do you not know whether it has been settled or not?—A. I cannot tell you, sir, I do not know.

Q. Did you take any steps towards having it settled?—A. No.

Q. None?—A. No, sir.

Q. You did not undertake through any person, or by any person, to have it settled with the exception of handing it over to your solicitor?—A. That was all, yes.

Q. Has your solicitor made a report to you since?—A. No, sir.

Q. You do not know whether it has been settled or not?—A. No, sir.

Q. Have we got the solicitor's name, or the firm down?—A. Mr. McCarthy.

Q. Of Toronto; what is the firm name? Is it Leighton McCarthy?—A. Yes.

Q. That is all for the present.

By Mr McCarthy (Simcoe):

Q. You do not mean to say you placed the matter in my hands? I am Leighton McCarthy?—A. No, sir, I forget now, I can look it up and find out. I really cannot remember.

By Mr. Foster:

Q. Does he look like a man you would give a writ to?—A. I forget, sir.

By the Chairman:

Q. You have forgotten the name of your solicitor?—A. I thought that was the name; but I can find out and let you know, sir.

Mr. FOSTER.—Find out and let us know.

Witness retired.

Mr. RIDDELL, recalled.

By Mr. Pardee:

Q. Will you explain the question of these twelve guns you spoke about on the last day you were here? You will find it on page 50 of the examination?—A. I remember it, sir.

Q. Give us your explanation?—A. Twelve rifles were sent from our factory to the Boston factory to be attached to twelve machines similar to those for which we had the order, in order to expedite the delivery so that as soon as possible twelve machines might be distributed in this country, to let the militia know what the machine was. When the machines arrived here the government said they would not and could not accept them as of our contract. As we were to pay a good deal more for them than we would get them made for ultimately in Canada, we willingly shipped them back, the only people objecting were the people from whom we had ordered them. I personally—

Q. You went down and shipped them back?—A. I personally opened the packages while they were in bond, got back the rifles which belonged to this country, and shipped back the rest after a great deal of trouble.

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Q. You put in a statement as to the amount expended. The amount expended in toto, under this contract, by the Sub-Target Company is how much money in cash?—
A. Up to the 1st of January, \$117,538.77, January, 1907.

Q. That amount has actually been put in in cash by the stockholders of the company?—A. It has been actually expended by the company, yes.

Q. Actually expended by the company; and have you made up to date any estimate of the cost per machine?—A. Yes. In this statement I added \$3,000, the smallest amount that would carry us until the delivery of the last machine now ordered, and the cost would be \$241.07. The only estimate in that is the \$3,000 added for this current year.

Q. So that you had expended for them \$120,000. If you add in the estimate for this current year, you have expended over \$120,000, and up to date the cost of the machine is \$241.07?—A. Yes.

Q. And for that machine you received \$250, as you told us the other day?—A. Yes.

By Mr. Reid (Grenville):

Q. In figuring out the cost of this machine you take in an item of expenses, \$22,169.66?—A. \$32,000.

Q. The expenses are \$22,169?—A. At the bottom, sir, you will find it.

Q. Well, your total expenses are \$32,070.96, and the shop cost of 500 machines is \$32,422.81, and \$3,000 for necessary expenses for the final delivery. Now, of this \$53,045, there was not one dollar of that went into the actual cost of the manufacture of the machine?—A. In the manufacture of an article that is patented the price paid for the patents, whether paid in royalty or a lump sum in cash, is a very necessary part of the cost of the machine either to us or the person buying it.

Q. What I want to ask you is this, you paid \$53,000 for the patent?—A. Yes.

Q. And you consider that \$53,000 should be divided up entirely out of this 500 machines and not on any futures that are made?—A. These 500 are the only machines I have orders for at present to divide it with.

Q. But I ask you if you consider it fair and right and just that that \$53,000 should only be charged to these 500 machines?—A. I am only stating the fact.

Q. That is not the question. This company has been formed for the future; at least for some time to come?—A. Yes.

Q. Do you expect to manufacture any more of these?—A. Some more.

Q. You do expect to manufacture more?—A. Yes.

Q. You consider, however, that none of this amount for patents should be charged up to any future guns?—A. I have considered that, sir, and I am pleased you brought it up.

Q. Exactly?—A. Our original intention—

Q. I do not ask for an explanation. I want that you should say yes or no to that question.

The CHAIRMAN.—Let the witness answer.

The WITNESS.—I will have to answer that in my own way. Our supposition when this company was formed, the only basis we had, was that one might go to each unit, of which there are roughly speaking 1,000. That is that would be 1,000 machines we might sell in the next ten years. If they are the success we think they are we may sell more. Provided we sell a thousand there would be three or four years' expenses to add on to our present expenses, office expenses, general expenses; putting these as low as last year's, or lower, we will put them at \$4,000 a year if you wish. That would be four years at \$4,000, making \$16,000, and add that to the patents, \$53,000, would make roughly \$70,000 to be divided up between a thousand machines. That would be \$70 a machine, and that will leave us a profit on the whole thousand, looking ahead as far as we can, we cannot tell what is in the future, of less than twenty per cent.

Q. On what?—A. On the turnover.

Q. On the capital of the company?—A. On the turnover.

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Q. Are you figuring that twenty per cent on the capital of the company?—A. On the turnover, the same as any manufacturer would; on the amount of goods sold, our net profit every year.

Q. How much money would that be?—A. That would be less than \$50,000 profit on eight years' business.

Q. Let me get at it my way. Understand the cost of this machine in this statement you have produced here, I want to find out exactly what the cost is in the case of the machine?—A. Yes.

Q. The advertising and printing, that I think is a fair item that should go into the cost. You have \$4,203.75 for that; that is the total in the three years. Interest on loan from bank—I am not taking that in the cost of the machine; I leave that out for the reason that if they had the capital to have paid in it would not have gone into the cost of the machine?—A. Quite right.

Q. That interest would have been paid out of profits—that is what I am getting at. This interest on this loan, as I understand it, was what was paid for patent, and if the capital had been paid this interest would not be there, and it did not actually go into the cost of the machine. Travelling expenses I consider a fair item, \$7,185.07; office expenses, &c., \$2,185.95; salaries, \$8,594.89; that is the way I make up \$22,169.66 for three years. The interest I have left out of that, the cost of the charter, the legal expenses, and the interest on the loan from the bank. Do you consider, Mr. Riddell, that those items form a part and parcel of the cost of the machine?—A. They form a part of our necessary expenses. It is all one to us whether we pay it for the machine or take it out of profit.

Q. I admit that; but if the capital of the company had been paid up, if you had any capital at all—you only had \$4,500 of capital?—A. Pardon me, your contention I cannot agree with, as before we had been in business a year we had obligations to the bank, for which the directors were personally, severally and jointly responsible.

Q. What were these for?—A. Of over \$42,000.

Q. What was it for?—A. Part of these expenses and the first payment or two on this patent.

Q. That is the point. You had no capital but that \$4,500?—A. If nine men—

Q. The point I wish to get at is this, if there had been any capital in this company the profits would have paid this interest?—A. The only difference would have been that had these men put up their own money they would not have had to pay the bank interest.

Q. And they would have received profits on the amount of stock they put into the company?—A. As it is they have not received anything.

Q. Leaving these items out, that is leaving out the interest, the cost of the charter and the legal expenses, the total is \$57,592.47; the other item, that is the patent, \$53,045, makes up \$117,538.77. Can you tell me how much per each machine that would amount to deducting what you paid for the patent, what the actual cost was for each machine for the 500 that were made?—A. Well, I can divide your figures by 500; I will express no opinion on them.

Q. I have it here, that it is \$115. I have it figured out here?—A. I have nothing to say about those figures there. To what would you charge those other items?

Q. The other items I leave out I would charge—I am saying if any money had been paid in that would have been part and parcel of the capital which should have been paid on it?—A. Would it have changed our standing financially at all?

Q. No; but you are figuring out the cost of the machine at \$241, and you charge money that should have been paid out of capital?—A. Supposing I left out 'Cost of machine, \$241.07,' and stopped just above that. The proceeds of sales of the present contract are \$125,000, and the cash expended—I have the vouchers for all of it, I believe—is about \$120,000, leaving a margin of \$4,000 odd.

Q. But in that \$120,000 of cost you have the patent?—A. Yes.

By Mr. Pardee:

Q. At the bottom of this statement put in there is \$241.07 as the cost of the

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machine. What I believe the honourable member is trying to get at is that if you deduct so and so from the statement that is put in your machines would not cost you as much as \$241, and consequently your profit would be greater. That is what he is endeavouring to get out. There is no necessity that I can see of going on and submitting these different figures and deductions to the witness, saying that if that was taken off it would cost so and so. There is the statement that speaks for itself. He can deduct anything he likes, and say that the machines did not cost that much money and consequently the profit is greater. That is a question of argument purely.

By Mr. Macdonald:

Q. Do I understand that Mr. Jewell was the owner of this patent right in this Sub-Target Gun Company?—A. He controlled it; he had the option.

Q. He had the right to sell it?—A. Yes.

Q. What was done was that \$500,000 in stock in the company and this \$4,000 were paid to him as the controller of this patent right, and he transferred those rights to the company?—A. Yes; and this contract called for the half million of stock and \$60,000 of cash.

Q. I am not interested in the cash so much as in the \$500,000 in stock?—A. \$500,000 was issued to him as part payment for the patent.

Q. And the consideration was the patent?—A. The patent, yes.

Q. Has this company paid any dividends?—A. No, sir.

By Mr. Pardee:

Q. From whom did that Howe stock come?—A. From J. H. Jewell.

Q. Is that traceable through your books?—A. Yes, sir, the same as the rest.

Witness retired.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

WEDNESDAY, March 27, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., Mr. Geoffrion, acting chairman, presiding.

The committee proceeded to the further consideration of the purchase of 250 sub-target guns from the Ontario Sub-Target Gun Company, Limited, by the Department of Militia, as set out in sessional paper No. 136 of this session, and referred to the committee by the House on March 1, on motion of Mr. Foster.

Mr. GEORGE I. RIDDELL, recalled.

By Mr. Foster:

Q. Mr. Riddell, when you were last being questioned before this committee you were asked by the examiner, I think it was Mr. Pardee, I find in the evidence, as follows:—

‘Q. You put in a statement as to the amount expended. The amount expended in toto under this contract by the Sub-Target Gun Company is how much money in cash?’ Your answer is: ‘Up to the 1st of January, \$117,538.77, January, 1907.’

‘Q. That amount has actually been put in in cash by the stockholders of the company?—A. It has been actually expended by the company, yes.’

Do you mean that part of your answer to vary or modify the question put by Mr. Pardee?—A. As modified by the former part of my answer.

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Q. Then let me ask you the question, how much in cash has been put in by the stockholders?—A. Well, for stock, \$4,500.

Q. \$4,500 has been put in, and the \$117,538 has not been put in by the stockholders, but has been expended by the company; is that your answer?—A. No, that is not my answer.

Q. Yes, what is your answer?—A. Let me explain. Part of that money was borrowed by the stockholders personally guaranteeing the account of the company, which they could not borrow perhaps on its own assets. The stockholders borrowed the necessary money to carry on the business, and at one time, I think, it ran as high as \$45,000. Part of this \$117,000 was paid out after it had been received for goods sold.

Q. And the return was made to the lenders, that is the stockholders?—A. No, sir, it was never returned to them directly, but the liability in the bank was reduced.

Q. That is the same thing?—A. Possibly.

Q. Let us just come to it in one question and one answer. Has anything been paid into the company as a return for stock other than \$4,500?—A. No, sir.

Q. That is what I want to get at. Now, another thing I wish to ask you about is on page 15—or first of all I will ask you this question: Mr. Rooney appears there as the owner of \$75,000 worth of stock; from whom was that stock transferred to Mr. Rooney?—A. From Sir H. M. Pellatt in trust.

Q. The whole \$75,000?—A. Yes.

Q. Then Mr. Macrae, a barrister in Toronto, so I am informed, holds \$92,000 worth of stock. Is that correct?—A. Yes, sir.

Q. From whom was that transferred to Mr. Macrae?—A. Sir H. M. Pellatt.

Mr. MACDONALD objected that the committee had already decided that the stock transactions between members of the company were not pertinent to the inquiry.

The CHAIRMAN ruled that the matter had been already disposed of by the committee at a previous sitting.

Examination of witness resumed.

By Mr. Foster:

Q. Will you give us the items of expenditure under advertising amounting to \$4,203.75 generally, not in exact detail?—A. I could not say. That was all made before my time, except perhaps \$200 or \$300.

Q. That occurred before your time?—A. Yes.

Q. You came in at what time?—A. A year ago.

Q. Since then what has been your expenses for advertising?—A. I think it shows last year \$200, and part of that was advertising matter on hand, of which I wrote off a portion as having been used.

Q. So that during the last year your advertising expenses were very small?—A. Merely nominal.

Q. Pretty nearly nominal. With reference to the travelling expenses, I think your answer was that they amounted to \$7,185. Is that correct?—A. That is for travelling expenses, exhibitions, &c., yes, sir.

Q. That statement was correct?—A. That is correct, taken from the annual statement.

Q. How much did the annual travelling expenses amount to last year?—A. \$774.17.

Q. \$774 was the travelling expenses for last year. These travelling expenses were paid to whom, chiefly?—A. They were all mine, sir.

Q. That is your expenses in travelling over the country and making these super-visions and exhibitions, and the like of that; your travelling expenses come in that, and you are almost the only one who has travelling expenses?—A. This last year.

Q. Before that travelling expenses were paid to others than the secretary?—A. Yes; they took a whole staff to the camps the first year on these exhibitions to show the merits of the machine.

Q. That was in getting the machines before the camps so that the military people could see it?—A. It took a number of men.

Q. Then a fair inference would be that hereafter your travelling expenses will not be so much as they have been?—A. No, sir, I think not over a thousand dollars.

Q. I see you have rather an expensive office there, \$2,185.93 for office. Does that mean rental?—A. This is for three years, sir.

Q. Does it mean simply rental?—A. It says here, 'Office expenses: rent, help and sundries.'

Q. That is not extravagant. As to salaries, I see \$8,594.88. What are the present salaries you are paying? Let us begin at the beginning. What is your present salary?—A. \$1,800.

Q. Are you the only salaried officer?—A. Outside the stenographer, yes.

Q. \$1,800 a year then for salaries. With reference to the legal expenses, how much has been expended in three years?—A. \$3,472.

Q. Has that been distributed over many firms or individuals?—A. Four or five, yes.

Q. Who are they?—A. I would only be speaking from memory. I do not know that I can give them.

Q. To the best of your recollection.

Mr. MACDONALD objected to question.

A. Well, I think one firm was J. W. Clarke, Toronto. I think I paid attorney's fees to George Ross, and I think I paid some fees to St. John & Kappelle, and I think Dewart, Young & Maw, or H. H. Dewart, Dewart, Young & Maw.

Q. A large amount to Mr. Dewart?—A. No, I would not think so.

Q. How much?—A. Not over \$1,400 or \$1,500 altogether.

Q. For three years?—A. Yes.

Q. \$1,400 or \$1,500 for three years?—A. Yes; that firm were our solicitors. There was a lot of work with Boston.

Q. Mr. Dewart is a director of the firm, is he not?—A. Yes.

Q. He is the solicitor of the company?—A. His firm are solicitors, yes.

Q. His firm are the solicitors of the company, and you have paid out in three years the sum of \$1,400 or \$1,500 to that firm for legal expenses?—A. Yes.

Q. Do you pay directors' fees?—A. We do not.

Q. There are no directors' fees. As to the \$500 which each put in as directors, has that been repaid to those directors in any way, shape or form, for services or otherwise?—A. I could not answer as to that.

Q. You do not know?—A. I do not know: The money was never paid back to them to the best of my knowledge. You asked me a question on that the other day, as to who paid the notes, and I answered I did not know who paid the notes. I do not know.

Q. Since these directors gave their notes, which you discounted, and out of which you got \$4,500 less discount, has any payment been made to those directors in any way, shape or form, or any of them?—A. I think one or two of them got \$25 for attending a meeting at Montreal, organizing, that is to the best of my knowledge.

Q. That is a small amount; but outside of that you think not?—A. Not as directors.

Witness discharged.

Mr. PARDEE.—There is a letter here that was laid on the table the other day, written by Lord Dundonald relative to this sub-target, the first one, I understand, that was written on the subject to the minister, and I would like to have that put in.

Sir FREDERICK BORDEN.—Might I explain these papers were found—they had been put away by a former secretary of the department, and were only discovered some days after the return was laid on the table of the House.

Mr. FOSTER.—They really form part of the return?

Sir FREDERICK BORDEN.—Yes; and I moved in the House for permission to have them added to the return, as a part of the return, and this was agreed to.

APPENDIX No. 1

(Letters filed as follows:)

‘ OTTAWA, June 2, 1903.

‘ The Hon. the Minister of M. & D.,
‘ Ottawa.

‘ Re Sub-Target Gun Machine.

‘ An invention of a gun for instructing recruits in aiming has been brought to my notice by the inspector of musketry.

‘ I am not prepared to say that this gun will perform all that is claimed for it, but it seems to be a valuable invention, and I would recommend that one of these guns be ordered, in order to enable a thorough test of the capabilities of the gun, the tests to be carried out at Rockcliffe by the commandant of the Canadian School of Musketry, during the instructional camp about to commence there.

‘ Attached herewith is a pamphlet describing the gun.

‘ The price of the gun as stated by the agent, Mr. A. P. Damon, is \$250.

‘ I also inclose a letter from the agent in reference to the terms on which the gun can be supplied, together with a copy of his telegram and his company’s reply in regard to future orders.

‘ (Sgd.) DUNDONALD,

‘ Major General,

‘ Commanding Canadian Militia.

‘ Approved,

‘ (Sgd.) F. W. BORDEN,

‘ M. M. & D.

‘ 5-6-03.’

‘ OTTAWA, June 2, 1903.

‘ Lieut.-Col. CARTWRIGHT,

‘ Ottawa, Ont.

‘ DEAR SIR,—In reference to the sub-target gun, will say the price is \$250 each, including holder to rifle and connecting same on any rifle you may furnish.

‘ As you request, the company will assume express charges on this sample machine.

‘ Sincerely yours,

‘ (Sgd.) A. P. DAMON.’

‘ (Telegram.)

‘ To A. P. DAMON,

‘ Russell House.

‘ OTTAWA, June 3, 1903.

‘ From Boston, Mass.

‘ Will give Canada same terms as United States.

‘ (Sgd.) SUB-TARGET GUN CO.’

‘ This telegram is in reply to my inquiry, “Will you give Canada same terms on future orders as you give the United States on future orders.”

‘ (Sgd.) A. P. DAMON,

‘ Ottawa, June 3, 1903.’

‘ Agent for the Sub-Target Gun Co.

‘ No. 1707.

‘ MILITIA AND DEFENCE.

‘ SECRETARY’S OFFICE,

‘ OTTAWA, June 8, 1903.

SUBJECT.

NAME.
Sub-Target Gun Co., Boston, Mass.
Action.

Order for Gun.

Action.

1

2

‘ C.B. 1707.

‘ P.C.

‘ June 9, 1903.

‘ GENTLEMEN,—I have the honour to request you to furnish to this department a

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sub-target gun, complete with holder to rifle, as offered by your representative, Mr. A. P. Damon, the price to be \$250 delivered here in bond.

'As we desire to make a thorough test of the capabilities of the gun at an early date, I shall feel pleased if you ship it to my address as soon as possible.

'An invoice, in triplicate, is to be forwarded to me when the gun is shipped. You might also send a few copies of instructions for use of the gun.

'I am, gentlemen, your obedient servant,

'(Sgd.) A. BENOIT, Major,

'Secretary of Department Militia and Defence.

'Messrs.

'The Sub-Target Gun Co.,
'11 High Street,
'Boston, Mass.'

'June 11, 1903.

'GENTLEMEN,—As intimated to you in our letter of the 9th instant, we are forwarding to-day to your address, by American Express, a sample rifle for use in connection with the order given you for a sub-target gun; it is expected you will return the rifle along with the gun.

'I am, gentlemen, your obedient servant,

'(Sgd.) L. F. PINAULT, Colonel,

'Deputy Minister of Militia and Defence.

'Messrs.

'The Sub-Target Gun Co.,
'11 High St.,
'Boston, Mass.'

'BOSTON, June 27, 1903.

'Major A. BENOIT,

'Secretary of Department of Militia and Defence,
'Ottawa, Ont.

'DEAR SIR,—We are sending you to-day as per inclosed invoice a sub-target gun machine on your order of June 9, C.B. 1707.

'Our man will be in Ottawa to set up machine the first part of July.

'Hoping that the machine will reach you in good condition, we remain,

'Yours respectfully,

'SUB-TARGET GUN CO.

'(Sgd.) ALBERT W. MULLIN, Treas.'

'BOSTON, June 27, 1903.

'Major A. BENOIT, Secretary of Department Militia and Defence,
'Canada.

'To SUB-TARGET GUN COMPANY, Dr.
'11 High Street.

'C.B. 1707. 1 sub-target gun machine. \$250.00

'Submitted for payment, 2/9/03.

'2 cases, 1 crate—Am. Exp. paid.

'Customs entry, July 2, 1903.'

'MILITIA AND DEFENCE.—INSPECTION BOOK.

'Contents of case No. 9075.

	'Article.'	No.
'Rifle, Lee-Enfield.		1
'Sub-target gun.		1

'(Sgd.) E. BEDARD.

'Ottawa, 4-7-1903.'

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‘BOSTON, July 8, 1903.

‘Major A. BENOIT,
‘Secretary of Department Militia and Defence,
‘Ottawa, Ont.

‘DEAR SIR,—We are sending you as per inclosed invoice two target boards for use with the sub-target gun machine, and trust the same will reach you in good condition.

‘Yours respectfully,

‘SUB-TARGET GUN COMPANY,
‘(Sgd.) ALBERT W. MULLIN, *Treas.*’

‘BOSTON, July 8, 1903.

‘Major A. BENOIT, Secretary of Department Militia and Defence,
‘Ottawa, Ont.

‘To SUB-TARGET GUN COMPANY, Dr.
‘11 High Street.

‘2 target boards for sub-target gun machine—No charge.

‘1 case—Am. Exp. paid.’

‘BOSTON, July 13, 1903.

‘Major A. BENOIT,
‘Secretary of Department Militia and Defence,
‘Ottawa, Ont.

‘DEAR SIR,—We have shipped you to-night via American Express paid one case containing three mirrors, two thumb screws and two bolts with nuts for use with sub-target gun. Owing to a misunderstanding these were not shipped with the target boards.

‘Hoping all may reach you in good condition,

‘We remain, yours respectfully,

‘SUB-TARGET GUN CO.
‘(Sgd.) ALBERT W. MULLIN, *Treas.*’

Mr. HARTLEY H. DEWART, K.C., called, and sworn and examined.

By Mr. Foster:

Q. You are a well-known barrister in Toronto; it is not necessary to ask your name and occupation?—A. I am a barrister.

Q. Are you a director of the company that we have been discussing here?—A. I am.

Q. Were you from the first?—A. Yes.

Q. Are you an officer of it?—A. Only as a director.

Q. Are you its solicitor?—A. My firm acts as solicitors for the company.

Q. And have acted from the first?—A. Well, we thought we did, but Mr. Jewell occasionally employed other solicitors.

Q. He has a habit of kicking over the traces?—A. I am afraid you know him as well as I do.

Q. But in the main you have been the solicitors of the company?—A. In the main.

Q. Does this company own the title and patents for Canada of this sub-target machine? Is that clear in your opinion?—A. Absolute. The National Trust Company, I might say, held the papers for a long time in trust until the patent was absolutely paid for after \$50,000 odd cash had been paid. The patent was transferred, and we held it absolutely.

Q. And the title covers what Mr. Riddell in his examination gave, I suppose?—A. I think so.

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Q. From whom was that patent obtained?—A. Originally it was owned by the Sub-Target Company of Boston.

Q. Whose office is where?—A. I cannot tell you the address of their office, because I do not know it.

Q. The head office is in Boston?—A. Oh, yes; they took out patents for every country in which a patent could be obtained for the machine; they were so much impressed with its advantages and merits, that they took out a patent for every country, and we bought the patent for Canada through Mr. Jewell, from them, undertaking afterwards to pay his liability to them.

Q. 'We' meaning the company?—A. Exactly.

Q. Did you introduce Mr. Jewell to the Department of Militia in reference to this matter?—A. Not personally, but I wrote a letter to the minister which I think was his introduction.

Q. That was before, or after, the company was formed?—A. My memory would not serve me as to that, because it was in the early part of 1904; but you can tell by the file perhaps better than I could. It was at or about the time the company was being formed.

Q. Yes, I have it here, on page 2: Toronto, April 6, 1904, is the date, and it is signed by you, Mr. Dewart, and the letter is to Sir Frederick Borden?—A. Well, it was almost coincident with the formation of the company. I cannot say whether it was before or after.

Q. The company was formed shortly after that. The letter reads as follows:—

'The Honourable Sir FREDERICK BORDEN,
'Minister of Militia, Ottawa.

'MY DEAR SIR FREDERICK,—This will introduce to you Mr. J. H. Jewell, of Toronto, with whom I am interested in the Canadian patents for the sub-target gun machines, the utility of which I know there is no need to explain to you. We are organizing a company here for the manufacture of the machines in Canada, and in the meantime, we desire to secure from the Minister of Agriculture the right to import a certain number of the machines so as to demonstrate their utility in the armouries in our leading cities. I trust that you will be able to accede to the suggestion that Mr. Jewell made to you, providing we are able to show the utility of the machines.

'I had hoped to get down to Ottawa myself to-morrow, but it may be that I shall be able to run down on Friday evening. In case there are any further matters that you desire to discuss with me personally I shall be glad to do so.'

Did you run down on that Friday evening?—A. I think not, sir.

Q. You think you did not see the minister personally as you had thought to do at that time?—A. That is my recollection.

Q. At any subsequent time and before the contract was signed did you see the minister personally?—A. Oh, yes, repeatedly.

Q. And you impressed upon him what?—A. I impressed upon him what we thought are the real merits of this machine and the desirability of his adopting it. We had great difficulty in securing a contract, and I was here time after time.

Q. Insistent in season and out of season?—A. I would not say insistent out of season, but insistent in season, because we got the contract.

Q. You say in your letter when you introduced Mr. Jewell, 'With whom I am interested in the Canadian patents for the sub-target gun machine.' Do you mind telling us what interest you had?—A. I had the same interest that the other directors had in the formation of the company, like the old mining companies in which you and I were interested you know—

Q. Yes, unfortunately?—A. We adopted the same principle that you have in New Brunswick, that is followed there; of course we filed a contract and that shows how the stock goes; so in this case I adopted our old principle, and when we were buying the patent rights from Mr. Jewell, he had a contract with the Boston Company, and we had to pay \$50,000 in cash and \$50,000 in stock for the patents. Now, as he had

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agreed to pay so much in stock for the patent, we capitalized the company at a little higher figure to what we otherwise would have done, because we did not want the Boston Company to control the stock in the company, and therefore the company was capitalized at \$1,000,000. We agreed to pay Mr. Jewell, if my recollection serves me, \$60,000 in cash and \$500,000 in stock, so that the Boston people would only get one-tenth the stock, and that was the contract that was afterwards carried out. Then Mr. Jewell, in turn, having got \$500,000 in stock in consideration of the services that the directors undertook to perform, and the \$500 apiece which we put up, and the liability we assumed, he transferred to us each \$25,000 in stock in the company. The remaining portion was his own stock which we have, individually, since purchased from him and paid for, and I have personally paid him as high as \$20 per share for the stock.

Q. That is, for your interest, the nine directors, who put in \$500 each, standing in the gap, and all that you got each, a distribution of \$25,000?—A. Yes; and I should say in addition to that—

Q. Yes, whatever you did besides?—A. I think I should say what we did. We not only stood in the gap, but put up our own personal security and raised from \$40,000 to \$50,000 on our own personal liability—

Q. For the patent?—A. No, for the company. The patents were unknown at the time, and the banks were good enough to say we could have the money, and in consideration of the fact that we got that money, that we raised from \$40,000 to \$50,000 on our own personal responsibility for the company, we got that stock.

Q. Where did that \$50,000 go?—A. It was a running liability.

Q. Not a running liability, but if you raised that \$50,000 it went into the treasury of the company?—A. Yes.

Q. What was its course after that?—A. You will see by the account that Mr. Riddell has put in that we, for three years we had about \$50,000 in discount, and it was a running liability. I might say, we paid all the expenses, we paid for the patents, or whatever needed to be paid—in other words we financed the company.

Q. That is a large part of that went really to make the cash payment on the patents?—A. Not only that—we really put the company through; and there is not a director or shareholder that has got a five cent piece back out of it, except myself. For the little services I rendered, I have received a few dollars as solicitor.

Q. And, of course, you have the stock? There is no need following that further. You impressed on the minister the desirability of making a contract?—A. I did.

Q. And undertaking to have these things for the Department of Militia; there is no doubt about that?—A. Not the least. I did all I could for a client and for myself.

Q. Well, that is proper; that is why you live and thrive so well?—A. Thank you.

Q. Now, in the next case, what number of machines did you press for as a first contract?—A. 200.

Q. You are satisfied that you did not press for a contract for more than 200?—A. Not in the first place.

Q. Not in the first place?—A. No.

Q. Nor Mr. Jewell?—A. No, nor Mr. Jewell, because so far as the contract was concerned for 200, Mr. Jewell had very little to do with it. He came down occasionally to Ottawa. I do not like to say this for personal reasons, but as a matter of fact I was the one who was really instrumental in getting the first contract.

Q. You had frequent communications, though, of course, with Mr. Jewell, and he had frequent communications with Ottawa, personally and by letter, as these files show?—A. Quite so.

Q. And was it not a fact that Mr. Jewell was pressing for a contract for more than 200 machines?—A. Not until after the first contract was got.

Q. Not until after the first contract was got, you say?—A. To my knowledge, no.

Q. Was Mr. Jewell satisfied with the first contract for 200 machines, as far as your knowledge goes?—A. At the time, yes. The contract was closed by myself in Ottawa on the 30th of June, 1904, the date of the contract. That is the date of the

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contract, and I had a great deal of difficulty in getting the thing through because the Department of Justice had to pass upon it.

Q. The Department of Justice had to pass upon it?—A. Upon the form of the contract.

Q. That was all, of course, they had nothing to do with it otherwise?—A. It was drawn, and redrawn, and the details were the subject of negotiation for, I think, six weeks.

Q. Finally the contract was drawn, and it made provision for 200 machines; but was there any promise from the department, or from the minister, that the contract would be enlarged?—A. Never to my knowledge. There is a letter of the minister, in which he said, according to my recollection, that if the gun machine demonstrated its efficiency he hoped to equip every unit of the force. That I understood to mean every battalion or every company.

Q. That would give you 1,000?—A. That would have given us 1,000.

Q. To make a long story short, all that you are clear about is that you pressed for a contract for 200 and that your company was satisfied with that contract, and that at the time the contract was given you, and before and after, there was no pressing question of having more than the 200 contracted for?—A. Your question is a large one, and you have included in it a good many things I have not said. At the time the contract was put through we were quite satisfied with the 200. So far as Mr. Jewell was concerned he was rather insistent upon getting a thousand. I thought he was very foolish in doing so, but he brought me down to Ottawa once, once that I remember, because he thought he was going to put through an order for a thousand. I saw Sir Frederick. Mr. Jewell, as a matter of fact, had told me that the order for 1,000 was going through. I saw Sir Frederick and he said, 'I cannot do anything more than we have undertaken to do, equip the militia as they are required, or as the machine demonstrated its efficiency.' I came back and reported to the directors that Mr. Jewell had misstated the facts to us with reference to the order for 1,000 machines.

Q. I find that in addition to the \$25,000 of stock which you say was issued to you as a director for services, in the way in which you have described, that you got \$25,000 more. From whom were these shares transferred?—A. I purchased them from Mr. Jewell. The first lot I paid \$20 per share for, in company with a number of directors. I purchased them from Mr. Jewell so as to get the control of the company, but as to the balance I cannot tell you exactly the price; I know I paid \$2,050 for it in cash.

Q. The rate was \$20, was it?—A. It was less than that, it was ten, because he had not control then.

Q. That cheapened it?—A. It did very materially; but I know that four or five of us paid him \$20,000 to get the balance of the stock in the company.

Q. No part of the legal services of the firm was paid for in stock?—A. None whatever.

Q. It was always paid in cash?—A. I think my recollection is that I was paid between \$1,200 and \$1,300 for my three years' services.

Q. Mr. Jewell ultimately went out of the company about what date?—A. I can hardly tell you that. His going out of the company was coincident with Mr. Riddell's coming in, so that it will be a little over a year ago if my memory serves me.

Q. Since then he has absolutely no connection with the company?—A. Absolutely none.

Q. He has cleaned out and gone into other fields?—A. He has cleaned out and we are high and dry.

Q. Have you had any trouble with Mr. Jewell since, in any way with regard to monetary matters?—A. You are speaking of the company—I know of none.

Q. Or in any matter arising out of the Sub-Target Company's working operations, or negotiations?—A. I know of none.

Q. Did you, on or about the 18th of June, 1906, make any payment to Mr. Jewell?—A. Probably; if he has given you that as the date he is probably right.

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Q. How much money did you pay to Mr. Jewell at that time?—A. I do not recollect exactly what I paid him.

Q. Would it be \$7,000?—A. I cannot say.

Q. About \$7,000?—A. I could not tell you.

Q. It was a considerable sum of money?—A. I paid him something in connection with the matter, but I cannot tell you what the amount was now.

Q. Would it be more than \$1,000?—A. Yes.

Q. Would it be more than \$5,000?—A. Well, whatever your papers show, if you have the documents there, I haven't them, Mr. Foster.

Q. \$7,000, that's as much as you think. You paid Mr. Jewell a considerable sum of money?—A. I did.

Q. Have you any objection in stating to us on whose behalf you paid that money to Mr. Jewell?—A. Well, my client unfortunately is not here, and I am not able to communicate with him; but I can say this to you, it had nothing to do with the Sub-Target Gun Company in any shape, manner or form.

Q. Was your client a member or a director of the Sub-Target Gun Company?—A. He was. I paid the money on behalf of Mr. F. O. Lewis, of Montreal. I drew on him for the amount and paid it to Mr. Jewell by my own cheque.

Q. To the amount of \$7,000?—A. If that is what the record shows that is right.

Q. Did you have much trouble in arranging the matter so as to get a final settlement?—A. I cannot say much about that. I do not think you ought to ask me.

Mr. MACDONALD objected that the witness had said that the payment has no relation whatever to the Sub-Target Company, therefore it was not relevant to the inquiry before the committee.

The WITNESS.—I might say there is nothing in connection with the dealings between the Sub-Target Gun Company and the government that I want to conceal. I am only too anxious to make any statement I can possibly make in order to remove all suspicions with regard to the company. So far as the stock of this company is concerned there never was a five cent piece, to my knowledge, either in stock or in cash that went directly or indirectly into any improper channel. I would prefer, even so far as these matters are concerned that do not refer to the company at all, to tell the facts rather than have these parties rest under suspicion.

Q. Your client was whom?—A. Mr. Lewis, of Montreal.

Q. Was he your sole client?—A. Absolutely.

Q. He alone being interested?—A. Absolutely, yes.

Q. Mr. Lewis, of Montreal, you say it is?—A. F. O. Lewis, of Montreal. Other names were added to the writ in a subsequent matter that should never have been added, and I did not even consult anybody else except Mr. Lewis in regard to these dealings between Mr. Jewell and himself. They were absolutely personal dealings between Mr. Jewell and Mr. Lewis. I treated it as such. I drew upon Mr. Lewis, who honoured the drafts, and any payments which were referred to by you, or could be referred to by you in relation to these matters were personal matters between Mr. Lewis and Mr. Jewell.

Q. Subsequent to that payment did you make any other payment to Mr. Jewell on behalf of your client?—A. I did.

Q. Making the total amount up to what?—A. Nearly \$10,000.

Q. In all nearly \$10,000? Now, all that matter is now settled and cleared off the boards as well?—A. Quite so. I drew on Lewis for the amount in the second case as in the first.

Q. Now, this Mr. Lewis, what is his occupation?—A. He is a wholesale hardware man.

Q. A member of a firm in Montreal?—A. Lewis Bros., yes, and a director of the Sub-Target Gun Company.

Q. There is just one more question I would like to ask you, Mr. Dewart. I got the answer from Mr. Riddell that he was not quite certain, he gave it to the best of his recollection and said you would probably know better, that is as to the nine directors. I will read the names over and see if you can confirm them: Sir Henry Pellatt, Mr. Levisconte, Mr. H. H. Wickwire, Mr. J. H. Tilden, Mr. Lewis, Mr. Coburn, Sir Adolphe Caron, Mr. R. Harmer, and Mr. H. H. Dewart?—A. My impression was that Col. Hurdman was one. Is he not there?

Q. Not on this list?—A. Very well then, those would be the nine.

Q. Then Mr. Riddell's statement was correct?—A. There is one thing I think I should say. There are the names of three or four military men appearing as shareholders of the company. When the company was formed \$500,000 of stock was issued to Mr. Jewell, and \$4,500 to us for the cash we had then put up. There has never been any stock issued except that, and everything has come out of the \$500,000 stock. We had no control of Mr. Jewell, and if he found a military man willing to purchase his stock why then he was at liberty to sell it, we could not help it in fact, but in each case I personally know that the men like Colonel Buchan and Colonel Hurdman, and another gentleman in Halifax whose name escapes my mind, and Mr. Panet, in each case these were personal transactions between Mr. Jewell and these parties. I was probably the most active director of the company, except Mr. Jewell, and had a more intimate knowledge of its affairs, as I say, except Mr. Jewell. Now, in each case, he reported to me these sales as being sales of stock that he had sold for cash, and in Mr. Panet's case, when he told me that he had sold it for \$1,000 I told him he should not have charged so high. But in every case they bought for cash, and I know in the case of Colonel Buchan, whom he sued for the note, what the amount was. I would not like any member of the militia to rest under suspicion that he got his stock for any consideration except cash.

Q. You looked upon it as being a commodity that Mr. Jewell had, and he made his market for it?—A. Yes, he made his market for it, and he made his market out of us.

Q. It is not often he would get the better of a right smart man like you?—A. I will admit I was done.

Witness retired.

Sir FREDERICK BORDEN, K.C.M.G., called, and sworn and examined.

By Mr. Foster:

Q. Sir Frederick, who first brought this proposal of the sub-target machine to your attention?—A. Well, it was brought to my notice by a representative of the Boston Company early in 1903, when an exhibition of the gun was given in the armouries here in the presence of the Governor General, Lord Dundonald and a number of the headquarters officers, and I was present at that exhibition.

Q. That is the first knowledge you had of it?—A. That is the first I had ever heard of it, and that was over a year before the contract.

Q. With reference to these negotiations, they were brought to your attention and pressed upon you by whom?—A. With regard to the gun in Canada?

Q. Yes?—A. By Mr. Jewell and Mr. Dewart.

Q. Just as has been detailed here?—A. Very much; practically the evidence here agrees with my recollection.

By Mr. Macdonald:

Q. You got the first information concerning it from the United States, as shown by Lord Dundonald's letter?—A. Yes, the letter that we had read.

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By Mr. Foster:

Q. Did you have much conversation or any interviews personally with Mr. Jewell in reference to the contract?—A. I think I had several, perhaps three or four, but chiefly with Mr. Dewart, with whom my deputy minister, in conjunction with the deputy minister of justice, practically drew up the contract.

Q. Preceding the order for drawing up the contract your interviews were with Mr. Jewell and Mr. Dewart, principally?—A. Both together, several times and separately.

Q. What was the contract that was pressed upon you; for how many of these machines?—A. 200.

Q. There was no pressure for more than 200?—A. Oh, yes, Mr. Jewell was very anxious indeed to secure a larger contract.

Q. Yes; for instance, how many?—A. Well, as large as we could give—one for each unit.

Q. That would be 1,000?—A. Somewhere about 1,000.

Q. He pressed that upon you repeatedly?—A. Well, at least twice.

Q. And did it seem to you he was dissatisfied when the contract was given that it did not cover a larger number?—A. Well, I think he was.

Q. Yes; did he press after that for an enlargement of the contract, that is to cover a larger number of machines?—A. Well, as I remember now when the contract was finally settled I did not hear anything more from him. He told, so I am informed, in fact I corroborate the statement made by Mr. Dewart, that Mr. Jewell reported that I had agreed to give a larger contract, and they came down here, Mr. Dewart and Mr. Jewell, for the purpose of securing that contract.

Q. That is a larger contract?—A. A larger contract, and I told Mr. Dewart that there was no truth whatever in the statement, that I had not promised a larger contract, and that it would be absolutely impossible to spend more money than the cost of 200 sub-target guns until they were demonstrated to be what we believed they were, and also if further orders were given they would have to be spread over a considerable number of years.

Q. And you held out the hope, more or less definite, that ultimately each unit would be provided with them?—A. Well, I wrote a letter; I said, 'What I have to say I will put in writing and you can make any use you like of it.'

Q. That is the letter which appears here?—A. Yes.

Q. The purport of which was that ultimately each unit you hoped would be provided with the gun?—A. If the machine turned out what it ought to be, and, of course, subject to the provisions of the contract as to price.

Q. Under your system who is it that finally orders a contract like that?—A. Well, it comes to me.

Q. But who decides upon it?—A. Oh well, now in a matter of that kind the Militia Council decides.

Q. The Militia Council?—A. Yes.

Q. Was that council in operation at that time?—A. No, Lord Dundonald was here then, and of course I would not make—well no, he was not here—oh yes he was. I had his letter and a report from the musketry instructor to the school, to which, as Lord Dundonald said in his letter, the machine was referred. You will find Lord Dundonald says, 'I would recommend that one of these guns be ordered, in order to enable a thorough test of the capabilities of the gun, the tests to be carried out at Rockcliffe by the Commandant of the Canadian School of Musketry, during the instructional camp about to commence there.' That was done, and Colonel Cartwright, I think it was, made a report, which I believe is among the papers, recommending the gun very highly, and reports came in from different parts of Canada, from military officers, approving of it.

Q. I suppose your letter of the 2nd of July, 1904, to Mr. Jewell was written as a

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sort of answer to his pressure for more, and his dissatisfaction at the small number?—
A. Exactly.

Q. We will read that letter and put it on the record:—

‘MY DEAR SIR,—I am in receipt of your letter of the 27th ult., and have given the matter to which you refer careful consideration. You are already aware that an order has been placed with the company by means of a contract for the manufacture in Canada of 200 sub-target gun machines to be delivered within the present financial year, that is before the 1st July, 1905. I have looked somewhat carefully into the requirements of the militia force in this regard, and have satisfied myself that it would be money well expended to supply each of the units in Canada with one or more of the machines. I am satisfied that in the matter of enlistment of recruits alone great saving would be effected by the use of this machine, and I hope that regulations will be issued before long requiring every recruit on enlistment to be tested with one of these machines. I think, therefore, that it is probable that we shall require to repeat the order already given annually until at least one machine is in the possession of each military unit of the militia in Canada. I have not myself carefully calculated the number of units, but I believe it is approximately one thousand.

‘Yours very truly,

‘J. H. JEWELL, Esq.,

‘(Sgd.) F. W. BORDEN.

‘The Sub-Target Gun Company, Ltd.,

‘5 King Street West,

‘Toronto, Ont.’

Q. Well, you would consider that a pretty fair promise or guarantee, would you not, that if the machine was suitable certainly a thousand of them would be taken?—
A. I would consider it a declaration of the policy of the department.

Q. That is what it would amount to, dependent of course upon the fact that it should prove to your satisfaction its worth?—A. Certainly, and that the price was right.

Q. That letter, it is not too much to say, was written as a sort of answer and solace to Mr. Jewell for the pressure he put on you for more, and his dissatisfaction at not getting more?—A. It was written, as I have said, as a declaration of the policy of the department, which Mr. Jewell had a perfect right to use, to publish in the newspaper or to do anything he liked with it.

Q. In answer to his request for a larger number?—A. Yes.

Q. Did any other person press upon you the feasibility, or the necessity or the advisability, of enlarging this contract, outside the gentleman you have named?—A. No, no one except Mr. Dewart, besides Mr. Jewell.

Q. Did you ever have any conversation with Mr. Wickwire in connection with this matter?—A. Never.

Q. You never had any communications with him?—A. Never.

Q. Either before the contract or after it?—A. Not so far as I can remember.

Q. Do you know whether Mr. Wickwire was interested in this company or not?—
A. Except from what I have heard here, I understood he was a stockholder.

Q. You did not know it before it came out here?—A. I may have known it before it came out here, because I remember seeing a letter heading of the company with all the names of the directors on it.

Q. Did Mr. Wickwire see you with reference to enlarging, or the extension of this contract, or with reference to the contract in any way in the month of September, 1904?—A. No.

Q. Or early in October, or at any time?—A. So far as I can remember, not at any time.

Q. You would speak just from recollection; you are not absolutely sure?—A. Well, of course, I would not like to be positive; he may have spoken to me, but my recollection is that he did not.

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Q. You do not recollect telling Mr. Wickwire in answer to his earnest entreaty that this contract would have to stand for the present?—A. I do not.

Q. You do not?—A. No.

Q. Did you ever have any financial transactions with Mr. J. H. Jewell, or with J. H. Jewell & Co., at or about this time?—A. I never had any in my life.

Q. You never had any in your life, which, of course, would take in that time?—A. Yes.

Q. Your answer then to that is a positive denial of ever having had any financial transactions with Mr. Jewell or with J. H. Jewell & Co.?—A. Positive.

Q. Does that cover simply individual transactions or do you extend that to all transactions in which others were involved?—A. Both. I never had any transaction.

Q. Both; and this is either by yourself or in company with others did you ever have any financial transactions with Mr. Jewell?—A. Never.

Q. We had evidence the other day that a writ was served on your private secretary, Mr. Panet, and Mr. Panet does not seem to have given much attention to it. It passed out of his mind, and he was not sure whether he was alone or whether there were others with him. Did you have any knowledge of a writ being served by Mr. Jewell, or at the instance of Mr. Jewell, around August, 1906?—A. Yes, there was a writ served on me here in Ottawa.

Q. Would you mind telling the committee what it means, that is as far as you can?—A. I can say this, I was greatly astonished at being served with a writ.

Q. It does astonish a man to get a writ served on him?—A. I was on the eve of going to England with my wife, I had purchased my accommodation on the steamer *Virginian* some time before, and this writ was served upon me as I was walking home from my office, in the street. I was leaving, I think, the next morning, and I handed it over to my secretary and told him to do what was necessary about it and send it to some law firm in Toronto to take whatever steps might be necessary.

Q. That is all you have to say to the committee with reference to it?—A. It was sent to McCarthy & Osler, and I do not know what steps were taken; I never heard anything more about it. I went to England about the 28th or 29th of August. That is all I know about the matter. I went immediately after.

Q. This was served on you on the 29th of August?—A. I sailed from Rimouski on the 31st.

Q. And you say to the committee that you have no financial dealings by way of loan, or in any other way, with Jewell or Jewell & Company, serving as the basis for the issue of that writ?—A. I never had any transactions whatever.

Q. Did you ever talk that matter over, the service of the writ, or the claim upon which the writ was based, with Mr. Lewis, of Montreal?—A. No.

Q. You never—are you quite sure about that?—A. Well, that is to the best of my recollection.

Q. You did not see Mr. Lewis in Montreal and talk over this matter with Mr. Lewis?—A. I never saw Mr. Lewis in Montreal about this matter.

Q. Nor did Mr. Lewis see you here to talk over this matter?—A. Not so far as I remember.

Q. You have no recollection that you ever talked over this matter with Mr. Lewis?—A. None whatever.

Q. Do you know who were associated with you in that writ?—A. I do not remember, outside of my secretary.

Q. You know your secretary was. I think it would be fair now that I have asked the question to put the claim, the writ itself, before the committee, so that they might be in possession of it. The questions have given the idea but not the whole idea. This is the writ that was issued in the High Court of Justice of Ontario, between J. H. Jewell & Co., plaintiffs, and F. Orr Lewis, H. H. Wickwire, William North, Charles L. Panet and Sir Frederick Borden, defendants, on or about the 13th of October, 1904, that is the date, as follows:—

‘ IN THE HIGH COURT OF JUSTICE.

‘ Between

‘ J. H. Jewell & Company,

Plaintiffs;

‘ and

‘ F. Orr Lewis, H. H. Wickwire, William North, Charles L. Panet, and Sir Frederick Borden,
Defendants.

‘ STATEMENT OF CLAIM.

‘ (1) The plaintiffs are bankers and brokers, carrying on business at the city of Toronto, in the province of Ontario.

‘ (2) The defendants are all British subjects, and with the exception of the defendant North, residing within the Dominion of Canada.

‘ (3) On or about the 13th day of October, 1904, the plaintiffs loaned to the defendants the sum of \$9,000 by draft payable to the defendant H. H. Wickwire, and which draft was endorsed over by the defendant Wickwire to the defendant North, and the proceeds of which draft were jointly received by all of the above-named defendants.

‘ (4) On or about the 18th day of June, 1906, the defendants through one, J. H. Jewell, repaid to the plaintiffs the sum of \$7,000 on account of said indebtedness.

‘ (5) The amount still due to the plaintiffs by the defendants on account of said loan is the sum of \$2,723.75, and interest thereon at 5 per cent per annum from the 22nd day of May, 1906, which said balance is arrived at as follows:—

‘ 13th October, 1904, to draft above mentioned.	\$9,000 00
‘ Interest thereon at 5 per cent per annum from 13th October, 1904, to 22nd May, 1906.	723 75
	\$9,723 75
‘ 18th June, 1906, credit.	7,000 00
	\$2,723 75

‘ (6) The plaintiffs have demanded said balance from said defendants, but the defendants have refused, and still refuse, to pay the same to the plaintiffs.

‘ (7) The plaintiffs claim:—

- ‘ 1. The said balance of \$2,723.75.
- ‘ 2. Interest thereon from 22nd May, 1906, at 5 per cent per annum to day of judgment.
- ‘ 3. Their costs in this action.
- ‘ 4. Such further and other relief as the nature of the case may require, and to the court may seem just.

‘ (8) The plaintiffs propose that this action should be tried at the city of Toronto.

‘ Delivered this 19th day of September, 1906, by John A. Milne, Temple Building, Toronto, Solicitor for the plaintiffs.’

Mr. ROCHE (Halifax).—I beg pardon, I did not quite catch the reference to the interest mentioned in the writ.

Mr. FOSTER.—That runs ‘ to the day of judgment.’ Is that the way they do those things, running to the day of judgment?

Mr. ROCHE (Halifax).—What is the rate of interest?

Mr. FOSTER.—Five per cent.

Mr. ROCHE (Halifax).—From the date of the loan?

Mr. FOSTER.—From the date of the loan to the time payment is made.

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By Mr. Foster:

Q. That lays the whole case before the committee. I suppose you have seen the writ, Sir Frederick?—A. No, I never saw the writ. I saw what was served on me. There is one statement I would like to make with regard to that. There is a statement in the writ that demand had been made: 'the plaintiffs have demanded said balance from said defendants, but the defendants have refused, and still refuse, to pay the same to the plaintiffs.' No demand of any kind or description was ever made on me for one dollar.

Hon. MR. AYLESWORTH.—The service of the writ is an effective demand.

The WITNESS.—Well, I thought that meant that they had demanded that by letter or something else. I never heard of it.

By Mr. Foster:

Q. So far as you recollect that was the claim upon which the writ was served upon you?—A. There is no question about the writ, but I do not know anything about the details.

Q. Do you know, or did you know, whether or not that had been satisfied and withdrawn?—A. No.

Q. You do not know?—A. No.

Q. Do you know Mr. North, who is mentioned there?—A. I do.

Q. Who is he?—A. He is a gentleman living in Boston.

Q. A British subject?—A. No.

Q. The statement there is that he is a British subject?—A. Oh, no, it says the others are British subjects.

Q. Mr. North is a gentleman living in Boston. Is he connected in any way with the sub-target machine?—A. I do not know.

Q. All those others against whom the writ was issued were shareholders in the company except yourself and your secretary?—A. I do not know.

Q. You do not know whether Mr. North had any connection with the Boston company or not?—A. No.

Q. Nor any interest therein?—A. No.

Q. Did you ever at any time talk with the Hon. Mr. Hyman with reference to this contract?—A. No, never. I think I can state most positively and distinctly that I never had a talk with him about the contract.

Q. Did you ever intimate to any one who was pressing you for the contract that if they secured Mr. Hyman's co-operation you might enlarge the contract?—A. I do not think so.

Q. You do not recollect any conversation?—A. I think it is highly improbable.

Q. You think it is highly improbable and you do not recollect it?—A. No. I am in the habit of running my own department myself.

Q. Yes, but colleagues will have business with each other occasionally you know?—A. Oh, yes, quite so.

Q. Did you ever say to Mr. Dewart or Mr. Jewell that Mr. Hyman's co-operation might be a factor in the matter of having a favourable contract?—A. I have no recollection.

Q. You have none?—A. None whatever. I do not think it is probable or even possible.

Q. It would not be probable?—A. Oh, no, it is not probable.

Q. It would not be very dreadful you know if you did?—A. I have no recollection, absolutely none. I do not think I did.

Q. Now, Sir Frederick, do you wish to make any other statement before the committee at all? Those are all the questions I wish to ask you, but if you wish to state anything else, I do not know that there is any necessity for it. I might ask you one question. Did you know whether or not your private secretary had any connection

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by way of holding stock with the company?—A. I did not. The first I heard of it was in this investigation.

Q. Did you ask your secretary in any way, did you talk over the matter with your secretary as to the issuing of this writ?—A. I left word with him to send whatever it was, I am not very well up in that kind of thing, to Toronto, and it was sent to the firm of McCarthy & Osler.

Q. And did he give you any explanation at all of the writ?—A. No. There is a letter, my secretary has a letter which he received, and which we have found since the day you asked him the question, which corroborates what he said. I think it was not Mr. Leighton McCarthy; it turns out that it was Mr. Lally McCarthy that wrote the letter which can be put in evidence.

Q. He seems not to have known anything of the purpose of the writ or the claim?—A. He had not the slightest idea.

Mr. FOSTER.—That is all I wish to ask the minister.

Sir FREDERICK BORDEN.—Well, perhaps I might refer again to the letter of Lord Dundonald, which has been read, and which shows that for more than a year before entering into this contract this machine gun was brought here, and was referred, on the advice of Lord Dundonald, to the School of Musketry to be tried for a year. It was so tried, carefully, and the report which appears in the papers brought down, from the head of the School of Musketry, very strongly endorsed the gun. I would like to point out also in the letter of Lord Dundonald, that he was aware of the price, that he not only approved of the gun, but inferentially, at least, approved of the price at \$250; that would be, of course, so far as one gun was concerned. I would like also to call attention to the fact that on June 3, the very next day after Lord Dundonald had made that recommendation, the Boston representative of the Sub-Target Gun Company of Boston, Mr. A. P. Damon, handed in the following telegram from Boston, Mass.: ‘Will give Canada same terms as United States.’ That is signed by the Sub-Target Gun Company, and is addressed to A. P. Damon, at Russell House, Ottawa. And then there is this note from Mr. Damon: ‘This telegram is in reply to my inquiry, “Will you give Canada same terms on future orders as you give the United States on future orders.”’ This is signed by A. P. Damon, agent for the Sub-Target Gun Company. As a matter of fact that understanding was incorporated in the contract. I do not know that I have anything further to add.

Witness retired.

Mr. DEWART, recalled.

By Mr. Foster:

Q. Mention has been made of Mr. North’s name; do you know the gentleman?—A. I do not know him, never saw him, never had any communication with him in any shape, manner or form.

Witness retired.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RELATING TO A PAYMENT OF

\$10,314.78 TO R. T. MACILREITH, HALIFAX

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1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

FIFTEENTH REPORT.

Your committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$10,314.78 to R. T. MacIlreith, of Halifax, in connection with legal expenses, as set out at page B—18 of the Report of the Auditor General for the fiscal year ended June 30, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 TUESDAY, March 12, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the consideration of a payment of \$10,314.78 to R. T. MacIlreith, of Halifax, for legal expenses, as set out at B—18.

Mr. ROBERT T. MACILREITH, called, sworn and examined.

By Mr. Crocket:

Q. Your name, please?—A. Robert T. MacIlreith.

Q. You are a barrister?—A. Yes.

Q. Residing and practising in Halifax?—A. Yes.

Q. Are you a member of a firm?—A. Yes.

Q. How many members are there in the firm?—A. Two.

Q. What is the name of the firm?—A. MacIlreith & Tremaine.

Q. You have a partner?—A. Yes.

Q. What is his name?—A. Mr. Tremaine.

Q. I believe you have been acting as agent of the Justice Department at Halifax?
 —A. Yes.

Q. And during the fiscal year ending 30th June last you acted for the government, for the Railway Department, in acquiring a number of properties on Water street?—A. Yes.

Q. And in the same year you also acted for the government in acquiring what is known as the Cotton Mills site for a roundhouse?—A. Yes.

Q. What was the purpose for which the Water street property was taken?—A. The double-tracking of the railway, and to provide increased accommodation on the water front.

Q. Have you in your mind the cost of that property to the Railway Department?
 —A. No, I could not answer that. Some of the persons the land was taken from did not accept the amount tendered by the Crown, the property was being expropriated, and there is no way of fixing what the exact cost would be.

Q. So that you have not in your mind the amount? So that you cannot give an approximate idea of the cost of the property?—A. No, I could not.

Q. What did your services, generally speaking, principally consist of in connection with this purchase of the water street property and the Cotton factory?—A. The searching of the titles and the preparing of the deeds.

Q. The searching of the titles and the preparing of deeds were the principal services you rendered?—A. That was so.

Q. I see in connection with these two properties you received from the government \$4,115.42?—A. Which two?

Q. The Water street and the Henderson property?—A. I do not know the amount.

Q. That is the amount of your bill?—A. It may have been, I do not know.

Q. Are you unable to say?—A. No, I do not know exactly, I have never seen the Auditor General's Report.

Q. I suppose you have seen the reports forwarded to the Railway Department?—
 A. Yes, but they are separate accounts, I have never totalled them. Show me the accounts, they are all separate accounts, they are not in one account.

Q. You are not able to say just the total amount you received for your services in connection with these two properties?—A. I have never totalled them.

Q. I think these are all in order. Mr. MacIlreith, you might just total them up. (Accounts handed to witness.) This is the amount, I might say, Mr. MacIlreith, as it appears in the Auditor General's Report in connection with these charges I have spoken of?—A. I have no doubt it is right.

Q. \$4,115.40, and you say the services consisted chiefly in searching the records and preparing the deeds?—A. That will appear in each account, which tells exactly what it is for.

Q. I notice you have charged the Railway Department for the bulk of your searching at the rate of \$15 per day?—A. Yes.

Q. I presume that searching is done by yourself?—A. No, I did not search any of these titles.

Q. You did not search any of the titles personally?—A. No, my partner did.

Q. You say, I am referring in the first place to the Water street property, I want to understand if the searching was done by your partner?—A. Well, it would be my partner with assistants. He could not do it all by himself.

Q. He could not?—A. No, there were about 40 or 60 titles, I just forget the number.

Q. There were 42 titles?—A. 42, eh.

Q. What assistance did he have, Mr. MacIlreith?—A. He probably had other men.

Q. From your office?—A. Yes, men I have down there; there will be two other barristers.

Mr. ROCHE (Halifax).—I would like to know what this inquiry is about.

Mr. CROCKET.—If my friend from Halifax will possess himself in patience he will discover. This inquiry is in reference to accounts of Mr. MacIlreith for the amounts he has been receiving from the government.

By Mr. Crocket:

Q. I do not understand what assistance your partner had in making these searches?—A. I could not say in reference to each one of the titles, but I think he would have two other barristers there.

Q. In connection with all these titles?—A. I could not say.

Q. You are not able to say?—A. Mr. Crocket, I do not search titles, that is left altogether to my partner. That is merely the work of going over the records.

Q. You made a separate account against the Railway Department for each of these properties?—A. Yes, that is the way it has always been done.

Q. What staff have you employed in your office?—A. In my own office I have a stenographer and an office boy.

Q. You have an office boy?—A. Yes.

Q. A female stenographer and an office boy?—A. Yes.

Q. Will you look up the account in connection with the property of the heirs of W. J. Robertson?—A. That is in Water street, is it not?

Q. Yes?—A. Yes, the heirs of W. J. Robertson.

Q. Have you a charge there dated August 27 for searching title, \$15?—A. On August 27?

Q. Yes, on August 27?—A. There is August 24 here and August 28; there is no August 27.

Q. Is there no August 27 there?—A. No.

Q. 'August 27, searching title reg. deeds all day, \$15'?—A. Oh, down there.

Q. Yes. Now turn to the account of the estate—you charged the Railway Department all day searching the title of the property of the heirs of W. J. Robertson on that day. Now turn to the account of the estate of J. W. Ritchie?—A. James Ritchie, did you say?

Q. Estate of J. W. Ritchie, on August 27?—A. J. W. Ritchie, yes, on August 27?

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Q. August 27?—A. No, it does not appear here.

Q. Perhaps there is another Ritchie there, is there not?—A. There may be, I will look.

Q. Have you got the other accounts there, let me see them? (Accounts handed to Mr. Crocket.) That is not the one; please keep these in order. Now, Peter Mason, I want you to look at Peter Mason's account?—A. Peter Mason's account? Yes, this is subsequent to the other is it? Yes, I have it here.

Q. Have you a charge there under date of September 1 against the Railway Department for searching the title all day on September 1, \$15?—A. For Peter Mason's?

Q. Yes?—A. No.

Q. On September 1?—A. September 11 is the first item in September.

Q. It is September 11 I should have said?—A. Yes, that is September 11.

Q. There is a charge of \$15 there?—A. Yes.

Q. That is for searching all day on September 11. Now, turn up the account of Parker Archibald?—A. Yes.

Q. Have you charges for searching for five days there?—A. For five days.

Q. Under what date?—A. Under the 11th of September.

Q. At how much a day?—A. Well, it is lumped. It is less than \$15 per day. It is \$50.

Q. That is at the rate of \$10 per day?—A. Yes.

Q. Now, turn to the account of James Crawford?—A. James Crawford, yes.

Q. Have you a charge against the Railway Department for searching James Crawford's title?—A. Yes.

Q. On September 11?—A. Yes.

Q. 'All day,' \$15; that is three days you seem to have got in on the 11th of September?—A. Yes, that would be all right, one at \$10, and two at \$15.

Q. Now, turn to the account of A. I. Rockwell, and if you run across the account of McMullin at the same time, either Rockwell or McMullin?—A. Daniel McMullin?

Q. Yes. Have you a charge against him for searching title?—A. Yes, \$10, on September 11.

Q. You charge the Railway Department again with the whole day for searching D. McMullin's title?—A. Yes.

Q. Now turn to the account of A. I. Rockwell?—A. A. I. Rockwell, yes.

Q. Is there a charge there for searching the title deeds on the 11th, and how much?—A. \$10.

Q. On that day, September 11, you charged the government—you charged five days against the government for September 11, in the first place—or the Railway Department rather—with a whole day for searching the title of Parker Archibald at \$10, and then you charge the government with the whole day again for searching the title of James Crawford, \$15; and then you charge the government for the whole day, on the same day again, for searching the title of Peter Mason, \$15; and then you charge the Railway Department again with the whole day, on the same day, for searching the title of A. I. Rockwell, \$10; and you charge the government again with the whole day, on the same day, for searching the title of D. McMullin, \$10; amounting to \$60 for that day's searching. I do not want, Mr. MacIlreith, to take you over the whole of these accounts, but if you turn up now to the date of September 7 you will find that you charge in the same day, the government, the whole day of September 7 for searching J. A. Artz' title, \$15; the whole day for searching the title of the estate of James Goreham, \$10; the whole day for searching the title of Mary Graves, \$15; and of Peter Mason, \$15; and then the whole day again for Caroline Smith \$10; and then for Parker Archibald the whole day again, \$10. Now, on September 7 you charge the government with six days' work performed on that one day at a cost of \$75, is that correct?—A. I will have to go over these vouchers to answer that.

Q. I think you could verify that?—A. Oh, yes, give me the names and I will verify it.

Q. J. I. Artz?—A. September, what date?

Q. September 7?—A. September 7, yes, that is one.

Q. He is down for \$15?—A. Yes.

Q. Then the estate of James Goreham?—A. James Goreham estate, 7th September, 'Search in reg. deeds and probate, \$10.'

Q. \$10?—A. Yes.

Q. And Mary Graves?—A. On September 7, yes.

Q. For \$15 on September 7?—A. Yes.

Q. And Peter Mason?—A. Peter Mason? What are the others there, Mr. Crocket?

Q. Peter Mason, Caroline Smith, and Parker Archibald?—A. On September 7, yes.

Q. Yes. Now, Peter Mason?—A. Nothing here on September 7.

Q. Did I say September 7?—A. Yes.

Q. Is not Peter Mason there on September 7?—A. No, September 11.

Q. Well, take Caroline Smith and Parker Archibald?—A. Caroline Smith, September 7, \$10.

Q. And Parker Archibald?—A. Parker Archibald, September 7? No, not until later.

By Mr. German:

Q. Witness, cannot you speak up so that we can hear you?—A. I say there is no charge on the 7th.

By Mr. Crocket:

Q. Yes, there is a charge of five days made on September 11?—A. Oh, yes, that might cover the 7th.

Q. So that you charge on that date these items amounting to \$75?—A. That is if the five days means continuously searching. I cannot say about that.

Q. It does if you read it that way?—A. Yes, reading it that way.

Q. I find you have charged the Railway Department on August 30, 7 days: the whole day for searching the title of Mary Graves, the whole day searching the title of Ritchie and Menger, \$10; James Ritchie, \$10; the whole day searching the title of W. J. Robertson, \$15; the whole day searching the title of Thomas Spry, \$15; and in addition to that there are services at the prothonotaries office in connection with the Spry land of \$7.50, and in the probate office, \$5, and at the probate office for Mary Graves, \$5?—A. Begin with the first one, please.

Q. Mary Graves—these all amount to \$85 for searching charges on that one day; there is the Graves estate, the estate of Ritchie, Ritchie and Menger, Thomas Ritchie, the heirs of W. J. Robertson, and Thomas Spry?—A. The estate of J. W. Ritchie, did you say?

Q. Yes?—A. The estate of J. W. Ritchie, what date?

Q. August 30?—A. 'August 30, search at reg. deeds, \$7.50.'

Q. Three hours, it is there?—A. Three hours, yes.

Q. That is what I have here?—A. Now, Ritchie and Menger?

Q. Yes?—A. '30th of August, further search in reg. deeds, one day, \$10.'

Q. Is that the whole day?—A. One day.

Q. That is all right?—A. Who is next?

Q. Thomas Ritchie?—A. 'August 30, search in reg. deeds this day, \$10.'

Q. That is on the same day?—A. The same day.

Q. You charge that whole day?—A. Yes, one day.

Q. The heirs of W. J. Robertson?—A. W. J. Robertson? There is no September 30 here.

Q. August 30?—A. August 30, I beg pardon. No, no August 30.

Q. What did you say?—A. I say there is no charge on August 30.

Q. No charge against the heirs of W. J. Robertson on that day?—A. There is a charge on the 28th, but no charge on August 30.

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Q. (Pointing to document) Is not that August 30?—A. No, November.

Q. Then that goes out. Now, Thomas Spry, look up the account of Thomas Spry?—A. 'August 30, search in reg. deeds, one day, \$15.'

Q. You have other charges there in the Spry account on the same day, have you not, for search?—A. For search in prothonotary's office?

Q. How much?—A. \$5.

Q. And in the probate office, how much for that day?—A. \$5.

Q. Now, the account of Mary Graves?—A. Mary Graves? yes.

Q. What have you charged there on that same day?—A. 'August 30, search at reg. deeds all day, \$10.'

By Mr. Emmerson:

Q. That is on the 30th of what month?—A. The 30th of August.

By Mr. Crocket:

Q. In that connection you have charged the Railway Department for the whole day in searching the title of Mary Graves at the registry office, you have charged the Railway Department with three hours on the same day for searching the title of the estate of J. W. Ritchie, \$7.50; you have charged the Railway Department with the whole day again for searching the title of Ritchie and Menger, \$10; you have charged the Railway Department on the same day for the whole day in searching the title of Thomas Ritchie, \$10; you have charged the Railway Department on the same day with the whole day in searching the title of Thomas Spry, \$15; and in addition to that you have charged the department with \$5 each for three searches, two of the probate office and one of the prothonotary's office—what is your explanation of that, Mr. MacIlreith?—A. Well, the chances are that Mr. Tremaine had other help. I know that we used two barristers down there right along, and all these titles had to be gone over, and it may have been he had additional help; I do not know personally, I cannot say.

Q. Personally you cannot say?—A. He had the running of the searches. I had nothing to do with it, and cannot tell you exactly.

Q. Do you think it is at all likely that your partner, Mr. Tremaine, had on one day five different solicitors to search out the details in the registry office of adjoining titles?—A. It is possible.

Q. Will you say it is a fact?—A. I cannot say.

By Mr. McCarthy (Simcoe):

Q. Does the \$10 charged in each case cover the certificate of title?

Mr. CROCKET.—No, it does not, it is just for searching.

A. The certificate is attached to the abstract.

By Mr. Crocket:

Q. You have made separate charges for the abstract, have you not, in each case? Now, that is the only explanation, Mr. MacIlreith, and I want to ask you if that is your bill?—A. Yes, that is my bill.

Q. Do you say that on all those days of which I have spoken there were five different solicitors searching those titles on the same day?—A. Well, it must be that, or the dates are wrong. I cannot tell you that.

Q. Who are the two solicitors you speak of?—A. We have a man named Cummings there.

Q. He is not employed in your office, is he?—A. He looks after all our police court work, searching, &c.

Q. What is his name?—A. A. G.

Q. Who is the other?—A. M. M. Reynolds.

Q. If they did the searching of course your books will show that you paid them

for it, will they not?—A. Oh, yes, the books will show.

Q. Can you turn up any of the entries showing that these men were paid for that work?—A. I have only brought my government books with me. I do not know whether it is in these. I have never seen the inside of these books since I have been in the business. I think these books only show the accounts with the departments, as far as I know.

Q. Mr. MacIlreith, do you think it at all likely that there could be five solicitors searching records on the same day for your office without your knowing of it?—A. There is only way I can suggest by which you can obtain that information, and that is to call Mr. Tremaine; that is the only way.

Q. Do you think that five solicitors could be employed in your office without your knowing it?—A. I am sometimes not in my office for a week.

Q. You think that is possible?—A. Yes, it is possible.

Q. And probable?—A. I have answered that it is possible.

Q. Can you turn up and show me where any moneys have been paid to any solicitors for examining these records? I would like you to turn it up?—A. I cannot do that from these books here.

Q. You say that you cannot show any entry in your books showing that solicitors have been paid for searching the Water street titles?—A. I know that some solicitors have been paid.

By the Hon. Mr. Emmerson:

Q. The witness has not said that he cannot show any entry in his books of payments to solicitors for searching these titles. He says there are no entries in these books that he has here. I think the witness should be treated with due courtesy. He has stated that he has not the book relating to any payments of that description here.

By Mr. Crocket:

Q. You were asked and subpoenaed to bring your books of account?—A. Showing the payments from the government to me in connection with these searches.

Q. Your books of accounts containing all entries or memoranda in any way relating to the matters in question?—A. I have the subpoena here (producing subpoena and reads): 'Your books of account containing all memoranda, entries, &c., in relation to the payment of \$10,418.78.' Those are the books I have, but I have not any of my ordinary business books, the firm's books. These are just the accounts between the government and my firm.

Q. That is all you thought necessary to bring under the subpoena?—A. That is all I thought the subpoena meant.

Q. I see you have indicated in all these accounts all the cash outlay that has been made for these services. If you paid the registrar or any one else you had a column for outlay that was paid. That is all indicated in one column, and your charges against the government are in another column?—A. The disbursements are in one column.

Q. There is nothing in these accounts to show any disbursement of moneys paid to other than solicitors or clerks in your own office?—A. To the registrars of deeds.

Q. I am confining my question to the solicitors or clerks; there is nothing in the accounts there, they do not appear in the disbursement column?—A. I do not understand what you mean.

Q. You have made a column there of disbursements in connection with each of these accounts, showing the money that has been paid out. If you had paid out any money in connection with these searches you would indicate it in that column as a disbursement, and there is no entry of disbursements made to a solicitor in connection with any of these searches?—A. Those would not appear here; this is an account to the department.

Q. That does not appear there?—A. No, it would not appear here, because I could

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not charge for my services and for the services of the solicitor as well. The charge that I make for my service includes the solicitors. That would be charging twice.

Q. Well, it looks to me as if there are some charges made six times over here?—
A. Oh well—:

Q. You have said your office staff consists, in addition to the firm, you have a stenographer and office boy?—A. And the additional help that I get in, that I told you of; exactly what I have told you.

Q. They have offices in the building?—A. Yes, right next to me.

Q. They do business on their own account?—A. They all do business, and they do business for me.

Q. I find, Mr. MacIlreith, that in all you have charged for 131 days' searching at \$15 in connection with this?—A. The bills will show.

Q. Well, I went over them. There are 131 days at \$15, there are $7\frac{1}{2}$ days at \$13.33, that is \$10 for three-quarters of a day; $44\frac{3}{4}$ days at \$10, making $182\frac{3}{4}$ days that appear in this account to have been charged against the Railway Department for searching these titles?—A. I do not know; I would have to add them up.

Q. You are not able to say you have not?—A. I could not say. I would have to add up the accounts which show the number of days.

Q. I may say I have taken the trouble to go over the accounts, and that is what I have found. Do you believe that it was possible that number of days could have been legitimately occupied in searching these titles?—A. I think so. Some titles are very complex and take a great many deeds to search. You see there are 42 titles; how many days do you say?

Q. $182\frac{3}{4}$ days?—A. Oh, yes, that is possible; that included the searches in the registry of deeds and the prothonotary's office.

Q. No, it did not; there are 70 miscellaneous searches besides?—A. Well, I imagine it required the full time. I feel satisfied the charge would not be there if it had not taken that time. I know that some searches in Halifax titles are very complicated, and it takes considerable time to complete them.

Q. And you believe that that work of searching those titles would take $182\frac{3}{4}$ days besides 70 supplementary searches?—A. I feel satisfied the time was taken or the charge would not be there.

Q. And that is the only explanation you have?—A. I will have to see the accounts. I did not make the search, did not superintend it, and cannot tell you how many days it took. If you will have my partner here, however, he will be able to tell you, because he had charge of the work. I have to speak in this indefinite way because I cannot tell how many days it took. He employed the help he required and made out the bill.

Q. The total of your charge is \$2,842; I think that is what you have charged for searching those titles of the Water street property. I want to ask if you consider \$2,842 a fair and reasonable charge against the Railway Department, or anybody else, for a search such as was made in this case?—A. These charges were the regular tariff of fees. Of course that has all been subject to taxation by the Deputy Minister of Justice. You will notice on every one of these accounts there is the certificate of taxing.

Q. I have observed the taxation by the deputy minister?—A. He checks each account.

Q. I might say the deputy minister, where you charged in the case of two or three accounts, and where there was some pretense of taxation, you charged \$10 per day, and he had to cut it down to \$5?—A. He may have; I do not know.

Q. But where you present an account—

Mr. MACLEAN (Lunenburg) objected to question.

By Mr. Crocket:

Q. In addition to that you made searches for the Henderson property?—A. My office did.

Q. And your charge here was \$812.50?

Mr. ROCHE (Halifax).—Is this the same property?

Mr. CROCKET.—No, this is the Henderson property. Now, in that case, Mr. MacIlreith, you might turn up that account of the Henderson property. You have the Henderson account there, have you, Mr. MacIlreith?—A. I have not yet.

Q. What charges are made against the Railway Department there for searches?—A. The total is \$814.50.

Q. Is most of that for searches?—A. Yes, that is for searching, most of it.

Q. See if you have a charge of 17 days there at \$15?—A. 17 days—I do not understand your question at all?

Q. Yes, 17 days at \$15; and then there is another group I want to call your attention to?—A. I have to figure that out.

Q. There are separate charges at so much a day, at \$15 a day; now, in addition to that—that is not the account—oh yes, in addition to that in the Reeves property there, what is the charge? Searching the Reeves property, how much does that appear there?—A. 'Twelve days searching title in registry of deeds, probate, prothonotary and Crown lands, two solicitors and clerk, \$200.'

Q. In that case you have indicated there were two solicitors and clerk employed, and you charged \$200 for twelve days. Now, there is another item charged there where there were two solicitors and a clerk in the same account?—A. On May 1.

Q. What is that charge?—A. 'Searching title to this property in registry of deeds, probate, prothonotary and Crown lands, two solicitors and clerk, \$350.' That is for 16 days altogether.

Q. In these cases you indicated that the search was made by two solicitors and clerk, and for 12 days the charge is \$200 and for 16 days you charge \$350?—A. Yes.

Q. Can you say, Mr. MacIlreith, when you were instructed to begin the search of the Henderson property?—A. It is in the correspondence, 27th March, 1906.

Q. On 27th March, 1906, you got a letter of instruction? Who was that from?—A. Mr. Pottinger.

Q. Rendered on the 27th March—this letter is dated 23rd March?—A. I received it on the 27th.

Q. You received it on the 27th March and the search was continued under those instructions?—A. Yes.

Q. Now, for these two properties—the Water street property and the Henderson property combined—your total charges or the total charges of your office were, \$3,654.50?—A. I could not say without adding it up. I have never added it up.

Q. It is just a matter of addition; that is what the figures show?—A. The accounts show, I could not say.

Q. I ask you if you believe that that is a fair and reasonable charge for conducting such searches as these?—A. I think so.

Q. Is this a fair and reasonable charge in connection with the acquirement of two properties by the government, amounting to \$3,654.50, for solicitor's work in a registry office?—A. Oh, there is more than that; there is attendance on all these people asking them if they will accept the amount tendered by the Crown. There were any number of attendances on people; the bills show exactly.

Q. I am not asking that. In addition to that you charged for every attendance you made on everybody?—A. I suppose it ought to be there.

Q. I may say to you that I have an account here for one day, a simple bill for one day amounting to \$145.50. That is the amount of the charges that you made against the Railway Department for one day's services?

Mr. BENNETT.—Get that into the evidence.

Mr. CROCKET.—It will take some time to get it into the evidence; it works out. Take August 30, 1905, and you will find you have charged the government with all these attendances and with all these searches, amounting in all to \$145.50?—A. The bills will show. The bills will speak for themselves.

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Q. Do you deny that?—A. It is a matter of going through the bills.

Q. Just look that over and see if you will dispute my statement?—A. I would have to compare the bills with that. I cannot tell you unless I compare all the bills.

Q. I will ask you to compare them?—A. I am satisfied. Commencing here?

Q. Take August 28?—A. These are the accounts that were taxed by the Deputy Minister of Justice.

Mr. MACLEAN (Lunenburg).—I would submit is it right for Mr. Crocket to examine the witness upon the accounts which he has prepared for himself, not from the accounts filed?

Mr. CROCKET.—It is simply to expedite the inquiry.

By Hon. Mr. Emmerson:

Q. A certain charge is made on a certain date. Is that indicative of the fact that the work must necessarily have been done on that particular date?—A. No, I do not think so.

Q. Or is that the date when the charge was made, the work possibly having been done on a previous date?—A. Well, Mr. Emmerson—

Q. I want to know that?—A. What we do is, we go up to the registry office of deeds to make an abstract of the title, and as the work proceeds the number of days is put down on the title, and then later the thing is charged up in the books and sent to the department. It does not necessarily follow that the work was done on the day that it appears in the books.

Q. Well, it appears by certain details which you read out that on the 30th of August there was a charge for a search on that day. Is that conclusive that the work for which these several charges had been made was all performed by you on that particular day?—A. No, I do not think so.

Q. On August 30?—A. No, I do not think so.

By Mr. Bennett:

Q. Why did you seize that particular date to jot down the account?—A. Why? Do you mean when the account was being made up?

Q. Yes?—A. You see the search is completed before the account is made up at all, and what they do is to put down the number of days they are up in the registry office of deeds searching.

By Mr. Crocket:

Q. If you will allow me in connection with the suggestion of the Minister of Railways. For instance, take the account for August 30, you will find it reads: 'To search at registry office of deeds all this day.'

Mr. JOHNSTON.—Not all this day.

The WITNESS.—All day.

By Mr. Crocket:

Q. All day in some cases and 'All this a.m.' in others. Do you say those dates are not intended to indicate the searches were made on those days?—A. It does not necessarily follow that they happened on those days.

Q. There is only one case to which your attention has been called in which you group a number of days?—A. I did not group them.

Q. Where they were grouped in the account?—A. Yes.

Q. Five days. In every other case the search is down opposite a particular date. On August 30 the charge is to search at registry office all day. In other cases the account is for searching this day.

The CHAIRMAN.—The account does not say all this day, but all day—something very different.

Mr. CROCKET.—It says the whole day in some instances.

The CHAIRMAN.—I think that this account reads all day.

By Mr. Crocket:

Q. What about that account, I want it verified. Are you able to say that account I made up is not correct?—A. I would have to go through the bills. I do not know, I cannot say, without comparing it with the bills whether it is right or not. You could not expect me to remember all these items.

Q. This is an account showing the charges that you or your firm made. I am saying it was you because you are the agent of the Justice Department, and all the bills are in your name, not in the name of your firm?—A. Certainly.

Q. This is an account I have made out showing the charges that you made against the Railway Department on August 30, 1905?—A. Before you begin let me say to you that I performed this government business when I was a law student. I was then articulated to the firm of Borden, Ritchie & Chisholm, and when I got the business—when the business was handed over to me as the agent of the Department of Justice—I just followed the same plan that I followed when I was in Mr. Ritchie's office—Borden, Ritchie & Chisholm. I studied law in that office, and they used to do exactly the same thing with the bills then; that is the practice that I follow. We simply typewrite these copies of the account, making it up as I have already stated to you, and then it is sent to the Department of Justice. The bills were taxed then the same as they are taxed to-day. Mr. Newcombe, I think, was also the taxing master in Mr. Borden's time. I am just following exactly the same practice as I did when a law student in Mr. Borden's firm.

Q. As a law student?—A. Yes.

By Hon. Mr. Emmerson:

Q. In the working of it, the performance of the work?—A. Yes.

By Mr. Crocket:

Q. Do you say you are following the same practice as the other offices in charging five and six different days for searching in one day?—A. I remember some particular cases where we were up there a great many days on one title.

Q. Do you know whether in this case the work was actually done?—A. Certainly.

Q. Now, with reference to this bill—

Hon. Mr. EMMERSON.—I object to your putting into the witness' mouth that there are so many days charged for one day's work. The witness has explained very clearly and very reasonably that while there may be a number of charges on a particular date the work for which the charges were made may have been performed on entirely different days.

The WITNESS.—I cannot say.

Hon. Mr. EMMERSON.—So it is not a fair thing to have down in the evidence Mr. Crocket's statement of a conclusion which is a very erroneous one or may be a very erroneous one.

By Mr. Crocket:

Q. I am going to ask you a question, Mr. MacIlreith, on this. It will expedite matters if I read this account, and then I will base a question on it.

Mr. JOHNSTON.—I rise to a question of order. I do not think the witness ought to be questioned with regard to any paper whatever save the official papers that are before the committee, and I think that is a fair proposition for the chairman to give his ruling on.

The CHAIRMAN.—What were you going to ask the witness?

Mr. CROCKET.—I am framing a question for him to answer which embodies a number of items collected from these accounts.

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Mr. GERMAN.—Take the accounts themselves.

The CHAIRMAN.—Why not take the accounts themselves, you have got them right here?

Mr. CROCKET.—Surely I have a right to make notes from these accounts. It is a most ridiculous proposition for any member of this committee to make, and particularly a legal member—

Hon. Mr. EMERSON.—You cannot get the witness to swear about those things?

Mr. CROCKET.—That a man cannot hold a brief in his hands and question the witness upon it.

The CHAIRMAN.—Submit your question and we will see whether it is proper or not. We want to find out what the question is.

Mr. CROCKET.—If the committee wishes me to take up each and every one of these items I will.

Mr. JOHNSTON.—That is the better way.

Mr. MACLEAN (Lunenburg).—I object to that, because you have gone all over the matter before.

Mr. CROCKET.—Mr. MacIlreith says these charges were for attendance and other services. I pointed out to him that the charges I had been dealing with which are now called services had already been made, and that for every service he performed he made a separate charge, and on one day charged \$145.

Hon. Mr. EMERSON.—It appears the witness has no direct knowledge of the matters with respect to the charges or the dates of them. Of course it is possible for us to go into the details and ask this witness all these questions, but if the real desire is to get at the facts we will not pursue any such course as that; we will have Mr. Tremaine here, and then ask him. Then my learned friend can make his summaries. He has the accounts which would be evidence as to the details of these summaries, and he can make his speeches with respect to that; but for Mr. Crocket to submit his summary of the accounts to the witness and to ask him whether it is true or not does not seem to me to be the proper course. Certainly it is not aiding the committee, although it may be gratifying to the honourable gentleman himself.

Mr. BENNETT.—My friend Mr. Crocket does this: He produces a document or a copy of it and the witness has it to verify. On such a date so much is charged, and the witness has the opportunity either of assenting to it or saying no. Now surely that is a fair way to submit questions.

Hon. Mr. EMERSON.—You will pardon me, but these documents speak for themselves, do they not?

Mr. BENNETT.—And the papers in Mr. Crocket's possession are copies.

Hon. Mr. EMERSON.—The documents speak for themselves, and if you ask the witness a question as to what was done in connection with the accounts he would have to say, 'Yes, it so appears in the account.' Well, we have the evidence of it now; those accounts are in evidence before the committee.

(Argument followed.)

By Mr. Crocket:

Q. Mr. Chairman, if there is any very strenuous objection, and there seems to be, to this matter being gone into—

Mr. PARDEE.—There is no objection if it is evidence.

By Mr. Crocket:

Q. I will just put this question to Mr. MacIlreith. Would you be very much surprised, Mr. MacIlreith, to learn that you had charged the government, the Railway Department, for services in connection with these properties to the amount of \$145 for one day?—A. I am not at all.

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Q. Would you be surprised, if upon examining these accounts, you discover that fact?—A. That would depend upon the service and upon the number of men employed. That is all I can say as to that.

Q. Would you be surprised if upon examination of these accounts you learned there were 106 days occupied in searching, which was charged against the government, and of that 106 days 55 of them had been charged more than once?—A. I think that is possible.

Q. Some of them have been charged five or six times?—A. I have already given you my explanation.

Q. I am asking you now if that information surprises you?—(No answer.)

By Mr. German:

Q. I would like you to explain your system of docketts in Nova Scotia. Do the titles to each lot appear one after the other from the patent from the Crown down?—A. No. The system is that first there is the Crown grant, away back, as a rule we go back to the Crown grant, and then the entries are alphabetically arranged. You may have, in order to get one grantor, to go through pages and pages of the index book, there are about 60 of them, I think—oh, no, 89.

Q. In the province of Ontario, say you take lot 1 in the 5th concession of a certain township, and the first entry of that will be the patent from the Crown, and then every conveyance or instrument affecting that lot is registered under that lot?—A. No, we have not that system.

Q. You have the same system then practically as in the United States?—A. Yes.

Q. For instance, every document that comes in is registered one after the other, and the solicitor has to go through and pick them all out himself?—A. Exactly.

Q. And you make up abstracts from the long searches over the various documents that are registered?—A. Sometimes you get a title that will take you two or three weeks to search.

Q. I can easily understand it?—A. Sometimes there is a missing conveyance, for instance.

Q. Do you have lawyers who keep an abstract index book taken from the registry office?—A. I think the Nova Scotia Building Society have one.

Q. I understand, but the practising attorneys do not?—A. No.

Q. And the Nova Scotia Building Society, I suppose, have abstractors who go to the registry office, and you can go to them and pay them for an abstract?—A. No, it is their own private book for their own work. You cannot get it. And that book would not be complete; it has only titles that they happen to search.

Q. Did you have an office assistant go to the registry office and make abstracts for these properties?—A. Oh, yes.

Q. They made them themselves?—A. Yes—well, as far as I know—you see my partner had charge of it.

Q. They are city lots?—A. They are city lots, yes.

Q. And small lots?—A. Yes, the Water street lots are all small, with one or two exceptions.

Q. And they are subdivisions, I suppose, of larger lots?—A. Yes.

Q. You say you were in the office, as clerk and student, of Mr. Borden and Mr. Ritchie?—A. Yes.

Q. And they were the government agents at the time the Conservatives were in power?—A. Yes.

Q. Mr. R. L. Borden was?—A. Well, his partner, Mr. Chisholm, was the agent.

Q. But it was Mr. Borden's office?—A. Yes.

Q. Mr. Borden's partner was the agent of the department at that time?—A. Yes.

Q. You learned the system of searching titles in that office?—A. I searched titles there for them.

Q. Have you followed in connection with this property the same system adopted

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then?—A. Exactly; and I think we charge \$5 less than they charged. They charged \$20, if I remember, but their bills will show that.

Q. And you charge \$5 less?—A. And then the Deputy Minister of Justice has taxed me down a great deal more than their bills were.

Q. That is Mr. Newcombe?—A. Yes.

Q. Who is a Nova Scotia lawyer?—A. Yes.

Q. He taxed the bills and they were paid on his taxation?—A. Well, we always felt that they have been taxing them down lower than they should have been under the tariff.

Q. You think they were taxed more closely than the old bills?—A. We felt so, but of course that is a natural proposition.

By Mr. Lancaster:

Q. They were not charging six times in one day, were they?—A. Yes; I know in one case there were seven or eight articulated clerks in Mr. Borden's office. I happened to be one, I know. When we were buying this property for the new armouries at Halifax we were up there for three or four weeks, five or six of us, from day to day, and that is not nearly as large a property as this, and I think they charged \$20 a day.

By Mr. Barker:

Q. What is your position towards the government?—A. What is my position towards it?

Q. Yes, in what respect do you perform this duty?—A. As agent of the Department of Justice.

Q. And you act for any department through the Department of Justice, I suppose?—A. Yes.

Q. Are you personally the officer or is the firm employed?—A. I am the agent.

Q. You sign yourself, individually, all the certificates?—A. All the abstracts?

Q. Yes?—A. No, my partner.

Q. As to whether the titles are good or bad?—A. The abstracts are usually submitted to me.

Q. And you sign them in your name?—A. Yes.

Q. And the account is made out in your name?—A. Yes, the regulations of the department require that.

Q. It is not you and your partner, but it is yourself?—A. The regulations always require that.

Q. I am not asking you that, but that is the way it is done?—A. Yes.

Q. Before you sign a certificate that the title is good you see the abstract?—A. Yes, my partner assures me of that.

Q. Although you have seen all those abstracts—A. I can't say I have seen all of these, but the general practice is to show me any that there is any question about.

Q. Then you might have signed some without seeing whether the title was good or bad?—A. All abstracts must come before me.

Q. Then the abstract does come before you on every occasion before you sign a certificate to the government or report to the government that the title is good, bad or defective?—A. I would not say in every case.

Q. In nearly. I suppose there might be an exception in unimportant cases?—A. Of course, if there is any difficulty about the titles I would go over them carefully, my partner would call my attention to them. You see, we are liable if there is anything wrong in them.

Q. But is it your rule to look at the abstract and searches and the documents relating to the title before you sign a report to the government as to whether the title is good or bad?—A. Will you ask me that question again?

Q. Is it your rule to look at the certificates of title from the registry office, and any other documents relating to the title, before you send a report to the government

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as to whether the title is good or bad?—A. Well, I go through the abstract that is furnished me.

Q. Do you look at whatever is necessary to know whether the title is good or bad?—A. On the report of my partner?

Q. The papers submitted to you by your partner or somebody else?—A. Oh, no. Supposing it is just an ordinary deed from one grantor to a grantee, my partner would go through the deed unless there was some difficulty. If I had to go through all these things I could not do any other business.

Q. The gentleman who does the work tells you what it is and you sign it?—A. Tells me whether there is any difficulty.

Q. If he says it is all right you sign it?—A. He is responsible—

Q. You can explain that afterwards. Answer the question and make your explanation afterwards?—A. I was going on to explain.

Mr. BARKER.—Mr. Chairman, do you mean to give your ruling here that the witness has got a right to answer the question and not go on to explaining something else?

The CHAIRMAN.—The witness has a right to answer as he pleases.

Mr. BARKER.—He must answer my question, and not go into something else that I did not ask him about.

The CHAIRMAN.—The committee will see about that.

The WITNESS.—I say that my partner—

By Mr. Barker:

Q. Answer that question please?—A. I say that my partner searches the title—

Q. I did not ask you who searches the title?

The CHAIRMAN.—Let him answer the question; he has the right to answer.

Mr. BARKER.—I understand my business, Mr. Chairman, just as well as you understand yours.

The CHAIRMAN.—I beg your pardon, he has a right to answer the question just as he pleases, not just as you please. We have got to see what the answer is.

Mr. BARKER.—I asked him whether it is or is not his rule—

The CHAIRMAN.—You cannot have a yes or no answer to that question.

The WITNESS.—I will tell you what my rule is.

By Mr. Barker:

Q. I want to know what is your rule?—A. My practice and rule is: My partner goes up and makes a search in the title, and then he goes carefully through it, reading all the conveyance and searching the title in the ordinary way. Then he brings the title to me and I see the conveyance, and if there is any matter of difficulty he calls my attention to it. The instructions from the department are that we are required to certify every one of these titles and become responsible for them. If there is anything wrong with the title afterwards we have to assume the responsibility.

Q. Everybody knows that part of it that you are responsible for the title?—A. If I am satisfied that the title is satisfactory I sign it.

Q. You have signed for all those titles, have you not?—A. I would not say, the accounts show that.

Q. You have charged for them?—A. Well, the accounts speak for themselves.

Q. Have you any doubt that you have signed for all these accounts to the government? Do you not make it a rule to do it? I see your name on them?—A. Well, the titles will show, I cannot tell.

Q. You cannot even tell whether you have certified these titles to be right or not?—A. They must have been certified, otherwise the deputy minister would not pass them.

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Q. Then I suppose it is reasonable to conclude you did sign them?—A. I think it is fair to conclude they were signed.

Q. Now, having had these titles reported to you by the gentleman who made the search cannot you tell us who made the search?—A. My partner makes every one of them.

Q. Every one. Is your partner this gentleman who attends to your police court business?—A. No. You see my partner and Mr. Cummings—

Q. What is that gentleman's name?—A. Cummings. My partner attends to the searches with these men. They go all over these things.

Q. Is this gentleman Cummings in your regular employment?—A. He is in my regular employment in the police court end of the business.

Q. You employ him regularly to attend to your police court business?—A. He does all the work over there.

Q. What is the other gentleman employed for?—A. We have a lot of things to do; he works, too. We have got so much work that we cannot undertake it. You must understand there are a lot of titles—

Q. What is his name?—A. Reynolds. You see we have a lot of work that we could not undertake with just one man.

Q. You are explaining things, but I want to know who that man is?—A. I said Reynolds.

Q. You are explaining where he is employed, Mr. Reynolds, but I only want to know who Mr. Reynolds is?—A. You asked me what he did, I think; I may be wrong.

Q. You are wrong. What is Mr. Reynolds?—A. He is a barrister of the Supreme Court of Nova Scotia.

Q. Do you employ him regularly for your office?—A. I explained to you—

Q. Answer that question, and do not state what you have explained. I have asked you two or three times and you stopped me?—A. I am not trying to stop you, if it appears that way.

Q. Do you employ him regularly?—A. I would employ him regularly, or my partner would employ him, whenever we have pressing business we cannot take ourselves.

Q. Is he a practising barrister on his own account?—A. Yes, right next door.

Q. And whenever you have a press of business you send for him to help you?—A. Yes.

Q. And you do not know one thing of this important business for which the government has paid some \$4,000, and where you saw the report of the searcher in each case in each case you do not know whether that man was employed to read titles?—A. I do not know. My partner has charge of the searches; he would know that.

Q. Can you tell me whether Mr. Cummings was employed?—A. I know he was employed on some of them.

Q. On some of them?—A. At least I have seen him there with the papers in his hands.

Q. You do not know to what extent he was employed?—A. I cannot tell that.

Q. Do you keep a record in your books of the work done for the government, apart from these charges; have you a docket showing all the work you did?—A. Those bills are the originals.

Q. Do you not keep any record in your office as to the work you did in making these searches and who made them?—A. Mr. Tremaine can answer that for you.

By Mr. Lancaster:

Q. They were taken from some book; they were not made up from your head were they?—A. They were made up from the abstracts.

By Mr. Barker:

Q. You do not keep a record of what you did for which you charge \$4,000?—A. It is all on the abstracts.

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Q. Where are they?—A. You have got the abstracts here.

Q. I am not asking what you have sent to the government. You do a large amount of work for the government. Do you not keep in your office papers showing who did the work, perhaps in a docket entry?—A. You mean as to the employment of these men?

Q. No, I am speaking now of the work that was done. Are you unable to turn up your books and show what work was done and who did it? Supposing there was a question in the law courts could you turn to your books and show what you did to examine a title? Is there any record of that?—A. The record would be in these books.

Q. Show me one of them?—A. Which title do you want?

Q. Any one of them; I do not care which it is. Is this one of the titles?—A. Yes, the bill is a copy of that.

Q. Do you mean to tell me you do this work for the government and keep no record as to the work that is done?—A. It is made up from the abstracts.

By Mr. Lancaster:

Q. Made up into what book?—A. Into a day book and that comes into this book.

By Mr. Barker:

Q. These are simply accounts, charges?—A. Yes.

Q. You know what a lawyer's docket is, do you not, where you enter up all the work you have done?—A. We put it on the abstract that we keep of each.

Q. You keep that, do you?—A. Yes, the original abstract.

Q. They are in your office?—A. Yes, they are there.

Q. Then you have not brought them although they relate to this question?—A. Well, I could get the abstracts made each day.

Q. They show the work done and who did it?—A. I do not know they would show who did it.

Q. Would it not show that?—A. I do not know; you will have to get Mr. Tremaine to answer that for you. I have not searched one of these titles.

Q. You are the high cock-a-lorum of this, they are only assistants?—A. I do not think I have searched a title of any one of them, as far as I remember.

Q. It is all in these accounts?—A. Yes.

By Mr. Lancaster:

Q. Have you anybody who has a knowledge about who really does the work and makes that entry?—A. Yes, I think Mr. Tremaine can prove it.

Q. What I am asking you is have you any blotter, docket, or whatever you call it, where the person, whoever he may be, barrister, solicitor or student, who does a particular item of work himself, in his own handwriting makes the entry?—A. No; Mr. Tremaine would make the entry.

Q. If some one else did the work?—A. Certainly, the man goes to him and reports to him.

Q. If the item were disputed how would you propose to prove it by his evidence, which would be hearsay evidence, that is original evidence, of how the work was done?—A. These men work together; he comes down from the Court House and makes the charge.

Q. Then this person who does the work makes the entry?—A. No, the man working with them.

Q. Then it is one of the persons who does the work, makes the original entry?—A. That is what I have said.

Q. What do you call that book that you make the original entry in?—A. I call it the day book or memorandum book.

Q. Some lawyers call it blotters and day books, but I never saw an office that was properly run that did not have the man who did the work make the entry?—A. Mr. Tremaine makes it.

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By the Chairman:

Q. Does it not happen to you often that when you have done something for a client you call your bookkeeper or stenographer and dictate a charge to him?—(No answer.)

By Mr. Lancaster:

Q. I am not talking of the way you make charges to the government afterwards, but am asking where do you get the information, from books or from your memory, as to how many days have been spent in the work?—A. What I say is the first thing is that Mr. Tremaine goes to the registrar of deeds, and these men accompany him, and he has got assistants with him, and when he comes back—

Q. Then it is so—

The CHAIRMAN.—Let the witness answer the question.

By Mr. Lancaster:

Q. Is it so that somebody who assists in doing the work makes the entry?—A. No, Mr. Tremaine himself makes the entry.

Q. Does he make the entry when he does not do the work?—A. I expect he would.

Q. You expect that he would make the entry and that nobody else would make the entry?—A. No, nobody else could make an entry in my books.

By Hon. Mr. Emmerson:

Q. Is not that the original charge?—A. That is the original charge.

By Mr. Lancaster:

Q. What I want to get at is, do you have a book in which the person who does the work actually makes the entry himself?—A. Now, I have explained that—

Q. Does the person who performs the work make the entry?—A. I think Mr. Tremaine keeps the memorandum and dictates to the stenographer at the end of the day. I think that is the way the books are kept.

Q. Then you say that the stenographer would at the end of the day make the entry?—A. From Mr. Tremaine's dictation.

Q. From his instructions, and there would be no book which would indicate what particular person, as far as the book goes, did that work?—A. I would not say it does not show, because I cannot answer.

Q. Will you say which way it is?—A. Perhaps it is so, but I have never seen the inside of the book myself.

By Mr. Roche (Halifax):

Q. I want to ask one or two general questions. I want to ask what this property is worth. I asked the gentleman at first to finish up with this property, and not mix it with the Henderson property. Where were these properties situated, the titles of which you searched?—A. On Upper Water street.

Q. Where were they, in what connection, or I might ask, who were the original proprietors?—A. Oh, they were all little small plots.

Q. Had they any connection with the dockyard, were they pensioners?—A. Some of them may have worked in the dockyard.

Q. Were all the original proprietors and their heirs remaining in Halifax?—A. Oh no, no, sir. We had to send all over. I think there were a lot of people in the United States and Newfoundland and other places.

Q. Were a number of them heirs to these properties?—A. Yes, the Penny property, for instance.

Q. And the Robertson property has been spoken of. How was that property, were their heirs there?—A. If I had the abstract I could tell you.

Q. Were there heirs of that property living elsewhere—never mind if you cannot

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get it?—A. Generally, Mr. Roche, I remember there were some of them a number of heirs, and for quite a number of them they had to apply for letters of guardianship.

Q. Were these properties in the hands of mortgagees, properties that had been abandoned and matters of that kind?—A. A great many of them were in the hands of mortgagees, and then a number of heirs were infants and we had to get out letters of guardianship, and look into all that.

By Mr. Crockett:

Q. Your total account against the government during the last fiscal year amounted to \$10,300?—A. I saw that in the paper.

Q. You have no doubt about that, have you?—A. I cannot answer that for this reason, that cheques appear in the Auditor General's Report that we do not receive until after the year is closed. I might say that cheques are issued and included in the Auditor General's Report in one year although we do not receive them for a day or two afterwards.

By Mr. Maclean (Lunenburg):

Q. Do you receive moneys which you disburse on behalf of the government and which is included in that \$10,000?—A. Yes; where there are a number of heirs to a property the Crown makes out a cheque to me, and that will appear in the account against me.

By Mr. Barker:

Q. No, that amount is for legal services?—A. It may be.

By Mr. German:

Q. Would your partner know about that as well as these other items you do not know about?—A. About which?

Q. Moneys received from the government, that \$10,000 and what it is received for?—A. Yes, I suppose he would; these books show that.

Q. What is his name?—A. Mr. Tremaine.

(Argument followed.)

The WITNESS.—I was going to say that in that \$10,000 I was asked about there is an item of disbursement on account of the arrest of an American ship, amounting to \$2,100, in disbursements, out of \$2,300 or \$2,400. The ship was arrested at Sydney for infraction of the law, and the marshall and a couple of men were kept on board all summer; it amounted to \$1,500 or something like that for that. All of that is charged up against me. I am just pointing this out in explanation of the matter of disbursements.

Witness discharged.

By Hon. Mr. Emmerson:

Q. With regard to these searches in Nova Scotia, as an ordinary thing where titles go back to the early history of the province they involve a long time do they not?—A. Yes, Mr. Emmerson.

Q. The same as in New Brunswick, where they go back to 1783, and frequently you are required to go through Nova Scotia to search back to the deeds?—A. It is particularly true of Water street, because at one time that was a section of the city where all the older families lived, the original inhabitants of Halifax. Then when the railway came down that class of people moved out, and all the large lots were cut up and subdivided into smaller lots held by poorer people.

Q. Yes?—A. Of course if you get a whole lot of land which remains intact that is very much easier than where you get a lot subdivided in all sorts of ways; perhaps

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two lots, one mixed up with the other. That is the position of the titles on Water street.

Q. With regard to the method of making up your account, do you say you did not make the charge each day but you kept a tally of it until the search was finished?—A. Mr. Tremaine, Mr. Sinclair, will be able to tell you exactly about that.

Q. You are not sure about that?—A. I think the matter was dictated to the stenographer each day. That is my impression. That is what I do; I cannot say what he does.

The committee adjourned.

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
TUESDAY, March 19, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the further consideration of a payment of \$10,314.78 to R. T. MacIlreith, of Halifax, for legal expenses, as set out at B—18.

Mr. R. T. MACILREITH, recalled.

By Mr. Maclean:

Q. The last day you were on the stand giving evidence here I was examining you on the subject-matter of your fees, on which you had been questioned by Mr. Crocket, but when one o'clock arrived we were not through. I want to refer again to that question.

By Mr. Barker:

Q. Which of the Mr. Pearsons was it, Mr. MacIlreith, that you met in this transaction?—A. Mr. G. Fred. Pearson.

Q. What is the name of the other Mr. Pearson?—A. B. F. Pearson; he is the senior member of the firm.

Q. Had Mr. B. F. Pearson, or either of the Pearsons, any interest in this transaction?—A. I could not say that of my own knowledge. I have heard it so stated.

Q. But you do not know anything of your own knowledge?—A. No.

Q. Did you at any time think it?—A. I know absolutely nothing about it, Mr. Barker. The instruction I got from the department was the first intimation I had of the government buying that property.

Q. It was only afterwards that you learned the Pearsons were interested?—A. I heard rumours.

Q. When was that?—A. That must have been within a month. There was a lot of discussion about it. I never heard it before.

Q. You heard at all events only after your business was completed?—A. Oh, no, within the month. At the time I got instructions about this property we all thought in Halifax that the Campbell road site was agreed on by the department.

Q. Neither of the Pearsons told you of any interest they had in it?—A. No.

By Mr. Maclean:

Q. I wish to examine you in reference to your accounts. First, will you explain the system of registry in Nova Scotia?—A. Well, the conveyances are filed in order of

position in the registry office. The land is not blocked off as it is in Ontario. We have the American system of registering, and in searching title it is necessary to go over the alphabetical index for the name of the grantee or owner of the property, first, following down the search from the time he received the property until the sale of it. It may be he has conveyed several other properties in between these, that is between the time he bought that particular property and the time he sold it.

Q. So that, as it is in the United States, so it is in Halifax, all documents recording the transfers of property are recorded as deposited?—A. One after the other, yes.

Q. How many books containing these registers or transfers are there in the office?—A. There are about 370 parcels of land, I suppose on 800 or 1,000 pages.

Q. And to trace the title back to the Crown it is necessary to go back through these books?—A. You have to follow all the index books right back, and you have to look at every instrument that has been recorded in the name of the man whose title you are searching.

Q. In the case of a break in the title by failure to record a will, for instance, where do you have to search for it?—A. We find breaks in titles we can't account for sometimes, and in the case of wills we have to go to the probate office.

Q. Where the wills are recorded?—A. Where the wills are recorded.

Q. Then in addition to the registered deeds books is there a book in which judgments are registered?—A. Yes, they are all registered.

Q. And for a complete search you go through these?—A. Yes; and if they are marked unsatisfied we have to go to the office to see if they have been satisfied.

Q. In the case of mortgage does the register of the discharge satisfy you that it has been met?—A. If there has been a foreclosure it is necessary to go through the court papers, and in the case of a number of these Water street properties where foreclosures had taken place that had to be traced.

Q. What is the time usually taken to examine one title in Halifax?—A. That depends largely on the title, say from two days to one week or ten days. Of course when you get what is called a crooked title, it will take a great deal longer.

Q. It is almost impossible to search any title in Halifax, no matter how perfect, in less than two days?—A. I would not like to make a search in less than two days, and then you would have to have some information before you started in.

Q. In connection with this search of yours, any investigation into this matter was in charge of your partner?—A. Yes.

Q. What time did he commence in these matters, that is the Water street properties and the Henderson property, what time did that commence in your office?—A. It commenced in August and ended about the end of June or first of July.

Q. So that your partner was practically ten months engaged in this work?—A. Ten months, from the time the registry office opened until it closed he was working away on the title, practically he did nothing else.

Q. You have knowledge of that?—A. Yes; I know he was working on those titles.

Q. And he was working at the registry of deeds office or outside your office engaged in this work, every day, for practically all that time?—A. Yes, there and at the probate office and the prothonotary's office. He was engaged in this work entirely during that time. Of course there are some days you will see—

Q. And in addition to Mr. Tremaine you have a clerk in your own office and other assistants?—A. And Mr. Cummings, who I named the other day, he worked on it.

Q. I want to refer to the searches of titles referred to by Mr. Crocket the other day, commencing with J. W. Ritchie. I want to ask you if you have looked over your accounts and ascertained how long it took to make searches and titles?—A. I went carefully over the accounts after the examination.

Q. How many days did that take?—A. Two and one-third days. These were the ones that Mr. Crocket asked me about.

Q. And Peter Mason?—A. Three and two-third days.

Q. James Crawford?—A. Four days.

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Q. D. McMullin?—A. Two days.

Q. A. L. Rockwell?—A. Four and a half days.

Q. J. A. Artz?—A. Two days.

Q. James Goreham?—A. Four days, and the four days are not full days, they are two-thirds of a day each.

Q. Caroline Smith?—A. There are three days at two-thirds of a day.

Q. Making two days?—A. Making two days at \$10.

Q. Ritchie & Menger?—A. Three days, two-thirds of a day.

Q. Thomas Ritchie?—A. Two days, that is for two-thirds of each day.

Q. Now, Mr. Crocket stated the other day that you charged—A. Thomas Spry was another one he asked me about.

Q. Yes, what was that?—A. Two days.

Q. Mr. Crocket said you had searched 165 full days. Assuming that to be correct, what would be an average for the whole 47 titles? There were 47 titles, were there not, searched for the Water street properties?—A. Mr. Crocket told me there were 42. The abstract tells me there were 41, and the Penny property of 6, that is 47 titles instead of 42.

Q. And in addition to that there were six titles for the Henderson property. That would make what to each title?—A. Mr. Crocket said there were $180\frac{3}{4}$ days; 131 full days and 51 two-third days, which would be 34 full days, and that made 165 full days. 49 titles would be on the average $3\frac{1}{2}$ days to each title. I am just taking Mr. Crocket's figures. I suppose they are right; I do not say they are right.

Q. I want you to explain to the committee the system of charging up for services. Would the charges be made each day after the day's work was completed by either your partner or assistant?—A. No; as I explained the other day, the custom is to go up to the registry office, and if you can take two or three more searches with you, so that if, as we often do in searching title, we run across a grave difficulty we stop in that and proceed with the search of the next title, and if you are stopped again with that one, you take up another. What we do is simply go right on, and when we find a break in the title and cannot find a record of it you have to go either to the solicitor of the owner of the property, or to any other person that we find who has a knowledge of the matter, and get any information we can in order to straighten out the title and proceed with the search.

Q. And sometimes you have to search the court records?—A. Oh, yes, we of course exhaust the court records before going outside.

Q. How is the charge carried down from the person making the search into your books?—A. Take four or five titles, when you are working at them you put a memo. on your rough abstract, the memorandum you are making in the registry of deeds, and when you stop you mark it on your minutes of search. Then when your search is completed you put down whatever number of days you were searching that title.

Q. That would be transcribed by dictation?—A. Transcribed to the stenographers, yes, that is what I said the other day.

Q. Then the charge is not entered up in your book each day after the day's work?—A. No, sir, it is usually entered when the search is completed.

Q. For instance, take the month of December of that year, what was charged? How many searches were charged?—A. In December, speaking from memory, there were only two or three searches.

Q. That is in December?—A. Yes.

Q. And in the month of May?—A. Five searches were charged.

Q. Now, in October?—A. Twenty searches.

Q. April?—A. Fourteen searches.

Q. In June?—A. Twenty-three searches.

Q. Now, all these months Mr. Tremaine and his staff would be working?—A. Yes, the titles would not be finished, and would not be charged until they were.

Q. Well, Mr. Tremaine and his staff were working all this time?—A. If the title was finished in January it would be charged in January.

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Q. Have you gone through your accounts and made a statement to show the amounts of your monthly accounts as rendered to the department?—A. Yes; it shows our accounts spread over that period.

Q. What was the amount of your account rendered in September?—A. \$194.

Q. In October?—A. \$399.

Q. In November?—A. \$733.20.

Q. In December?—A. \$397.59.

Q. In January, 1906?—A. \$126.40.

Q. February?—A. February, \$326.60.

Q. What was the amount for March?—A. For March, \$653.08.

Q. For April?—A. \$236.08.

Q. For May?—A. \$219, and for June, \$589.60.

Q. That shows that the work was scattered throughout that period of ten months?—A. Yes.

Q. And that this period of ten months was devoted entirely to this matter?—A. Yes.

Q. Mr. Crocket asked you if it were possible you could have given good honest work for the amount of the accounts rendered?—A. There is no question about that. We had about 250 working days, or 260 in that period.

Q. What was the value of the property in question?—A. The Water street property was from \$150,000, between that and \$200,000.

Q. And the Henderson property?—A. \$45,400.

Q. And the amount involved was over \$200,000 and it took you ten months, and the charges, including all disbursements, were about—how much did you receive?—A. \$4,115, I think.

Q. That is correct; and in addition to that you had to give a certificate of title—what does that mean?—A. We have to certify that the title is correct, and if there is any mistake we have to assume the liability.

Q. As between you and the government you assumed the liability, and you are liable to the department if any flaw arises in the title hereafter?—A. Yes.

By Mr. Barker:

Q. Do you think the solicitor assures the title?—A. There is this, gentleman, that in private titles I would hesitate a long time before giving a certificate, but I am required to do it, and I have pointed out to the Department of Justice time and time again that it is not fair because it is a very difficult matter to complete title in Halifax; you have got to go over it time and time again.

By Hon. Mr. Emmerson:

Q. The Department of Justice insists upon your giving the certificate of title?—A. Yes.

By Mr. Maclean (Lunenburg):

Q. This account includes your disbursements at the registry of deeds, the probate and the prothonotary's office?—A. All disbursements.

By Mr. Reid (Grenville):

Q. Did you figure out how much the disbursements were out of that?—A. No, I could not say.

By Mr. Maclean (Lunenburg):

Q. In your accounts I notice a charge for 'supplementary search.' What does that mean?—A. A supplementary search is after the title has been searched up to a certain date it has to be sent to the Department of Railways and Canals, and subsequently I believe it goes to the Justice Department for approval, and as soon as they

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accept it it comes back and we have instructions to draw the deed. The deed has to be signed, and there is usually a space of a couple of months between the time the title is searched and the making of the deed, and it is necessary to search again, to make a supplementary search in order to see that the grantor has not parted with the property or any part of it in the meantime.

Q. The supplementary search is to cover the time between the date of searching title and the recording of the deed?—A. Yes.

Q. It is quite obvious that this search must always be made?—A. Yes, it has to be made.

Q. To illustrate some of the work done in these searches, I want you to take the Henderson property, take your abstract there, can you tell me in the case of the Henderson-Potts property, how many conveyances had you to search there?—A. We had to search 22 conveyances there.

By Mr. Maclean (Lunenburg):

Q. You might put it this way: how many conveyances were searched, in the Henderson-Potts property?—A. The record shows that in the Henderson-Potts property there were 22 conveyances dealing with the property, besides all other conveyances from Henderson, to search.

Q. With regard to the Robertson lot, how many conveyances were there to search?—A. Thirty-seven conveyances.

Q. How many in the Reeves property?—A. Thirty-eight.

Q. How many in the Hendry lot?—A. There were, I think, 8 or 10, say 8.

Q. And in connection with the Vieth property, how many were there?—A. Thirty-one.

Q. Altogether there were about 140 or 150 documents?—A. Yes.

Q. That (indicating documents) is your abstract of title, I believe?—A. Yes.

Q. How many pages are there in that?—A. Mr. Ames has marked it 54 or 55.

Q. The abstract of title is 54 pages of typewritten paper alone?—A. Yes, for the Henderson property.

Q. In addition to that, the accounts disclose that you had to do a great deal of other work in connection with all these searches?—A. Yes.

Q. And the total amount taxed by the Deputy Minister of Justice on the Henderson property was?—A. \$508 or \$512.

Q. Do you know any place in Canada where that could be regarded as an excessive charge for that work?—A. No, Mr. Newcombe is a good judge.

Q. He is a Nova Scotian, is he not?—A. Yes.

Q. He has some knowledge of it, and is familiar with our law?—A. Yes.

By Mr. Macdonald:

Q. Mr. Newcombe taxed every one of your bills?—A. Yes.

Q. And the amount paid by the government was paid after Mr. Newcombe had gone all over these accounts and made his allowances and taxation?—A. Yes.

By Mr. Maclean (Lunenburg):

Q. The other day a question was put to you by Mr. Crocket that you had charged \$145 in one day for one day's work, is that correct?—A. It may have been charged on one day, as Mr. Crocket says, but it was not for work done on one day.

By Mr. Roche (Halifax):

Q. Were these Henderson properties spoken of here originally one property?—A. Away back.

Q. They were originally one property?—A. Most of them.

By Mr. McLennan:

Q. When searches for title to the Crown are made, they are made through your office for the whole province of Nova Scotia, is not that so?—A. The instructions come to my office, yes.

Q. The instructions go through your office?—A. Yes.

Q. And the local agents are appointed by the Department of Justice to do the work?—A. No, I appoint them myself.

Q. Yes, of course it goes through your hands, but is there any particular scale or principle upon which you retain any of the fees that are charged by the local lawyers throughout the province?—A. The usual system.

Q. There is a case in my county that really there is considerable complaint among the lawyers who say they do the work?—A. I have not heard one.

Q. And they say that they find their account is shared between Mr. MacIlreith and themselves?—A. Oh, the charge is always according to scale.

Q. I merely want the committee to know, I want to know myself as a member of parliament, really on what ground it is, Mr. MacIlreith, upon what scale or principle it is, you share these accounts with the men who do the work?—A. The bills will show.

Q. The protest is not from me, it is really from the local lawyers in the county.

By Mr. Bennett:

Q. How is it divided, doctor?—A. It is done in the usual way as between the lawyer and his agents.

By Mr. McLennan:

Q. I have no other purpose than to set at rest the complaints of the local lawyers.

By Mr. Bennett:

Q. It is the local-lawyer does the work?—A. He does a part and I do a part.

Q. I want to know the proportion in which it is divided between the witness and the other?—A. I have not the bills here, if the bills were here they would show it.

Witness discharged.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RELATING TO

PAYMENT OF \$45,400 TO J. R. HENDERSON

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

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EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, 10th April, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

EIGHTEENTH REPORT.

Your Committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$45,400 to J. R. Henderson of Halifax, in connection with land purchased near Cotton Mill Siding, Halifax, for I. C. R. extension, as set out at pages W—25 of the Report of the Auditor General for the fiscal year ended 30th June, 1905, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses, and the exhibits filed during the said examination; and your Committee recommend that the same be printed, and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

WEDNESDAY, March 13, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the Acting Chairman, Mr. J. B. McColl, presiding.

The Committee proceeded to the consideration of a payment of \$45,400 to J. R. Henderson in connection with land purchased near Cotton Mills Siding, Halifax, as set out at page W—25, of the Report of the Auditor General for the fiscal year ended June 30, 1906.

Mr. M. J. BUTLER, Deputy Minister, Department of Railways and Canals, called, and sworn and examined.

By Mr. Ames:

Q. Mr. Butler, will you kindly give your name and position?—A. Matthew Joseph Butler, Deputy Minister and Chief Engineer of the Department of Railways and Canals.

Q. I am going to examine you, Mr. Butler, on the purchase of land near the Cotton Mills Siding from one J. R. Henderson, for the sum of \$45,400, which will be found in the Auditor General's Report at page W—25. I understand that the government recently acquired for the purpose of erecting a roundhouse and shop at Halifax, certain lands, am I correct?—A. They have.

Q. When was the need for this additional accommodation obvious to you?—A. The moment I arrived at Halifax it became quite apparent that it was a very pressing matter that required immediate attention. It had been under consideration, I learned, for some considerable time prior to my taking up the position.

Q. Upon your assuming office what steps did you take to settle this question of additional accommodation at Halifax?—A. I went to Halifax, saw the situation as it was on the ground, and it was perfectly obvious.

Q. About what date did you go there?—A. I think I first went down there early in August.

Q. Of 1905?—A. 1905.

Q. Yes?—A. That would be the first trip of inspection.

Q. Yes, I did not mean to interrupt you, tell us the various steps in connection with the determination of which lands you would take?—A. At that time a cursory examination was made which disclosed that the old roundhouse was in a very bad condition; it was a building that required a great deal of money to be spent on it right away, and the site was in such a thoroughly congested condition that it was quite apparent it was an improper location. There was very little time devoted to the consideration of details on that occasion, but afterwards, in the fall, I went back to Halifax again, I think it was in December, but I am not sure. On my second visit I went there for the express purpose of looking into the question of a site for a roundhouse at Halifax. I think at that time Mr. Pottinger brought forward all the previous studies and papers in reference to the matter and an examination was made upon the ground to judge of the suitability of the sites, that at Africville, and that which was known as the Campbell road property.

Q. Is that the same as the Richmond property?—A. Yes, it is at Richmond, all at Richmond, this lower portion, Africville and Campbell road property are both at Richmond. Subsequent to that date I was back once again.

Q. For the third time?—A. I think so.

Q. At what date?—A. It was prior to my report.

Q. That will be in February, your report was on March 16?—A. It would be shortly before that, I do not remember the date exactly, but on that occasion I saw the site up at the Cotton Factory Siding was the only suitable one there was in the area about Halifax. There were a number of other places where a roundhouse might have been built, but the cost of foundations would have been so out of proportion to the value of the property that the cost of the property became merely a bagatelle alongside the investment which would be involved in it. I accordingly recommended that site to the honourable the minister, as you will see by my report.

Q. Well, now, we will go over that a little in detail, as we now have the general story for the benefit of the committee. You will notice in the correspondence there, at the very beginning, there is a memorandum signed by nine officials on July 3, 1903?—A. I saw that, I remember that.

Q. Speaking of the various sites?—A. Yes.

Q. And favouring the location at Africville as the only available one?—A. Yes.

Q. Have you any idea what the value of the land, buildings and damages for the site at Africville came to?—A. Well, the cost of putting up buildings would be very high, the site was utterly unsuitable—utterly unsuitable.

Q. Although recommended strongly by nine officials in that report?—A. It does not make any difference; it is the wrong locality.

Q. Will you turn up that letter that speaks of the Africville site as the only available location? What does it say there?—A. (Reads):

'This place is on the lower side of the main line about a mile west of Richmond. There are a number of tumble-down buildings occupied by coloured people. It seems to be a suitable place for a roundhouse and for a workshop and coaling plant.'

Q. And that is signed by?—A. W. B. Mackenzie, T. C. Burpee, J. E. Price, C. W. Archibald, G. M. Jarvis, W. G. Ross, N. L. Rand, D. A. Story, H. B. Dustan.

Q. Practically all the officials on the Intercolonial?—A. It does not make so; even if they all signed it, that does not make it a suitable site.

Q. Is it not rather strange they should all agree to recommend that at that particular time?—A. Possibly.

Q. And to speak of it as the only available place?—A. It does not make any difference what they said about it.

Q. It seems, then, as if the recommendation of nine of the leading Intercolonial officers was a very easy thing to get even for a bad site?—A. I am not expressing any opinion about that.

By Mr. Macdonald :

Q. Are they all engineers?—A. Only two of them; Mr. Mackenzie was one of them, and Mr. Burpee is an engineer. Mr. Price is the general superintendent, Mr. Archibald I do not know.

Q. Pretty well up in the service of the road, those three names?—A. Mr. Jarvis is superintendent.

Q. Who is Mr. Jarvis?—A. He is the superintendent.

By Hon. Mr. Emmerson :

Q. They are all good men?—A. I am not questioning the quality of the men, but am only questioning their judgment as to the selection of a site, having regard to the larger question of improving the Halifax terminal.

Q. The conditions have changed in regard to the I.C.R. requirements there?—A. Yes, and this was made in 1903, after a lot of criticism in relation to the question.

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Q. At that time it was a question between that and the old site, rebuilding on the old site?—A. On the old site, and that wharf was not built.

Q. And that cotton factory siding site had not appeared at all then?—A. It had not been considered, although I notice in the correspondence that Mr. Pottinger had requested them to look over the site up at the cotton factory siding, which they appear to have overlooked. There was also the further question of a wharf to be built down at Richmond, which was not in existence, but which was under consideration when the recommendation was made and which changed the entire character of the yard.

By Mr. Ames :

Q. Will you turn to the letter of November 7, 1905, from Mr. Pottinger to Mr. Butler?—A. Yes, that gives a history of the matter.

Q. You do not need to read all the letter, but from the bottom of page 26 to the end of the letter.

Hon. Mr. Emmerson :

Q. It will be better to have the whole letter if Mr. Ames is going to discuss a portion of it.

MONCTON, N.B., November 7, 1905.

'M. J. BUTLER, Esq., C.E.,
'Deputy Minister and Chief Engineer,
'Department of Railways and Canals,
'Ottawa, Ont.

'DEAR MR. BUTLER,—I have your letter, dated November 1, with reference to the land at Richmond for the site of the proposed engine-house, and I send you herewith the papers referring to this matter, and also eight blue prints showing different sites and styles of buildings that have been proposed.

'Plan No. 8 refers to the valuation of the land, and I send you a copy of a letter addressed to Mr. MacKenzie on August 7 last, instructing him to have a plan prepared so that the land might be valued, also a copy of a letter written him on September 11, stating that Mr. Pearson had telephoned to the minister suggesting that a valuator be appointed, and Mr. Read was named accordingly. There is then the letter of Mr. MacKenzie dated October 17, sending in the valuation made by Mr. Read, dated October 16, and signed by him.

'This question of a site for an engine-house and shops at Richmond has been under consideration for some time. It is a rather difficult one in consequence of the railway land at Richmond being a narrow strip between the harbour and the Campbell road, and in consequence of the land rising very rapidly from the water and being composed of solid rock. The strip of land available for purchase by the railway between the Campbell road and the railway boundary is only a narrow one and the further that the railway extends beyond its western boundary the deeper will the rock excavation have to be made in order to get a level site for buildings or tracks.

'The first project in 1902 is one of those shown on plan No. 1. It is to put a semi-circular engine-house in the space not occupied by tracks opposite the grove or park. It was proposed to put there a building of 24 stalls. This, with a turn-table in front of it, would encroach to some extent on the space now occupied by the tracks, but it seemed the only available place without much expense, as it was entirely on railway land, and the excavation would not be very deep. The occupying of this site by an engine-house was objected to by Mr. Creighton and some of the neighbouring proprietors, as they thought it would not be pleasant to have the engine-house so near. This is the site shown on the left hand side of plan No. 1.

'The next site that was considered is shown on the right hand side of plan No. 1, which is about opposite to the present engine-house; a semi-circular building containing 24 stalls was proposed, which was to be placed on land to be acquired between the railway and the Campbell road, and the machine shop and other buildings were to be placed south of it, also either wholly or partly on land to be acquired, between the rail-

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way boundary and the Campbell road. This site was not looked upon with much favour by some of the railway officials in consequence of the excavation that would be necessary, and it had the same drawback that the other site on plan No. 1 had, which was that there was no room for further extension of the building, and it was considered that the probabilities were in favour of business extending at a large seaport like Halifax. The matter was put in the hands of Mr. Price, general superintendent, and he considered the matter carefully and visited Halifax, and on July 9, 1903, he reported as you will see by his letter among the papers, in favour of placing the engine-house and shops at Africville, about half a mile further north than the present roundhouse. A plan was prepared for this site by Mr. MacKenzie, and it is among the plans and numbered 2, and dated August 31, 1903. There is a letter from Mr. MacKenzie in the file dated September 12, sending this plan and also an estimate of the approximate cost. The building was to be of 30 stalls and was to be circular in form and almost a complete circle; the balance of the circle to be filled in at a later period when required.

'This site involved the diversion of the Campbell road, which at that place runs between the railway and the water, and the moving of it higher up on the land between the railway and the city. This site was not favourably considered by the Halifax people, and the persons who were interested in dealings with the railway men employed, because they thought it would take business away from them, and mean the building up of another settlement further from their place of business. The expense was also considered to be very great, so that further consideration was given to the site nearer the existing engine-house and shops and a strip of land between the railway boundary and the Campbell road was considered. The increasing length of locomotives seemed to be one of the difficulties in finding a place large enough for a circular house, as such a building, from its great diameter, occupied a very large space of ground, and the land of the railway and the land available to be purchased was in the shape of a long narrow strip. The question, therefore, came up for consideration as to whether an engine-house of rectangular form could not be provided that would be suitable for the requirements of the railway. Such exist in other places, and the engine-house of the Grand Trunk at Montreal is such a building, although not a very perfect specimen. The land available would allow of a building of almost any reasonable length to be constructed, provided the width was not too great so that an engine-house of this shape, if built, could be added to at any future time; while with the circular houses additional accommodation can only be had by making another circle.

'The plan No. 3 was accordingly made and sent in on January 7, 1905. This plan shows a 30-stall house, with two turn-tables and with a transfer table extending its entire length.

'When the question of the rectangular house was being considered in regard to the new engine-house at Truro in the fall of 1904, Mr. Joughins wrote the letter to Mr. MacKenzie, dated September 14, a copy of which I inclose, and he seemed to think at that time that a rectangular house with transfer table would be suitable for Richmond. As the plan No. 3 was only a preliminary one and made no provision for workshops, Mr. MacKenzie was instructed on June 15, 1905, to make another design for a rectangular house, also to provide on the railway land and on the strip of land to be acquired between the railway boundary and the Campbell road for the other buildings needed by the railway—machine shop, car shop, stores, &c. The plan No. 4 represents the result of that study. This plan provided for an engine-house with stalls for 48 engines. There were two transfer tables. Each stall would hold two engines and at each end of the building the engines could enter or leave the building without the necessity for passing over the transfer table. On July 3 I wrote to Mr. Joughins and to Mr. Price and sent them copies of this plan for consideration. At a later period Mr. Joughins send me a letter from Mr. N. L. Rand, master mechanic, dated July 18, a copy of which I inclose. This letter gave Mr. Rand's views in regard to it and he recommended some changes in the placing of the stores and other buildings; these changes are shown on plan No. 4 with pieces of white paper. Mr. Rand's view seemed to be that the engine-house as designed and located would be suitable,

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and he mentions one advantage that there is in regard to the rectangular house, that it can be enlarged or if need be it can be used for other purposes, for a machine shop, for instance. On August 7, Mr. Jarvis who had been instructed by Mr. Price to look into the matter, sent in his report, which is among the papers. Both Mr. Jarvis and Mr. Rand reported in favour of placing the main line tracks to the westward of the workshops and engine-house, which is a change from that proposed on the plan. Under the plan No. 4, it was the intention to put the two main tracks through the centre of the yard about over the site of the present roundhouse; and upon the water side of the main tracks to have all the public business of the railway, which at Richmond consists of the freight business for the wharfs at Richmond and for North street, and on the land side of the main tracks the locomotive and car departments and the stores, including the coal shed, thus separating the service tracks of the railway entirely from those used for public business.

‘As I have already stated in the first of this letter, the making of a plan and the valuing of the land between the western boundary of the railway and the Campbell road came next in order of time and Mr. Mackenzie was instructed on August 7 to have a plan prepared. On September 15, Mr. Joughins wrote me and sent me three plans, which I have numbered 5, 6 and 7, and A, B, C, giving studies of, I presume, his ideas in regard to what could be done at Richmond in the way of providing accommodation for the engine-house and other buildings.

‘No. 5A shows two semi-circular engine-houses covering the site of the present one, and also covering all the railway land between the harbour and the present main passenger line. The two houses are provided with 48 stalls. The workshops are shown placed over the present railway yard and tracks south of the roundhouse. This project does not propose the purchasing of any land opposite the roundhouse or the shops, but the point of land at the foot of Duffus street is proposed to be purchased up to the Campbell road, and the main line is shown as being brought over that land.

‘No. 6B is a semi-circular house of 24 stalls on land to be acquired opposite the coal shed, and the building also extends from the Campbell road, which is to be diverted there. The shops to be placed south of the new engine-house and the land between the railway boundary and the Campbell road to be acquired. It is proposed in this plan that at a future time the engine-house shall be extended to a full circle, in which case it will come over a number of the railway tracks and out towards the harbour on the railway land.

‘No. 70 shows two semi-circular houses, each of 24 stalls, opposite the present engine-house and coal shed. These are placed on land to be acquired and on the Campbell road, which is to be considerably diverted at that place; all land between the railway and the Campbell road to be purchased, and also some land west of the Campbell road; the shops to be placed south of the present roundhouse and south of the new roundhouse.

‘As I did not think that these studies, A, B and C, showed any improvements on plans that had already been worked out, and as there were a good many objections to them, I asked Mr. Joughins on the 7th of October if he had anything further to offer in the way of proposed plans, and on the 12th October he stated that he had no further suggestions to make at present. I then wrote him on the 2nd of November, suggesting that he should consider the getting of a piece of fairly level and unoccupied land at some place along the cotton factory siding provided the distance was not too great from the existing railway. I went over that line myself some time ago, and there are several places where about half a mile from the existing engine-house there are fairly level fields where we could put up buildings without very great expense for preparing the ground. It would be a question to be considered whether such a place would be too far distant for locomotives to travel to and from the place where they would take or leave their trains. The freight trains now start from Richmond and end their runs there, and the passenger trains do the same from North street station.

‘This is the position of the matter at present, and you will be able, therefore, to decide as to whether anything should be done in regard to the purchase of the proper-

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ties at Richmond. You saw the locality at Richmond yourself, and understand the whole situation.

‘Yours very truly,

‘(Sgd.) D. POTTINGER.’

Q. Then if you will turn to page 26 of that letter, I am only going to deal with that part of it. What came of the Campbell road proposition?—A. It was rejected on account of the great cost of grading, which was \$300,000.

Q. How far did you go towards the acquisition of that property?—A. They went so far as to get careful valuations, and, I think, options on the property.

Q. Who made the valuation?—A. Mr. Read was one of the valuers.

Q. Will you turn to his valuation on the 16th or 17th of October—you will find it there, I think?—A. Yes.

Q. You might just give me the headings in Mr. Read’s valuation?—A. ‘Valuation of property on east side of Campbell road, Richmond, Halifax, N.S., proposed to be taken for railway purposes.’

Q. I mean the headings showing the way in which he makes up his valuation?—A. ‘Names of owners,’ ‘Street numbers,’ ‘Frontage,’ ‘Area,’ ‘Land,’ ‘Buildings,’ ‘Total,’ ‘Assessed value,’ ‘Owners’ value,’ ‘Remarks,’ ‘Total per square foot for land, including buildings.’

Q. That will just give the committee an idea of the way in which the valuation is made. Can you give me an idea of what the total valuation was?—A. It is not added up here, sir.

Q. Never mind that, can you give it roughly?—A. I do not remember; you will have to add it up; it was over \$40,000, I think.

Q. Over \$40,000?—A. Yes.

Q. Very well, will you turn to the letter of 11th September. How did Mr. Read come to be named as the valuator in this particular matter?—A. Yes, there is a letter from Mr. Pottinger to Mr. MacKenzie.

Q. Do you find any reference there to the name of Mr. Read as the valuator?—A. Yes.

Q. Will you read the first clause in the letter, please?—A. (Reads): ‘Mr. Pearson, jr., telephoned to the minister to-day that the land question at Richmond was in shape to close if a valuator be sent out at once, and the name of Mr. H. C. Read was suggested as a valuator.’

Q. Would you judge that Mr. Pearson suggested Mr. Read’s name?—A. I do not know what Mr. Pearson said.

Q. What would Mr. Pearson’s connection be in this?—A. I do not know. This letter speaks for itself, Mr. Ames. It says that Mr. Pearson telephoned the minister to-day that the land question at Richmond was in shape to close if a valuator was sent out at once.

Q. From that you would judge that Mr. Pearson knew all about it?—A. I presume he knew. It was common knowledge all over Halifax, that a survey was being made at that time in that yard.

Q. What official position would Mr. Pearson occupy in reference to that?—A. None that I know of.

By Mr. Johnston:

Q. Are you in a position to say whether Mr. Pearson represented one of the owners?—A. I do not know.

By Mr. Ames:

Q. I will ask him just one question: What was Mr. Pearson’s interest or activity in this matter?—A. I do not know.

Q. Will you turn now to page 33?

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By Mr. Macdonald :

Q. Before you leave that will you direct attention to Mr. Read's valuation and that memorandum of the property which was given at \$40,000 odd, and will you give us the assessed value of that property ?—A. We had better add both of them—there are some cases where the assessed value is not given, so that the additions will not convey correct information.

Q. There are four cases there in which the assessed value is not given ?—A. There are four cases where the assessed value is left out so that the additions of the two columns will not give you a fair comparison.

Q. You can arrive at it all right by allowing for that ?—A. Yes, I can do that. The assessed valuation appears to add up some \$22,900. And the valuation by the valuer is \$37,400, as compared with an assessed valuation of \$22,900.

By Mr. Ames :

Q. Will you kindly place in the minutes the amount of Mr. Read's valuation leaving those four lots out for which you have not the assessed valuation ?—A. Mr. Read's valuation adds up \$37,400 and the assessed valuation is \$22,900.

By Mr. Carney :

Q. The assessed value in Halifax is generally only two-thirds of the actual value.

By Mr. Ames :

Q. You heard what Mr. Carney says, that it is customary in Halifax to assess at about two-thirds the value ?—A. It seems to be fairly close, the two.

Q. You heard Mr. Carney say that ?—A. Yes, but I do not know anything about it.

Q. Will you turn to the letter of March 9, 1906, from Mr. Butler to Mr. Emmer-son ? You might read the whole of that letter ?—A. That is my report, is it not ?

Q. Yes, it is your report ?—A. (Reads) :

'Dear Mr. EMMERSON,—*Re* Halifax terminals. When I assumed the position of deputy minister, on my first visit to Halifax, one of the points that struck me most forcibly was the very congested condition of the entrance to the yard ; and, the peculiar location occupied by the roundhouse and shops at Richmond. The whole traffic of this important terminal is frightfully congested, at this point.

'Upon inquiry, I ascertained that negotiations had been entered into for the purchase of all the property lying between the Campbell road and the railway property ; and, upon examination I learned that aside from the cost of the property itself, which was about thirty-five or forty thousand dollars, that the grading of the ground would involve an expenditure of at least \$250,000.

'While some time in the future it may be desirable to secure this Campbell road property, I do not think that that time has arrived. It is not likely to increase materially in value in the future. The growth of Halifax, I apprehend, will continue, and it is therefore, of the greatest importance that immediate steps should be taken to remove the mechanical department from this present site.

'The shops are all of the character that require rebuilding at once. I, therefore, made a careful examination of the surrounding country, and found a parcel of property lying along the cotton factory siding, and to the west of Young street, in the city of Halifax. This property is roughly, bounded by Young street on the east, Windsor street on the south, and by the cotton factory siding on the north ; and, the whole of this property should be secured for the purposes of the mechanical department, at the earliest possible moment. It is a fairly level piece of ground, and one where the shops can be constructed at reasonable cost, and no other parcel of ground in the vicinity of Halifax is at all comparable with it, for such purposes.

'It is not advisable that it should be known, that the railway is desirous of secur- ing this property, until the purchase is closed ; and, I therefore recommend that im-

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mediate steps be taken to secure firm options, and to complete the purchase of the property, above described.

'Yours faithfully,

'(Sgd.) M. J. BUTLER.'

Q. Yes. Now, you refer there to your first visit to Halifax. I suppose that was the August visit?—A. The first time I ever went there was in August, yes.

Q. That was the time you noticed the difficulty?—A. I noticed the congested condition in a casual way, but did not spend much time on that occasion.

Q. You say, 'I therefore made a careful examination of the surrounding country.' When was that?—A. In the fall, on my second visit.

Q. That was on your second visit?—A. Yes.

Q. Some time in November?—A. Yes, I think so, or later; and on the second visit I went down to the Campbell road property.

By Hon. Mr. Emmerson:

Q. Was it not on the occasion the Governor General was there?—A. At the time it was almost concluded that the Campbell road property would be purchased, and it was only upon learning, I might say, perhaps it will explain the matter a little clearer, to say that I do not think the officers of the road would ever have contemplated accepting the Campbell road property except that there was a wharf under tender that would have been built there and would have used up this material from the excavation. I do not think they would ever recommend that site on its merits, but the point that the proposed wharf was intended to be built made the Richmond proposition not appear to seem very unreasonable, but that wharf was found to be not a necessity, and that it could be put off for some years to come, although tenders had been received for it, and consequently it caused us to look into the cost of preparing the yard. Mr. MacKenzie gave me some figures which indicated, speaking from memory I said \$250,000, but as a matter of fact it was \$300,000.

By Mr. Crocket:

Q. But it was the intention to go on with the Campbell road property at that time?—A. Yes, it was examined with a great deal of care, and the cost at that time when the two propositions were going ahead, the wharf and the roundhouse, did not appear so great.

Q. When you say you made a careful examination of the surrounding country it was in November?—A. I think it was later.

Q. It was on your second visit?—A. My third visit.

By Hon. Mr. Emmerson:

Q. Did you not go there at the time the Governor General arrived?—A. No, I was not there at that time.

By Mr. Ames:

Q. You told me a moment ago that you thought it was in November?—A. The second trip, Mr. Ames, was made in the fall.

By Mr. Crocket:

Q. He said December?—A. I do not remember the exact date. It can be looked up, but it is not material at all. The first inspection would naturally direct attention to the inadequacy of the existing state of affairs.

Q. What I am trying to find out is when you made a careful examination of the surrounding country?—A. It was in February, I think.

Q. In February?—A. I think so. It was shortly before I made this report, because not more than a week elapsed after my return before I made the report.

Q. Do you remember being there about the 18th of January?—A. I do not remember the date.

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Q. You were there about the middle of January, were you not?—A. I cannot say without looking up my diary.

Q. Have you any recollection of being there either a little before or shortly after the New Year?—A. No, I have not. I thought it was later. I am not sure. I have nothing to fix the date now.

Q. When was it you made this careful examination of the surrounding country?—A. A short time prior to this report, within ten days of it.

Q. Did you not make it in the winter?—A. It was in the winter.

Q. At the time of your January trip?—A. I think it was in February.

Q. First you said in November?—A. No, that was the second visit. The whole time of the second visit was devoted to the Campbell road property and the considerations affecting it—there were other matters of course.

Q. You would not say you were not there in January?—A. I can look up my diary and tell you the exact date.

Q. Do you remember making a careful examination?—A. I do.

Q. How did you go, drive?—A. I drove out and walked around. Mr. MacKenzie was present, and Mr. Joughins and Mr. Pottinger, too.

Q. Who else?—A. Mr. Burpee.

Q. Who else?—A. The minister.

Q. Who else?—A. I do not remember anybody else.

Q. You do not remember anybody else being there?—A. No; it was confined entirely to the officials of the road, according to my recollection.

By Mr. Crocket:

Q. Was the minister present?—A. He was, I think. He may not have been there at the first, but he certainly was there to see it before a decision was reached.

Q. At that time you visited the cotton mills site?—A. Yes.

Q. You went all over it?—A. Yes.

Q. The minister was there on the same occasion that the officials were, I know?—A. Yes, I think Mr. Emmerson came up. I am sure he came up on a matter affecting the purchase of one parcel of lots where the party refused to accept the valuation, and looked into it on the ground.

Q. That was done considerably later. You will find, I think, if you look at your diary, it was about January 18?—A. I would not say.

Q. I am endeavouring to ascertain whether it was at that time?—A. I do not think it is correct, Mr. Ames.

Q. Can you, just for the benefit of this committee, give us the exact date when this trip with the minister you speak of, took place?—A. Yes, I can get that. My diary will show on what date I was in Halifax.

Q. Will you give us a memorandum of the dates you were in Halifax between August and the purchase of this property?—A. Yes, from the first trip.

Q. With whom did you discuss the advisability of purchasing this cotton mills site?—A. The minister, I think.

Q. With the minister chiefly?—A. Nobody else that I can remember.

Q. You speak in that letter of the advisability—

By Hon. Mr. Emmerson:

Q. That is outside the officials of the railway, you mean?—A. Oh, yes.

By Mr. Ames:

Q. Did you speak to anybody outside the officials?—A. Oh, no.

Q. You speak of the advisability of going ahead and securing the property in such a way that the public would not know?—A. Yes.

Q. Do you know whether that was done?—A. I do not.

Q. What was the first step taken?—A. The first step was to obtain a valuation.

Q. Did the valuator get options?—A. I do not know, the purchase passes into the hands of the Justice Department as soon as we make a decision.

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Q. Can you tell me how early it was practically decided that this cotton mills property was the one you wanted?—A. A few days after that report.

Q. Was it decided at the time that trip was made?—A. No, it was decided—the file will show.

By Hon. Mr. Emmerson:

Q. It was after your report in March?—A. It was within a few days, there was no undue delay. I remember the minister gave his authority within a day or two afterwards.

By Mr. Ames:

Q. Turn to your letter of March 10, 1906, from Mr. Butler to Mr. Pottinger?—A. Yes, my report bears date April 7.

Q. No, March 16, you will find the letter there?—A. Yes, that is right. My report bears date March 9, and on the 16th Mr. Pottinger gets the necessary instructions.

Q. Now, will you read that letter of March 16?—A. (Reads):

‘DEAR MR. POTTINGER,—I inclose you a tracing of some property at Halifax, which I think we should secure for the purposes of the mechanical department, and for such additional yard room as the upper end of the city may ultimately require. I have based in red the portion that I think should be purchased.

‘Please instruct Mr. MacIlreith to go ahead and close the matter, using Mr. Henry Read as valuator. I understand that we can secure the whole of the property for between thirty-five and forty thousand dollars, and as this would give us much more room, and is a much more desirable property for mechanical purposes than the Campbell road property, and is well adapted for shops, &c., the matter should be pressed and closed as quickly as possible. They might also try and ascertain if they can buy the triangles shown on the dotted lines on the Woodhill and Caldwell lots.

‘Yours faithfully,

(Signed) ‘M. J. BUTLER.

‘D. POTTINGER,

‘General Manager, I.C.R.,

‘Moncton, N.B.’

Q. You speak of a tracing there?—A. Which was inclosed.

Q. Where did that come from?—A. I made it.

Q. When?—A. I made it to accompany that letter.

Q. Immediately before?—A. Right that same day, probably, in my office.

Q. What did you make it from?—A. When on the ground I secured a copy of the plan of the property from the atlas, I think Mr. MacKenzie got it for me in Moncton.

Q. Mr. MacKenzie got it for you from the atlas—A. Yes, in Moncton, showing the location of the property. This little sketch is on a scale which would indicate it was taken off that atlas.

Q. Do you know when it was Mr. MacKenzie got that copy for you?—A. Well, I was in Moncton, it would be then, there was no other person to get it from.

Q. When were you at Moncton?—A. On my way up.

Q. On the way back from Halifax?—A. Yes.

Q. You requested him to instruct Mr. MacIlreith to go ahead and close the matter?—A. Yes.

Q. It would seem that he was already thoroughly cognizant of the matter?—A. Oh, no.

Q. You instruct him to go ahead and close the matter?—A. That means to carry it to a close, this was the first intimation that Mr. Pottinger had.

Q. Was this the first intimation that Mr. MacIlreith had that the government intended acquiring the property?—A. As far as I know.

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Q. Were these the first instructions that Mr. MacIlreith received?—A. As far as I know he had no other instructions.

Q. The inference from that letter is certainly that he was acquainted with the facts?—A. The inference is not fair. There is no other inference intended by it. When you tell me to go on and complete a transaction it means the whole matter pertaining to that deal.

By Mr. Crocket :

Q. Do you think the instructions were sufficient to enable Mr. MacIlreith to go ahead?—A. I am not instructing Mr. MacIlreith, Mr. Pottinger is instructing him. The instructions to Mr. MacIlreith were issued by Mr. Pottinger.

Q. Mr. Pottinger forwarded your letter to Mr. MacIlreith?—A. That was sufficient.

Q. Let us see if there is any difference between Mr. Pottinger's letter to Mr. MacIlreith and yours to Mr. Pottinger? Are there any additional instructions given to Mr. MacIlreith in Mr. Pottinger's letter that are not found in yours?—A. That is all that was required.

Q. All the instructions he got were simply those transmitted from you to Mr. Pottinger?—A. That was sufficient, probably, to produce the result.

By Mr. Maclean (Lunenburg) :

Q. Will you read Mr. Pottinger's letter to Mr. MacIlreith of March 23, please?—A. Here is Mr. Pottinger's letter. (Reads) :

'E. T. MACILREITH, Esq., K.C.,
'Halifax, N.S.

'DEAR SIR,—In connection with the land required at Halifax for an engine-house and shops. Under date of the 16th instant the deputy minister writes me as follows:

'I inclose you a tracing of some property at Halifax, which I think, we should secure for the purposes of the mechanical department, and for such additional yard room as the upper end of the city may ultimately require. I have hatched in red the portion that I think should be purchased.

'Please instruct Mr. MacIlreith to go ahead and close the matter, using Mr. Henry Read as the valuator. I understand that we can secure the whole of the property for between thirty-five and forty thousand dollars, and as this would give us much more room, and is a much more desirable property for mechanical purposes than the Campbell road property, and is well adapted for shops, &c., the matter should be pressed and closed as quickly as possible. They might also try and ascertain if they can buy the triangles shown on the dotted lines on the Woodhill and Caldwell lots.

'I inclose herewith a blue print of the plan referred to, and have written to Mr. MacKenzie to take the matter up as soon as possible. In the meantime you may perhaps be able to do some work in connection with the purchase of this land.

'Yours truly,

'D. POTTINGER.'

Q. Are there any additional instructions in that letter from Mr. Pottinger to Mr. MacIlreith that were not contained in your letter to Mr. Pottinger?—A. The letter speaks for itself.

Q. I am asking you?—A. Yes. He says, 'You may take the matter up as soon as possible.' I do not know anything more that is required.

Q. Is there nothing more definite?—A. Nothing more is required.

Q. Do you suppose that if Mr. MacIlreith had no previous knowledge whatever that would be sufficient instructions to him?—A. I think it is sufficient.

Q. You think so?—A. Yes.

Q. He could go on and make all the preparations for the purchase of the pro-

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perty?—A. Yes; he has the plan showing the site and the instructions to go ahead and close the transaction.

By the Chairman:

Q. And the valuator was named?—A. The valuator named.

By Mr. Ames:

Q. You speak there about understanding that the property can be secured for \$35,000 to \$40,000?—A. That was my own estimate of the property, considering the possible area of it and the environment of Halifax.

Q. You went over the property, and thought that was what it was worth?—A. Yes.

Q. As a matter of fact you expected to include a larger area than was finally purchased, did you not?—A. No. Ultimately we purchased a somewhat larger amount than was specified there.

Q. Did you not expect to include a larger number of lots?—A. The map shows that we purchased considerably more than I marked on the plans. We ultimately purchased the whole of this property in there (indicating on plan).

By Hon. Mr. Emmerson:

Q. What was the total amount you ultimately purchased?—A. Thirty odd acres.

By Mr. Ames:

Q. How does it happen that Mr. Read's valuation covered a great deal more property than was originally intended?—A. Well, you will have to have more detail. This (indicating on plan) covers it, and ultimately all this land here was purchased.

Q. What I want you to point out is, if you will, what was included in Mr. Read's valuation?—A. He valued everything there.

Q. He valued everything there?—A. Yes.

Q. When you went there did you inspect the property and made that estimate of \$35,000 or \$40,000, you included all the property that Mr. Read's valuation covered?—A. No, not at all. Mr. Read's valuation was subsequent to this.

Q. What I want to get at is that your idea of \$35,000 or \$40,000 referred to the whole of this property?—A. No, only to the portion hatched in.

Q. Does it include this (indicating on map)?—A. Yes, that little lot in there. This map is not correctly drawn. I will tell you what I had in hand at the time, and will make it clear to the other members of the committee, and that is that the agricultural grounds are about there (indicating on map), and the present track runs around this way and makes a very bad curve at this point, and I had in mind that the main line might be thrown across to give the exhibition grounds a direct line, and the round-house could be placed in here, but upon working it out on the ground it did not work out economically, and subsequently we secured a right of way through here to pass into the agricultural grounds.

Q. When you made that estimate of \$35,000 or \$40,000 you intended to include all that was purchased and this land as well?—A. No; once again let me explain. This little plan was what I had in mind. All this portion covered here is omitted from this little plan. I mentioned particularly this portion which is hatched.

By Hon. Mr. Emmerson:

Q. In other words, you did not contemplate taking in the properties along that Bluebell road here in your first idea?—A. No; I thought we could get along without it.

By Mr. Pardee:

Q. When you finally purchased you purchased more land than you originally intended when you made your estimate of \$35,000 to \$40,000, as shown on this map here, and you got it for \$40,000?—A. It was got on a valuation that did not come to my valuation.

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By Mr Ames:

Q. Mr. Read's valuation came to \$57,935, did it not? Will you turn up Mr. Read's valuation?—A. It speaks for itself. It goes into the different properties in detail.

Q. Will you kindly read here, in Mr. Read's valuations, the headings?—A. Yes. 'Valuations of properties near cotton mills siding, between Young, Windsor and Kempt streets, Halifax, N.S.,' 'Street,' 'No. on plan,' 'Name of owner,' 'Area of land, square feet,' 'Buildings,' 'Value of land,' 'Value of buildings,' 'Damages,' 'Total value,' 'Owners' value,' and 'Remarks.'

Q. On the 4th May, 1906, there is a letter from Mr. Pottinger to Mr. Butler?—A. Yes.

Q. Is it not evident from that letter——?—A. Addressed to myself, is it?

Q. From Mr. Pottinger to Mr. Butler?—A. Yes.

Q. You may read that letter, or you may answer my question, whichever you like.

Hon. Mr. EMMERSON.—You have no right to put a question to the witness in that way. Let us have the letter read.—A. (Reads):

'DEAR MR. BUTLER,—In answer to your letter of March 16, I return you the plans inclosed in that letter with reference to acquiring land at the cotton factory siding at Halifax; and also send another land plan together with a letter from Mr. MacKenzie dated May 2, inclosing copy of Mr. Read's valuation; also a previous letter from Mr. MacIlreith.

'As I telegraphed you on the 30th, it appears that the first survey that was made was not made correctly, and that has delayed the matter.

'Mr. Read's valuation is \$57,965, and as that considerably exceeds the largest amount named in your letter, will you please give further instructions as to whether we should go on and acquire the titles to these lands, or not?

'Yours very truly,

(Signed) 'D. POTTINGER.'

Q. What did you do in consequence of that, did you decide you would not go on?—A. We decided to go on, you see my letter there.

Q. Now turn to May 11, 1906, and this is the last letter I shall take up?—A. That is my letter of the 11th.

By Mr. Pardee:

Q. What answer did you make?—A. I think this is it. (Reads):

'OTTAWA, ONT., May 11, 1906.

'DEAR MR. POTTINGER,—In reply to your letter of May 4, inclosing valuation of property and blue print plan, I beg to advise you that I have looked over the same, and we will require the following items: Items numbers 1, 2, 3, 6 and 12, and can dispense with all the other items that are on the list. You will observe on the drawing as laid out, that we could dispense with a portion of item 6, as shown by the red line drawn over the corner of item 12, but as it is altogether probable that nothing will be saved thereby it might be as well to take the whole of that lot. Kindly issue instructions accordingly. This makes a total of \$45,350.

'I assume it will not be possible to get any reduction on this basis. The valuations seem to have been carefully made, although it is somewhat higher than I expected; still, it is somewhat less than the projected purchase down on the Campbell road, and it seems to me desirable that we should secure this property at once.

'Yours faithfully,

(Signed) 'M. J. BUTLER.'

'D. POTTINGER,

'General Manager, Government Railways,

'Ottawa.'

By Mr. Ames:

Q. There was then a reduction in the area?—A. Yes.

Q. But no reduction in the prices from the valuator's figures?—A. The valuation, and the plan showed in detail opposite each item the value of that item.

Q. There was no reduction in the valuator's prices?—A. I went through the valuation and picked out the items that I thought would answer our purpose.

Q. As a matter of fact you reduced the quantity of land, but there was no reduction in the price the valuator gave you?—A. I could not reduce them, it would be absurd for me to propose such a thing.

Q. Have you all the land you require there now?—A. Yes.

Q. How close is it to the city?—A. Within the city limits.

Q. How far would it be really from the terminal?—A. If you think you are getting into a discussion with me as to the selection of that site, I do not think you are competent to discuss that matter. It is within reasonable limits.

Q. I am asking you how far it is really from the Halifax terminus?—A. I do not know.

Q. Do you mean to say that you are the engineer of the road and do not know?—A. I am not the engineer of the road, I do not remember the distance, how far it is away, but it is quite within reasonable distance.

Q. That is not what I am asking?—A. I could not say.

Q. Is it within two miles? You certainly made this a very important question in Mr. Pottinger's letter as to whether it was too far or not from the terminus?—A. I decided it was not too far, I decided it was within a reasonable limit.

Q. I am not discussing the decision, I only want to discuss the facts?—A. I do not know the distance.

Q. You say positively you do not know how far it is, whether it is within one or two miles?—A. I know it is within a reasonable distance.

Q. What would you call a reasonable distance?—A. Two or three miles, I do not remember the distance, I am not concerned about the distance.

Q. How many men do you intend to employ there?—A. We will employ practically about the same number of men there as are there now.

Q. Do you intend to have—

Hon. Mr. EMMERSON objected to witness being questioned as to the future intentions.

By Mr. Ames:

Q. You are building there what?—A. A roundhouse.

Q. For how many engines?—A. For, I think it is, 36.

Q. That means double that number of men at all events, there?—A. I do not remember what the number of men is, but it is adequate to the requirements of that terminal—about 100 men.

Q. That would mean at least an engineer and fireman for each engine?—A. Yes, and there are a great many more, but they are not roundhouse men.

By Mr. Emmerson:

Q. You are preparing for the future?—A. Yes.

By Mr. Ames:

Q. At least 100 men will be employed there?—A. Oh, no, that is the Halifax terminal staff.

Q. No, at this cotton mill siding?—A. I could not say about that.

By Mr. Macdonald:

Q. There was no question entered into the determination of the suitability of that site excepting the interest of the country?—A. No, absolutely none, except as to that being the proper place and the suitability of the environment.

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By Mr. Ames:

Q. I do not think you are answering my questions in the spirit in which they are asked?—A. I do not want to be captious with you.

Q. Neither do I, I do not want to discuss engineering questions. I want facts that I know you possess.—A. You want me to state what the distance is and I do not know. It was up at the time and considered carefully.

By Mr. Roche (Halifax):

Q. It is about a half a mile from the station, but there is a high hill between, and you have to make a long detour to get around the hill.—A. I forget the distance, but it was considered carefully at the time, that is all I want to say.

By Mr. Ames:

Q. That is all I want—I want to know how many men are to be employed there when your plans are carried out?—A. I really do not know.

Q. Is it a matter of several hundreds?—A. I really do not know, I do not think the whole employees at Halifax are that many.

By Mr. Emmerson:

Q. I object to any investigation as to what may occur in the future. We have made preparation for the future development of the business at Halifax. Mr. Read was the valuator?—A. Yes.

Q. Mr. Read for quite a number of years has been the man employed by the Intercolonial as valuator, do you know that?—A. I know Mr. Read myself, Mr. Emmerson, as a man of marked judgment and prudence, and that he knows how to go around and see properties without letting the whole community know what he is at, and, so far as I am concerned, I know of no man in the maritime provinces whose judgment I would rely upon to a greater extent. I have known him for four or five years in a business way as a prudent, careful man in everything.

Q. Do you know him as being employed in that capacity years ago on Prince Edward Island?—A. He was there, I understood so.

By Mr. Ames:

Q. You have not personal knowledge of that?—A. It did not come within the purview of my knowledge.

By Mr. Emmerson:

Q. Do you know from your knowledge gained in the department that for a number of years he was acting as valuator, for years before I was in connection with the department?—A. Yes.

By Mr. Johnston:

Q. There are eighteen properties in the Campbell road valuation by Mr. Read, according to the statement submitted to the committee. These properties have been valued by Mr. Read at \$28,000.—A. I cannot tell anything about it. What is it you want to ask me, anyway.

Q. Eighteen of those properties are represented on the list as giving the owner's valuation of those properties?—A. Yes.

Mr. AMES.—There are a number left out, I object.

Q. There are eighteen that are given and which are valued by Mr. Read at \$28,000—

Mr. AMES.—I object to this going in, Mr. Butler says he doesn't know anything about it—I have no objection to the valuation going in as an exhibit.

(Valuation filed as exhibit No. .)

VALUATION of Property on East side of Campbell Road, Richmond, Halifax, N.S., proposed to be taken for Railway Purposes.

Names of Owners.	Street Numbers.	Frontage.	Area.	Land.		Buildings.		Total.		Assessed Value.		Owners' Value.	Remarks.	Total per sq. ft. for land including buildings.
				\$	cts.	\$	cts.	\$	cts.	\$	cts.			
Mrs. Lucy Knowlton	227 to 233	90	12,521	1,000 00	1,700 00	2,700 00	00	3,000 00	1,600 00	3,000 00	21.52			
Richard Chea	237	37	5,458	435 00	1,365 00	1,800 00	00	2,500 00	1,000 00	2,500 00	25.02			
John O'Sullivan	241 to 245	50	7,488	600 00	1,050 00	1,650 00	00	1,000 00	1,000 00	1,000 00	22.03			
Lewis Steel	247	38	5,910	475 00	825 00	1,300 00	00	1,000 00	700 00	1,000 00	21.82			
Est. Robt Uniacke	251 to 257	73	10,695	850 00	450 00	1,300 00	00	1,400 00	1,000 00	1,000 00	12.15	Oakley yearly tenant		
Patrick Dwyer	259 to 261	45	4,230	385 00	915 00	1,300 00	00	1,400 00	1,000 00	1,400 00	26.91			
Mrs. Abigail Hunt	263 to 265	43	4,620	400 00	400 00	800 00	00	1,500 00	700 00	1,500 00	8.65			
Peter Prendergast	267 to 271	46	4,935	400 00	800 00	1,200 00	00	4,800 00	1,600 00	4,800 00	24.81			
Thomas and John Flynn	273 to 281	100	10,500	800 00	2,200 00	3,000 00	00	2,500 00	1,600 00	2,500 00	28.87			
Mrs. Margaret McTierman	283 to 285	48	5,279	400 00	1,100 00	1,500 00	00	2,000 00	1,000 00	2,000 00	28.43			
Geo. Gurry	289 to 291	52	5,600	400 00	1,000 00	1,400 00	00	2,000 00	800 00	2,000 00	25.00			
Mrs. Sarah Appleton	293 to 299	79	8,539	600 00	1,700 00	2,300 00	00	3,500 00	1,800 00	3,500 00	26.95			
David Crowley	301	23	2,461	175 00	675 00	850 00	00	2,000 00	600 00	2,000 00	34.54			
Mrs. Mary Bowen	303 to 305	48	5,376	375 00	1,525 00	1,900 00	00	1,500 00	1,630 00	1,500 00	35.34			
George Cameron	307	27	2,913	200 00	900 00	1,100 00	00	1,500 00	700 00	1,500 00	37.77			
Mrs. Esther McNeil	309 to 311	25	2,990	200 00	800 00	1,000 00	00	1,000 00	500 00	1,000 00	33.44			
Mrs. Bridget Hefner	313 to 315	51	6,211	400 00	800 00	1,200 00	00	1,800 00	300 00	1,800 00	19.82			
Monteith Est. J. A. Chisholm, agent.	317 to 319	57	12,654	800 00	2,500 00	3,300 00	00	4,000 00	2,600 00	4,000 00	23.65			
Philip McInnis	325 to 328	83	7,803	500 00	300 00	800 00	00	1,000 00	400 00	1,000 00	11.10			
Graham Creighton	331	47	5,476	330 00	870 00	1,200 00	00	1,200 00	500 00	1,200 00	21.91			
James White	333 to 347	180	22,000	1,200 00	1,000 00	2,200 00	00	800 00	800 00	800 00	10.90			
William O'Brien	341 to 351	50	7,150	350 00	850 00	1,200 00	00	1,300 00	600 00	1,300 00	16.75			
David Aikenhead	353 to 357	65	11,219	500 00	800 00	1,300 00	00	1,300 00	500 00	1,300 00	11.53			
Isaac Creighton	359 to 363	87	14,087	700 00	1,250 00	1,900 00	00	700 00	1,200 00	700 00	4.25			
Clayton & Sons	365 to 367	50	5,160	250 00	1,250 00	1,500 00	00	850 00	1,200 00	850 00	29.06			
Miss Anne Appleton	30	30	5,253	250 00	900 00	1,150 00	00	400 00	850 00	400 00	14.27			
Walter U. Jones	38	38	8,200	350 00	500 00	850 00	00	400 00	850 00	400 00	10.36			
Cunard Estate	417	417	14,309	400 00	400 00	800 00	00	400 00	400 00	400 00	2.79			

OCTOBER, 16, 1905.

H. C. READ, Valuator.

APPENDIX No. 1

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 TUESDAY, March 19, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The Committee proceeded to the further consideration of a payment of \$45,400 to J. R. Henderson in connection with land purchased near Cotton Mills Siding, Halifax, as set out at page W—25 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

Mr. M. J. BUTLER, Deputy Minister of Railways and Canals, recalled.

By Mr. Ames:

Q. On the 13th of this month as a completion of your previous evidence, you sent in a letter?—A. Yes.

Q. To the committee?—A. Yes.

Q. Will you kindly read that letter in order that it may go on the evidence?—A.:

‘OTTAWA, March 13, 1907.

‘Memo. *re* dates covered by my evidence at the Public Accounts Committee to-day.

‘My first trip to Halifax was on August 15, 1905, and remained there the whole of the next day, 16th, and left on the afternoon of the 17th. On the occasion of this trip an inspection was made of the whole terminal and the site of the proposed roundhouse at Africville and at the Campbell road, were gone over without any decision being reached.

‘The next occasion upon which I found an entry is, that I arrived at Halifax on Thursday, January 18, 1906, on the 19th, the site of the roundhouse on the cotton factory siding was examined.

‘I was in Moncton on February 26, same year, but find did not go through to Halifax on that date, as I thought.

‘M. J. BUTLER.’

Q. Mr. Butler, will you tell us anything you remember with reference to that inspection of the ‘19th instant,’ of the site of the roundhouse, the cotton mill factory site?—A. That is the occasion when I went first to look into that site as a suitable one for a roundhouse.

Q. Yes, who were with you on that occasion?—A. That is the occasion that Mr. Joughins was present and Mr. Pottinger, Mr. Mackenzie, and I think the hon. Minister of Railways, and possibly Mr. Burpee, but I am not quite sure whether he was present or not.

Q. No one except persons either connected with the department or the government was present?—A. No, I have no knowledge of any others, we had just two carriages, I remember.

Q. At that time, had you any conversation with any one outside those directly interested in the railway?—A. No, there was not any decision arrived at on that day but a careful examination was made, as to the suitability of the site.

Q. Was the general consensus of opinion at that time favourable towards that site?—A. It was not discussed except in general language, it was a matter to be subsequently considered.

Q. What was your impression gathered at that time?—A. My impression was favourable to that site.

Q. It was practically determined, I suppose, at that time, that the site was the most suitable?—A. In my own mind it was.

Q. To your knowledge, at that time, during that visit, no one except those who were directly connected with the railway had any knowledge whatever of your intention or purpose?—A. Surely not.

By Mr. Macdonald:

Q. Did you communicate what was in your mind to any one at that time?—A. Not until the date of my report, although the suitability of the site was discussed, what the distance was, the cost of running trains out to it and everything affecting the selection of the site. Mr. Mackenzie and Mr. Joughins probably discussed it.

Q. Was Mr. Mackenzie a member of the party at that time?—A. Yes.

By Hon. Mr. Emmerson:

Q. The impression, you say, in your mind, was favourable after a view of that property?—A. Yes.

Q. Previous to that you had considered the two sites, the one at Africville and the other at Campbell road?—A. At the Campbell road, and of course—

Q. And as between those two?—A. There is no question about it at all.

Q. As between the Africville and Campbell road sites?—A. The Campbell road is better than the Africville.

Q. When you visited the cotton factory, or the Kempt road property—A. The other disappeared.

Q. There was very little doubt in your mind?—A. None whatever. I say in addition to that, we did drive all around to see whether another site could be had closer to the track, but the cost of preparing the foundation there was so much out of proportion to the cost of the site.

Q. Do you remember you and I walking down the cotton factory siding to another property down there?—A. That is the one I speak of, where the foundation would cost far more than the grounds.

Q. There was no decision reached at that time, in fact there was no decision reached in March, I think?—A. I think there was no decision until three or four days after my report.

Q. Although in the meantime, I think, we were discussing the matter from time to time?—A. I think not, for this reason, I went away shortly after that to Belleville, to my sister's wedding, and there was a great pressure of work on after that, and I did not reach it until after the Moncton visit. I think it was discussed pretty clearly in the office about that time. That was why I was pretty clear in my mind that no action had been taken until afterwards.

Q. Your estimate of the original cost of the Campbell road siding is, I think, somewhere about—A. The valuation of the grounds, which was placed on it by the valuers was somewhere about \$40,000.

Q. But the main cost of that site was involved in the cost of clearing away?—A. The clearing of the grounds to make them suitable for the buildings would cost \$300,000, so Mr. Mackenzie advises.

Q. And as to the cost there was no comparison to be made between that and the cotton mills?—A. No comparison.

By Mr. Barker:

Q. I suppose you carefully concealed from the public you intended taking the property?—A. I never discuss with the public any affairs I have under my jurisdiction, that is absolutely the case.

Q. Did you on this occasion absolutely conceal any intention?—A. Yes.

Q. And they were not allowed to know?—A. Not unless they were following us around in a way we could not see.

Q. The public were not allowed to know anything of your intention?—A. No.

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Q. Do you think it is the same as to all the gentlemen that were in that group?
—A. I certainly think so.

Q. You did that from your knowledge of the business?—A. Certainly.

Q. You think it was concealed?—A. I would think so. The class of men in that party were not liable to give out these things.

By Mr. Macdonald:

Q. On the 9th of March, 1906, there is a letter of yours, bearing that date on the file?—A. I read it on the last day.

Q. Did you?—A. Yes, sir, I think I read it on the last occasion I was here.

By Mr. Ames:

Q. That and the letter of the 16th are both in evidence?—A. The 9th of March, that is my report to the minister.

By Mr. Macdonald:

Q. Does that represent the time when you decided to take the land?—A. Yes.

Q. The 9th of March can be taken as the date on which you decided on the location of this roundhouse on the cotton factory site?—A. Yes, and that report was read on the last occasion I was here.

Witness retired.

Mr. H. C. READ, called, sworn and examined.

By Mr. Macdonald:

Q. Are you the gentleman who made the valuation of the land near the cotton factory at Halifax for a roundhouse?—A. I am.

Q. The valuation which you made and reported to the department was a fair valuation, done honestly, according to the best of your knowledge and ability?—A. It was.

By Hon. Mr. Emmerson:

Q. Mr. Read, how many years have you been engaged in valuing land for the Intercolonial Railway?—A. I cannot remember the exact number of years, it was after 1896, after Mr. Blair became minister.

Q. It was in Mr. Blair's day you commenced?—A. Yes, Mr. Blair had me valuing for the railway.

Q. You were sent by him to different points?—A. Yes.

Q. From time to time in valuing lands?—A. Yes.

Q. Did you go to Prince Edward Island for that purpose?—A. I went to Charlottetown and Pictou, those are two places I remember.

Q. Were you sent to Sydney?—A. I do not know that I was at Sydney in Mr. Blair's time.

By Mr. Reid (Grenville):

Q. Do you live in Halifax?—A. In Sackville, N. B.

Q. Where?—A. Sackville, N. B.

Q. What means did you take to find out what this property was worth compared with other properties?—A. I made inquiries in the neighbourhood, spent two days there discovering what I could about the value of the properties in the neighbourhood, and from my previous experience in Halifax I arrived at what I thought was the valuation.

By Hon. Mr. Emmerson:

Q. You had valued properties in Halifax before that, had you?—A. Yes, I valued the Water street and Campbell road property.

By Mr. Barker:

Q. Did you value any properties except for the Intercolonial?—A. In Halifax?

Q. Yes?—A. Only for the Intercolonial.

Q. How far do you live from Halifax?—A. One hundred and forty and odd miles.

Q. What is the population of Sackville?—A. About 3,000, I think.

Q. And of Halifax?—A. I do not know the population, it is somewhere about 50,000.

Q. How long before this had you valued lands in Halifax for the Intercolonial Railway?—A. I think about two years.

Q. Two years before that?—A. Yes.

Q. At whose request did you value them?—A. At the request of Mr. Mackenzie the chief engineer of the railway.

Q. At the request of anybody else?—A. No, no one else.

Q. Did anybody else suggest your name as valuator?—A. I do not know about that.

Q. You never heard that?—A. I never heard that, it only came to me through Mr. Mackenzie.

Q. Did he say who suggested your name?—A. He did not.

Q. You are a relative or connection of the minister, are you not?—A. Yes, I have the honour.

Q. What is the relation? Although it is not very important?—A. Well, he is my nephew.

Q. I suppose that improved your qualifications as a land valuator?—A. I valued lands long before Mr. Emmerson was in the government.

Q. Not in Halifax?—A. Not in Halifax, at other places.

Q. When did you receive instructions to value this land?—A. This land at Halifax?

Q. Yes?—A. Well, the first intimation I had of it was at the railway station at Moncton I met Mr. Mackenzie and he said he would want me to go down in a short time, he would send me instructions, to go to Halifax to value land, and very shortly after that he sent me written instructions.

Q. He sent you to Halifax, did he?—A. Yes.

Q. Did he or did he not tell you at whose instance he was sending you?—A. I do not think he did.

Q. Eh?—A. I do not think he did, I do not remember that he did.

Q. You never had any idea who asked that you should be sent?—A. Well, of course, I might have had a general idea that the orders came from above, but I did not know whether they did.

Q. You did not know how high up?—A. No, I did not know that.

Q. I suppose there are some land valutors in Halifax, are there not?—A. I might say this is not of my seeking, in Halifax, I tried in fact to get rid of it.

Q. I am not imputing anything of that kind, I think the office would be more likely to seek the man. There are land valutors in Halifax, I presume?—A. I fancy so, there was one acted with me on the Water street valuations.

Q. There was one in the Water street valuations?—A. Yes.

Q. You had valued lands before for this same siding, but in another location?—A. Not for the same siding, but for the railway for a roundhouse.

Q. Did you not examine property for a roundhouse at another place?—A. Yes, at the Campbell road.

Q. At the Campbell road, you were there, and all this was for the Intercolonial Railway?—A. Yes.

Q. That is the only person you say you acted for in Halifax?—A. In Halifax.

Q. How many people did you find owning the property that you valued?—A. In Halifax?

Q. Yes?—A. Which site?

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Q. Owing this site, the cotton factory site, tell me how many people to your knowledge owned the property?—A. I think we had divided it up first in ten or twelve lots before we discovered that one man owned it. It was all valued before I discovered it was owned by one man.

Q. You first thought that you were dealing with property owned by ten or twelve people?—A. Yes.

Q. Before you got through you found it was all owned by one?—A. Yes.

Q. Who was that one?—A. Henderson and Potts I suppose it was.

Q. That is one firm, that is what you mean by one man?—A. That is the firm I suppose was interested.

Q. Did you hear anybody else was interested?—A. No.

Q. Only that one firm of Henderson and Potts?—A. Yes.

Q. How long was it after you began your valuation you heard that Henderson and Potts were the owners?—A. I was down there two days at first and I did not go near the owners or any one. I spent that time around the neighbourhood getting a general survey without seeing any one, and afterwards I went to the engineer about it.

Q. How soon after that?—A. Well, I will have to look up my notes.

Q. I do not want to know to a day, was it a week or two or three days afterwards, that will be quite near enough?—A. About two weeks after that.

Q. In the meantime had you discovered there was only one owner, one firm owning it?—A. We discovered it the first day we were on it.

Q. When you were making a general survey?—A. Yes, it was the last property I came to and I went into the office and inquired about their lands.

By Hon. Mr. Emmerson:

Q. Tell us about the lands?—A. I went into Henderson and Potts office to inquire about the lands, there was no one there who knew anything about it and finally we got the superintendent.

Q. Was Mr. Henderson away?—A. He said Mr. Henderson was away and that he had charge of it.

By Mr. Barker:

Q. You say you found out then that Henderson and Potts owned all the land?—A. Yes.

Q. Did the superintendent tell you that?—A. Yes.

Q. It was there, in Henderson and Potts establishment, that you found at the beginning that they owned the whole of it?—A. Yes.

Q. Did you ascertain how long they had owned it?—A. They did not own the whole of the property that I valued, but they owned some of it, a part of it.

Q. And the larger part of it?—A. Yes, the larger part of it.

Q. By a great deal the larger part of it?—A. Yes, I suppose it was.

Q. Did they own what you supposed at first to be the property of several people?—A. Yes.

Q. Did you ascertain how long they had owned it?—A. Only from the superintendent who said some of it they had owned for years, and some they had acquired recently.

Q. Did you ascertain how much they had paid for what they had acquired recently?—A. No, I did not ask that.

Q. You were valuing the land, were you not?—A. Yes.

Q. That was your object in going there?—A. Yes.

Q. And you heard that there had been recent purchases?—A. Of some of the lots, yes.

Q. Purchase of some of these lands, and you did not ask what they had been bought for?—A. No, I did not.

Q. Did you not think, as a land valuer, that would be rather useful information to have?—A. My experience is that it is not.

Q. You would rather not have it?—A. No, in a great many cases I would have, but in this case I would not. In this case the price they named was so—

Q. But you have not got to that yet?—A. I am speaking of the valuation.

Q. You did not ask what lands that they had bought two months before, had been bought for? Would not that be an indication of the value?—A. No, not always, most of those entries are at \$1 I find.

Q. I am not asking what was in the option or anything of that kind, would you not ascertain what lands had been bought for within a few months?—A. In a great many cases I would, in this case I did not.

Q. Why?—A. The price they named—

Q. You have not come to that yet, why did you not ascertain? What was the reason why you did not ascertain?—A. What was the reason?

Q. What was the reason?—A. That is one reason, and I found that in recent valuations gone into I found that was not of much value.

By Mr. Macdonald :

Q. A great many of them are put at \$1 in the sale?—A. Yes, and I felt positive in some cases prices were put in to boost the value.

Q. I am speaking generally of valuations, you did not regard the transfer as of much value?—A. No, I did not.

Q. The amount of money put in the transfer is not always indicative of the real amount or the assessed value?—A. No, nor of the assessed value.

By Mr. Barker :

Q. If you see \$1 mentioned in a deed as consideration you would not be misled as to the sum because of a dollar being placed there?—A. Oh, no.

Q. You could speak to those who know and find what the real price was, could you not?—A. I could.

Q. And if you found the price that had been paid by private individuals within two months would that not be some guide to you as to values?—A. Yes, it would. I was told in one of those cases what it was, and I found my valuation was very near it.

Q. You did not inquire generally as to where you could get information about these lands?—A. No, I did not.

Q. Did you look at the assessment?—A. I did not, I asked to have them taken off for me and they were handed to the engineer and they were handed to me afterwards.

Q. That was after you had made your valuation?—A. I did not change it.

Q. But you did not ask about the assessment until you had valued the land?—A. I usually get the lawyer who has charge of it to get it for me.

Q. But in this case you did not get the assessment until after you had fixed the value?—A. No, I did not.

Q. When you were estimating the value of this land did you allow damages for severance where the property was held by Henderson and Potts?—A. Yes.

Q. You did, they owned the whole of it?—A. There was one piece, I think, where severance was allowed.

Q. Where you were valuing several lots owned by Henderson and Potts, did you allow damages for severance of one from the other?—A. No, I did not. I did not value after I knew it was Henderson and Potts, I put in my valuation I had made and stated in a footnote what I had learned.

Q. I see you valued Henderson's property, 28,600 square feet, as \$1,500 for the value and damages \$1,000?—A. That damage was for the railway track that went through the lands to the exhibition grounds.

Q. For a railway track that went through the lands to the exhibition grounds?—A. Yes. It was an arrangement made after I valued the lands altogether. This

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valuation was amended and amended to meet these different changes in the conditions.

Q. What changes?—A. In the location of the land, they did not take some of it.

Q. Had they a siding through the lot you went to value, this property, had they a siding upon it?—A. Not on that property, no.

Q. How would this property be damaged?—A. It went through other property and divided it right in two, the siding went through the centre of it.

Q. Whose siding?—A. The siding that the railway built to go to the exhibition grounds.

Q. Which you think they may some time build?—A. They were taking the land for it.

Q. You allowed them \$1,000 damages because they were going to use the property for what they bought it for?—A. Yes.

Q. Did that sever their lands?—A. Yes.

Q. It did?—A. Yes.

Q. From what?—A. It divided it into two parts.

Q. It severed some lands you were buying from the Henderson people from some other lands they had?—A. It divided them from the remaining lots, into two equal portions, about.

Q. I suppose when they would come to cut through the remaining lots, and not to buy a site, the government would have to pay for it, would they not?—A. I was asked to value the land that the government were taking for that siding for the exhibition grounds.

Q. You say that the adjoining lots were severed by the siding that might be built some time to the exhibition grounds?—A. I do not know how they might build it, they asked me to put a valuation on it.

Q. But you valued it at \$1,000 for the severance from the property that was not taken?—A. Was not taken.

Q. There was no deed taken for that property was there?—A. I really do not know anything about that, I had not anything to do with it.

Q. You valued \$1,000 for that?—A. I suppose there would be a deed taken for it, it was valued with other properties there which I was instructed to value.

Q. Did you ascertain from any other people whose lands were valued what Mr. Henderson had paid for the land?—A. No.

Q. You did not ask anything about any recent purchases?—A. When I learned that I dropped the thing and came to Moncton and told them I understood it was that way, and I did not go over it again.

Q. You seem to have valued a lot of this property that was not taken, the Robertson property, you take the whole of that, and yet you add \$300 for damages?—A. Yes.

Q. If you take the whole of a man's property and you put the full value of \$1,700 for taking the whole amount, where does the damage come in?—A. For the compulsory taking, moving them out.

Q. Mr. Henderson owned that property at that time?—A. I suppose he did. I did not know it when I valued it.

By Hon. Mr. Emmerson:

Q. When you valued that property you did not know that Mr. Henderson had it?—A. No, I did not know he had it.

Q. In fact when you valued all these properties you did not know that?—A. All of them.

By Mr. Barker:

Q. You allowed \$300 extra because the land was going to be taken from the owner?—A. Yes.

Q. I suppose if the owner knew it was going to be taken before he bought it, he had a pretty good thing under that valuation?

By Mr. Macdonald:

Q. The Exchequer Courts, our courts and the arbitrators, allow what it is thought is proper for people being compulsorily moved?

By Mr. Barker:

Q. You heard my question?—A. I beg pardon, I did not.

Q. I asked if you valued the Henderson property at a certain figure and added \$300 because it was going to be taken from him, would it make a difference in that valuation if you knew that Mr. Henderson had bought it in order to sell it to the government?—A. I do not know that it would. I did not go over it in that light at all, after I knew that Henderson had it; that was the valuation that I put upon the land, according to the plan the engineer gave me. I did not know what action the railway would take when I reported.

Q. Take the George Veith property, Mr. Henderson bought that from Veith, did he not?—A. I understood that afterwards.

Q. He had an option on it when you were valuing it?—A. Yes.

By Hon. Mr. Emmerson:

Q. But you did not know that?—A. No, I did not know it.

By Mr. Barker:

Q. You know it now?—A. Yes, the superintendent told me they had a deed of it.

Q. You valued that, did you not?—A. I did.

Q. Did you add damage there?—A. I forget now, the report will show.

Q. That says \$500 damages, what was that for?—A. For compulsorily taking.

Q. I suppose if Mr. Henderson had bought that with a view of its being taken from him by the government you would not have allowed that damage, would you?—A. I do not know, I think so, if it were compulsorily taken it would apply in the same way.

Q. If you found a man had just bought a property, getting wind of the fact that the government needed it, you would allow him damages because he was compelled to sell it to the man he wanted to sell it to?—A. It would all depend upon the circumstances, I have been criticised because I did not allow it.

By Hon. Mr. Emmerson:

Q. Just please tell when you went to Halifax to value this property, did you know any of the owners?—A. I did not know any of them.

Q. How did you know about the land?—A. I had instructions from Mr. Mackenzie, with a plan.

Q. And what did this plan contain?—A. It contained the lots with the names of the owners. Well, the engineer had the plan, he was down there with me.

Q. He was with you?—A. Yes, he was with me.

By Mr. Ames:

Q. What was his name?—A. Mr. Steeves.

By Hon. Mr. Emmerson:

Q. Is he an engineer on the road?—A. Yes.

Q. He had the plan and showed you the plan?—A. Yes.

Q. And you went around?—A. Yes.

Q. Did you go to the different lots?—A. We began at the corner of Young street and Windsor street, and went down Windsor street and down the Kempt road and back to the Henderson-Potts corner and then we went into the Henderson-Potts office for information.

Q. And you had gone for this specific purpose along the route you took?—A. Yes.

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Q. And you put down certain valuations as you went about?—A. As we went around.

Q. And you allowed damages where you thought proper?—A. Yes.

Q. There had been some question about your not allowing damages for compulsory taking in connection with the Water street property, had there not?—A. Yes.

Q. It was questioned in the Exchequer Court?—A. Yes.

Q. Therefore, you took this into consideration in some of these items?—A. I did.

Q. Then after that, after you had gone over these properties and appraised them to the best of your judgment, you came to the Henderson and Potts property, that is where they have their paint factory, is it?—A. Yes.

Q. And you went in there and found Mr. Henderson not at home?—A. I think they said he was in England. I do not remember exactly.

Q. Then you saw the superintendent?—A. He said he was the superintendent, that is all that I know.

Q. Who gave you certain information?—A. Yes.

Q. Did he tell you about this property being acquired for any purpose?—A. No, I do not think he did, he said they owned it.

Q. Did you know for what purpose it was secured?—A. Only from what the engineer told me; he had heard a rumour that they had it for paint works.

Q. For a large paint works?—A. Yes, for Brandon, an English house, that was going to establish a lead colour works.

Q. You have the misfortune to be my uncle?—A. Yes.

Q. Did you feel that that disqualified you from acting as valuator?—A. I did not, I had been at it all my life, more or less.

Q. Mr. Barker, of course, lives in the large city of Hamilton and seems to despise a small place like Sackville, with only 3,000 people, apparently. He has the idea that you are not familiar with these large places. Of course you have been at Hamilton, I fancy?—A. Yes, I supplied stone for the Hamilton city hall.

Q. How long have you been in business?—A. Since 1871.

Q. What has been your business?—A. Manufacturer of grinding stones and building stones.

Q. Where have you quarries?—A. In New Brunswick, Nova Scotia, Ohio and West Virginia.

Q. Have you always lived in Sackville?—A. No, we went to school together in Boston and we were clerks there for years.

Q. Have you lived elsewhere than in Sackville?—A. Yes, I lived in Boston for fifteen years.

Q. Carried on business there?—A. Yes, and a branch in New York.

Q. And you still carry on business?—A. All over the United States.

Q. You did not seek the position or job of valuing lands for the Intercolonial, did you?—A. No, never.

Q. You never asked me to get you such a position?—A. No, nor did I ever ask Mr. Blair, the first I knew of it was when Mr. Blair asked me.

Q. Are you or are you not looking for such a position?—A. I begged off one for six months, the last one I did.

Q. Wherever you have valued lands for the Intercolonial, it has been at the solicitation of the railway and not at your own solicitation?—A. Every time.

Q. And it is a very immaterial matter to you as to whether you do it or do not?—A. I have declined to do it.

Q. Is the financial feature of it of any importance to you?—A. It is not, it is a detriment.

By Mr. Macdonald:

Q. Mr. Read, I find here in the correspondence a letter of March 29, 1906, written by Mr. Mackenzie to you. I want to direct your attention to that letter.

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'H. C. READ, Esq.,
'Sackville, N.B.

'DEAR SIR,—In a few days I will have a plan ready of some land at Halifax, and it is desired that you should make a valuation of it.

'I would like you to come to Moncton soon in this regard.

'Yours truly,

'W. B. MACKENZIE,
'Chief Engineer.'

Was that the official notification in writing, or direction on which you entered upon this work?—A. It was.

Q. What did you do after receiving it?—A. I went to Moncton on the 2nd, I think, it was, of April, and Mr. Mackenzie was away, and I think I was notified on his return on the 12th and he asked me to go immediately to Halifax, and I did so.

Q. On what day?—A. On the night of the 12th.

Q. You would be there on the 13th?—A. Yes.

Q. And you would be there on the 13th and 14th of April?—A. Yes.

Q. And in company with Engineer Steeves of whom you spoke you went thoroughly into the matter of valuation at that time?—A. I did.

Q. I see there are certain papers here, documents made out in your handwriting, in which you value each of one of these separate parcels, separately, and there is this memo. purporting to be in your handwriting?

'It is reported that Henderson and Potts have bought all the above properties, except lots Nos. 8, 9, 10, 11 and 12 and will sell for 3c. per square foot, reserving the right to take any buildings they may think worth moving. In this way the valuation would be as follows:'

You made a sort of rearrangement of the valuation at the bottom?—A. Yes.

Q. Do I understand you to say that the valuation of these properties at a certain time containing 12 different lots of land had been made, and decided upon in your mind before you learned that Henderson and Potts owned them?—A. It had, yes.

Q. I notice in a letter written to Mr. Mackenzie by you, dated May 28th, 1906, in that letter you explain how that first document which you sent in in the way of valuation was prepared?—A. Yes.

Q. Namely that the valuation had been made previous that it had been actually made in your own mind, I suppose it had been jotted down, previous to ascertaining these facts about the Henderson and Potts having acquired the property? Then on May, the 22nd, there is a return purporting to be in your hand of the same sites, a valuation giving the value of these lands as they were owned by Henderson and Potts. That is a recapitulation of the one previously given?—A. I suppose so.

Q. In that letter you say you had made inquiries in the neighbourhood of the value of the other properties, in all directions within about a quarter of a mile?—A. Yes.

Q. Well, now, let me ask you, is not the exhibition buildings with their grounds immediately next to this property?—A. On one side, but not next to any of the property that they took, there is a portion of Henderson and Potts property in between.

Q. But in the immediate vicinity?—A. Yes, in the immediate vicinity.

Q. Is not the cotton mills factory in the vicinity?—A. Yes.

Q. Is not the paint works of Henderson and Potts in the immediate vicinity?—A. Yes.

Q. All these properties are in the same vicinity, and there are street cars run up Almon street, do they not?—A. Within a block.

Q. Now, you have stated here you made inquiries as to the value of other properties; what other inquiries did you make?—A. What lots were worth, vacant lots, land principally.

Q. Who did you make them from?—A. I made them at houses, and from people along there. I wandered around and found any one with any property that I could get any information from and the values there.

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Q. That is you went around the vicinity and asked business men and other people there?—A. Yes, parts of two days I went around.

Q. You say,

‘My previous experience in valuing properties at Halifax and elsewhere, taught me it was little use to go to the owners of properties under consideration of actual values, and the few owners that I saw in this case only confirmed this opinion.’

Of whom did you inquire?—A. Mr. Hoben was one—one man who I supposed was the owner—he told me the property was not for sale. Mr. Hoben, the owner of the Scotia Foundry property, which I valued at \$4,000, I did not go into the damages, they wanted \$26,000.

Q. They wanted \$26,000?—A. \$26,000 with some houses in the neighbourhood of an acre, I do not remember the exact number of them.

By Mr. Ames:

Q. With buildings on it?—A. Yes, with buildings on it.

By Mr. Macdonald:

Q. That is for foundry buildings?—A. Yes.

Q. And Mr. Hoben wanted \$26,000 for the land?—A. Yes.

Q. Is it fair to say that preliminary to jotting down your views as to the value you satisfied yourself by inquiries in the vicinity, as stated in this letter here, of what the value of the surrounding properties was?—A. I did, yes.

Q. You said something about not regarding assessed values as being of any advantage in arriving at the actual value?—A. I find they are of no value whatever, especially in Halifax, and of vacant lands more particularly.

Q. In regard to vacant lots, and in Halifax more particularly, they place very small valuation on vacant land you say for assessment?—A. Yes.

Q. And the value you placed, in this particular case, was it in the light of your past experience?—A. My past experience. In one case the assessed value was \$200 and the owner valued it at \$1,200. Up to 50 per cent is all the assessment you can expect on vacant lands in Halifax.

Q. Where had you previous experience?—A. In the Water street and Campbell road properties.

Q. In which you had gone into this question of assessment and values?—A. Yes.

Q. And as to the information you were likely to get from parties interested as to what they considered the value of their property to be?—A. Yes, of the owners.

Q. You spoke about this Hoben property for which they wanted \$26,000. What character of buildings were on that property?—A. They were the typical sheds for foundry purposes.

Q. They were not expensive stone buildings or anything of that kind?—A. No.

Q. Now, Mr. Read, how long have you been engaged in valuing properties for the Intercolonial Railway, how long since you first began?—A. For the Intercolonial or other purposes?

Q. Well, for other purposes generally, how many years' experience have you had?—A. Since 1875, generally over the United States, and I cannot remember the exact date, but it was after 1896, after Mr. Blair was the minister that I valued for the Intercolonial.

Q. Have you been engaged in that time all over the maritime provinces?—A. Well, not all over but several places along the Intercolonial.

Q. That is what I mean, different places along the Intercolonial in the maritime provinces?—A. Yes, from Sydney to Moncton.

Q. And you, of necessity, have knowledge as to the principle upon which the courts have determined these matters, in circumstances which are held to be an injury

for which damages should be allowed in addition to the actual value of the property ?—A. Some.

Q. Speaking about the time previous to 1896, when you were engaged in valuation, when was this ?—A. In connection with our business as sellers of building stone we often have to determine whether to accept an order for building stone, as to whether the property would stand it, and whether we were likely to get our pay, and it became a settled habit to see about the value of the properties. It has been my custom to make valuations in this way as far west as Milwaukee, and Chicago, and as far south as Richmond and Washington, and all over the intermediate districts, in Cincinnati, Philadelphia and New York.

By Mr. Barker :

Q. Have you the records of those estimates ?—A. No, I have not, that was in the '70's or '80's.

By Mr. Macdonald :

Q. How do you regard this particular locality in the city of Halifax as to value, where this property was, how did you regard this particular property, was it a valuable locality ?—A. It seemed to me it was the most favourable place in Halifax for factories. I was amazed to find that there was such a property there.

Q. In the city of Halifax there is no railway accommodation along the water front past the Imperial property ?—A. No.

Q. And a large part of the city of Halifax is therefore deprived of direct railway connection ?—A. Yes it is.

Q. And in the city, therefore they have to look in other directions for locations for enterprises and businesses of all kinds ?—A. Yes.

Q. And you regard this property as one of some value on account of its locality for manufacturing purposes ?—A. In connection with the railway and on account of its being level ground.

Q. That is the situation with respect to the cotton factory and these other industries there. From your experience, Mr. Read, not only in Canada but elsewhere, in valuing properties, do you regard the valuations that you made of this property as being a conservative one or one which was on the side of liberality ?—A. It was conservative. One property there was reduced a little after I made my first valuation.

Q. Do you consider that the government in paying for this property along the valuation that you have made, paid anything more than you consider was the absolute worth ?—A. I consider it is the greatest bargain that they got of any one that I had anything to do with, in value.

By Mr. Ames :

Q. When making your valuation, did you make it, or were you guided at all in making it, by any previous memoranda in your possession ?—A. No, I had no previous valuation.

Q. You received no memorandum of previous valuation when you looked them over ?—A. No.

Q. There is a letter here which has been read several times, but there is only one phrase of it to which I want to refer now, it is the letter of Mr. Pottinger to Mr. Mackenzie of the 30th of March, 1906, and the last words of that letter are as follows: 'Please see that Mr. Read interviewed Mr. MacIlreith before he goes on with the valuation.' If I understood you rightly you said a moment ago that it was on the 12th of March you went all over these properties ?—A. No, the 13th and 14th of March.

Q. And your first valuation of \$57,965 we find contained in the letter of Mr. Mackenzie of the 2nd May, so that you probably gave it to Mr. Mackenzie about that date ?—A. Yes; it was finally completed about that time. It was revised as to what land was wanted.

Q. So that you really made up your mind on the 13th of March, but committed

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it to writing on the 1st of May?—A. It was completed before that report was in. There were changes and changes as to what property they would require and it was finally put into shape on the 2nd of May.

Q. You did not consider it as your final valuation until it was in writing about the 1st of May?—A. I considered it final, I did not make changes in the value, the changes were made as to what they wanted.

Q. Did you receive this instruction to interview Mr. MacIlreith before giving that valuation?—A. I do not remember that I did.

Q. Did you interview Mr. MacIlreith while the valuation was in progress?—A. I did, I went in to ask him to get me the assessed values.

Q. And you did talk with Mr. MacIlreith?—A. I saw Mr. Tremaine, his partner, Mr. MacIlreith came in only while we were talking about it.

Q. That would be about the 13th or 14th of March?—A. I think it was on the 13th of March—or April.

Q. You said the 13th of March?—A. Well, you said it, and I suppose I followed it.

Q. I do not want to make any error here, was it the 13th of March or the 13th of April that you went down there?—A. The letter came to me while I was away and about the 30th of March I think I came home, somewhere about that time, and on the 2nd of April I went to see Mr. Mackenzie and on the 12th I went to Halifax.

Q. Then these dates should be the 13th and 14th of April?—A. Yes.

Q. It was the 13th of April you went over the properties and really made your valuation?—A. Yes.

Q. And it was about the 13th of May you really put it in writing?—A. Yes, the 13th and 14th, sir.

Q. Why did you go to see Mr. MacIlreith?—A. To ask him to get the assessed values for me.

Q. Why did you go to him?—A. I knew he was the agent of the Minister of Justice, I had been there a great many times before.

Q. Had you any instructions to see him before about this matter?—A. I do not think I did, but I went to see him.

Q. Did you retard your written valuation on account of your interview with Mr. MacIlreith?—A. I did not, no.

Q. What is the meaning of this letter, 'Please see that Read interviewed MacIlreith before going on with his valuation'?—A. I do not know, I never heard of it before.

Q. You did see Mr. MacIlreith between the time you went over the properties and before you sent in your written report?—A. Yes, the first day I was in Halifax I saw Mr. MacIlreith.

By Mr. Johnston:

Q. You might as well, before you leave that point, explain the purpose of your visit to Mr. MacIlreith, notwithstanding you have explained it, Mr. Ames returns to it.

Mr. AMES.—I am through with it, it is all down in the evidence.

By Mr. Macdonald:

Q. Mr. Mackenzie in his letter of the 23 April to Mr. Pottinger, says: 'Mr. Read called on Mr. MacIlreith and showed him the plan.' You had a plan?—A. The engineer had it, we were together.

Q. Now, here is your letter of the 28th of April written from Sackville to Mr. Mackenzie, which has already been read by Mr. Macdonald. The last sentence of that letter is this, you have been speaking of the lands belonging to Mr. Henderson. 'I went to their lawyers and was told that they would sell all or a portion for 3 cents per square foot, and I added that information as a foot note to my report.' Who were their lawyers?—A. Pearson & Pearson.

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Q. If you had been offered a contract for building stone in connection with that property and had been advancing the building stone to the contractor, who was not altogether too solid, would you have considered the valuation which you made as one on which you would make a business risk yourself?—A. I considered it a very low one.

Q. Answer me, would you have considered that risk as one you would be willing to make as a personal business risk to that extent?—A. I would have, gladly, yes.

By Mr. Barker:

Q. You tell us that from your experience you found it of no use to go to people who were selling property to ascertain values?—A. None whatever.

Q. None whatever?—A. Well, I want to say that for private purposes it might be, but for the Intercolonial it is worse than useless, they want perhaps ten times the amount.

Q. But what about the man who had just sold the property?—A. Well, that might have been—

Q. You did not go to him?—A. No, I did not go. I asked what I supposed was one owner, and he told me the property was not for sale.

Witness discharged.

Mr. R. T. MACILREITH, recalled.

By Mr. Ames:

Q. Your firm, Mr. MacIlreith, acted in connection with the searching of titles and preparing deeds on behalf of the government?—A. Yes.

Q. Is that the statement which you have before you, I think it is, I suppose it is a duplicate of this?—A. I will take yours.

Q. Well, whichever you like. Is that statement a correct copy of the searches, do you identify it as one prepared by your office?—A. It is not prepared by my office, I think, but prepared at Ottawa, but I have gone through it and it appears to be a true copy of the original.

Q. Will you then turn to that search and identify the properties as they are called off and tell the committee how Mr. Henderson, according to the deeds, came to secure the several properties. In the first place, turn to page 5 and tell us the date and the amount of the property sold by Mr. Henderson to the government?—A. Your paging must be wrong.

Q. I think it is page 5, it is the last page where Mr. Henderson makes his sale to the government. That is the deed of Henderson to the government, and the list is in there of what Mr. Henderson sold to the government, the date he sold it, and the price he sold it for?—A. The date was the 11th June, 1906, the consideration was \$45,400.

Q. Yes, can you give me roughly the quantity of property, the number of acres?—A. I know from memory it was $34\frac{3}{4}$.

Q. $34\frac{3}{4}$ acres?—A. About that.

Q. That property was made up of several lots, was it not, and those lots are enumerated in the deed, are they not?—A. The description of the property is here.

Q. Just the way in which the lots are currently known. I think you will find the land described, if you will look further over. There is a list there.—A. The abstract of title shows the lands.

Q. Which were sold by Mr. Henderson to the government. Will you kindly read that list?—A. The Henderson & Potts lands, the Robertson lands, the Reeves lands, the Hendry lands, and the Vieth lands.

Q. Now will you turn to page 12 and tell us when and how Mr. Henderson acquired that first piece of land, the date of the deed, of his acquisition of it?—A. That is the Henderson & Potts lands?

Q. That will be the strip leading out to the street?—A. The date that Henderson bought it from Henderson & Potts?

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Q. Yes?—A. April 6, 1906.

Q. Is the consideration mentioned there?—A. No, the consideration is not mentioned.

Q. Is the area of the land mentioned there, or do you know it from memory?—A. You see the land is described, but it does not give the area.

Q. Really speaking, that land is the strip 66 feet wide from the Vieth property to Young street. Is not that so?—A. I can read the description of the property, perhaps that will suit you.

Q. You will remember it perfectly?—A. Shall I read the description?

Q. If you like, it is rather long.—A. 'Beginning at the point formed at the intersection of the north line of west Young street, with the east line of Bluebell road, sometimes called Windsor street, thence northerly along the eastern side of said Bluebell road, four hundred and seventy-seven (477) feet, to the southwest corner of land, now or lately of one Alexander Robertson's land, two hundred and fifty-five (255) feet and eight (8) inches to the land now or lately belonging to the heirs of the late Henry Vieth, thence southerly by said Vieth property one hundred and forty feet (140) to the southwest angle thereof, thence easterly by the southern line of the said Vieth property three hundred and thirty-eight (338) feet to the southwest angle of property of Jacob Withrow, thence southerly by a line in prolongation of the western or rear line of said Withrow property four hundred and nineteen (419) feet to the northern side of west Young street, thence westerly by said northern line six hundred and twenty (620) feet to the place of beginning.'

Q. You have the Robertson lot?—A. That is the page you gave me.

Q. Well, that is the Robertson lot, we will have to make the statement slightly different. You know the abstract of title pretty thoroughly, Mr. MacIreith, if you will kindly identify in the abstract the different pieces of property. It does not make any difference what order you take them up in so long as we get them. Supposing we deal with the several titles as they come, this copy is paged differently to the one you have. Here is the first acquisition?—A. The Henderson & Potts, five acres.

Q. First then is the Henderson & Potts property, five acres, through whom did that come? From Henderson & Potts to J. R. Henderson?—A. Yes.

Q. Now take the next piece.—A. The next is the Robertson property.

Q. When was that sold by Alexander Robertson to J. R. Henderson?—A. On the 26th March, 1906.

Q. Now take the next one, page 33.—A. That is the Reeves lot.

Q. When was the Reeves property sold to J. R. Henderson?—A. On the 27th of March, 1906. There were two deeds, one on the 24th March and another on the 26th.

Q. And when was the mortgage to Alexander Stephen paid off?—A. On the 24th March, 1906.

Q. Now turn to the next one, William A. Hendry to J. R. Henderson. When did Mr. Henderson acquire the property of William A. Hendry?—A. The transfer from W. A. Hendry to Joseph R. Henderson on the 28th March, 1906.

Q. And what does this second one say?—A. In searching the title we found that there was an error in the description and a new deed was given from Mr. Hendry to Mr. Henderson dated April 6th, 1906, there was an error in the first deed.

Q. Now, turn to the Vieth properties?—A. The Vieth property, yes.

Q. What was the date of the option on the Vieth property of your securing the Vieth property, page 51, I think, it is quite a long title?—A. It is on page 50.

Q. The date when J. R. Henderson secured an option on the property from George A. Vieth?—A. February 8th, 1906.

Q. And the date when J. R. Henderson purchased the George A. Vieth property?—A. The date does not appear in this abstract.

Q. The date does not appear?—A. It has been left out in copying, I think.

Q. I think the deed is dated 6th April, 1906. It appears elsewhere in the abstract. Does it not concur with the date of the deed from the Vieth heirs?—A. There is one

from Henry Vieth on April 6th, but the one from the Vieth heirs the date is not given, it will be in the original abstract, but is evidently left out in this copy.

Q. Will you look up the date and give it to the stenographer and it will be put in the evidence?—A. I see a note in the deed of April 6th that is simply covering the same thing as the first deed. I will hand in the date to the stenographer, I will take it from the abstract.

Q. Then the Susan Vieth property, they were both acquired at the same time, the Susan Vieth and the George A. Vieth?—A. They are both in that.

Q. Now, Mr. MacIlreith, is this the cheque that was received by you?—A. Yes.

Q. \$45,400?—A. Yes, payable to my order and to Mr. Henderson.

Q. To whom did the proceeds of that cheque go?—A. The cheque was handed to Mr. Henderson.

Q. After you had endorsed it?—A. Yes, I endorsed it as agent of the Justice Department.

Q. So that you released the entire \$45,400 to Mr. Henderson?—A. As instructed by the Justice Department.

Q. And no portion of that went to you, your expenses were paid entirely outside of that?—A. I received absolutely no money in selling property outside the taxed costs from anybody, neither myself nor my firm, directly or indirectly.

Q. When did Mr. Mackenzie first see you in reference to this matter?—A. Mr. Mackenzie?

Q. Yes, will you turn to page 53 of the file, and you will see a letter to you from Mr. Pottinger.

By Mr. Macdonald:

Q. What is the date of that letter?—A. 30th March, 1906.

By Mr. Ames:

Q. Mr. Pottinger says: 'Mr. Mackenzie, the chief engineer, advises me that it will be necessary to have a survey of the place made first and that he is arranging to have this done, and as soon as the plan is prepared he will have Mr. Read make the valuation, and I will ask Mr. Mackenzie to tell Mr. Read to see you in regard to it. Mr. Mackenzie further adds that he saw you in connection with this matter when in Halifax last, and I presume that you and he have decided what would be the best way of dealing with this question.' Can you give me the date of your interview with Mr. Mackenzie on this matter?—A. No, I cannot fix the date, I do not remember the interview with Mr. Mackenzie, but he is here.

Q. You do not remember the interview with Mr. Mackenzie, do you remember the interview with Mr. Read?—A. I remember going into the office and finding Mr. Read there, when it was suggested that the assessed values of the properties should be obtained.

Q. You have been here, and you heard the letter read which directed that Mr. Read should see you before proceeding with the valuation?—A. Yes.

Q. Do you know why he was instructed to see you before proceeding with the valuation?—A. The correspondence shows, I think.

Q. Why was Mr. Read instructed by Mr. Mackenzie to see you before proceeding with his valuation, there is the letter.—A. Well, Mr. Read when undertaking to value properties usually came in to see me in reference to them.

Q. Did you have any discussion with Mr. Read as to his valuation?—A. No, the valuation was not made at that time. It was the first day he was in Halifax he was in the office.

Q. Nor as to the method of making the valuation?—A. No, I do not think that was discussed. The only matter that was talked about while I was there was the assessment and the location of the property and who the owners were. That was the only information Mr. Read got from my office.

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Q. Mr. Read has stated that the lawyers for Mr. Henderson were the Messrs. Pearson, did you ever at any time, have any communication with the Pearsons in connection with the transaction?—A. There may have been, but only as to title.

Q. Do you remember?—A. There was nothing outside the communication as to flaws in the title, defects in the deeds, and that sort of thing.

Q. You never had any conversation with Mr. Pearson at all with reference to the purchase of this land?—A. Absolutely none with reference to the purchase.

Q. When do you first remember having discussions with Messrs. Pearson on anything in connection with this transaction?—A. Well, the only recollection I have of any discussion of the matter would be in reference to the search of the title as it went along, there was nothing else discussed.

Q. Absolutely nothing else?—A. Absolutely nothing else, nothing but the titles to the property. You will see if you follow the correspondence.

Q. Do you know when the first discussion of this matter with Mr. Pearson took place?—A. It would be subsequent to the instructions from the Department, and while the title was being searched.

Q. Turn to the telegram here on page 81, R. T. MacIlreith to W. B. Mackenzie, Your letter of 17th *re* Henderson. Propose to have one deed only. *Re* cheque, immediately now one or seven.' That is on the 19th of May from Halifax?—A. The reply was, 'One set of vouchers, one cheque, one plan and one description for Henderson.'

Q. Can you tell me why you were in doubt as to whether there should be one or seven?—A. In the first letter of instruction from Mr. Pottinger we were instructed to put the search through as quickly as possible. In some titles there were defects which meant delays, and we suggested to the department that if any one particular lot had to go through quickly they would have to make separate cheques and separate vouchers; that is all in the correspondence.

Q. Yes, and is that all you remember. Very well?—A. That was all there was to it. That simply we were instructed to expedite matters.

By Mr. Macdonald :

Q. It is explained in your letter of May 21st?—A. I know it is in the correspondence.

Q. Will you read that letter of May 21st to Mr. MacKenzie?—A.:

'W. B. MACKENZIE, Esq.,

'Chief Engineer, I.C.R.,

'Moncton, N.B.

'HALIFAX, N.S., May 21st, 1906.

'*Re* Roundhouse at Halifax.

'DEAR SIR,—I am duly in receipt of your favour of the 17th inst., and replied by wire as you requested as follows:

"Your letter 17th, *re* Henderson, proposes to have one deed only *re* cheque immaterial now, one or seven."

'My object in asking for separate cheques for Henderson was that after a hasty examination of the titles, I found some of the lots which he had lately acquired would require to have the titles perfected before I could pass them for acceptance by the Crown others were good as they stood, and as the parties seemed very anxious to have the transfers of that portion of the property whose titles were good completed, I thought if I had separate cheques I could transfer the good titles and hold the others until the titles were satisfactory. One deed, however, was all that would have been necessary.

'Since writing you, however, I have been able to get the titles all in order, and it does not matter whether the consideration money is in seven cheques or in one.

'Yours truly,

'R. T. MACILREITH.'

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Q. One deed, however, was all that would be necessary?—A. Yes, all that would be necessary.

Q. You are mayor of the city of Halifax?—A. Yes.

Q. You were a member of the city council for some time before you became mayor?—A. Yes.

Q. I presume you know this property pretty well, the situation, the location?—A. Oh, yes.

Q. Can you tell us some of the advantages it possesses, and which it has possessed all along as a manufacturing and business site, or for general value?—A. Well, it is situate on a level plateau, north of the exhibition, and I think that one of our city water mains runs through it.

Q. One of the city water mains runs through it?—A. Yes, it has streets all around it and the cotton factory siding goes up there.

Q. The cotton factory siding runs alongside this land?—A. Yes, alongside it.

Q. And the tramway is in the immediate vicinity?—A. Yes.

Q. On Almon street?—A. Yes, one block away.

Q. Do you know anything about the value of property in that vicinity? You are interested I think, on account of your official position in the Exhibition Commission. Do you know anything about the Exhibition Commission purchasing property there, or have you any knowledge with regard to values?—A. Yes, we tried to buy property on the corner of Alma and Winchester streets, which was assessed for \$4,000 or \$5,000, but the owner asks \$15,000 for it.

Q. Had it a house on it?—A. It had a house on it.

Q. Although the assessment was \$4,500, the owner asked \$15,000?—A. I think he once asked \$20,000.

By Mr. Reid (Grenville) :

Q. Did they buy it?—A. No, they had not the power of expropriating I think at the time.

By Mr. Macdonald :

Q. There has lately been a purchase in Halifax by the Silliker car works; did they purchase property in the vicinity?—A. As I understood it they bought 20 acres of property and paid about \$20,000 for it.

Q. In the vicinity of this property?—A. Yes, in the vicinity.

By Mr. Reid (Grenville) :

Q. How many acres are there in this property?—A. In the Henderson property?

Q. Yes?—A. 34·73 acres. There was another property there that they were trying to buy for the city, just before I received the summons to come to Ottawa, about nine acres, belonging to Hennessy, about 300 yards from this property, which is assessed at about \$4,000, and they asked us \$16,000 for it. As far as the assessment being any criterion as to the value of property in Halifax, I do not think it is of much use.

Q. Is the whole assessment of Halifax on that basis?—A. I think it varies; where you have all land the assessment does not get up to the high proportion of its real value that it does where they have buildings.

Q. According to what you state, about 25 per cent is the proportion which the assessment bears to the worth of the property?—A. It will look that way, of course.

Q. You have an idea of the value of properties; will you say that real estate is assessed at about 25 per cent its value?—A. I do not think you can say it is 25 per cent.

By Mr. Macdonald :

Q. Has the matter of assessment been a subject of discussion in the press and in the community for a long time?—A. As long as I can remember.

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Q. Certain classes of the community complain of inequality?—A. I think in the business district the assessment is more nearly the value, except that there was a case of property in Barrington street, which is in the business section, which was assessed at \$12,500 or \$13,000 and sold at auction at \$22,000 within a couple of months.

Q. You have lived in Halifax all your life, you know the situation with regard to the railway and the eligibility of sites for manufacturing purposes?—A. Yes.

Q. What would you say as to the eligibility and value of this particular locality for manufacturing purposes or for purposes in connection with the railway?—A. It is an ideal site for manufacturing purposes, there is no question about that.

Q. And would have a special value on that account for manufacturing purposes?—A. Certainly.

Q. As well as for the railway?—A. That is shown by the Silliker people coming there.

Q. They have located in the immediate vicinity?—A. Yes.

Mr. A. W. REDDAN, called, sworn and examined.

By Mr. Macdonald:

Q. You are a merchant of the city of Halifax?—A. Yes.

Q. I am instructed that in the *Weekly Mail* newspaper a year ago a statement was made that you, in connection with Mr. Hawkin and Mr. MacIlreith, were interested in what was called a deal for the purchase of this land. It was also stated in the *Halifax Herald* a few days ago that you were being summoned to Ottawa in connection with this matter. That was before you had been summoned?—A. Yes.

Q. I want to ask you one question, have you any knowledge, connection or relation in any way whatever with the purchase of this piece of land in connection with the roundhouse, directly or indirectly, or at any time?—A. No, I had nothing to do with it at all.

By Mr. Ames:

Q. You had no knowledge of it at all?—A. I know nothing at all about it.

Witness discharged.

Dr. A. C. HAWKINS, called, and sworn and examined.

By Mr. Macdonald:

Q. Dr. Hawkins, you are an alderman of the city of Halifax?—A. I am.

Q. You represent the ward in the city in which the land that was taken for this roundhouse is situated?—A. I do.

Q. You have heard me recall to Mr. Reddan the statement in regard to you and he and Mr. MacIlreith. Did you have any knowledge, connection or relation with the purchase of this land by the government, in any way whatever?—A. None whatever.

Q. Do you know this locality very well?—A. I do.

Q. You know where the property is situated, and you know from your experience as alderman of the city of Halifax whether or not the assessed value in that locality has any direct relation to the actual value. In the matter of sale, would you regard the assessed value of property in that portion of the city as any indication of what the real value is?—A. No, it is not.

Q. You know of the purchase of the Silliker property there?—A. Yes.

Q. And as to the price being as stated by Mr. MacIlreith?—A. Yes.

Witness discharged.

Mr. JOSEPH R. HENDERSON, called, and sworn and examined.

By Mr. Ames:

Q. I want you to take cognizance of this cheque, and of this statement, which I am going to examine you on; also take cognizance of this plan given here, which is presumably a correct plan of the property, and I will ask you some questions in reference to that. What is your name?—A. Joseph R. Henderson.

Q. And your status?—A. Manufacturer.

Q. Your residence?—A. Halifax, N.S.

Q. Take cognizance, please, of the plan which is on page 55 in the documents, and tell me if that is a fairly correct plan of the properties included in the property which you sold to the government?—A. It appears to be quite right, as I understand it.

Q. Will you kindly turn to the cheque. You will find a cheque there payable to yourself for \$45,400; that is your signature on the back?—A. Yes.

Q. And is that in payment for the properties which the account attached covers?—A. Well, I never went into all the details of these figures, because the price we asked was 3 cents a foot, and we were practically given 3 cents a foot, and I never looked into what was allowed for damages or anything else. But I recollect those figures. I have seen them before, and the amount is correct.

Q. You believe that is a correct statement?—A. I believe it is a correct statement.

Q. We will begin with the properties. First of all, No. 1: what does that consist of?—A. Have you the names down there?

Q. No. 1, is simply J. R. Henderson, 28,600 square feet, is that the strip that comes out to the street?—A. As I said before there are two lots here.

Q. There are two, but we are speaking of No. 1. Of the one that you sold for \$2,500, would that be the strip of land that runs up to the street?—A. I sold the lot of land for \$45,400. I did not examine carefully into the different portions of the property.

Q. You know of course what you purchased and can probably identify the several pieces which made up the total amount that you sold to the government?—A. I can do so on the plan.

Q. Yes, is it probably this first item of \$2,500?—A. Yes.

Q. Does that cover the strip here which was the right of way bisecting your property from the George Vieth property out to Young street?—A. These two items there of 28,600 feet, and 25,852 feet, are the property that I purchased from Henderson and Potts and disposed of to the railway company.

Q. Yes, will you point out on the map where these properties you purchased from Henderson and Potts and disposed of to the railway company are situate, either on this map or on the blue print (map produced by Mr. Ames, blue print on file, page 55)?—A. Well, this is part of it.

Q. Did you purchase any other property than that from Henderson and Potts and sell it to the government?—A. Oh, yes, I did, I purchased all this property from Henderson and Potts (indicating on map).

Q. Extending from Windsor street to Kempt road?—A. Yes, and I sold that to the government and a piece over here to make the other lot square.

Q. Can you tell us with respect to these two strips what you paid Henderson and Potts for that?—A. \$750 per acre.

Q. At the rate of \$750 per acre for these two strips, No. 1, which contained 28,600 feet and No. 2, which contained 25,852 feet?—A. Yes, and the balance of about five acres that I bought more than the government took.

Q. Then the entire purchase from Henderson and Potts you not only have included item 1, and item 9 but also a balance that the government did not take?—A. The whole of that portion (indicating on map).

By Mr. Barker:

Q. How many acres?—A. About six and a half, I think.

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By Mr. Macdonald :

Q. What was the price ?—A. \$750 an acre.

By Mr. Ames :

Q. So that in the whole of the two strips from Henderson and Potts to yourself you simply calculated the acreage and paid the company at the rate of \$750 per acre ?—A. I did.

Q. When did you acquire those two strips from the Henderson and Potts Company ?—A. Well, I had it understood in February with my partner, I had a partner, and he and I owned about seven-eighths of the concern, we practically owned the whole stock, and I explained the matter to him that Mr. Pearson and I were desiring to own all that district, and he agreed that I should have passed a minute of sale by Henderson and Potts to Henderson at the rate of \$750 per acre.

Q. Then these two strips which total 54,452 feet were purchased at the rate of \$750 per acre, and the two were sold to the government for \$4,550. Is that correct ?—A. I sold the whole property to the government, I did not sell it in pieces, they may have blocked it off in pieces themselves, but I offered it for 3 cents per foot, and as their offer was practically 3 cents a foot, I took it and never troubled to examine that paper.

Q. As a matter of fact, however, the government did not purchase that, you still own that ?—A. I own 5 acres.

Q. So that, what you did sell them, namely, 54,452 feet, you sold them approximately at 3 cents a foot, and then you sold it to the government for \$4,550—

By Mr. Macdonald :

Q. You sold it in conjunction with the whole of the property ?—A. I have seen this thing before, but I never bothered to examine it. I offered it at 3 cents per foot and they practically gave me that and I did not think any more about it.

By Mr. Ames :

Q. There are here two items for damages, \$1,000 is the first and \$1,000 is the second, where now were there any damages to you in selling that property ?—A. That all went in as far as I am concerned toward getting that amount of 3 cents per foot.

Q. You did not, in making up your estimate of 3 cents a foot, you would not charge the government an item of damages, that did not enter into your calculation when charging the government ?—A. No, I thought afterwards that it was more to my advantage than otherwise.

By Mr. Macdonald :

Q. Did you take any valuation from any one, or an opinion from any source as to the value of 3 cents per foot ?—A. I consulted, I made an inquiry from Mr. Samuel Brookfield, who I know to be an authority particularly in that neighbourhood.

Q. Mr. Brookfield of Halifax ?—A. He is also an authority about lands and buildings all over Halifax.

Q. Did he give you a written opinion ?—A. A written opinion in a letter.

Q. Kindly produce it, and just read it, please ?—A. Mr. Chairman, I do not quite know what to do.

Mr. AMES.—I will ask Mr. Macdonald to let that go until we get all the evidence as to the title of that property. It breaks completely the continuity of the examination if put in now.

Mr. MACDONALD.—We have come to a point where I think it is important to have that letter read.

Mr. AMES objected.

The CHAIRMAN.—I think if you object to the letter being read now, Mr. Ames, we will have it read later on.

By Mr. Ames :

Q. We will have the letter read in a moment. Mr. Henderson, will you kindly take cognizance of the second item so far as this purchase from J. R. Henderson is concerned: 'formerly A. Robinson, 25,800 square feet: house, barn and outbuildings, which here is valued at \$1,300 for the land; \$1,700 for the buildings, and \$300 for the damages, making a total of \$3,300.' That is the price at which the property is computed in the sale by you to the government?—A. That is part of the \$45,400.

Q. Will you describe to us the obtaining of the option on that Robinson property that you obtained, and what you paid for it?—A. I obtained the option about the middle of March; well, I never got any option; I purchased it outright about the middle of March.

Q. When did you open negotiations with Mr. Robertson, prior to that date?—A. A short time prior to that date.

Q. About the first of March?—A. I do not know; I know his wife was in Boston and he could not close the transaction whilst his wife was absent, and finally it was arranged.

Q. When Mrs. Robinson came back you completed the transaction?—A. That is right.

Q. How long prior to the first of March did you speak to him about it?—A. It must have been ten days, I think.

Q. It must have been about the first of March you formally opened the matter with him?—A. Early in March.

Q. What did you pay him for the property?—A. \$2,500.

Q. Was there any question about damages when you bought from him? Or did you buy outright his whole interest and everything connected with it?—A. I never considered anything but the \$45,400.

Q. There was no damage with reference to Robinson when you bought from him at \$2,500?—A. I do not know, I could not say there was.

Q. It was simply a straight business transaction in which Robinson said, I will take \$2,500, and you said, I will give it?—A. Well, he wanted more, but he took \$2,500.

Q. Yes, he expected when he took it he would abandon the property to you?—A. He promised to get the tenant out as soon as he could.

Q. There was to be no charge to you for getting the tenant out?—A. There was nothing stipulated about that.

Q. Did you pay Robinson cash at the time?—A. Yes, he was paid cash.

Q. He was paid \$2,500 in cash. All of Mr. Robinson's land was taken, was it not, all that he owned?—A. All that he owned, with his buildings.

Q. Take the Reeves property, the third one mentioned here, 239,780 square feet, the value of the land was \$7,300 and the total value \$7,300; that was vacant land, was it not?—A. Yes, just a field bordering on Windsor street.

Q. When did you acquire that from Mr. Reeves? When did you get the option from Mr. Reeves?—A. I did not get any option.

Q. When did you acquire it from Mr. Reeves?—A. I took title about 24th March.

Q. When did you open negotiations with Mr. Reeves for the acquisition of that property?—A. About March 10.

Q. Did you see Mr. Alexander Stephen about that property?—A. He was the man I saw in the first place.

Q. Prior to seeing Mr. Reeves?—A. He had a mortgage of \$4,000 on it.

Q. When did you see him?—A. It may have been two or three days, and he advised me to see Reeves.

By Mr. Macdonald :

Q. He had a mortgage for \$4,000?—A. It was Reeves' property and Stephen had a mortgage of \$4,000 on it.

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Q. You saw Stephen, then, in April probably?—A. No, no, I saw Stephen before I saw Reeves.

Q. Stephen had practically sold the property to you?—A. I thought Mr. Stephen owned the property in the first place, but I learned that he had a mortgage on the property.

Q. Can you tell us pretty nearly what date you first opened negotiations with Stephen?—A. Before the middle of March; it was during March.

Q. Two or three weeks before that?—A. I presume I am supposed to say, 'I think.'

Q. To the best of your knowledge and belief?—A. I think about the 10th of March.

Q. Mr. Stephen had a mortgage on the property?—A. Yes.

Q. Did he consider the property was worth the price of the mortgage?—A. I know—

Mr. Macdonald objected to question.

By Mr. Ames :

Q. In conversation with you, was Mr. Stephen willing to accept less than the price of the mortgage?

Mr. Macdonald objected to the question.

By Mr. Ames :

Mr. Stephen controlled the mortgage, did he not? He had a mortgage for \$4,000 on the property, and until the mortgage was paid off he controlled the property?—A. No, Mr. Reeves was the owner; it was not foreclosed.

Q. Did you have any negotiation with Mr. Stephen with a view to purchasing the mortgage and acquiring the property in that way?—A. I am inclined to think, if you ask me, that Stephen wanted to get his \$4,000.

Q. Did Stephen give you to understand he would take less?—A. No; he spoke very kindly of Reeves, and wanted Reeves to make a little money, too.

Q. When did you buy the property?—A. The deed is dated the 24th of March.

Q. But when did you really buy the property?—A. About the 14th of March.

Q. What did you pay Reeves for it?—A. \$4,000.

Q. Did that go directly to Reeves or to retire the mortgage?—A. It went to Stephen.

Q. So that Reeves did not get anything?—A. He did not get anything as far as I know.

Q. Was it all paid in cash at that time?—A. No; \$1,000 in cash and a note for \$3,000.

Q. How long did the note run?—A. I do not know. I think two months or three months.

Q. So that the note fell due after the 11th of June?—A. I presume so.

By Mr. Macdonald :

Q. Were you able to pay the note at any time if they had insisted upon getting it?—A. Yes.

By Mr. Ames :

Q. That three months' note, was there any other name on it, or only one name on it?—A. Let me see now—

Q. Were you the only one responsible for that note?—A. I do not know whether I gave the note of Henderson and Potts or my own.

Q. Was there any endorsement—was it a one-name note?—A. A one-name note; it was either one or the other, I do not know which. I remember I asked Stephen whether he would prefer to have the firm's name on it, and he said he didn't care whether it was the firm's name or not.

Q. So that it had your name, or the firm's name, but no other name?—A. Well, to the best of my knowledge and belief, but I do not know.

Q. Mr. Pearson's name was not on it?—A. No it was not.

Q. You sold that property which you had purchased for \$4,000 for \$7,300, according to this tabulation?—A. I sold it as part of the lot.

Q. Was all Reeves' land taken?—A. Yes, all Reeves' land was taken.

Q. There was no splitting or anything of that kind in connection with Reeves' land?—A. You mean taking it?

Q. I mean splitting the land up, taking one part and not another?—A. No, it was all taken.

By Mr. Macdonald:

Q. Reeves' land was a lot on Windsor street, was it not?—A. Yes, about as long as it was broad.

By Mr. Ames:

Q. Now, we will take up the Hendry property, which is mentioned here as 5 and 5A, 'J. R. Henderson, formerly W. A. Hendry, 252,852 square feet, value of land, \$3,150, and the extension is \$3,150.' When did you acquire that property from W. A. Hendry?—A. I took an option about the 9th of February.

Q. The option was on the 9th of February?—A. Yes, I think it was about the 9th of February.

Q. And you acquired it. Do you remember the date when you acquired it?—A. When I bought it?

Q. Well, it is not necessary, because it has already come out in Mr. MacIlreith's evidence, I think. About what did you pay him?—A. \$500 per acre.

Q. Do you remember what the total amount was?—A. \$3,125.

Q. You paid Mr. Hendry \$3,125?—A. Yes.

Q. When did you pay Mr. Hendry, and how?

The CHAIRMAN.—That is going a little too far. When he paid him, how he paid him, that is his own private business.

A. I paid him cash.

By Mr. Ames:

Q. At the time of the purchase?—A. Certainly, at the time of the purchase, yes. It may have been a few days after the deed was made out, I do not know.

Q. Was it before or after the 11th of June that you paid Mr. Hendry the cash?—A. Oh, before.

Q. Had you paid Mr. Hendry the full amount of \$3,125 before the money from the government came to you?—A. Yes, I had.

Q. You are certain of that?—A. Yes.

Mr. MACDONALD objected to the witness being required to disclose his private affairs.

The CHAIRMAN.—The point is well taken; I object to going into this gentleman's own private business, you have the accounts and the amounts paid.—A. I have not any objection to telling you the whole transaction. I am away oftentimes for a considerable time and I am not absolutely sure when it was paid, but I know he was paid without any delay.

Q. Do you remember whether he was paid before or after the 11th of June? It is the easiest matter in the world to call Mr. Hendry up here and get him to tell us?—A. I do not want to conceal anything.

Q. Tell us what you paid Mr. Hendry and when? You have the deed from Mr. Hendry there I think?—A. I am going to tell you. I paid him part on the 5th of May.

Q. How much, please?—A. That was \$100, \$300 on March 30, and \$2,699.72 on June 9.

Q. Now, we will take up the Vieth property?—A. Yes.

Q. 'Mr. J. R. Henderson, formerly George Vieth, 942,185 square feet, house, barn,

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&c., value of land \$26,000, value of buildings, \$600; damages, \$500; total value, \$27,100 lands improved.' When did you acquire these properties from the Vieth people? I suppose that includes the George Vieth heirs and Miss Vieth, does it not?—A. I got the option.

Mr. MACDONALD objected to the question.

The CHAIRMAN.—That is altogether irregular, the witness has a right to refuse to answer.

By Mr. Ames :

Q. When was the option given?—A. It was February 8.

Q. When was your option secured from the Vieths?—A. On February 8 and 9.

Q. When was your purchase made from the Vieths?—A. It was either at the expiration of the option or before. Do you want to know the date?

Q. I do not think that is necessary, MacIlreith brought that out. What did you pay for the Vieth properties?—A. I paid \$400 per acre for the George A. Vieth property.

Q. And for the Miss Vieth property?—A. Well, she was paid \$1,200 for, I think, less than two acres or about that.

Q. Or about 2½ acres, was it not?—A. Well, about two acres, I do not know.

Q. Tell us actually what you paid, actually, to the Vieth people and to Miss Vieth, the amounts actually paid and when you paid them?—A. Miss Vieth was paid \$1,200, and the executors, George Vieth, \$7,377.77.

Q. Now, will you kindly tell us how these were paid and what they were paid?—A. The George Vieth property was paid for on June 12.

Q. What is the amount, please?—A. \$7,289.27.

Q. Now the other properties, Miss Vieth?—A. Miss Vieth was paid partly on May 15 and in part on June 12.

Q. Were there any charges against these properties, Mr. Henderson, that were not included in the purchase price, did you have any back taxes to pay or anything of that kind?—A. Yes, we had some taxes to pay.

Q. Were they in addition to the sums you paid for the property?—A. In addition to the sums.

Q. Have you any idea how much they were, how much they amounted to?—A. I could not give you all the details of them, but I know the amount.

Q. Yes, the amount?—A. \$330.36.

Q. That was what really came out of your pocket in your transaction. Did you pay for the searches of deeds in connection with the acquisition of this property, both the Henderson and Potts property and the other property?—A. I have not yet paid for it.

Q. You do not expect to pay for it?—A. Yes, I expect that I have to pay my share of it.

Q. Somebody else has to pay the rest?—A. Yes.

Q. And you have not, as yet, paid anything on that?—A. No.

Q. What was your net profit on this transaction, that is, the net profit of you and your associates in this transaction?—A. \$22,521.77.

Q. And with whom were these profits divided?—A. They were divided with Mr. B. F. Pearson.

Q. How much did he get?—A. He got about one-half of it.

Q. Can you tell me exactly; have you Mr. Pearson's cheque there to show exactly how much he got?—A. He got one-half of it.

Q. Have you got the cheque there?—A. He got—the lands, you understand, that were left over were valued at \$5,000.

Q. Which you have kept?—A. That is all the transaction.

Q. Which you have kept?—A. Which are now in my name.

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Q. Which are in your name, which you have kept?—A. Yes, Mr. Pearson got \$14,196.21.

Q. As his share of the profits of this transaction?—A. Yes.

Q. Will you tell us briefly what Mr. Pearson's interest in this matter is, and how he came to get \$14,000?

By Mr. Barker :

Q. Does that include his share of the land?—A. No, including the value of the land at \$5,000.

By Mr. Lennox :

Q. Which you kept?—A. Yes, and which I consider worth \$15,000.

By Mr. Macdonald :

Q. Do you consider it to be worth \$15,000?—A. Yes.

By Mr. Ames :

Q. How was Mr. Pearson paid this amount?—A. Well, I paid him.

Q. In a cheque?—A. Well, I paid him by cheque, yes.

Q. Have you the cheque here?—A. I have the cheque here.

Q. Will you show us the cheque here?

The CHAIRMAN.—Remember you are not obliged to do it unless you wish to.

By Mr. Ames :

Q. Will you show the cheque that you paid to your partner in this?

By Mr. Barker :

Q. We are going to find out all about who is in this deal?—A. Well, there are only two of us in this deal.

By Mr. Ames :

Q. Will you produce the cheque?—A. The cheque is to 'Pay F. B. McCurdy & Co. or order, \$15,146.21,' and the other is 'Pay cash, \$10,000.'

Q. Who are F. B. McCurdy & Co.?—A. They are brokers.

By Mr. Macdonald :

Q. In the city of Halifax?—A. Yes.

By Mr. Ames :

Q. I see you have \$25,146.21 that you are paying Mr. Pearson?—A. Yes.

Q. These are both to Mr. Pearson?—A. These are both to Mr. Pearson.

Q. Are there any other cheques to Mr. Pearson in connection with this matter?
—A. Not in connection with this matter.

Q. How much of this \$25,146.21 was reimbursed to Mr. Pearson for moneys advanced?—A. \$10,950.

Q. So that Mr. Pearson advanced \$10,950 and received \$25,146.21?—A. Yes, that is the balance due him.

By Mr. Macdonald :

Q. You are a member of the firm of Henderson and Potts in Halifax?—A. Yes.

Q. You are carrying on business in Halifax under that firm name in connection with the manufacture of paints?—A. Yes.

Q. Your property and works are in the immediate vicinity of this land which was subsequently purchased for the roundhouse?—A. Yes.

Q. You have told us about Mr. Pearson's connection with this property. When

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did you and he first discuss the question together of becoming interested in property there?—A. In July, 1905.

Q. Under what circumstances?—A. Well, I met him in Montreal in the Windsor Hotel, and told him that I had in view the establishment of a lead corroding works in Canada, and that as the duty had lately been raised on white lead from 5 to 30 per cent, there was a very excellent opening for that proposition, and furthermore, that I thought I could go to England and associate with me a large manufacturing house who were celebrated in the lead business, that we had been representing here in Canada as manufacturers' agents for 14 years.

Q. That was the firm of Brandon?—A. Well, the firm of Brandon, yes. He was interested in the matter and we worked out a plan, and I took his advice as to certain matters as to how to proceed.

Q. Mr. Pearson's advice?—A. Yes, and during the conversation I told him that the works ought to be in the west somewhere, either Montreal or Toronto. He said: 'Well, but so far as promotion is concerned, it would be a much better opportunity to dispose of the stock where your firm are well known, in the maritime provinces, than up west. At any rate, the brokers down there would be pleased to take it up providing the works were to be in Halifax.' Then he referred to this land on the Kempt road.

Q. That was in July, 1905?—A. July, 1905.

Q. He spoke about this land on the Kempt road?—A. I told him we had property enough there for the requirements if the works had to be there.

Q. What did he say about it?—A. We had spoken about that land frequently previous to this, and we had thought of forming a syndicate to buy up the whole neighbourhood.

Q. As a site for manufacturing purposes?—A. Of course, it was known by every one that it was the most desirable place in Halifax, and he said then 'that we ought to get about that because I have in view the bringing to Halifax of two large manufacturing concerns from two country towns in Nova Scotia.'

Q. Concerns that were operating elsewhere. Well then, that was discussed between you, but nothing was done at that time in connection with the purchase of any land, in July, 1905?—A. No. We felt more convinced than ever that the lands there ought to be got.

Q. You already owned yourself, and in connection with Henderson and Potts, a certain quantity of land that you purchased there with the object of using it in connection with the factory?—A. Yes.

Q. You went to England in September, 1905, in connection with the scheme that you had talked over?—A. The following months after talking the matter over with him I was very busy, and I had no time to see about the land.

Q. You returned when?—A. In December.

Q. And you had made some progress in the matter of promoting this scheme of yours?—A. Yes. The Brandon people were quite interested in it, and wished to become associated with me in the proposition.

Q. And the question of location continued to be discussed between Mr. Pearson and you on your return?—A. Yes, he always favoured Halifax, which I could not quite agree with.

Q. You did not altogether agree with him?—A. No.

Q. However, you, in the winter of 1906, started in to purchase some of these properties?—A. I got home in December, just about the latter end of December or beginning of January, and I met with Mr. Hendry, who had a power of attorney from a man named Vieth, who was in British Columbia, to sell his property. I saw Mr. Hendry, who told me he could not talk about selling to me because he had already given an option to another person who was representing some creosoting establishment. But, as a matter of fact, he said the option had matured, but he had seen the man on the street and told him he would give him a few days more. After probably

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ten days, I should think, I saw him and he gave me an option because the other man was unable to close.

Q. Was that on the 8th of February?—A. On the 9th of February, 1906, I got the option from Mr. Hendry.

Q. I was going to ask you whether or not, on the 9th of February, at the time you got the option from Mr. Hendry, had you any intention or expectation that the government was going to take the property?—A. Not when I took the option on the Vieth property, or the Henderson and Potts property or the Miss Vieth property.

Q. You had no conception or knowledge or idea that they were to be resold to the government?—A. I was not considering the government at all then.

Q. You were not considering the government at all then?—A. No.

Q. That relates to the Hendry property, the George A. Vieth property and the Miss Vieth property?—A. Yes.

Q. These three transactions were undertaken at that time in a general way, carrying out the conversations you had with Mr. Pearson?—A. Yes.

Q. As a matter of fact you and Mr. Pearson had been associated from time to time during your residence in Halifax with various enterprises?—A. Ever since the formation of the Dominion Coal Company.

Q. Ever since then you and Mr. Pearson have had relations jointly together in regard to various matters?—A. And quite frequently.

Q. And it was in the usual course of following out the usual relations between you two that you had gone into the purchase of this property there, and you say when you had got the option on the additional Young street properties you had no idea or intention of having any relations with the government on that subject?—A. I have answered that.

Q. Now, it was subsequent to that you heard something about the government coming to take the property, or rather let me ask you, it was subsequent to that you heard of Mr. Mackenzie, the engineer, having been there?—A. It was over a year ago, in March, that that began to be talked of; I was told of it.

Q. And in the meantime you had this letter you say from Mr. Brookfield?—A. Oh, yes, that is so, and I inquired—

By Mr. Ames:

Q. Will you read that letter, please, to the committee?—A. It is dated 28th February, 1906.

‘February 28, 1906.

‘DEAR SIR,—Yours of 25th at hand. In reply I beg to say, am well acquainted with the property in the neighbourhood of the cotton factory. I was a director of that company when we purchased site, and also a member of the board of arbitration that took part of it for exhibition purposes. I put in a great deal of work to get the railway connection, it being the only flat land suitable for industries requiring rail connection that we have left. It has also city water and is convenient to the electric tram.

‘I value it at twelve hundred dollars (\$1,200) an acre.

‘Yours very truly,

‘SAMUEL N. BROOKFIELD.

‘J. R. HENDERSON, Esq., Halifax.’

By Mr. Macdonald:

Q. That refers to a letter of yours to him of February 25?—A. Yes.

Q. You had written to him on February 25?—A. I inquired of him as to the value of the properties. He knows the properties between Windsor street and Kempt road and north of Young street.

Q. Why did you do so?—A. Well, because I felt I knew that the government were interesting themselves in that locality.

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Q. You heard that the government were interesting themselves in that locality?
—A. Yes.

Q. What had you heard primarily?—A. Well, it was common talk.

Q. That the government engineers had been there and that they were likely to take that?—A. I do not know about that, I took my chance on that. Later I did.

Q. On account of Mr. Mackenzie, the chief engineer of the road, being there, you thought the government contemplated something, and consequently you wrote to Mr. Brookfield to ask him for his opinion what the value of the property was?—A. I did, that is right.

Q. Who is he?—A. He is a large contractor and he lives in Halifax, and is looked upon in Halifax as an authority on the values of land.

Q. Like yourself, he is a good Conservative?—A. He is not known to be anything else.

Q. Nor yourself either?—A. Nor myself either.

Q. What did you ask Mr. Brookfield's opinion on? What was it you wanted from him?—A. In a general way, about the land.

By Mr. Ames :

Q. Respecting your property between the Kempt road and Windsor street north of Young street, that will refer merely to this strip bordering here (indicating on map)?—A. Oh, no, all the way down.

By Mr. Macdonald :

Q. But in the middle of February, which is previous to writing to Mr. Brookfield. Your opinion in relation to the purchase of this property was that you should secure it, in conjunction with Mr. Pearson, all the manufacturing lots in the neighbourhood?—A. Because he was talking about two establishments that he expected were coming to Halifax.

Q. After you got that letter from Mr. Brookfield, what did you do yourself?—A. Well, that letter was dated February 28. About March 12 I, knowing that I was going to England, advised Mr. Pearson of the result of the inquiry, and suggested or told him we ought to take about 3 cents per foot for the property if the railway company sought for it.

Q. If the government came asking for it? At that time nobody had asked you on behalf of the government for it?—A. No.

Q. Directly or indirectly, you had no inquiry?—A. No.

Q. You subsequently purchased these other properties that you told Mr. Ames you purchased, that is the Reeves and the Robinson properties?—A. I purchased then everything. Of course, one takes a chance in a business way where there is a large profit attending it. I took a chance because I continued to hear, and felt sure that the government were seriously inspecting that neighbourhood.

Q. And you heard previously about the engineers being there? And subsequently it was done between you and Mr. Pearson on a joint account?—A. Yes, it was done on joint account as there is something to prove.

Q. There is no doubt about that. He had invested, as appears by your statement there, the sum of \$10,000 in the purchase and obtaining of these various properties?—A. \$10,950.

Q. When did you go to England, in the spring of the year?—A. On the 31st March.

Q. Had you heard anything of the matter before you went to England—on behalf of the government?—A. No, I heard nothing more. I was away awhile, and no one ever wrote to me. I did not hear anything more about it until I got back.

Q. When did you get back?—A. About the end of May.

Q. What did you hear?—A. It may possibly have been the first or second of June. Well, I did not hear anything until later in June, about the 26th, 27th or 28th of June.

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it was late in June, I had a call from Mayor MacIlreith's office from Mr. Tremaine. Let me see, did not he and I speak of it before then?

Q. When did you fix the price before that. You had said something to Mr. Tremaine, had you not, about fixing the price before you went to England. Did not Mr. Tremaine call you up at the office and ask you before you went to England, asked you if you owned this property and what the figures were?—A. Yes, he did call me on the 'phone and asked me if I owned the property between the Kempt road and Windsor street, and I told him I owned and controlled the properties there, and he said, 'Have you set a price on it'? I said, 'I am not in a position to name you any price.' I said, 'What would be done under the circumstances, and that I could not help it.' 'Well,' he said, 'we will have to have the properties valued and appraised,' and I said, 'all right, go ahead.'

Q. You told him to go ahead?—A. Yes.

Q. Who did you name as your solicitor if anything came up while you were away?
—A. I named Pearson & Pearson.

Q. Did you give them any instructions as to what you wanted?—A. I wrote them a letter.

Q. Have you that letter?—A. The letter is here.

Q. You might let us see it?—A. It is about the 12th of March. This is a private letter book, and I do not have it indexed.

Q. You are sure it was before you went to England you saw him?—A. Do you want the letter to Pearson & Pearson?

Q. Yes?—A. Well, it is rather a long letter, and I suppose the sooner I start at it the sooner I will get through. (Reads):—

' March 13th, 1907.

' Messrs. Pearson & Pearson,
Barristers, City.

' DEAR SIRS,—Henderson & Potts, Limited, have their works and factories situate on the corner formed by the junction of Kempt road and Young street in the northern part of the city of Halifax, which property is connected with the I.C.R. system by a branch line known as the cotton factory siding.

' The first erection of the above mentioned factory was built on a lot purchased from the Halifax Cotton Company, about 1½ acres in area, in 1887 or thereabouts, at a cost of \$2,800.'

Now, gentlemen, that is wrong. I looked at the stock books and found it was \$2,800 a few years ago, but on further inspection I found that we bought 1¼ acres, to be strictly correct, for \$2,000. That was about twenty years ago before there was any water or drainage there, and now we have both water and drainage to the factory.

' Subsequently the requirements of the Paint Company made it necessary to enlarge the original area, and additional lots were purchased from time to time as opportunity occurred until now the area is about 15 acres.

' More recently I have personally secured the right to purchase almost the entire field running north from Young street to Duffus street, and lying between Kempt road and Windsor street. This location is perhaps the most desirable one for factories in the city of Halifax, lying as it does nearly parallel and immediately adjoining the cotton factory siding, and if undesirable manufacturing plants were located here it would tend to increase the insurance rates on my company's factories and other buildings. Furthermore, as the Henderson & Potts Company contemplated the enlargement of their premises and facilities either at Halifax or Montreal, the securing of the right aforesaid was for this reason also a necessary precaution.

' I am now informed that the I.C.R. authorities are considering taking this property, i.e., all the field outside the immediate site of my company's factory and buildings, and that I am desired to fix a price for the same per acre.

' I am not desirous of having any unnecessary controversy over this matter or

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of contesting any legal proceedings which may be taken, especially as the company's business requires that I should be absent in England for some time in the near future. I therefore have decided to instruct to offer the portion of our property which I understand is required, and which comprises about seven acres, and also that portion I have personally to dispose of, namely, about 27 acres, making in all about 34 acres, for the sum of \$1,290 per acre.

'I inclose a letter received by me from Mr. S. N. Brookfield, of Halifax, a gentleman who has had considerable dealings in this line, and has probably a larger experience in real estate business in Halifax than any other man, and who is entirely disinterested.

'Yours truly,

'JOSEPH R. HENDERSON.'

Q. I assume that your fixing the price at 3 cents was largely due to Mr. Brookfield's judgment as to value?—A. Yes, but I had a good idea of my own; I had my own opinion, because twenty years ago I picked on that very spot for erecting our own factories, and the directors of the cotton company, although they knew that Henderson and Potts were about cleaned out at the time, yet we had to pay \$2,000 for $1\frac{1}{2}$ acres of that property.

Q. When you returned from England—you say this took place before you went to England—on March 13 you sent this letter?—A. Yes.

Q. And when you returned early in June, or late in May, Mr. Tremaine called you up again?

By the Chairman :

Q. He called you by 'phone again?—A. Yes.

Q. What did he say to you?—A. He said he had a cheque for me from the government and would like me to call in and see him. I was a little surprised at first because I did not know anything about it, at any rate I called in to see him. I saw the amount in the aggregate, and in dividing it up found that the price I offered it at was practically granted, and I consulted Mr. Pearson and said, 'We had better say nothing more about this, but just close it up,' and the matter was closed up very shortly afterwards.

Q. And so you signed the deeds and you received the cheque?—A. Mr. Pearson looked after that sort of thing and arranged with Mr. Tremaine the legal part of it.

Q. Did you have any communication with Mr. MacIlreith in regard to the subject at any time?—A. I never spoke to Mr. MacIlreith about the matter at all. It just so happened.

Q. Why?—A. I suppose it was because Mr. Tremaine did the business. I know Mr. MacIlreith very well, but I never said one sentence to Mr. MacIlreith about it.

Q. Not at any time?—A. Not until we met here, and then, of course, I could not help hearing what he said.

Q. Do you regard this as a transaction in which you have received from the government for the price of your land any money which you were not entitled to receive for it as the fair value?—A. Well, of course—

Q. I want to know whether you regard this as a perfectly straightforward transaction at all. Mr. Henderson is a gentleman of some reputation in this country, and we want to know whether he regards himself as having been guilty of any scaly transaction?—A. I considered I was getting a pretty good price, and I considered that the government were getting good value, and I am glad to see they came there, because they enhance the value of our land.

Q. I want to know whether he, speaking for himself, thought the government was taken advantage of in the sale that he made?—A. I cannot imagine how it could be.

Q. You regard your conduct in the matter as perfectly honourable and clear?—A. Quite so, yes.

Q. We understand that in good faith you and Mr. Pearson, having joined your judgment and opinion and money together, in the early part of this thing, you entered into the idea of obtaining these lands without any reference whatever originally to the government and it was only when you discovered that the government was taking these lands, or was liable to take them, that you bought one or two properties to complete it?—A. It was only when the gentlemen representing the government came there.

Q. You have since sold some property in this vicinity, have you not?—A. Not much. We did have a sale there but it was pouring rain; it was just before I went to England, the last time I went, and there was one lot sold, and I stopped the sale.

Q. For how much a foot?—A. I do not know.

Q. The lot was 30 by 60, was it not?—A. I really did not make any inquiry about that. I think it was 30 by 60.

Q. Do you remember the amount for which it sold?—A. In the neighbourhood of \$180.

Q. In fact to-day you still retain a portion of the property there?—A. I own about five acres.

Q. Were your relations with Mr. Pearson in connection with this land matter relations which were carried on in good faith, or were they affected by any political consideration, as far as you are concerned?—A. I do not quite understand you. They were certainly not affected by any political relations; they were purely a business transaction.

By Mr. Barker:

Q. Mr. Henderson, you never did carry out the paint works scheme at Halifax, did you, the Brandons?—A. It was almost accomplished, but not quite.

Q. You never did carry it out?—A. We were granted a bonus of \$10,000 by the city to erect a works there, but we would have to wait to have it ratified on the 1st of April, but we could not afford to wait.

Q. You never did carry it out?—A. We did.

Q. Where did you carry it out?—A. At Montreal.

Q. I understand you to say you were not favourable to Halifax yourself at any time?—A. I would naturally be interested in Halifax.

Q. Never mind, I understood you to say, and I ask you if that is so, that you were not at any time in favour of Halifax as a site for the factory?—A. I was not in favour of it, except that I would like to remain there myself personally.

Q. You did go to Montreal with these works? When did you actually make arrangements to go to Montreal, about when? I do not want to know to the week?—A. I can tell you, because I have the date we bought the land.

Q. Have you the date you made application to the council of St. Louis de Mile End?—A. I do not remember that date.

Q. Is that the 20th of March?—A. I will tell you when we bought, it was last September.

Q. Was it not six months before that you made application?—A. Oh, yes.

Q. It was in March, was it not, that you made the application?—A. I will not say that it was not, because I think it probably was, but I am not sure.

Q. I do not want to know particularly. How much land did you acquire there for the purposes of the works, roughly? I do not want to know to the acre, but I understand it was about five acres?—A. Yes, I should have said about five acres. I have it right here, 170,996 square feet.

Q. That is a little less than five acres. Now, I observe that letter of the 14th of March that you read is a very formal letter. It is addressed to your partner, is it not?—A. Addressed to Pearson & Pearson.

Q. Well, the senior member of that firm is your partner in the transaction?—A. Yes.

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Q. It is a very formal letter apparently for you to write to your partner in the transaction. Can you explain why you were so formal in that letter?—A. No, I cannot.

Q. Was it arranged between you and Mr. Pearson that you should write that letter?—A. Yes, it was arranged between he and I that I should write that letter.

Q. And Mr. Pearson acted in your absence, did he not?—A. They had authority there.

Q. For the partnership?—A. Yes.

Q. Who first suggested this deal—I do not use the word deal in a bad sense—who suggested it first?—A. The purchase of this land had been talked over, as I said before, for years.

Q. I mean this deal with the government for the railway land—who first suggested that, you or Mr. Pearson?—A. the purchase of this land had been talked over, as I said before, for years. It was myself that first learned, through—I think I had better give the name—the first I ever heard of it was through Mr. Hendry, the man from whom I bought.

Q. But who, as between you and Mr. Pearson, first suggested the idea of going into this deal?—A. With the railway company?

Q. To buy up what they would likely want to take?—A. You mean to buy up and make the lots complete—buying the Reeves lot and also the Robinson lot, just these lots?

Q. Yes, who suggested that idea?—A. Those were bought after we had got together; it was decided that it was well to take that risk.

Q. Who suggested that idea?—A. Well, of course, when two men talk together over the same transaction it is pretty hard to say who suggested it.

Q. Would you undertake to say it was not Mr. Pearson?—A. No, I would not.

By Mr. Macdonald :

Q. Would you undertake to say it was not yourself?—A. No, I would not.

By Mr. Barker :

Q. Was it you suggested it?—A. I cannot quite satisfy myself. I cannot make up my mind at all as to whether I did or not.

Q. You cannot make up your mind as to which of you suggested it?—A. No.

Q. Do you know whether Mr. Pearson had any other people interested with him in his share?—A. I believe not.

Q. He had not, to your knowledge?—A. I have not the faintest reason to suppose so.

Q. You do not know that any of his money went to anybody else who might have had an interest?—A. No, I do not know, and he has told me it was not so.

Q. How did he come to tell you it was not so?—A. I cannot tell you that.

Q. He did tell you he had nobody interested with him in it?—A. Well, you know there has been so much said in the paper about this matter that the conversation naturally covered a very broad scope.

Q. But do you recollect Mr. Pearson telling you there was nobody interested in his share but himself?—A. Certainly, he told me that very emphatically.

Q. What is Mr. Pearson?—A. He is a lawyer.

Q. And a bit of a politician, too, is he not?—A. He is.

Q. He is in the government and in the legislature, is he not?—A. I believe he has been recently taken into the government of Nova Scotia.

Q. Has he had, to your knowledge, other transactions with the Intercolonial?—
A. Dating back how far?

Q. Say within the last two or three years?—A. Since our transactions together in the early stages—

Q. Other than this transaction?—A. I do not know of anything, of course, I would be reading the papers.

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Q. That is all you know about that?—A. That is all I know about it.

Q. Has he a son in business other than the law?—A. His son is in partnership with his father.

Q. Do they do business outside the law?—A. The *Herald* states so.

Q. You do not know anything beyond what the *Herald* says?—A. No.

Q. You do not know whether young Mr. Pearson, he is the son of the other?—
A. He is the son.

Q. You do not know whether young Mr. Pearson has had many other transactions with the I.C.R.?—A. I can't help having read the *Herald*.

Q. That is the only information you have?—A. That is the only information I have.

Q. We know a great deal more about that because we have had to inquire into several matters. You do not know whether this is the same Mr. Pearson whose son is in the Eastern Railway Supply Association?—A. I was aware from reading the papers—

Q. Do you know whether he is the same gentleman?—A. No, I do not know except what I saw in the *Herald*.

Q. I see that you paid for some of these properties and took your own titles very quickly after agreeing for the purchase?—A. Yes.

Q. Who searched your titles?—A. Pearson & Pearson.

Q. Did they go through all this wonderful work that Mr. MacIlreith had to go through a week or two afterwards?—A. Well, I was amazed really in having to wait so long, the length of time it did take them to get the papers.

Q. For the purchase?—A. Yes.

Q. You seem to have been very prompt; you got all this information in a few weeks?—A. But I am referring to my purchase of land from the Robinson people and Reeves.

Q. I see you have closed up some of these purchases very quickly after you made the purchase. Did you do that without examination of the title?—A. No, the titles were examined before we bought them.

Q. Were there tremendous costs, did you find that?—A. Well, I have not seen any bill of costs yet, but Mr. Pearson told me he had a large bill against me—that is, for my portion of the costs.

Q. But you have never, up to this hour, had any charge presented to you for that?—A. No.

By Mr. Maclean (Lunenburg) :

Q. You say that it was arranged that you should embody your view as to the price in that letter before leaving for England?—A. Yes.

Witness discharged.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

WEDNESDAY, March 20th, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the further consideration of a payment of \$45,400 to J. R. Henderson in connection with land purchased near Cotton Mills siding, Halifax, as set out at page W—25 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

APPENDIX No. 1

Mr. D. POTTINGER, called.

By Mr. Ames:

Q. Mr. Pottinger, you may give your name and designation, so that it may go on the evidence?—A. David Pottinger, General Manager of Government Railways.

Q. Would you take cognizance, please, of a letter which is written by Mr. Jarvis to yourself, is it not?—A. It is a letter written by Mr. Jarvis to the general superintendent—that was an office we had at that time—on August 7th, 1905. The general superintendent was J. E. Price, who is now dead.

Q. Yes. Is there a letter there written to Mr. Price?—A. Yes.

Q. Will you kindly read that letter, the whole of the letter if the committee want it; what I want is the last sentence?—A. (Reads):—

‘TRURO, N.S., 7th Aug., 1905.

‘The General Superintendent,
‘Moncton, N.B.

‘DEAR SIR,—I return you the blue print showing the proposed arrangement for the engine-house and other buildings at Halifax, that you sent me some time ago. I have looked it over quite carefully with other officials. The proposition is about the same as has been running in my mind for some time, and I am strongly of the opinion that the two main passenger tracks should be next to Campbell road. With such a large roundhouse and plant as proposed, with the main line between it and the main yard, of necessity there would be a large amount of shunting across the double tracks, which will be very dangerous. We have a good deal of experience in this line at the present time, as we have standing tracks on the south side of the main line at Richmond, and there is a great deal of shunting across them at that place and also at Burton’s Shanty, which is a source of worry to me and to the officials at Halifax. I think it would be well for the different officials interested to go to Halifax as soon as possible and look the site over carefully, as well as along the cotton factory branch, and come to a decision at once so a start will be made in the near future.

‘Yours truly,

‘G. M. JARVIS.’

Q. Who is G. M. Jarvis?—A. District superintendent from St. John to Halifax.

Q. Where are his headquarters?—A. Truro.

Q. In what county?—A. In the county of Colchester.

Q. Then the suggestion comes from Mr. Jarvis there mentioning the cotton mills siding?—A. It does.

Q. Was that suggestion acted upon in respect of that visit by the officials shortly after?—A. I do not recollect about that.

Q. Mr. Butler told us in his evidence that he was there in August and made an inspection. Were you with him also in August?—A. I was with him in August, yes.

Q. Did you at that time inspect the cotton mills siding?—A. I am not certain about that; we looked over other properties, but I am not certain whether we went to the cotton branch or not.

Q. At that time, as a matter of fact, the Richmond property was the one under most serious consideration, was it not?—A. It was.

Q. About when was it decided not to go ahead with the Richmond proposition?—A. That would be in January, 1906, I think.

Q. In January, 1906?—A. Or somewhere about that time.

Q. Do you remember when and how it was decided to proceed no further with the Richmond proposition?—A. I have no recollection of the time.

Q. Have you of the circumstances?—A. That proposition when it was talked over was found to be too expensive, and that the area of land that was there would not furnish the necessary room for expansion in the future; so we came finally to consider and look at the land at the cotton factory branch at the end of the Kempt road.

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Q. So that you say it was about January when you finally decided to abandon the endeavour to secure the Richmond property. Do you remember now any of the circumstances when you decided to give up that site and look for another?—A. I am speaking entirely from memory, and have not had a chance to refresh my memory about it. There may be something in the papers which would show, but it was somewhere about January. I have no recollection of the circumstances.

Q. You have not. Will you turn to a letter of the 2nd of November, 1905, from yourself to Mr. Joughins, is that the way you pronounce it?—A. It is pronounced as if it had a 'k' in it. November 2nd, 1905; do you wish me to read it?

Q. I think that has been read several times in evidence, I wish you would read that portion referring to the cotton mills siding, I think it is at the end of the letter.—A. (Reads) 'There are several level places on the branch leading from Richmond to the Halifax cotton factory and one of these might be suitable if the distance to be travelled by the engines would not cost too much.'

Q. At the place that was finally chosen, what is the distance that has to be travelled by the engines?—A. It is two and one-tenth miles from the old enginehouse, from the old engine-house at Richmond to the new site.

Q. Have you ever made any calculation as to what it costs to run the engine from the old engine-house to the new and back?—A. No.

Q. You make in that letter of November 2 the suggestion, do you not, that the cotton mills siding is worth looking into?—A. I do.

Q. On what do you base your opinion, how do you come to your conclusion in that letter?—A. From general knowledge of the country and from having considered every possible location that was near at hand.

Q. When that letter was written had it practically been decided to abandon the Richmond site?—A. I think not.

Q. It was still under serious consideration?—A. I think it was under consideration at that time, this letter seems to convey that impression, I think it was.

Q. You suggested this then as a possible alternative knowing the extreme expense of the Richmond site?—A. Yes.

Q. Were you a member of that party that were in Halifax on the 16th of January, that Mr. Butler has told us about; the minister was one, and himself, and Mr. Mackenzie; they drove out in two carriages to visit all the sites?—A. I was.

Q. You were in that party?—A. Yes.

Q. It had been decided at that time to abandon the Richmond site, had it not?—A. Well, it had been decided that it was very expensive, and we were looking for another site that would be less expensive.

Q. During that visit was it practically decided among the officers of the company that the cotton mills siding was the one they wanted?—A. I could not say that, the site was looked on rather favourably on account of its being a considerable tract of level ground which it is very difficult to obtain in Halifax. It was nearest to the existing engine-house of any large tract of level ground that we could get.

Q. Do you remember your impression of the conversation that took place at that time, was the general consensus of opinion that that was the site that should be purchased?—A. No, I do not remember that, I do not think there was any settlement made at that time. It was looked upon as a very favourable site.

Q. That is the most favourable site then in view considering the expense?—A. Considering everything, I think it was.

Q. Who were the members of that party on that visit?—A. I have no notes of that here, and I have no recollection who all were there, but there were the minister, Mr. Butler, Mr. Mackenzie and Mr. Burpee.

Q. Did you, at any time have any communication with any of the owners, or with any representatives of the owners, or with Mr. Pearson in connection with the cotton mills site?—A. No, I did not.

Q. You do not know how Mr. Pearson obtained information as to the desirability of going into this undertaking?—A. No, I do not.

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Q. You acted as the medium for passing the instructions from the deputy minister to Mr. Mackenzie?—A. I did.

Q. And if the deputy minister wished to communicate with Mr. Mackenzie it would be done through you, as a rule?—A. It was, yes.

Q. Would you amplify the instructions, or would you send them as they were received?—A. I sent them as they were received.

Q. On the 30th of March you wrote a letter to Mr. Mackenzie?—A. Yes.

Q. You told Mr. Mackenzie to see that Mr. Read interviewed Mr. MacIlreith before he goes on with his valuation?—A. Yes.

Q. Why were you anxious that Mr. Read should interview Mr. MacIlreith before going on with the valuation?—A. Well, this letter gives the reason, does it not. This letter is dated 30th March, 1906, and is addressed to Mr. W. B. Mackenzie, chief engineer, Moncton.

‘DEAR SIR,—Mr. MacIlreith, under date of the 27th instant, in writing me in connection with the land that we propose to purchase at Halifax for the purposes of the mechanical department states, ‘I presume you will instruct Mr. Read, the valuator, and perhaps it would be well for him to confer with me relative thereto.

‘I have written Mr. MacIlreith that you are having a plan prepared, and that you will get Mr. Read to make the valuation as soon as this is ready.

‘Please see that Mr. Read interviewed Mr. MacIlreith before he goes on with the valuation.’

It seems to have been at Mr. MacIlreith’s request.

Q. Had you any knowledge as to why Mr. MacIlreith made that request?—A. No, Mr. MacIlreith was the agent of the Minister of Justice at Halifax and in that capacity he had obtained titles and directed legal operations in regard to the purchase of this and other property.

Q. Can you give any explanation as to why Mr. Reid, before he should complete his valuation, should see Mr. MacIlreith?—A. No, I have no knowledge.

Q. You simply acceded to Mr. MacIlreith’s request as contained in his letter and asked Mr. Read to act in accordance therewith?—A. Entirely.

Q. You have no knowledge whatever, no personal knowledge whatever, as to the channel through which the information reached Mr. Henderson or Mr. Pearson that you intended to take this property.

Mr. MACDONALD.—There is no evidence that it ever reached him at all.

Mr. AMES.—I am asking that question.

Mr. MACDONALD.—I object to any member of this committee asserting as a fact that which there is no evidence is a fact.

By Mr. Ames :

Q. I will put my question differently. Had you any knowledge as to the channels through which information reached Mr. Henderson or Mr. Pearson that the government were intending to acquire the cotton mills site?

Mr. MACDONALD renewed his objection.

By Mr. Ames :

Q. Have you any knowledge as to when or how Mr. Henderson or Mr. Pearson received this information? I want to know from this witness who became possessed of the fact that the government intended to acquire this property, practically, about the middle of January, if he knows or has any knowledge as to when or how the information as to the intentions of the government reached the persons who bonded the property?—A. I have no knowledge.

By Mr. Macdonald :

Q. I suppose Mr. Pottinger you did not tell Mr. Henderson, did you?—A. I did not see him at all.

Q. Or Mr. Pearson, did you tell Mr. Pearson?—A. I did not.

Q. You cannot tell us whether they knew previous to the deed being given as to what the government was going to do?—A. I have no knowledge.

Q. Now, Mr. Pottinger, I notice that on the 7th of November you wrote a very clear and a very full statement of matters in connection with the roundhouse to Mr. Butler?—A. Yes, I have it here.

Q. You reviewed the whole situation in regard to matters there and I would like Mr. Chairman that that letter would be treated as being part of the record here without the necessity of our reading it.

Mr AMES.—That is all here in full, the November 7th letter.

Mr. MACDONALD.—That is all right, I want to direct attention to the last portion of it. You review, Mr. Pottinger, the whole facts, and you refer to your letter to Mr. Joughins, November 2nd, 1905, of which you spoke a few minutes ago. In your letter of November 7th you say:—

‘I went over that line myself some time ago, and there are several places where about half a mile from the existing engine-house there are fairly level fields where we could put up buildings without very great expense for preparing the ground. It would be a question to be considered whether such a place would be too far distant for locomotives to travel to and from the place where they would take or leave their trains. The freight trains now start from Richmond and end their runs there, and the passenger trains do the same from North street station.

‘This is the position of the matter at present, and you will be able, therefore to decide whether anything should be done now in regard to the purchase of the properties at Richmond. You saw the locality at Richmond yourself and understand the whole situation.’

So that, apparently, as stated to Mr. Ames, in November, 1905, nothing had been done definitely. There were difficulties at Richmond with regard to cost, and you suggested the wisdom of considering this site near the cotton mill?—A. Yes.

Q. And you concur, Mr. Pottinger, in the judgment as to the selection of that site?—A. Entirely.

Q. Speaking from your long experience in railway matters in connection with the Intercolonial Railway, are you prepared to say whether or not in your judgment that selection was the best one in the interests of the railway?—A. It certainly was, in my opinion.

Q. Would you mind stating to the committee just what your reasons are for taking that view. You mention here the difficulty about distance, how do you balance that?—A. The distance is the only drawback to that site but we had exhausted all the probable sites in our examination of the whole country and the consideration of it from 1902 up to the time this site was decided upon in 1906. We had tried by every means to get a suitable site that would be nearer to the present site of the workshops, but we had failed. It was necessary to have not only sufficient land for the present requirements of the railway but sufficient for the reasonable expansion for some years to come and there was no site where there was sufficient level land any nearer than the site on the Kempt road.

Q. And after making these exhaustive examinations, you settled upon this property as being the best one?—A. Yes.

Q. I see it was you that called the attention of Mr. Butler and Mr. Joughins to this location. Of course you had, in addition to your experience as general manager, a personal knowledge as to the location at Richmond there, had you not?—A. Yes, I lived in Halifax for ten years and resided at Richmond, during that time and I have been over this ground very frequently during the last few years.

Q. And apparently Mr. Butler took this question up and there was the visit in January, and I find, according to the correspondence here, that Mr. Butler wrote you on the 16th of March, 1906. That was the first intimation the instructions you had from Mr. Butler, as to the final decision, as it will appear from the correspondence here.

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On the 9th of March there is a report to the minister, and on the 16th of March apparently he writes you?—A. Yes, that is the first notice that the department had settled finally on that site.

Q. Then you went on with the plans to obtain the property, that has already been discussed. There was nothing then in the method adopted here in obtaining the property but what was usually followed in such cases?—A. No, there was nothing different.

Q. The usual course was adopted?—A. The usual course was pursued.

By Mr. Ames:

Q. Do you think that the usual course could be improved on? I am quite willing to admit this is the usual course in land deals but I would like to have your opinion?—A. The usual course has been to purchase land by private sale if you could at a reasonable price, and we have pursued the usual course in regard to all this. We had a valuation of the land and the matter was put into the hands of the lawyers to be carried out.

By Mr. Macdonald:

Q. Would you say in the light of your experience in regard to railway matters generally, is the land eligible for the purpose, and is the situation generally, and what would you say as to the cost of this land to the government?—A. It is so long since I have resided in Halifax that I do not know the value of land at all, and I would scarcely care to express an opinion on that subject. With regard to the suitability of the site it is the most suitable site, at the nearest point to where we desired it but as to the value of it I could not say.

Q. There was no influence, no pull or unsound influence exercised in determining the selection of this site that you could see?—A. Not that I know of.

Q. Or that you could discover or see?—A. I have heard about it since.

Q. Perhaps you can tell me whether or not? What is the distance at Montreal of the C. P. R. roundhouse from their station?—A. Their new enginehouse at Turcotte is $2\frac{1}{2}$ miles from Bonaventure.

By Mr. Ames:

Q. That is the G. T. R?—A. And it is the I. C. R. also.

By Mr. Gervais:

Q. Do you know that the roundhouse for the C. P. R. is situate at Montreal west?—A. Their main engine-house is.

Q. What is the distance between the Mile End station and the Windsor street station—is it not three miles?—A. I do not know.

Q. Is it not one mile east of the Mile End station and two miles from Windsor street station?—A. I am not acquainted with the distances. This engine-house at Montreal is the one used by the locomotives of the Intercolonial now.

Q. And the C. P. R. built this roundhouse for the purpose of getting lots of room, and the G. T. R. has been doing that for the same reason.

By Mr. Macdonald:

Q. As a general rule it is desirable is it not that the operating part of the road should be separated from the traffic part, the mechanical part should be separated from the passenger department?—A. Yes.

By Mr. Gervais:

Q. As a matter of fact is it not true that the roundhouse or engine-house of the New York Central at New York is situated at Harlem three or four miles from the station at New York?—A. Probably, I am not aware of that, they have electrified that line now for 30 miles out.

Witness discharged.

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Mr. W. B. MACKENZIE, Chief Engineer, I.C.R., called, and sworn and examined.

By Mr. Ames:

Q. I will just ask Mr. Mackenzie to read that letter please; Mr. Mackenzie you have a letter there from Mr. Pottinger to yourself, will you kindly read it and give the date of it?—A. (Reads):

‘W. B. MACKENZIE, Esq.,
Chief Engineer,
Moncton, N. B.

‘MONCTON, N. B., September 11, 1905.

‘DEAR SIR,—Mr. Pearson, jr., telephoned to the minister to-day that the land question at Richmond was in shape to close if a valuator be sent out at once, and the name of Mr. H. C. Read was suggested as valuator. The instructions of the minister are that Mr. Read be instructed to go and appraise properties to be taken for the engine-house and yard at Richmond, the city is to give the Campbell road free. Will you please take this matter up as quickly as possible and have Mr. Read go there without delay.’

Q. Mr. Pearson suggested to the minister, that was in reference to the Richmond property, was it?—A. I presume so.

Q. Did the suggestion that Mr. Read be appointed the valuer come from Mr. Pearson in connection with the Richmond property?—A. This letter does not convey that information.

Q. What information do you gather from the letter?—A. That the question, the land question at Richmond, was in shape to close if a valuator be sent out at once.

Q. The information that the land question at Richmond was in shape to close came from Mr. Pearson, did it not?—A. Yes.

Q. Now, in connection with this siding, have you ever had any communication with Mr. Pearson regarding this cotton mills siding?—A. Mr. Pearson never mentioned the cotton mills siding to me nor I to him.

Q. You have never had any discussion of any kind with Mr. Pearson in reference to this cotton mills siding?—A. Not a word.

By Mr. Macdonald:

Q. Which Mr. Pearson, one or both?—A. With either.

By Mr. Ames:

Q. You were one of the party on the 18th of January, were you not?—A. Yes.

Q. You went over the property then?—A. Yes, we drove out along the Kempt road from the Halifax Hotel.

Q. At that time were the results of your conference, to your knowledge, communicated to any one else not a member of that party?—A. No.

Q. When did you first see Mr. MacIlreith in reference to this matter?—A. My recollection is that I saw him immediately after the instructions from Mr. Pottinger were received.

Q. Did you see him at the time you were there in January?—A. I do not remember whether we saw Mr. MacIlreith or not at that time.

Q. You do not remember whether you saw Mr. MacIlreith in January when you were there with the party?—A. No, I have no recollection of that, I think not.

Q. Can you tell us when you did first see Mr. MacIlreith about this matter or discuss this matter with him?—A. My recollection is that I went immediately to Halifax and saw him.

Q. Immediately after when?—A. Immediately after receiving instructions from Mr. Pottinger.

Q. About what date?—A. Probably the next day after receiving the letter to me which is on the file there. The letter of about the 16th of March, is it not?

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Q. In your letter of the 30th March, 1906, you will see what you say,—Mr. Pottinger's letter to Mr. MacIlreith says that Mr. Mackenzie had seen Mr. MacIlreith on his last visit to Halifax. Do you find there a reference that Mr. Mackenzie had seen Mr. MacIlreith on his last visit to Halifax, that is of course his visit prior to that date?—A. I take it to refer to my visit to Mr. MacIlreith just after receiving Mr. Pottinger's instructions to go on with the acquisition of that property.

Q. Do you know how long before?—A. I usually attend to these things pretty promptly and it was probably the next day after receiving the letter or the same night, because I was anxious to do as instructed, to have the matter carried out as quickly as possible.

Q. Look at page 48, you speak there of a plan?—A. That is Mr. Butler's letter to Mr. Pottinger on page 48?

Q. Yes there is a plan spoken of there?—A. 'I inclose you tracing of some property at Halifax.'

Q. Yes, was that plan prepared by you?—A. No, that plan was not prepared by me.

By Mr. Macdonald :

Q. What date is that you are referring to, the letter?—A. The 16th March, 1906.

By Mr. Ames :

Q. Turn to that blue print that is there, No. 55 in the correspondence?—A. Yes.

Q. Was that blue print prepared by you?—A. It does not look like our office work. I see it is dated Halifax, N.S., in the handwriting of some person that I am not acquainted with.

Q. Can you say whether that plan was prepared in your office or not?—A. I think not, it does not look like our office work. I think it may be a print of some tracing that was made in the office.

Q. Turn to the letter of April 23rd, 1906, at page 59?—A. Yes.

Q. It is a letter from yourself to Mr. Pottinger, is it not?—A. Yes.

Q. It states that Mr. Read called on Mr. MacIlreith?—A. Yes.

Q. How did you know that fact?—A. How did I know what?

Q. That fact that Mr. Read had called on Mr. MacIlreith?—A. I can't remember now just how I found that out, Mr. Read may have told me that he did so, or I may have inferred that he did as he was told to do.

Q. Could it happen that in that case Mr. Pearson had notified you?

By Mr. Macdonald :

Q. What date is the letter you are speaking from?—A. 23rd April, 1906.

By Mr. Ames :

Q. As in the Richmond case could it have happened in this case?—A. I had no communication whatever with Mr. Pearson.

Q. Or from Mr. Pearson?—A. Or from Mr. Pearson.

Q. Either senior or junior?—A. No, I do not know Mr. Pearson, junior, at all.

Q. Do you know what was the purpose or the meaning of that letter?—A. No.

Q. You communicated the information to Mr. Pottinger that Mr. Read had called on Mr. MacIlreith, yet you did not know what the call was for?—A. No, I did not, I think I have an idea.

By Mr. Macdonald :

Q. Would Mr. Read be in Moncton after his valuation and probably speak verbally to you?—A. Oh, yes, he did, the valuator and the lawyer acting for the Crown usually work together in these matters. I think that was the only reason.

By Mr. Ames:

Q. Did you ever speak to Mr. Hendry about this?—A. Never.

Q. Did you ever speak to Mr. Hendry about this transaction?—A. Never.

Q. You had no communication with him at all in connection with this transaction?—A. No, not the slightest.

By Mr. Macdonald:

Q. You referred to that plan that Mr. Ames asked you about, the deputy minister tells me that the plan was prepared by himself, the one marked there that you speak of?—A. Yes.

Q. Do you notice at the bottom of that plan?—A. Yes.

Q. 'Halifax, N.S.' would be perhaps indicating the locality in which the property was?—A. Yes.

Q. Do you recognize that as being the writing of Mr. Butler?—A. I think it is.

Q. You know Mr. Read, do you not, valuator in this case?—A. Very well.

Q. Is he a man who is a novice in this question of valuing, or has he been employed by the department for a number of years in this work?—A. He has been employed for a number of years.

Q. In fact he is recognized throughout the province there as being the man who is the party to do the valuing, although not being actually an official valuator?—A. Probably so, he has done a good deal of it.

Q. From your relation to the public there you would readily understand that any one would suppose he was the regular valuator, although he has no such appointment?—A. Yes, very likely.

Q. What have you to say in regard to the question of the propriety of locating this roundhouse upon the site upon which it is being built?—A. My opinion is, it is the only proper place.

Q. It has been suggested that owing to the fact that it is some distance from the North street station it is therefore an improper place?—A. It was the best that could be done at Halifax.

Q. The best that could be done at Halifax. Is it not a fact that in the cities of Canada and elsewhere the mechanical portion of the railway is usually situated some distance away from the other departments, and that it is considered desirable?—A. Oh, yes, it has become a necessity within the last few years.

Q. Do you know the conditions at Montreal?—A. Yes.

Q. What is the distance from the C. P. R. roundhouse?—A. Both railways are between two and three miles.

Q. How about many points in the United States?—A. It is up to six miles.

Q. Now, Mr. Mackenzie do you know of any influence operating in the minds of the gentlemen of the Intercolonial Railway who were responsible for this recommendation other than that they had a desire to do what was in the public interest in locating this roundhouse where it was?—A. No.

Q. Have you observed at any time any suspicion of influence, any improper or other influence upon Mr. Butler, Mr. Pottinger or yourself, in coming to that conclusion?—A. Not the slightest.

Q. Now, Mr. Mackenzie, naturally, you having to do with the construction part of the road, the buildings and other matters of that kind, you would I assume be able to give us some information as to what you think as to the price paid for this land, having regard to its situation, the locality and everything connected with it. Can you tell us whether you regard the amount as being right and just which has been paid by the government, or as being an excessive payment?—A. No, I do not consider it an excessive payment, I know the prices paid for other pieces of land that have been purchased by the Intercolonial Railway for the last thirty years, and I feel quite safe in saying that the price was a very reasonable one.

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By Mr. Ames:

Q. Have you ever inspected that property, or visited that property in the past with a view of its being possibly acquired prior to this visit on January 18?—A. No, I do not require to for the reason that I know the property very well.

Q. Did you ever make any report as to the desirability of that property or the price at which it could be obtained?—A. No, I had no idea of the price.

Q. You never made any estimate of the value of that property, several years ago?—A. No.

By Mr. Macdonald:

Q. What is your estimate, Mr. Mackenzie, as to the cost of filling in the site on the Campbell road or Africville which was under consideration, the question of excavating, the opinion was expressed here the other day that it would be \$250,000?—A. That was the excavating the rock at Richmond for the site of the engine-house. I estimated that excavation alone at \$300,000.

Q. The excavation alone was \$300,000?—A. Yes.

Witness discharged.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RESPECTING

PAYMENT OF \$354,091.84 TO THE ROSS RIFLE COMPANY

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, April 10, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their Fourteenth Report:—

Your Committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$354,091.84, in connection with Ross rifles, as set out at page Q—118 of the Report of the Auditor General for the fiscal year ended June 30, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses and the exhibits filed during the said examination; and your committee recommend that the same be printed and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.



HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

OTTAWA, TUESDAY, March 26, 1907.

The Select Standing Committee on Public Accounts met at 10.30, a.m., the acting chairman, Mr. Geoffrion, presiding.

The committee proceeded to the consideration of a payment of \$354,091.84 in connection with Ross rifles, as set out at page Q—118 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

Lieut.-Col. Fiset, called, and sworn and examined.

By Mr. Northrup:

Q. You are Deputy Minister of Militia, I believe?—A. Yes.

Q. I presume in your department you have all the records referring to the Ross rifle?—A. Yes, sir, we have.

Q. Have you the first reports made by the board which examined the Ross rifle in 1901?—A. Well, no, sir, I have not, the reports have been all produced and the file submitted before the House.

Q. I have it here, you produced it in accordance with the request of the committee, from your department?—A. No, sir, I have not prepared it myself. I have been appointed deputy minister only since two months.

Q. Have you any record as to the date?—A. No, I was asked to produce a copy of the order in council of July 17, 1903, which order in council does not exist. I have made inquiries in the department, and have made some other inquiries also from the clerk of the Privy Council, and I find no such order exists. They asked for a minute of the order in council of July 17, 1903, or the note thereof sent to the minister.

Q. That was a mistake in the date?—A. That must have meant July 17, 1906.

By Sir Frederick Borden:

Q. That was the Militia Council?—A. I am sorry I do not know the date, I did not make any perusal of the papers.

By Mr. Northrup:

Q. Will you kindly make a memorandum of that date, July 17, 1906, and there was a letter written by the Ross Company on the following day, July 18?—A. The 18th of July, 1906? No, I have no copy of that letter here. It must be in the file, though.

Q. You would not be able to identify it, even if I found it; were you in the office in 1906?—A. No, sir; I was appointed deputy minister only two months ago, and the file was prepared by my chief clerk, who was thoroughly proficient in the work.

Q. Well, now, then, colonel, you have not the report there, the first report made by the committee; have you any report made, either that or any subsequent report made by any committee appointed to examine the Ross rifle?—A. No, sir, I was not asked to produce those.

Q. Do you know from your books how many different rifles have been produced by the Ross Rifle Company, I, II and III. mark?—A. I cannot specify what kind of Ross rifle has been produced, but I know the number delivered.

Q. I do not mean the number of rifles delivered, but the different marks?—A. There is Mark I. and Mark II., but I know very little about the rifle itself.

Q. Then I cannot get much information from you about it?—A. I am afraid not.

Q. Have you personally made any inspection of the Ross rifle?—A. No, sir.

Q. Have you anything in your records there to show how many changes have been made in the Ross rifle since it was first accepted by the department?—A. No, sir, I have not.

Q. Will the books of the department show that?—A. The file will show that.

Q. We will have to wade through the files in order to get the information?—A. I would have to do the same myself if I wanted to get any information.

Q. Have you any records in the department to show any of the facts about the lease given by the government to the Ross Rifle Company?—A. I haven't got it here, but I expect there are letters on the file.

Q. There are letters here, but I cannot follow out the transaction. Can you tell me how much land was given to the Ross Rifle Company?—A. I do not know, sir, I think you had better ask my chief clerk here, he possesses all the information that I do not possess myself.

Q. You have practically no information you can give us?—A. None whatever, I have not had the time to look into the file at all.

Q. Your chief clerk can give us the information about the reports sent to the department from time to time?—A. I think he could, but I am not positive now.

Q. What is his name?—A. Mr. Jarvis.

Q. He is away, is he not?—A. No, he is here, sir.

Q. Perhaps you can give us the names of the officers who have had to do with the inspection of these rifles? Colonel Cartwright is the inspector, I believe?—A. He was inspector up to last year, I think, sir.

Q. Who is the inspector?—A. Major Pym.

Q. He succeeded Colonel Cartwright?—A. Yes.

Q. What position has Major Gaudet in connection with the Ross rifle?—A. He has no position whatever, he is superintendent of the Dominion arsenal at Quebec. He has nothing whatever to do with the Ross rifle.

Q. What official at St. John, N.B., would be the one with the most experience with the Ross rifle, the one who would be the most likely to give us information?—A. I do not know.

Q. You cannot tell us that?—A. No, sir.

Q. Can you tell me as to Halifax, what officer would be the one best qualified to give evidence?—A. No, I do not really know.

Q. As to Toronto?—A. Perhaps General Otter, Toronto, would give you the most information.

Q. Would the inspectors have any personal experience with the Ross rifle, or would they speak from reports handed in?—A. I do not know, I cannot give you any explanation of that. I must say I was not in the service before I was appointed, so I have no information whatever about the Ross rifle.

Q. All right, we will not bother you any more about that?—

Witnessed retired.

Captain J. LAWRENCE DRAKE, called, and sworn and examined.

By Mr. Northrup:

Q. I believe you are a member of the permanent force?—A. No, sir, captain of the 3rd Regiment, Canadian Artillery, commanding No. 2 company.

Q. That is located in?—A. St. John West, or Carleton.

Q. In New Brunswick?—A. Carleton and St. John West.

Q. Has your regiment been supplied with the Ross rifle?—A. Yes.

Q. Do you know what Ross rifle, Mark I. or II.?—A. Mark I, Series G.

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Q. Do you know how many different patterns of the Ross rifle there are?—A. No, sir, I have no knowledge whatever. I have heard of Mark II., but I have no knowledge of any others than the ones served out to my regiment.

Q. How many rifles of Mark I. pattern were distributed to your regiment?—A. One hundred and ten were supplied to my company, we have three companies, that is 330 for the regiment.

Q. When were they received?—A. In December, 1905. I received mine at the beginning of the training, in, I think, 1906.

Q. These were mark I. rifles, do you know what sight they had?—A. Well, as I am not very well acquainted with the rifles—just the ordinary sight that Mark I. was issued with, I suppose.

Q. I see in the correspondence there are Mark II. sights put on Mark I. rifles, you do not know which these were?—A. No, I do not know which it was.

Q. Your company received their rifles in May, 1906, they have used them since?—A. Well, sir, it was generally the practice of the company to carry on a rifle match at the breakwater on the afternoon of the 24th of May. On that date, I took the four rifles down there and we fired in squads of two, and two accidents happened to two of the rifles.

Q. You took four rifles down and accidents happened to two?—A. Yes.

Q. While they were being used?—A. While they were being used in actual company target practice.

Q. What were the accidents?—A. Well, sir, the accident to the rifle Mark I., No. 689 G, 1905, part of the breech was blown out, and Mark I., No. 926 G, 1905, a small screw was broken in the bolt. In firing this rifle the bolt showed a tendency to jump back. And when my regimental commander made a report regarding that accident he took the information partly over the telephone and sort of applied the accident to both rifles, when it really only applied to one—that was the part of the bolt blowing out, and I believe the word explosion was used. Well that was meant to mean the premature explosion of the charge, not of the bolt of the rifle.

Q. There were two rifles?—A. Yes.

Q. The accident happened to each of the two?—A. Yes, sir.

Q. In one case there was a premature explosion?—A. A premature explosion.

Q. To what would that be due?—A. I would say too much projection of the firing pin at that time.

By Mr. Hughes (Victoria):

Q. What is that?—A. Too much projection of the firing pin—that is hitting the cap of the cartridge before the breech was properly closed.

Q. And you say what?—A. I attribute it to too much protrusion of the firing pin.

By Mr. Northrup:

Q. That is a defect in the rifle, is it?—A. Well, that is what we generally attribute it to, but still not knowing the rifle very well and having no hand-book, we could not exactly say.

Q. That is what you attribute it to, at all events?—A. I would not say exactly that it was a defect in the rifle. There was too much protrusion of the firing pin. That might have been caught and corrected before the rifle was fired and the thing would be all right.

Q. Let me understand. You said there was a premature explosion. I asked you to what it was due, and you said it was due to some protrusion of the firing pin?—A. Yes, too much protrusion.

By Mr. Hughes (Victoria):

Q. I did not hear you say there was a premature explosion?—A. There was a premature explosion of the charge.

Q. That is, before the trigger was pulled?—A. While closing the bolt, while shoving the bolt forward to drive the bolt home, to lock it.

By Mr. Northrup:

Q. This premature explosion was caused by driving the bolt home. Was that owing to a defect in the rifle, or to improper handling of a properly constructed rifle?—A. As I said, there was too much protrusion of the firing pin before the bolt was properly locked.

Q. Would it be a defect in the rifle or carelessness on the part of the men?—A. No, sir, because that accident might happen at any time to any rifle.

Q. You cannot tell to what it was owing?—A. No, sir.

Q. Would an expert be able to tell?—A. Well, sir, I think he should.

Q. I beg your pardon?—A. I think a small arm expert should be able to tell.

Q. That is one accident. Was there any danger in connection with that accident?—A. There was a danger in this way: The young man that fired the rifle shook his hand the moment he fired it. I was right behind him, immediately behind him, coaching him, when this cocking piece flew past my shoulder and was picked up some distance in the rear. If that had struck my face—

Q. It would have been a serious matter?—A. It would have caused serious injury.

Q. Was there anything broken in the rifle?—A. The milled end at the end of the firing pin was blown all to pieces and scattered in different directions.

Q. What is that material?—A. I suppose it is made of steel, I don't know though.

Q. That was blown to pieces and scattered in every direction?—A. It blew all to smithereens.

Q. Now, what was the trouble with the other rifle?—A. The other rifle what broke was, a little screw in the bolt cover and the bolt worked free and showed a tendency to spring back which rather disconcerted the man who fired it.

Q. Did anything happen?—A. No nothing ever happened to that man.

Q. Did you cease firing?—A. I ceased firing.

Q. Why?—A. Because I knew nothing about the rifle and did not know what might happen next.

Q. You were afraid something else might go wrong and that it might be worse?—A. If I had the hand-book of the rifle and knew the different parts I could possibly have taken it to pieces and put it together again and would have gone on firing.

Q. Those were the only four rifles you took to use, and two of them were defective in the way you have spoken of?—A. I fired about six altogether. I think Major Pym, in his report, dated March 21, reports another rifle, No. C. 771, as having the bolt-sleeve broken. Just before I left St. John there was a board called on that rifle, a regimental board.

Q. You spoke about the report of Major Pym. How did Major Pym come to make a report?—A. He was sent down, I believe, to examine every rifle we had.

Q. Major Pym is the Inspector of small arms, I believe, in Quebec?—A. I believe so.

Q. And he was sent down to examine all the arms you had? Did he examine them?—A. He examined every one, sir.

Q. What date was that?—A. I forget just what date he examined, but he reports on March 21. I beg pardon, it was stated in a communication from the D.O.C., March 21.

Q. Well, it would be about that date he examined?—A. About that date.

Q. Have you his report?—A. Yes, sir, I have.

Q. Before you now?—A. Yes, sir, I have a copy of it.

Q. How many rifles did he examine?—A. Well, he examined all belonging to the regiment, sir, and in my company he examined 14.

Q. And then he gave you that report as Commander of a company?—A. No, sir,

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he did not. He reported to headquarters, and the D.O.C. of military district No. 8 notified the officers of the 3rd Regiment.

Q. What the report is?—A. What the report is.

Q. Just read the report and we will see what Major Pym said?—A. (Reads): 'The following is a list of rifles in the possession of the 3rd Regt., C.A., which as stated in a communication to the O.C., 3rd Regt., C.A., M.D. No. 8, dated March 21, 1907, were reported by Major Pym as defective, the defects being given.

No. 1 Company Armoury.

Ross Rifle Mark 1.

- No. G. 669—Pull off heavy.
- No. G. 671—“
- No. G. 755—“
- No. G. 873—“
- No. G. 639—“
- No. G. 638—Cover screw broken.
- No. G. 664—“
- No. G. 747—“
- No. G. 812—“
- No. G. 868—“
- No. G. 864—“
- No. G. 871—Front guard screw deficient.

No. 2 Company Armoury.

Ross Rifle, Mark 1.

- No. G. 689—Firing pin nut, cocking piece spring, cocking piece washer.

By Mr. Hughes (Victoria):

Q. What is that?—A. Firing pin nut, cocking piece spring, cocking piece washer. That is the one I am complaining of that the piece flew out of.

Q. That is the one that exploded you say?—A. That is the one that came apart due to the premature explosion of the charge (Reads):—

- No. G. 771—Bolt-sleeve broken.
- No. G. 938—Extractor broken.
- No. G. 762—Cover screw broken.
- No. G. 761—“
- No. G. 700—Cocking notch worn.
- No. G. 766—“
- No. G. 768—“
- No. G. 131—“
- No. G. 776—Cocking piece damaged.
- No. G. 124—“
- No. G. 173—Cocking piece worn; notch on bolt worn.
- No. G. 139—Notch on bolt worn.
- No. G. 934—“

No. 3 Company Armoury.

Ross Rifle, Mark 1.

- No. G. 807—Notch on bolt soft.
- No. G. 742—Notch on bolt broken off.
- No. G. 876—Cover screw broken off.
- No. G. 705—Magazine requires overhauling.

By Hughes (Victoria):

Q. Magazine requires what?—A. Magazine requires overhauling (reads):

No. G. 644—Cover screw broken.

No. G. 714—“

No. G. 858—“

No. G. 723—Pull-off heavy.

No. G. 747—Notch on bolt soft.

No. G. 660—“

No. G. 656—“

No. G. 645—“

658, cam slot for retainer stud rough; 731, notch on bolt worn and cocking; 726, same defect; 987, cocking notch soft; 721, same defect; 996, same defect; 738, same defect, hand guard broken; 860, cocking notch damaged; 720, front hand guard damaged; 702, slide, back sight loose; 847, thumb piece of magazine twisted; 718, cocking piece 'bent' damaged; 704, cut-off knot twisted; 981, ejector spring broken; 998, piling swivel missing; 990, notch on bolt rough and cocking, notch rough; 724, cocking notch soft and cover screw broken.

A note states that several micrometer thimbles were found tightly jammed against the woodwork.

The above rifles are in addition to those reported as 'bore rusty.'

Q. What rifles are those referred to as reported 'bore rusty'?—A. On the night of our inspection last year, 1906, the three companies left the central drill shed there in a heavy storm, and these rifles were fairly wet through, and some of them may be rusty, some of them may be only gummed by oil in the bore, which if pulled through two or three times might be removed. I do not think there were any in a serious condition of rust.

Q. Was it a defect, or might it occur to any rifle?—A. It might occur to any new rifle.

Q. Would the Lee-Enfield in any way have an advantage over the Ross rifle in that respect, or are they on the same footing?—A. That is a hard question for me to answer, not being a small arm expert.

Q. It would depend to a certain extent on the material used?—A. It would, I would think.

Q. You are not prepared to give an opinion on that?—A. No, sir.

Q. At all events, as a result of being out in the rain they rusted?—A. Yes.

By Mr. Maclean (Lunenburg):

Q. Would the Lee-Enfield rifle carry an umbrella?—A. I would not attribute the rusty bores to a defect in the rifle, but still a rusty bore could not have been removed in five minutes.

By Mr. Daniel:

Q. Were these rifles all new, or had they been ever used before being served out to your company?—To my knowledge they were all new.

By Sir Frederick Borden:

Q. They had been used for drill?—A. Certainly. Well, to my mind when we took them in charge they were all new.

Q. Of course, but they had been used for drill before this examination was made?—A. Yes, sir.

By Mr. Northrup:

Q. At that time you took the four rifles down to the ranges, was that the annual practice?—A. No, sir, only a company match.

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Q. That was prior to the annual practice?—A. Prior to the annual practice.

Q. Did you have any annual practice last year?—A. No, sir.

Q. Why not?—A. Because we were uncertain in a way of the rifle.

Q. Why did you not have the annual practice?—A. Owing to what occurred on the 24th of May, and a few other odd reports that were made, in a sort of way, we put off having the board examination of the rifle, and ultimately we let the matter practically slip, because we were a little doubtful about the rifle.

Q. Your company did not have the annual practice because you were doubtful about the rifle. You are speaking as a military man when you say that?

Mr. HUGHES (Victoria).—The witness did not swear to that.

By Sir Frederick Borden:

Q. This shooting, or practice, whatever it was, took place on the 24th of May?—A. Yes, sir.

Q. It is said that something went wrong with one of the rifles, I believe, or two of them?—A. Two, sir.

Q. I thought it was corrected afterwards, and you said there was only one that was damaged. No report was made?—A. No, sir.

Q. No board was held?—A. No, sir.

Q. It was not considered of sufficient importance even to notify the officer commanding the district. Everything remained quiescent until the end of the year?—A. Yes, sir, the thing was reported verbally, but no written report was made because it was sort of held off as a regimental matter.

Q. It was reported verbally to whom?—A. To the officer commanding.

Q. To the officer commanding what?—A. The 3rd regiment.

Q. But to the district officer commanding it was not reported?—A. No, sir.

By Mr. Northrup:

Q. This was a company matter, and it was reported to the officer commanding the regiment?—A. To the officer commanding my regiment, at the time, and a verbal report, and it was eventually sent in as a written report.

Q. Eventually you sent in a written report?—A. The officer commanding the 3rd regiment sent in a written report, but he asked me for a report at the time which he took over the telephone, and, as I say, it got mixed a little.

By Sir Frederick Borden:

Q. He got a report of what had happened. Did he report to the District Officer Commanding?—A. I cannot say, sir, he asked me, and I gave it to him, but he mixed up matters a little. I gave him the report over the 'phone.

Q. You must know that the District Officer Commanding sent out an inquiry in December to know why this rifle practice was not carried on, and it was only then this report was made?—A. I never saw that inquiry, sir.

By Mr. Daniel:

Q. Who was the officer commanding the regiment at the time this occurred, on May 24, 1906?—A. I suppose it was Lieut.-Col. W. Walter White would command, but I could not say whether Major Armstrong was. I know this that during his illness Major Armstrong commanded, it would be one officer or the other.

By Mr. Northrup:

Q. Is your regiment still armed with the Ross rifle, Mark I.?—A. Mark I. G.

Q. Speaking as a military man, if your regiment was called out for active service, would you consider it was properly equipped for service with Mark I. Ross rifle?—A. Speaking as a military man, I would not be afraid to use it if I had to.

Q. Perhaps you would not like to use it if you did not have to?—A. That is about the way we feel about it.

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Q. That is the way the men feel about it, they are not afraid to go out, but they would rather not use it?—A They would use it if they were told to.

Q. But they would rather not, is that correct, that they would rather not use that rifle?—A. It just means whether the officers are going to order them to use it or not.

Q. Well, then, coming back to my original question, if you were ordered out, if the unhappy circumstance should arise that you were ordered out for active service, would you consider your company properly equipped if you were sent to the front with the Ross rifle, Mark I.?—A. Yes, sir—

By Mr. Hughes (Victoria):

Q. I presume this report of Major Pym will go in as an exhibit now?
(Report filed as exhibit, 3.)

EXHIBIT 3.

‘HEADQUARTERS, March 12, 1907.
The M. G. O.

‘The Inspector, Small Arms,

Inspection of Ross Rifles, St. John, N.B.

‘With reference to your minute of the 4th instant, I beg to report that I proceeded to St. John, 6th instant, to investigate the circumstances under which two Ross rifles, Mark I. were damaged on May 24, 1906.

‘1. The case containing the two rifles in question was opened by me at the District Office. These rifles have been identified by the Officer Commanding No. 2 Company, 3rd Regt., C. A., as those reported on by him.

‘2. I obtained from this officer a statement as to what occurred on May 24, 1906, when one of these rifles was reported to have exploded and the other considered unsafe to fire.

‘The information he gave me when compared with the official report previous to submission (See 514, 15, 19) seems to show some confusion of ideas as to what actually happened; but taking his latest statements in connection with those of other members of the regiment, together with a further examination of the rifle, I arrived at the following conclusions:—

‘(a) There is no evidence to show that any part of the rifle flew into three pieces.

‘(b) No broken part has been found.

‘(c) No substitution of parts has been made.

‘(d) The rifle bears no evidence of a premature explosion.

‘No official report appears to have been made to the D.O.C., M.D. No. 8, of the occurrence until January 19, 1907, when it was given for the reason for not having completed the musketry course.

‘A broken cover screw was the only defect in the other rifle referred to.

‘(Sgd.) J. BEVILLE PYM, Major,
Inspector Small Arms.

‘D.M.

‘For the Ministers’ information.

‘(Sgd.) W. H. COTTON, Col., M.G.O.

‘12-3-07.’

‘SUMMARY OF INFORMATION GIVEN BY CAPT. DRAKE TO THE INSPECTOR OF SMALL ARMS, ON MARCH 8, 1907.

‘1. The accident did not occur at musketry practice, but during a shooting match for a regimental trophy, on May 24, 1906.

‘2. The firer, who was a recruit in the “lying down” position and was being coached by Capt. Drake, who was just behind him.

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' 3. The man closed his bolt and the rifle immediately went off while his hand was still on the belt handle. An examination of the rifle showed that—

' 4. The firing pin nut cocking piece, cocking piece spring and cocking piece washer (four separate components) were missing.

' 5. The cocking piece was found close to the firer—none of the other missing components were seen again, and they probably fell into the water, which was quite close to the firing point.

' 6. No part of the rifle or bolt was found broken or damaged.

' 7. The bullet left the bore.

' 8. The cartridge was assumed to have been extracted in the usual way, but was not noticed.

' 9. The ammunition used was D.C. IV., 1906, and no complaint has been made about it.

' 10. The bolt was open with the man's hand still upon the handle after the accident.

' 12. It was concluded that the firing pin nut had been broken into three pieces because three men say they heard something, "whizzing past their heads."

' 13. The recruit who fired the rifle can remember nothing about the matter.

' 14. The whole thing occurred so quickly that nobody exactly knew what really did take place.

' Captain Drake was of opinion that the accident was a premature explosion owing to the firing pin being too long.

' 12-3-07.'

By Mr. Northrup:

Q. I have just asked you the question as captain of the company, if your company was ordered out for active service, would you consider it was properly equipped with a rifle like this?

Sir Frederick Borden:

Q. Would it not be of value here to interject the question whether he is competent to judge?

By Mr. Northrup:

Q. Do you care to answer that question, captain?—A. Well, no, sir, I would not care to.

Q. You would not like to say whether they were properly equipped or not?—A. No, sir, I recognize I really have not knowledge of the arm to know. I am only reporting accidents that occurred to me.

Q. Have you heard your men who were using those rifles speak of them?—A. I have, sir. They first spoke of them very favourably and then afterwards they seemed to think that—well they were a little dubious about it, that is all after they saw the results of this accident.

Q. Then from what you have heard your own men say, can you tell me what their opinion would be as to the efficiency of that rifle?—A. I could not, because I could not judge that any of them would be a qualified small arm expert.

Q. I am asking you what you heard from them as to their opinion about the efficiency of the rifle?—A. They certainly do not know.

Q. You would not care to answer that question?—A. No, sir.

By Mr. Hughes (Victoria):

Q. You are a captain in the militia force?—A. I am captain in the 3rd Regiment Canadian Artillery.

Q. An artillery regiment?—A. Artillery.

Q. What are your infantry qualifications?—A. Nothing more than I passed the Royal School of Artillery in Quebec, in May, 1900.

Q. Have you ever had any experience as an expert in rifles?—A. No, sir, only what I have met in ordinary company practice during those years.

Q. What is the nature of the pull in the Ross rifle?—A. A straight pull.

Q. Did you ever see a straight pull rifle before?—A. No, sir.

Q. Do you know the calibre of the rifle?—A. 303.

Q. When you say 'straight pull' what do you mean?—A. I mean when you take the pull of the rifle and draw it straight out towards you.

Q. Do you understand what happens when that bolt is pulled straight?—A. The bolt comes back and leaves room to put the cartridge in the chamber.

Q. And what then?—A. Then the bolt has to be pushed forward.

Q. And then?—A. It cocks the firing pin.

Q. In Mark I., does it cock the firing pin?—A. I suppose it does.

Q. I am asking your knowledge, not your suppositions?—A. Well, sir, I know when I load the rifle and I open the bolt and place the cartridge in front of it and push it forward, the rifle is in a firing position.

Q. Then what prevents this bolt going back as soon as the rifle is fired?—A. Well, that I decline to answer, because I don't know anything of the mechanism of the bolt.

Q. You have been swearing all the morning about the interior mechanism?—A. Not this one.

Q. The witness swears he does not know what prevents the bolt going back?—A. No, sir, because I have no knowledge of the inside mechanism of that bolt.

Q. And you are captain of the company?—A. Yes.

Q. And when the captain of the company cannot tell us, is it fair to expect the men?—A. If I was supplied with a hand-book of the rifle, I might be able to tell.

Q. Is it fair to expect your men to know when the captain cannot tell what prevents the bolt from being blown back?—A. It certainly is not.

Q. You speak of the milled thumb piece being blown to pieces. How do you know?—A. I said it was blown to pieces because we could not find where it had gone, and the men on either side of the rifle that was fired imagined they heard pieces of steel whizz by. The cocking piece went up in the air.

Q. How far were you from the man?—A. Right behind coaching him. The piece was picked up by another officer and handed to me.

Q. Which piece?—A. The cocking piece.

Q. What about the milled thumb piece?—A. That is gone.

Q. Scattered, I suppose, to the four winds of heaven? Do you know what transpired?—A. No, sir. When a thing like that will occur so suddenly, you cannot tell what will happen.

Q. Capt. Drake, you say your men imagined they heard this steel whizzing by them. Now here is a milled thumb piece, will you take that into your hands, please?—A. Yes.

Q. Do you not know how to take that milled thumb piece off?—A. No, sir.

Q. Have you no idea how to take it off?—A. Well, no, I never tried to.

Q. Have you any idea how to take the bolt of the rifle apart and put together again?—A. No, sir.

Q. No idea whatever. In your report I think you said this piece in front, the cocking piece, was broken?—A. This cocking piece?

Q. Yes?—A. No, sir, it was gone completely; that was the piece that blew out.

Q. That was found?—A. That was found attached to the rifle.

Q. Your report states that this was broken?—A. No, that was the milled thumb piece.

Q. Your report states that was broken?—A. Well, sir, that was a misunderstanding.

Q. What transpired? Was the bolt blown out of the rifle?—A. No, sir.

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Q. It was not?—A. The bolt came back, but had not cleared the stop notch or whatever it was; but that cocking piece, milled end and the spring were all gone.

Q. Would you be surprised if I were to show you that is what transpired in your rifle (demonstrating with rifle). Do you believe it?—A. I certainly do.

Q. You believe that?—A. Yes.

Q. That is the position in which you found it?—A. No, sir, not in the position in which we found it.

Q. You found the pin?—A. Yes, sir.

Q. And you found this piece here?—A. Yes, sir.

Q. And you found the spring?—A. No, sir.

Q. You did not find the spring?—A. No, sir.

Q. And the cocking piece washer?—A. No.

Q. And the milled thumb piece had disappeared?—A. Had disappeared.

Q. What caused that to fly back?—A. Premature explosion of the charge.

Q. How can explosion of the charge reach this? Here is where the explosion took place (exhibiting rifle)?—A. Well, when the bolt was being closed, I accounted for it in this way: the firing pin had too much projection and jumped on to the cap before the breach was properly closed, and the explosion is what happened.

Q. Did you ever see a firing pin? Are you aware that it is impossible for that firing pin to protrude until the rifle is fired?—A. Well, I should be qualified to answer on that because when Major Pym was making his inspection the very first thing he did was to check the gauge of that striker to see if it protruded too far.

Q. Supposing this rifle were cocked, would it be possible for it to protrude?—A. It might protrude beyond the face of the breach bolt.

Q. How far is the point of that needle from the face of that breech bolt when the rifle is cocked?—A. Major Pym gave me the figures, but I have forgotten.

Q. Would you be surprised to know that is three-quarters of an inch?—A. I would.

Q. That is very nearly the distance it is from the striker. I want you to explain how this accident happened?—A. Simply when the bolt was pushed forward the cartridge exploded prematurely before the breech was properly closed, and the result was that it came back.

Q. You know, I suppose, there is a spring in here, or do you know that?—A. I understand there is.

Q. Did you ever see one?—A. I only saw the bolt taken apart once.

Q. I may tell you there is a spring in there, Captain Drake, a large spring, and that spring would—first let me ask you, supposing this milled thumb piece were released from its screw, what would be the tendency of the needle?—A. I suppose that spring is slightly compressed, is it not, and holds that bolt in position, and if that bolt slacks up, would it not allow the pin to come forward to it?

Q. Yes?—A. Would that not cause projection of the firing pin?

Q. This nut which is in place of this milled thumb piece, if it were not screwed right, if projecting at the end might possibly bring about the projection of the needle, as you see, would it?—A. Yes, sir.

Q. Then, if that milled thumb piece were held, would it be possible for the needle to project?—A. I don't think so, if the rifles were properly tested.

Q. I mean if it were properly held?—A. I am only speaking of my own knowledge of artillery. When twelve pounders or 4.7 guns are going into action the commanders first duty is to judge and gauge the projection of the firing pin.

Q. That is right, that might occur by this nut being loose. Now you say that the firing pin projecting too far caused this to fly back?—A. Caused the cartridge to explode before the breach was properly closed.

Q. And then this flew back here. Would you be surprised to know, or do you think there was nothing more than the force of the spring to send this back?—A. Oh, there would have to be to force it back.

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Q. You see how it slips off?—A. But then these two projections must fit into something.

Q. When this is released, are these released on the forward action or the back action? Are these to prevent the bolt going forward or backward?—A. Are these not the cocking notches?

Q. I am asking you the question. What is the object of that milled piece, and of that piece on there?—A. Well, I do not know, sir. I regard it as a mere retaining nut in a way.

Q. That is what it is exactly, to prevent this flying back when that spring is pressed back. Supposing that little nut is taken off, what will be the effect?—A. Is there not a square locking nut there?

Q. No.

(Rifle produced.)

A. I never saw that before.

Q. I am showing you?—A. That is another mark than that which you were examining me on.

Q. Well, I have not a Mark I. here, but the action is the same as far as the bolt is concerned. The point I want to draw out of you is this, that the nut of this firing pin is, at the present time, about $\frac{3}{4}$ of an inch from the end of that bolt. Well, you did not know what the object of this milled furring piece is?—A. No, sir.

Q. You have pointed out in your report here a list of defects, 'Pull-off heavy'?—A. That is Major Pym's report, sir.

Q. I know that, you have pointed it out, is that a serious drawback to a rifle?—A. I am not prepared to state, you might take up what I say of my own rifles in my own company.

Q. You say the pull-off is heavy, what does that mean?—A. I do not know, sir.

Q. It is pointed out here as a drawback to this rifle?—A. I do not know what it is at all.

Q. 'Cover screw broken,' would that render the rifle unserviceable?—A. It would render the men somewhat dubious in their opinion as to the use of the rifle.

Q. I am not talking about men's imagination, I am asking you would it render the rifle unserviceable. You are summoned here and are giving a report here against this rifle as an expert. I want to know would the cover screw being broken render the rifle unserviceable?—A. That I could not say. If it were broken, I would fire the rifle again, but I do not think it should break.

Q. Supposing it were removed entirely, would it affect the firing of the rifle?—A. I do not know.

Q. Then 'front guard screw deficient,' what is that?—A. I suppose it is the screw holding the front guard into the stock.

Q. Is that a serious defect in the rifle?—A. No, that is not of importance at all.

Q. Some soldier may possibly have taken his jack knife and unscrewed it to look into it?—A. He might, but it is not probable.

Q. One of your men in handling this thumbscrew may have disengaged it entirely, might they not?—A. I am speaking of my own company, and the men are not allowed to monkey with the firearms.

Q. Do they always do what Captain Drake tells them?—A. My arms only go out at certain times. These rifles were carried out to the rifle practice and they were carefully looked after.

Q. How many men were there there?—A. 25 or 30.

Q. And they fired with these rifles?—A. Yes, in squads of two.

Q. And you know they were not toying with the thumbscrews?—A. I know they were not, because proper attention was paid to them. It is the custom of the officers of No. 2 company to instruct their men properly.

Q. Would it be possible for the thumbscrews or some other screws to be lost?—A. I do not know, sir.

Q. 'Firing pin nut, cocking piece spring, cocking piece washer, missing.' These

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are four little pieces we have on the table here, they are missing. You have sworn that the milled thumb piece flew by your head?—A. No, sir, I did not swear that; I said the cocking piece flew by me. If the thumb piece went by I did not know it.

Q. You have sworn that the thumb piece flew into pieces?—A. I said that the men on either side of me heard it whizz past them.

Q. You imagine that?—A. Yes, you can imagine a good deal, it practically flew in pieces and was never found afterwards.

Q. You say 'bolt sleeve broken,' what is that?—A. I am not prepared to say that, it is Major Pym says it was broken.

Q. How was it broken?—A. It was apparently cracked.

Q. Did you see it?—A. I saw it when it was taken out.

Q. Describe it?—A. If I had a breech bolt of Mark I., I think I could show what it was.

(Breech bolt produced by Mr. Hughes.)

Q. Well, there is the sleeve and there is the bolt, perhaps you can show on this one, they are interchangeable?—A. This does not seem at all like Mark I. and I decline to express any opinion on that point.

Q. You do not know then what this means by saying 'bolt sleeve broken'?—A. No, sir, I do not.

Q. Then you say, 'extractor broken,' what do you mean by that?—A. I did not say that, Major Pym said that.

Q. Well, you are here this morning, and you read it?—A. I read it by request.

Q. Major Pym is not here, this evidence has gone in as having been given by Captain Drake. This extractor was broken, do you know how that was broken?—A. I do not.

Q. What was broken about the extractor?—A. I do not know that, I never saw the rifle, I mentioned that the rifle was to go before a board of officers of my regiment on my return.

Q. Here is another one, 'cocking notch worn,' what is that?—A. The cocking notch in the bolt.

Q. What is it?—A. As I stated before, not having a hand-book of the rifle, I do not know anything about it.

Q. 'Cocking piece damaged,' what is that?—A. I do not know anything about it.

Q. 'Notch on bolt worn,' what is the notch on the bolt?—A. That, sir, I cannot say.

Q. Do you know what the magazine requires for holding it?—A. No., sir.

Q. Do you know how the magazine of this rifle works?—A. No, sir.

Q. You are captain of a company?—A. Yes, sir, without a hand-book.

Q. 'Cam slot for the retainer stud rough.' Can you point out what that is?—A. No, sir.

Q. You do not know about it?—A. No, sir.

Q. 'Slide, back sight loose,' did you ever see that gear in a rifle?—A. No, sir, but remember that I am answering for No. 1 and 3 company as well as my own.

Q. Well, what is the back slide of a rifle?—A. I don't know, sir, in that rifle.

Q. In any rifle, what is the back slide?—A. Sight?

Q. Back slide?—A. Sight, is it?

Q. Slide on the back sight?—A. Slide on the back sight. I don't know what you would call it on that rifle; whatever graduates the sight.

Q. Did you ever see a back slide loose before?—A. Never on a Lee-Enfield.

Q. Then your experience has been very limited, Captain Drake?—A. It has, sir.

Q. Your experience has been very limited?—A. Yes.

Q. 'Cocking piece bent.' Do you know what the cocking piece bent is?—A. No, sir.

Q. Cut-off knot twisted.' Do you know what the cut-off knot is?—A. No, sir.

Q. 'Piling swivel missing.' Do you know what that is?—A. No, sir.

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Q. Your men, I presume, were armed with the Lee-Enfield previously?—A. With Lee-Enfield carbines.

Q. Do you know how it operates?—A. To a limited extent. I have never taken a musketry course, and I am not prepared to go into that.

Q. How does it act?—A. First, the rifle is thrown up and the bolt held back.

Q. How many motions in opening and closing?—A. Two in opening and two in closing.

Q. The Ross rifle has how many, opening and closing?—A. One.

Q. At your company match, you took only four rifles down. Why did you not take all your rifles down?—A. Because it was not the custom, sir. They are apt to get damaged and dirty, and there is a lot of trouble in taking care of them. Four would answer the requirements very well. We fire along the breakwater, which is only a narrow pier, firing in squads of two. This gives two rifles time to cool off when the two men are finished.

Q. Have you seen Major Pym's report on these rifles?—A. Only the copy, he has given there.

Q. Major Pym's report shows there is no foundation for the statement that any part of the rifle blew into pieces. Why did you make that statement to the committee this morning?—A. Just this: I make the statement again that Major Armstrong in reporting the matter misunderstood me and applied both accidents to the one rifle. That copy of the correct thing was when I was asked to state that those two were the rifles that were at Ottawa. I then made a report which went to the D.O.C. commanding.

Q. Were these the two rifles you had on the range?—A. These were the two referred to in that report which is rather mixed up.

Q. And there is no possibility of any interchange of parts in the two rifles?—No, sir.

Q. Major Pym says that no part has been found that was lost?—A. The cocking piece was tied on to that rifle.

Q. I mean the piece that was broken, the milled thumb piece?—A. No part of that was found.

Q. Has any substitution of parts been made in those rifles you sent up?—A. Not to my knowledge.

Q. Who would know?—A. Well, I don't know that, sir. They were shipped just as received from me through the District Officer Commanding.

Q. Major Pym says that the rifle bears no evidence of premature explosion. Do you know anything about that? Did Major get this evidence when you were examined?—A. No, sir.

Q. Were the men who fired the rifle examined?—A. No, sir, he gave a talk on the rifle and no questions were asked.

Q. Were your men asked?—A. My men were asked over, and he just gave a talk on the rifle. He pointed out what this part was for and what that part was for, and how it worked. It was the first time I ever saw a boat stripped or knew anything about it.

Q. Major Pym says the accident did not occur at musketry practices but during a match on May 24?—A. It occurred on May 24th, in a company match, which had been held by No. 2 company at the same spot for years.

Q. Was that musketry practice?—A. We might call it musketry practice.

Q. Was the firer an old soldier?—A. No, in this case he happened to be a recruit.

Q. How close were you to him?—A. I was just behind him coaching him.

Q. Major Pym says, 'The firing pin nut, cocking piece, cocking piece spring, and cocking piece washer.'—these four little pieces that are here—'were missing'?—A. They also disappeared.

Q. How far from the fire was the cocking piece found?—A. I suppose about ten feet, some distance anyway.

Q. How much strength of spring would be required to throw that ten feet?—A. That I don't know.

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Q. It is not a very heavy piece of wire?—A. No, sir, but would not the effect of the explosion of the charge drive it back?

Q. You know the force of a spring of a rifle. Would the spring have the tendency to throw itself backward with the same force that it sends the needle forward? Would it or would it not?—A. I am not qualified to speak upon that point.

Q. You would not swear then this was blown back by the cartridge?—A. I will swear to this that the cartridge was placed fairly in bore and the bolt was closed, and that blew back when the cartridge discharged.

Q. You do not know whether it was the bolt that slipped back?—A. The cartridge was discharged and that came back and the rifle was rendered useless and could not be used again.

Q. Will you say the force of the spring would not send it as far as that?—A. I could not swear that.

Q. Was any part of the bolt or the rifle broken or damaged?—A. The piece is missing, I don't know whether it was broken or not.

Q. Will you swear that was broken?—A. No, sir, because I do not have the piece here.

Q. Did you not swear the piece out of that was broken?—A. No, I did not.

Q. I think I read a report from some of you gentlemen that this little piece off the side of this was caused by a break?—A. Not from me. It is some misunderstanding.

Q. Did the bullet remain in the rifle?—A. No, sir, the bullet went clear of the bore.

Q. Went clear of the target?—A. It was not pointed directly to the target, but disappeared in the ground some place.

Q. Who extracted the cartridge?—A. The cartridge came out when the bolt sprang back; the cartridge came out.

Q. Major Pym's evidence tends to show—his report says that the cartridge was assumed to be extracted in the usual way, but was not noticed?—A. When that bolt came back and the cartridge shell flew out you would not find it. I remember Major Pym asking me if I had the cartridge shell. I do not see how I would have it with dozens of others.

Q. When an officer has any accident with a rifle he invariably bags the pieces?—A. In case of an accident of that kind we would have to be very cool-headed to attempt to hunt around for the cartridge shell when it came out of that rifle. Furthermore, there was every chance of losing it through the cracks in the rocks.

Q. You are a cool-headed man yourself and you would naturally look for the cause, would you not?—A. No, sir, I am not surprised that I did not.

Q. You say you saw the man who fired shaking his hand after the accident; was that his right hand?—A. His right hand. I saw him shaking it, that was all.

Q. But supposing Major Pym says the man's hand was still on the handle of the bolt of the rifle?—A. It may have been. He did not think it would come back so quick, I suppose.

Q. You say the man was excited. Was Captain Drake anyway excited about that time. You said just now you were not very cool?—A. I admit not very cool. When an accident of that kind happens you don't know what the consequences may be when you fire the next rifle, and I think it would bother anybody.

Q. Did you ever see a Lee-Enfield rifle similarly inspected as Major Pym inspected this rifle, and a detailed report made on it?—A. No, sir.

Q. Are you in command of the regiment?—A. No, sir, in command of No. 2 company.

Q. Have you the authority to order your men out for musketry practice; I am using the term in the official sense of the term?—A. I am issued ammunition and I consider I have the authority when I am issued the rifles and ammunition and we are furnished with a place where we can carry on musketry practice, and we have done it for 25 years.

Q. This was not your regular musketry practice?—A. This was our regular practice. It had been done generally by the companies on their own initiation.

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Q. You spoke of being a little dubious about the rifle owing to the different report made all around; what do you mean by that?—A. Well, the reports will go around among the men, one man hears one thing and another man hears another, and reports were circulated about the rifle and men who had never fired the arm and knew nothing about it would ask questions, and the officers would hear of it.

Q. This was before this accident occurred?—A. Yes.

Q. These rifles had not been fired before that?—A. No, sir.

Q. How could they get bad reports before the rifles had been fired?—A. Well, one or two rifles had been fired over the range.

Q. Had anything happened?—A. There were complaints amongst the men that the bolt might open and fly back.

Q. Have you any evidence of that?—A. I have not evidence any more than what I heard.

Q. Would you be surprised to know that such a thing has never occurred?—A. Well, I have heard that it occurred and heard it a good many times.

Q. Did you ever see it occur?—A. I told you the way that little screw broke out in that other rifle, and the bolt spring back.

Q. How far would it spring back?—A. It would spring back showing the extractor clear.

Q. Would the man's hand be clear of the knob?—A. Yes, it would be on the trigger then.

Q. Where did these reports with reference to the rifle come from, where did they emanate from?—A. Oh, amongst the men in the regiment.

Q. You do not know where they got their data from?—A. I could not say, the reports were circulated.

Q. Do you know anything about the Lee-Enfield rifle?—A. Not very much, sir.

Q. Have you ever seen any accidents with the Lee-Enfield rifle?—A. No, sir.

Q. Have you ever fired it much?—A. A great deal, sir.

Q. A great deal. Did you ever hear of any accidents happening to the Lee-Enfield rifle?—A. I never did.

Q. Did you ever hear of the Lee-Enfield rifle bolt flying back?—A. No.

Q. You never did—your experience has been unique?

By Mr. Northrup:

Q. You were speaking about the rifles at the time of the inspection, do you know how many Major Pym examined?—A. He examined all that the regiment had, and when I handed in the copy of that report, it was sent to the officers of the 3rd Regiment, and I was recommended by my commanding officer that I should bring it with me.

Q. How many of the new rifles were there?—A. 330, I think, 110 to each company.

By Mr. Hughes (Victoria):

Q. Did you hear of any rifles, any more than are mentioned in this report, that were defective?—A. I only read Major Pym's report.

Q. Mr. Northrup says that all these were found defective, do you say that all these matters mentioned in the report are defects?—A. I beg pardon, sir, I was asked to read Major Pym's report, and I asked if that meant the report of my own company, but I was told to read it all. That was only a copy of the report which was sent for the information of our regiment, and these rifles were reported by Major Pym. They may be defective or they may not. I only know that rifle 771, or my own company, was reported to have the bolt sleeve broken. Whether it was or not I am not prepared to say, but I know that force had to be applied to that rifle to drive it out of here. I saw that with my own eyes.

Q. But you answered Mr. Northrup that out of 110 these were defective ones?—A. I will not swear to Major Pym's report, and what is furthermore I stated that when I return to St. John there is to be a Board of Officers on these rifles.

Q. On what rifles?—A. Those enumerated in the report.

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Q. Would you call it a defect in a rifle to have a heavy pull-off?—A. I do not know.

Q. What is the usual pull-off in a rifle?—A. I do not know.

By Mr. Northrup:

Q. You said that the rifles you referred to were Mark I.?—A. Mark I.

Q. My learned friend shows you a bolt there from a rifle and you looked at it. Does that appear to be the same as Mark I.?—A. No, sir, that is why I refused to answer that. It is different, I never saw that pattern of bolt before.

By Sir Frederick Borden:

Q. This paper that you read, how did it come into your possession?—A. I was allowed to copy that.

Q. By whom were you allowed to copy it?—A. By Colonel White himself, sir.

Q. By Colonel White? There is nothing here to indicate that, I am rather surprised, it is a rather unusual thing to give the entree to anybody, even a subordinate officer, to go and make copies from the books of the District Officer Commanding?—A. There was some conversation regarding that report, and I was permitted to make a copy.

Q. I think it would be desirable for you to show before you leave Ottawa what authority you had for bringing this document here.

Mr. BARKER protested against the question as an intimidation of the witness.

*Sir FREDERICK BORDEN.—I have no objection to the report being produced, but I would like to know by what authority the document was produced here by this witness.

By Mr. Hughes (Victoria):

Q. The point I want to show is this, 'pull-off heavy' is reported in this list here, and I want Captain Drake to say does he know whether that is a defect in the rifle. Mr. Northrup says this is a defect, and tried to put that word in Captain Drake's mouth?—A. I cannot say, sir.

Q. Do you know what the pull-off should be?—A. No, sir, I do not.

Q. And you are captain of a company?—A. Yes, sir, I am captain of an artillery company, and I never took a musketry course.

By Sir Frederick Borden:

Q. One more question I wanted to ask, Captain Drake, you said here that it was your custom to instruct your soldiers in the use of the rifle. I want to ask you if you ever took a course in the Canadian School of Musketry, or any other musketry school?—A. No, sir, but there are books on firing exercises, and on instructions in handling and firing the rifle issued in the ordinary drill book of instruction, and I took it from them.

Q. As a matter of fact, you have no special knowledge of rifles?—A. No, sir.

Q. And you are an artillery officer?—A. Yes, sir.

By Mr. Reid (Grenville):

Q. How long has this report been in your possession?—A. That is a copy of a report which was handed to me Saturday night in St. John.

Q. This was handed to you on Saturday?—A. Yes, sir.

Q. By whom?—A. By my officer commanding.

By Mr. Maclean (Lunenburg):

Q. Who is he?—A. Major Armstrong.

By Mr. Reid (Grenville):

Q. He is the one who handed it to you?—A. Yes, sir.

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By Mr. Maclean (Lunenburg):

Q. Did you ask him for it?—A. No, he told me he had it and wanted me to bring it with me.

Q. Where did you get it?—A. From the D.O.C. officer. It was given for the instruction of the officers of the regiment.

By Mr. Daniel:

Q. It was given the officers of the regiment for their information?—A. Yes.

Q. There was nothing special in your getting that report?—A. None at all.

Q. It was a report given to all the officers of the corps in order to acquaint them with the rifle?—A. And what is more I have further evidence to show. Just before I left I received this.

(Producing document.)

By Mr. Maclean (Lunenburg):

Q. Who from?—A. From the Commanding Officer, I suppose, Colonel Armstrong.

By Mr. Daniel:

Q. This is from A. J. Armstrong, Lieut.-Colonel, and is addressed to Captain J. L. Drake, No. 2 Company, 3rd Regt., C.A. As it is put in I might as well read it.

‘I am authorized to receive from your company rifles enumerated on the inclosed memo., Nos. 771, 938, 762, 761, 700, 766, 768, 131, 776, 124, 173, 139, 934, all marked (G). Be good enough to have them packed into a case and let me know when to send for them and I will do so. They are to be put in order by our Armourer Sergt. and returned to you. Be good enough to have them ready at the earliest possible, in order that I may be able to carry out my instructions with reference to same.’

By Sir Frederick Borden:

Q. Is there anything unusual in that, I suppose it is the regular thing?—A. No, sir, it is entirely unusual, because it was the first intimation we had that there was an Armourer Sergt. there to repair rifles in St. John.

By Mr. Daniel:

Q. The other communication, the other paper referred to, says:—

‘ST. JOHN, N.B., March 19, 1907.

‘The following Ross rifles, Mark I. are to be sent into the Ordnance Stores for repairs from the armoury of No. 2 Company, 3rd Regt., C.A.:

‘Rifle numbers are as follows: G. 771, G. 938, G. 762, G. 761, G. 700 G. 766, G. 768, G. 131, G. 776, G. 124, G. 173, G. 139, G. 934.

‘JAS. SULLIVAN,

Armour. Sergt. O.S.C., Sect. 8.

‘To O.C. Sec. 8, O.S.C., M.D. No. 8.’

I want to ask Captain Drake, Colonel Hughes asked you with regard to the pull-off being heavy. You have been out sporting, you have fired fowling pieces, and you would know a rifle, you would be familiar with it?—A. Yes, I am.

Q. If you were out sporting and your rifle pulled heavy, would you want to fire a rifle whose pull was very heavy. Would you consider that a defect in the rifle or not?—A. I would imagine that rifle would need repairs.

Sir FREDERICK BORDEN.—I would object to the word ‘very’ which is not used in that report in reference to the pull.

By Mr. Daniel:

Q. I will put it this way. If you were going out sporting and if you wanted to

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use your rifle and you found the pull-off heavy, would you consider that a defect in the rifle or not?—A. I would consider that the rifle needed adjusting, and if I knew anything about it I would take it apart and adjust it.

Q. You consider, in other words, a heavy pull-off is not a favourable feature in the rifle?—A. No, sir.

By Mr. Hughes (Victoria):

Q. You speak of a fowling piece. What is the weight of the pull-off in a fowling piece?—A. I could not state that.

Q. What is the weight of the pull-off in a sporting rifle?—A. I could not state that. It will altogether depend upon the make of a rifle, I suppose.

Q. Do you know what the pull-off is in a sporting rifle as compared with a military rifle?—A. No, sir.

Q. Is there any difference or much difference?—A. It depends entirely upon the make of the rifle.

Q. In other words you do not know anything about it?—A. No, sir.

By Mr. Maclean (Lunenburg):

Q. You say Major Armstrong put this in your hand on Saturday?—A. Yes, sir.

Q. Did you ask him for it?—A. No, sir, I did not.

Q. Were you pressing to get it?—A. No, sir, I was glad to get it, because it is in the nature of information.

Q. I do not want to know whether you were glad, sir; did you ever intimate to Major Armstrong, or did he intimate to you, or do you know why it was put in your possession?—A. Not unless because it was regimental information.

Q. When did you leave St. John?—A. Saturday evening.

Q. How long before leaving did you get this paper?—A. During the afternoon.

Q. Well, how many hours before leaving?—A. In the middle of the afternoon sometime.

Q. In the middle of the afternoon. Did Major Armstrong tell you, when giving you the paper, it might be useful here before the committee?—A. Not at all.

Q. What conversation did you have with him about coming to Ottawa?—A. Major Armstrong came into my office at noon and said: 'Here, the whole lot of you fellows have to get your rifles ready and send them in right away,' and he says, 'there is an awful report, and some of them are worse than others. However, you are going up to-night and I will give you a copy of this report as to what is wrong with them.'

Q. What else did he say?—A. That is all he said.

Q. Did he expect you to carry the rifles to Ottawa?—A. Not at all.

Q. Why did he mention that you were going up to-night?—A. He knew, as my commanding officer, that I was leaving St. John to come up here, and that I had been summoned.

Q. He knew that?—A. Yes.

Q. Would that have helped the repairing of the rifles?—A. No, but I must know the rifles I have to send into the armouries to be repaired.

Q. Why did he give you the information about the other companies?—A. Well, that all comes out in the regimental order, it comes out there, the information regarding the affairs of the other companies comes out just the same.

Q. Do you know any reason why he should have handed that to you last Saturday?—A. Just because he had just received it, and he knew I was coming and thought it would be information that would be useful.

Q. He knew you were coming here?—A. Yes.

Q. He knew that?—A. Certainly.

Q. What is the number of your company?—A. Number 2 company.

Q. And the name of the regiment?—A. The 3rd Regiment, C.A.

Q. Who is the commandant?—A. Col. Walter W. White is commanding, but during his absence from illness, Major Armstrong.

Q. Do you know of any reason why you did not have your own annual target practice last year?—A. I stated the reason before.

Q. Was there any official reason?—A. No official reason that I know, outside the fact that we were a little dubious about the rifle. Both officers and men were dubious, and the thing slid along from time to time, and we did not carry it out.

Q. Who is responsible for calling this annual rifle practice?—A. I do not know.

Q. Is it not Major Armstrong?—A. Not necessarily.

Q. He was in the command then, was he not?—A. No, the officers were equally to blame that the practice was not carried out.

Q. You will admit that some officer was to blame, the officer whose duty it is to give the order?—A. Oh, well, it is usually the way to ask the officers to arrange for it.

Q. Who gives the order for the annual practice?—A. We are usually asked what date will suit our convenience to bring the men together, and we arrange for a certain day, and then, the order is given.

Q. Who gives the orders for the regiment to do the annual firing, is it not the officer commanding?—A. We are bound to put in a certain amount of rifle practice, but when we do it there is no regulation about that.

Q. Would not Major Armstrong be the officer who would give the command in this instance?—A. He might.

Q. Well, who else would?—A. Well, Colonel White would if he was not too ill.

Q. He was not well, he was not in command. But when he was absent who else would be in command?—A. Nobody else.

Q. Would not Major Armstrong be the officer who would command at the annual drill?—A. He would.

Q. Yes, Major Armstrong?—A. Yes, but in arranging this practice he would do so on the advice of his officers.

Q. Is not he the officer in command?—A. Yes, but he might fix some date that would not suit every company, you must remember this is a militia company.

Q. Let us understand this, down in St. John does every officer have the same say?—A. No, but the colonel would usually ask his officers when it would be convenient to have the rifle practice.

Q. But is there not one officer who is supreme in command?—A. There certainly is.

Q. And that would be last fall, Major Armstrong, would it not?—A. Yes, sir, it would.

By Sir Frederick Borden:

Q. As a matter of courtesy, the commanding officer asks his captains when it will suit them to have their annual shooting, doesn't he?—A. Yes, sir.

Q. Then he gives the command, after he gets that information. Is not that the way it is done?—A. Yes.

By Mr. Maclean:

Q. Have you ever heard Major Armstrong talk about the Ross rifle?—A. No, I do not suppose he had any information. I told you the rumours that were current in the regiment.

Q. I am asking you if you ever heard Major Armstrong express any opinion about the Ross rifle?—A. Never in my life.

Q. Do you know whether or not he is a partisan about the rifle?—A. I do not think so, I never heard him say.

Q. Now this paper you were reading from, is this the report of Major Pym's?—A. As sent to the Military District No. 8.

Q. Are you sure about that?—A. I am sure about that, and it was transmitted to our regiment with instructions to send these rifles in.

Q. Will you look at this, on the top of the page, this is not Major Pym's report. It says: 'The following is a list of rifles in the possession of the 3rd Regiment, C.A.,

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which is stated in the communication to the O.C., 3rd Regt. C.A. from the D.O.C. M.D. No. 8, dated March 21, 1907, were reported by Major Pym as defective, the defects being given.' Is that part of Major Pym's report?—A. That is the report regarding our regiment.

Q. Now, look at this, will you, do you say that is a part of Major Pym's report?—A. 'Were reported by Major Pym as defective.'

Q. Read the first, and give me an answer afterwards?—A. Ask the question again.

Q. I want you to read those four or five lines at the top of the page and tell me if that is part of Major Pym's report?—A. This is a copy of Major Pym's report sent to the D.O.C., No. 8.

Q. Read it, I want you to read it. You are excited?—A. Not at all, I say this is a copy of a report for our regiment.

Q. What is a copy?—A. This thing here.

Q. The whole paper?—A. All that.

Q. I am asking you about those five lines here. I want to know if you say that is a part of Major Pym's report?—A. 'The following is a list of rifles in the possession of the 3rd Regt., C.A., which as stated in a communication to the O.C., 3rd Regt., C.A., from the D.O.C., M.D. No 8, dated March 21, 1907, were reported by Major Pym as defective, the defects being given.'

Q. Then, apparently, this is not a part of Major Pym's report, those five lines?—A. It must, be to our regiment.

Q. It cannot be a part of Major Pym's report, because his name is used there—A. I see what you are driving at now. I do not refer to this as Major Pym's report, I read it here to this committee.

Q. You and Mr. Northrup have been talking about this paper as the report of Major Pym, and it is not?—A. I say no, but I say these were the reports and rumours.

Q. When the word 'defects' is used here in this paper which has been put into your hands, it does not follow that Major Pym has described the rifles as being defective?—A. To the best of my knowledge it is.

Q. As a matter of fact, you never saw Major Pym's report, did you?—A. Oh, no, not the report.

Q. You do not know whether Major Pym has ever reported that these rifles were defective?—A. No, I would have to believe my commanding officer.

Q. This is the report of the commanding officer, it is not the report of Major Pym at all.

By Mr. Hughes (Victoria):

Q. In speaking of these rumours which you said were around about the Ross rifle, from whom did those rumours emanate?—A. That I could not say.

Q. Was there a mysterious stranger giving them force?—A. Not at all, it was soldiers who had fired the rifle and had a little accident who were afraid of it.

Q. What was the accident?—A. I could not say, because you can understand—

Q. You do not know whether you are swearing to what is true when you say it was an accident?—A. Well, the report went around. Look here, a man will make a remark and it will go around from mouth to mouth and everybody will believe it or not as they please.

Q. How do you know these remarks are not inspired?—A. I do not know anything about that.

Q. You do not know?—A. Of course not.

Q. That is all I want to know.

By Mr. Daniel:

Q. Mr. Maclean has been giving you a very severe examination on the heading of this paper?—A. Yes.

Q. When you get a paper from your commanding officer there is always some heading to it?—A. Always.

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Q. That heading is a description, as a rule, of the contents of the paper. You would consider that heading as nothing more than a description of the contents of the paper?—A. That is all.

Q. And this paper was not only sent to you, but was sent to every officer of the corps, you stated that?—A. To every one concerned, sir.

By Mr. Maclean (Lunenburg):

Q. He does not know that it was sent to all the others?—A. I do, sir.

By Mr. Northrup:

Q. You spoke of Mr. Armstrong as being major?—A. Yes, sir.

Q. I find a letter here from Major Armstrong to the D.O.C. of No. 8, District, brought down by the department, dated St. John, N.B., December 3, 1906:—

‘Sir,—The rifle practice of the unit under my command for the annual training, 1906, has not been carried out owing to the fact that the regiment is armed with Mark I. Ross rifles, which, in consequence of accidents to two of these on the 24th of May last, when being used by No. 2 company, the officers and men are afraid to use them.

‘There are, therefore, no returns to be transmitted.’

Q. Do you personally know anything about that?—A. I think a copy of that is amongst the regimental papers. I suppose it is. I knew he had made a report.

By Mr. Hughes (Victoria):

Q. Just one question in connection with that. Was Major Armstrong personally working up the matter?—A. No, sir.

Q. You are the officer who made the report to Major Armstrong?—A. Yes, sir.

Q. Were there two rifles rendered dangerous on that day?—A. Those are the two we complained of.

Q. Will you answer the question?—A. There were two, one we laid aside on account of the small screw being broken, and the other could not be fired again until repaired.

Q. You consider that one rifle with the little screw broken was not rendered dangerous?—A. No, that could be fired again, but still we were doubtful of it.

Q. You do not know anything about the action of the rifle at all?—A. No.

By Mr. Daniel:

Q. Was this screw that was broken of any use in the rifle at all?—A. I could not say that.

Q. Supposing the screw were of some use, if it were broken, would not the breaking of it make it defective?—A. I should think it was very defective.

By Sir Frederick Borden:

Q. The accident, so-called, referred to just now, occurred when—that is referred to in the letter of Major Armstrong?—A. On the 24th of May, 1906.

Q. The accident occurred on that date and it was not thought worth taking any notice of until December, when Major Armstrong was asked why he had not carried out his annual rifle practice. There was no board held, was there, in the matter?—A. No.

Q. Was there ever a board held?—A. No, sir, there never was a board held, but it was always the intention of the officers to go over every rifle.

Q. Is it not a fact that when Major Pym was in St. John recently, examining those two rifles in question that the recruit who fired the rifle said he could remember nothing about it?—A. I do not think Major Pym ever saw the recruit, sir.

Q. Well, then, I see he makes this statement; Major Pym made a report which was signed by him, and which I hold in my hand, and which you will find among these papers, which are before the committee. In that report he says: ‘The recruit who

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fired the rifle can remember nothing about the matter.' He says, furthermore, 'It was concluded that the firing pin nut had been broken into three pieces, because three men say they heard something "whizzing past their heads." The cocking piece "whizzed past" Captain Drake's head, but was picked up just behind him.' That is the report of Major Pym.

Mr. REID (Grenville)—What date is that?

Sir FREDERICK BORDEN.—The 12th of March, 1907.

The WITNESS.—I would like to ask if Major Pym ever saw that recruit or examined him.

Q. I cannot say that. There is his report.

By Mr. Daniel:

Q. Can you say who was in command of the 3rd Regiment on the 24th May last?
—A. Well, Dr. Daniel, my memory does not serve, but you are aware that Col. White was ill, it is around the date of his illness it all hinges.

Q. But of your own knowledge?—A. I cannot say.

Q. You do not remember, you do not say that Major Armstrong was not in command at that time?—A. I really cannot be certain, although I think he was.

By Mr. Hughes (Victoria):

Q. When these rifles were issued to you, I understand you were requested to make a note of any defects and report anything wrong?—A. Not to my knowledge, I never received a request.

Q. I understood that orders were sent out from headquarters generally to note defects?—A. I never received any request, any written request.

Q. You might have verbally?—A. Nor have I verbally.

By Sir Frederick Borden:

Q. I think it will be well enough to read Major Pym's report.

(Exhibit No. 3 read.)

This information, given by Captain Drake, to the inspector of small arms, is part of Major Pym's report. First accident did not occur during the musketry practice but during the regimental shooting match on the 24th of May.

By Mr. Hughes (Victoria):

Q. Was the barrel of the rifle broken in any way?—A. No, sir.

Q. Was any part of the rifle broken other than the parts you could not find?—A. That was all that was broken in the rifle.

Q. You do not know of that rifle any part that was broken?—A. Well, it is hard to say, we could not find that part which was broken.

Q. You put forward the fact that you could not find a thumb piece that is missing and that it was broken, yet when I ask you about the cartridge you say that it might have fallen into the water through the logs in the breakwater. If the cartridge had fallen into the water through the logs, would it not have been possible for the thumb-screw to have fallen there also?—A. Yes, it was, but when the men lying on each side of me say that they heard pieces whizzing past them?

Q. Never mind, you were very particular in giving that information that the cartridge might have fallen into the water as one reason for not being able to get that cartridge?—A. Yes.

Q. Would it not be possible for this little milled thumb-piece, one-third of the size of the cartridge, to fall into the water as well?—A. It might, sir, the piece might fall into the water.

By Mr. Northrup:

Q. Then Major Pym is wrong in his report when he says that no official report

was made? Either he is wrong in that or the official file is wrong when there is a letter there.

By Mr. Barker:

Q. You have told us some confusion arose about the report owing to you having telephoned the facts to the commanding officer, and his having sent forward a report not quite accurate, I think, that is what you said?—A. That was right.

Q. Did you tell that to Major Pym?—A. No, I do not remember doing so.

Q. When he appears to reflect upon your different versions of the story, he did that without your knowledge of what you say as to the telephone message?—A. Exactly so, sir, that is right.

Witness discharged.

SERGEANT-MAJOR BOWRIDGE, called, sworn and examined.

By Mr. Northrup:

Q. You are a sergeant-major attached to the N.W.M.P.?—A. The Northwest Mounted Police, sir.

Q. Where are you stationed?—A. Now, Regina is my headquarters.

Q. What rifle is your force armed with?—A. The Ross rifle, sir.

Q. Do you know Mark I. II. and III.?—A. Mark I. C. I have have been in contact with.

Q. Have you ever had any experience in using that Ross rifle yourself?—A. I have, sir.

Q. Did you have trouble, an accident with it?—A. Personally, yes.

Q. Where was that?—A. At Macleod.

Q. When?—A. On June 6, 1906.

Q. Please tell us what the accident was, how it came about?—A. It was during the annual target practice, I was putting a squad through their annual target practice and doing my own annual firing at the same time. We got up to the 300-yard range, I think it was the fourth shot, I have forgotten the number of shots fired at that particular range, but the firing pin blew out of the bolt and hit me in the eye. Well, that ended the rifle practice for that day and since.

Q. I believe you suffered for some time since?—A. Yes, sir, for about three weeks.

Q. Did you have to go to the hospital?—A. Oh, yes, not to the hospital, but to the doctor. I remained at home in my quarters, afterwards.

Q. That put an end to your practice, did it affect the practice of the others?—A. The officer commanding stopped the practice until he heard from headquarters, and did not continue it afterwards.

Q. Have you been in more places than Macleod in connection with the force?—A. Yes, sir.

Q. Was the force armed with the Ross rifle in the places you have been?—A. Well, since the Ross rifle has been issued Macleod and Regina are the only two places I have been in.

Q. The force at both places is armed with the Ross rifle?—A. Yes.

Q. It was at Macleod you say that accident occurred?—A. Yes.

Q. Do you know anything about the rifle practice at Regina last year?—A. No, sir.

Q. You do not know whether there was any or not?—A. I do not know anything about it.

Q. How many years have you been in the habit of using a rifle?—A. About 25 years.

Q. From your personal experience of the Ross rifle No. 1, do you consider it a suitable arm with which to equip the Mounted Police for the duty they have to perform?—A. I do not, sir.

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Q. Is the rifle being used up to the present time by these police?—A. It is the rifle which was issued to the police, but it is a rifle that I might say is not in use, they can't use it.

Q. What is the reason you cannot use it?—A. It is unserviceable.

Q. In what respect?—A. It is considered unsafe.

Q. So that although it has been issued to the police, it is not used?—A. No, sir, not used for service ammunition, but it is used for gallery practice.

Q. What rifle are you using now?—A. None whatever.

Q. The Mounted Police are without rifles other than the Ross rifles?—A. Well, we have as far as the Mounted Police are concerned, 16 Lee-Enfield rifles that are used in connection with the Canadian Military Rifle League, which we use in Regina.

Q. You have 16 rifles altogether?—A. But those are outside the Mounted Police, it is in connection with the Military Rifle League.

Q. Then this is it, are the Mounted Police armed at this time with any other rifle than the Ross rifle?—A. No, sir.

Q. And that, as you say, is unsuitable?—A. That is in my estimation. I am speaking of what I know myself.

Q. Are you in a position to name any defects, if there are any defects, in this Ross rifle, from your own experience with it?—A. From my own experience?

Q. Name any defects with which you are acquainted?—A. May I have the bolt of a Ross rifle?

Q. You will find this (bolt produced) Mark III.?—A. Yes sir, it is a different Mark, well, anyway this will do for what I want to show you. This is a different rifle, it is not the rifle that I am accustomed to. I will not have anything to do with that.

Q. Well, then, you cannot illustrate by that particular rifle?—A. No, sir, I would not attempt to.

Q. Speaking from memory, can you name any defects in Mark I.?—A. I found in my own experience that the cartridge jammed in the chamber in quick-firing practice.

By Mr. Hughes (Victoria):

Q. Can you not show it in that rifle?—A. In the quick-firing with the cut-off thrown open, in quick-firing sometimes the cartridges, that is the bullets of two cartridges, try to enter the magazine at the same time, and you have to work the finger lever piece to get them into place again.

Q. Is that a serious or dangerous defect in the rifle?—A. It is very serious in my estimation, in a rifle.

Q. What would be the practical result of that?—A. The practical result would be that the other fellow would get a shot in before you would.

By Mr. Daniel:

Q. Is that only during rapid firing?—A. That was in rapid firing I noticed that, not otherwise, I would not think.

By Mr. Northrup:

Q. Is there any other defect?—A. Yes, sir, the back sights—I am speaking from a Northwest Mounted Policeman's point of view, the backsight is no use to us. (Taking rifle) I cannot handle this thing, I do not know very much about it. This is a different brand from the one we have. But in reference to the back sight it is made of soft metal.

Q. That is on your rifle, Mark I.?—A. Yes.

Q. What is the effect of that?—A. The least knock it gets against anything it meets a soldier slings his rifle from the horn of the saddle, and it is apt to get knocked and that disarranges it. The only thing is the metal of it is too soft. I saw a man take one of these back sights and twist it around until it was in a corkscrew shape, and then bring it back again, the other day.

Q. Is there any other defect?—A. Yes, the inner portion of the bolt, that is the firing pin, is held in place by a mainspring, and the only thing that holds that mainspring in place is a very small stud. There is a sleeve goes over the stud and it takes a half turn to engage it. In a case which I know of myself that stud was either worn off or it wasn't there at all when it was turned out of the small arms factory. I do not know, I did not examine it before, but afterwards I did, I saw the bolt.

By Mr. Hughes (Victoria):

Q. That is the one you had the accident with?

By Mr. Northrup:

Q. What would be the effect of it?—A. It blew out and hit me in the eye.

Q. It might have cost you your life. Is there any other defect?—A. Yes, sir, I have noticed in several rifles that the stock was very weak.

Q. They were weak?—A. Yes, I have now in my store, of which I am in charge at Regina, about 17 of these rifles, which have defects. I cannot enumerate what is wrong with them altogether, but anyway they have all different defects which put them out of business.

Q. Is there any other defect that you remember?—A. Can I consult some of my notes? It is only a copy of the report which you have on file there.

Q. I will read it to you, if you like?—A. I have it here.

Q. Where is it from?—A. From Macleod in both instances.

Q. That is from the proceedings of the Board of Officers that assembled at Macleod on the 31st of July?—A. Yes, sir. Speaking about other portions of the rifle that are defective that came to my knowledge, the extractor is loosely fitted, I reported upon that, and the extractor, if you are pulling the bolt back, the extractor will drop out sometimes, which is a grave fault in an arm of that kind.

Q. Is there any other defect in the rifle that you recollect?—A. I have noticed the spring on the side on which the bolt engages to keep it in place, on the left hand side of the rifle, is weak.

By Mr. Hughes (Victoria):

Q. Will you show that to us on that rifle, please?—A. This is it here.

Q. That is not the spring, that is the bolt stop?—A. The spring attached to that breaks, it is weak and breaks.

By Mr. Northrup:

Q. Do you say it breaks?—A. Yes, many of them are broken.

Q. Is there any other defect?—A. Another grave defect I find in the rifle is that the safety catch cannot be applied to it, as the cartridge is in the chamber, without pulling back the cocking piece. That is in Mark I.

Q. What is the practical loss in that case?—A. Well, the loss is this, the danger is to the man who is behind it, when you are pulling it it is liable to slip.

Q. It is liable to come back and hit him?—A. No, not the bolt to come back, that would be all right, but it would explode prematurely. A gun would go off when you would not want it to. That is the best way of explaining that.

Q. Is there any other grave defect?—A. I was speaking about the interior of the bolt, I think that is probably another. As far as the bolt itself is concerned, that will never come back, there is no danger of that coming back, that is the bolt proper. But it has in the centre a pin composed of the firing bolt, the mainspring, the milled head, and the cocking piece.

Q. They are all liable to come back?—A. They did in one case, and they are liable to do so again.

Q. Are there any other defects?—A. That is all I remember—oh, yes, there is another that came to my knowledge and that is the locking swivels for locking these

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rifles together. I think, to my knowledge, out of 100 of them about 25 of them are broken. They are broken off easily, they are too brittle.

Q. What effect has that on the rifle?—A. You cannot stack your rifles properly, if you want to stack them or pile them you cannot do so, and you have to lay them down. That is the piling swivel there (indicating on rifle).

Q. Is there any receptacle for oil bottles in Mark I.?—A. Yes, there is, but there are no oil bottles for them.

Q. What is the effect of that?—A. You have to get oil bottles from somewhere else.

Q. Oil bottles are necessary to keep the rifle clean, are they not, and is it not very serious to be without them?—A. Yes.

By Mr. Hughes (Victoria):

Q. Is there an oil bottle in the Lee-Enfield?—A. The Lee-Enfield rifle always has.

Q. Has the new ones?—A. I do not know anything about the new one.

By Mr. Northrup:

Q. Did any 'pull through' come with your rifles?—A. On the 'pull through' quest, we have them in our division, they did not come with the rifles, but they came separately.

Q. There were none that came with the Ross rifle?—A. Not to my knowledge. I do not know anything about that.

Q. Here is the report of the board that assembled at Macleod:—

'ROYAL N.W.M.P.,

'Proceedings of a Board of Officers assembled at Macleod by order of the Commissioner, the 31st day of July, 1906, for the purpose of reporting upon the Ross rifle and any defects found during the target practice.

'Present:—President, Inspector C. Starnes.
Member, Inspector A. B. Allard.

'The board having assembled, proceeded to take evidence of Regiment No. 2357, Sergt.-Major Bowdridge; Sergt. No. 4072, Staff-Sergt. White; Regt. No. 4183, Corporal Wiseman, and Regt. No. 1361, Corporal Alexander.

'*Opinion:*—The board having considered the above-mentioned evidence, and from personal observation, is of opinion that the Ross rifle in use on this division is not a suitable arm for our requirements. They find that the screw at the foresight is apt to get injured in mounted work, that the extractor being loose is very easily lost, which happening when on distant duties would render the rifle useless, that the mainspring is not strong enough, or so constructed that it will not explode the cartridge in very many shots, and that the stud on the collar which keeps the mainspring compressed is liable to wear or break allowing the firing pin to fly back and hit the user, thus making the use of the rifle dangerous.

'COURTLAND STARNES, Inspector,
President.

'A. B. ALLARD,
'Member.'

A. That is the finding of the board. I had nothing to do with that.

Q. How is that, you agree in that?—A. Yes, sir.

By Mr. Hughes (Victoria):

Q. You say it is liable to fly back. Would one instance out of a thousand justify you in saying they are liable to fly back?—A. Under those circumstances.

Q. What about that stock of the rifle being weak, do you mean the wood in the stock. Did you ever notice the quality of that?—A. Well, in many cases I have noticed the stock broken. The wood is very brittle, very light.

Q. You say it is light in many cases, the stock is light?—A. Yes, and the wood seems to be of inferior quality. It breaks, I have seen it broken in several places.

Q. How is the grain, did you ever notice how the grain in the stock is?—A. No, sir, I am not an expert on woods, I would only notice them in a casual way.

Q. I will not waste the time of the committee in matters that you are not acquainted with. There was no other board of officers beyond your board, and that you personally know about and that you have spoken about?—A. Yes, sir.

Q. You are in the Northwest Police?—A. Yes, sir.

Q. And you have been there for 35 years?—A. Yes, sir.

Q. And you have had military experience before that?—A. In the permanent force of Canada.

Q. Are you of Canadian birth?—A. No, sir.

Q. Where were you born?—A. In Newfoundland, St. John's.

Q. And you have had no military experience either in the permanent corps or the Northwest Mounted Police?—A. No, sir.

Q. How long have you been in the permanent corps?—A. I was in it 22 years ago, sir.

Q. How long have you been in the Northwest Mounted Police?—A. Eighteen years.

Q. I thought you said you had been in 25 years?—A. I did not say so, sir. I had experience with the rifle for 25 years, excuse me.

Q. You have been 22 years in the permanent corps and the Mounted Police altogether?—A. Yes, sir.

Q. Were you ever on active service?—A. No, sir.

Q. Have you any experience as an armourer?—A. No, sir.

Q. In your 25 years experience as a rifle man have you ever had any accidents with rifles other than that occurred to you the other day?—A. Yes, sir.

Q. What was it?—A. I have had many, I could not enumerate them at present.

Q. It will not take long, tell us a few of them anyway.—A. With the old Winchester rifle, I have had the magazine on the side blow out one time, something like that.

Q. Have you had any trouble with the Lee-Enfield?—A. No, sir.

Q. Did you ever hear of a man being killed with a Lee-Enfield?—A. No, sir, I have not had much experience with them.

Q. Do you understand the bolt head of the Lee-Enfield?—A. Yes.

Q. What is the peculiarity of it? It screws on to the bolt, did you ever hear of any of those blowing off?—A. No, sir.

Q. Are you aware that a man was killed at London camp last year by the bolt head blowing out?—A. I was not aware of that. I have heard of a man being killed down east with a rifle, but I did not know what it was.

Q. According to your statement if a man was killed with a rifle, you would condemn the whole rifle?—A. Oh, no.

Q. But you have said you condemned that rifle on one accident?—A. Not on that, but on seventeen other different points.

Q. What action occurred when your accident took place—there is the needle of Mark I. (producing needle)?—A. There is the mainspring and the collar piece on that, have you that too?

Q. I have not the mainspring, but it is all there but the mainspring. Just take it off, please?—A. (After trying to remove it) You haven't got it planted, have you?

Q. No, it screws off, what happened in your case?—A. This portion, the milled head piece, in the mainspring and the collar—this is not the whole of it, there is some-

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thing else, and the portion that I want to get is not here, so that I cannot point out the defect.

Q. Well point out the defect here, then, without it?—A. Well, I cannot, because all the bolt is not there, sir.

Q. What happened, tell us what happened?—A. As I have told you, this thing blew out, and the other portion is not here.

Q. Illustrate it by this bolt. Supposing that bolt were there, illustrate what happened?—A. This whole milled piece, the centre bolt, blew out, do you see, and hit me in the eye, sir.

Q. What force would be exerted upon that to blow that out?—A. Sometimes different forces can be exerted, it all depends upon the state of the bolt.

Q. The cartridge explodes?—A. Yes.

Q. What force can be exerted by the explosion of the cartridge upon the bolt?—A. The force of the explosion.

Q. But on what surface?—A. On the head of the bolt, for instance. If the firing pin happened to go into the cap and that hole was worn too large.

Q. Was it too large in your rifle?—A. I noticed it was pretty large for the firing pin, but I cannot tell you whether it had worn that way or whether it was that way, but if that was too large it would allow the gases to get into that, and this collar, it would form a line of resistance to the bolt, and the repeated jars on this bolt would wear the very small head which holds it off, so that the whole thing would blow out.

Q. What gas can escape around the head of the cartridge?—A. Oh, there is all kinds of gases.

Q. In a perfect cartridge could the gases escape?—A. Yes, by the force of the explosion. Some must, otherwise there would not be ventilators to let it out.

Q. Where are the ventilators?—A. In the side of the bolt.

Q. In the side of the bolt?—A. In the base of the barrel, I should say.

Q. That is where the vents are for the escape of the gases?—A. Yes.

Q. Why are they there?—A. To prevent the rifle exploding.

Q. Are they there for a perfect or a defective cartridge?—A. That is a question I cannot answer.

Q. You do not know?—A. No.

Q. If a cartridge is defective, the gases will, of course, blow back. Did you ever have a defective cartridge?—A. I have seen many.

Q. You have seen many where the explosion would come out through the base or the side of the cartridge, near the base, have you?—A. No, I have not.

Q. Well, your experience must have been very limited or else you had good cartridges?—A. Well, we always had a good rifle.

Q. That does not have anything to do with it. Here is a cartridge, would you like to fire that cartridge?—A. No, I would not put a thing like that in the gun.

Q. What would happen if a thing like that were fired out of the gun?—A. I fancy the force of the explosion would be pretty severe on the base.

Q. Where would the explosion come?—A. On the bolt, I presume.

Q. Not on the bolt at all?—A. It would come on the firing pin itself with the defects that there are there.

Q. You have never seen a cartridge like that explode?—A. None of the .303 brand.

Q. I want you to point out clearly what power could come on that needle. You say that the firing pin is blown back in your eyes. I want you to point out what power can be exercised on that firing pin to drive it into your face?—A. Against the head of the bolt, I pointed out before what I think, that is my opinion, what I think myself, in order to make the thing plain, I should have all the parts of this bolt here.

Q. What blew the bolt back?—A. The explosion of the cartridge.

Q. Why did it not blow back then the shot before that?—A. Because in my opinion, that is as far as I know, the resistance had not worn away the stud that holds the

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mainspring in its place. When the last shot was fired it had been worn away by the force of the repeated explosions.

Q. Do you know what holds that pin in its place?—A. The stud on the collar.

Q. That is what holds it in its place (indicating portion)?—A. Not at all.

Q. I beg pardon?—A. Oh, not at all.

Q. What is the object of this on there, then?—A. That is the cocking piece.

Q. Oh, no, that is not the cocking piece at all?—A. Is it not, I always thought that was the cocking piece.

Q. You have always been accustomed to the Lee-Enfield rifle, and that is called the cocking piece in that rifle. Supposing this cocking piece should be taken off the Mark I. rifle, do you see the pin that holds that bolt in its place?—A. I wish you would give me the bolt altogether, colonel.

Q. I removed that from the rifle (illustrating), you see, that does not hold it in its place; then what will be the effect if you fire that with this off? In other words, supposing that is put on in that place and the rifle fired; now let us take that off, can you fire your rifle with that piece off?—A. The bolt would not be in it.

Q. Can you fire it off? Will you tell me what would matter if this were taken off and the rifle fired, you say it is only the cocking piece, well, cock the rifle and take that off and then fire it, what will be the effect?—A. I would want to have the bolt to tell you that.

Q. Then you do not know?—A. I would know if I had the bolt in my hand. This is all Greek to me.

Q. It is quite evident it is very much Greek. I want the sergeant-major to be kind enough to tell us what blew that pin back?—A. I have told you the force of the explosion.

Q. Where does the force of the explosion bear on the pin?—A. That bears on the pin, it bears on it here (illustrating).

Q. How can it?—A. Through the block.

Q. Through the little vent at the end of the firing pin, the round hole?—A. Yes.

Q. Was the hole worn?—A. The hole was larger than the pin.

Q. It must be for the pin to go through?—A. But it was larger than it should be in my estimation.

Q. Was it a defective cartridge than went off?—A. That I could not say.

Q. How could the gases come through there unless the gas escaped from the base of the rifle? Here is a cartridge that the gas would escape through the base (producing cartridge), with an ordinary cartridge it won't.—A. If the gases had not escaped through the base of the cartridge it would not have blown this back in my face.

Q. All that your view would rest would be the recoil of the rifle on that little pin?—A. Yes.

Q. What power would be necessary to drive that back—but let me ask it another way. Sergeant-major, would not a strong mainspring in there, if it were released, drive that pin back?—A. I understand what you mean.

Q. Would the mainspring pressing hard on that between the face of the collar and the face here, if this cocking piece were removed, would the strength of that mainspring be sufficient to drive that bolt back and drive these things in your face?—A. Yes.

Q. It might?—A. Yes, but not with sufficient force to do damage by it.

Q. I want you to explain then where the rest of the force came from?—A. From the explosion of the cartridge.

Q. Where did it come from?—A. From the defective bullet.

Q. Will you show where the power operated on the end of the needle and the extent of it?—A. Show you?

Q. Where does the rest of the power come from; I am admitting, as you admit that the mainspring exercised a certain power, but where did the rest of the power come from if the mainspring was not sufficient?—A. From the base of the cartridge.

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Q. You mean the recoil of the bullet on the end of the needle?—A. I do not mean anything of the kind, but the force of the gases in the explosion. There is bound to be some in the chamber, it may be small or it may be large, but sometimes the chamber may be worn, or the cartridge may be a little finer than usual.

Q. Do you mean to say that the gases would escape around here from the end of this cartridge?—A. No, I mean to say down through the side of the breech.

Q. Would the explosion come from the muzzle of the cartridge here, and come back down the side?—A. Yes.

Q. Then we will see how it travels. The gas escapes from the cartridge into the rifle. You say it escapes from the end of the cartridge?—A. I do not say anything of the kind, I am going to say that the force of the explosion blew the bolt back, and I am going to illustrate it.

Q. You say the force of the explosion blew it back?—A. I said I thought it did.

Q. You think that the gases came back between the chamber and the barrel?—A. Yes.

Q. Do you see that projection on the base of the cartridge?—A. Yes, sir.

Q. Then the gas would have to turn around that angle, would it not?—A. Possibly.

Q. Then the cartridge rests against the end of this bolt?—A. Yes, sir.

Q. It would in the first place have to come around here, and press back there as it undoubtedly does, then it would have to come back here, and turn a sharp right angle to get into this place here, the pin is there, in order to blow the bolt back?—A. If the pin had penetrated that cap—

Q. Was it penetrated?—A. I do not know.

Q. Supposing the pin penetrated the cap, is there much space around the side of the pin? Supposing I drive the pin into that cap, is there much space around it for the gas to enter?—A. No, sir.

Q. Can a large quantity of gas escape around the pin?—A. That I am not able to tell you.

Q. Then you cannot say what power was used on this needle other than the power of the mainspring in forcing it back?—A. I could not say.

Q. You suppose that the gas got around somewhere and came in there whether it was a defective cartridge—A. The cartridge, in my estimation, was not defective.

Q. You say it is not a suitable arm, that you consider it unsafe?—A. Yes, sir.

Q. And that is the reason you consider it unsafe?—A. That is one reason.

Q. But if an accident happened through the Lee-Enfield rifle, you say it would not condemn the rifle as unsafe. Yet here a man merely gets a black eye, and that is nothing, from the rifle, and yet you condemn it?—A. You are saying all that, not me, colonel.

Q. Very well, I will ask the sergeant-major a question. The sergeant-major has stated that he considered the rifle was liable to fly back because one accident happened, and he stated he condemned the rifle because this accident happened to him. Did you, or did you not, give that as a reason?—A. That is one reason for condemning the rifle.

Q. Was there any other serious reason?—A. Yes, sir.

Q. What was it?—A. Well, it was sufficient to convince me.

Q. What was it?—A. I cannot give you direct evidence, there is no use my wasting time about it, I cannot give any direct evidence.

Q. Do you know of any other serious accident from the point of safety in the rifle?—A. Yes.

Q. Point it out?—A. That is a point of safety in the rifle.

Q. The Mounted Police report is that they have ceased to use it on the ground that it is unsafe, and Sergeant-Major Bowdridge is quoted as saying that the rifle is unsafe to put into the hands of any man in this country. I want you, having given that evidence, to tell us what these defects are?—A. I have already told you.

Q. You have told us one, I want another one?—A. I am not an expert on that line.

Q. That is the evidence, however, now I want you to point out another serious defect in that rifle?—A. I have given them to you in detail.

Q. I want a serious defect, one that is dangerous to life and limb?

By Sir Frederick Borden:

Q. This is the critical point, I would like to hear the evidence as to why this rifle is unsafe?—A. Well, if you will get me the portions of the bolt that are not here I will try and point out to you why I consider it unsafe. I want to get the bolt before I illustrate it.

By Mr. Macdonald:

Q. It would not, on account of any other defects, other than you have mentioned in the construction of the bolt?—A. Yes, I want to get the bolt of Mark I. and then I will show you, but the one that is here is a different bolt altogether.

By Mr. Hughes (Victoria):

Q. You spoke of the cartridge jamming, did you ever see a cartridge jam in any other rifle?—A. Yes, sir.

Q. Did you ever know any rifle that did not jam?—A. Do you mean any particular kind of rifle?

Q. Did you ever use any rifle without its jamming?—A. Yes.

Q. What one?—A. The Winchester.

Q. You spoke of the back sight being made of soft metal, and that one of your men twisted it into a corkscrew?—A. I said he twisted it as a corkscrew.

By Sir Frederick Borden:

Q. This is your evidence before the board that you were quoting from?—A. Yes, sir, I have that in my pocket.

By Mr. Hughes (Victoria):

Q. Now you spoke of the back sight being of soft metal?—A. Yes, sir.

Q. Were the boys hard up for corkscrews?—A. No, sir.

Q. You said that a man made it into a corkscrew?—A. I beg pardon, sir, I did not.

Q. I took it down at the time—that some man made a corkscrew out of the back-sight?—A. It was not a man who did it at all, it was the inspector when testing the rifle that had fallen off the horse and the sight was injured. He tried to twist it back again, and he was able to do it, and then in order to test it he twisted it into the shape of a corkscrew.

Q. Did you ever have your sight twisted before?—A. Yes, I did, but I never saw it twisted back into place again.

By Sir Frederick Borden:

Q. That is a defect, then?—A. Yes, sir, I have seen sights twisted and put back in place again, but I never knew them to be of any use afterwards.

By Mr. Hughes (Victoria):

Q. You spoke of the extractor dropping out?—A. Yes, sir.

Q. Do you consider that a serious defect?—A. I do.

Q. Supposing you were informed that it is left in that condition in order that it may be used as a tool if necessary to take the rifle apart?—A. In the Mark I. rifle.

Q. Yes?—A. To take that apart.

Q. I can take it apart without any tool whatever, but I can do it with that much better.—A. I have already told you I consider it to be a defect.

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Q. Do you know it was intended to drop out?—A. I did not know what it was intended to do, I know that it really does drop out.

Q. Does it drop out when the bolt is not taken out of the rifle?—A. No, sir.

Q. Are you aware that that extractor was intended to be loose, so that when the bolt was withdrawn, as this is withdrawn from the rifle now, all that you had to do was to give it a little shake and the extractor would drop out, and that then it would be used as an instrument to take the rifle apart?—A. No, I was not aware of that.

Q. You spoke of the bolt stop being broken, the bolt spring at the base where it draws out?—A. Many of them are broken.

Q. Did you ever see any violence used to take this out which might break it?—A. No, sir.

Q. You did not?—A. No, sir.

Q. Did you ever see any of them broken, were you there at the time?—A. No, sir.

Q. They were done by men when you were not present?—A. When they came from the factory, some of them.

Q. And they passed inspection?—A. The inspection of the small arms inspector.

By Mr. Roche (Halifax):

Q. Was it intimated to you, or to any one to your knowledge, by anybody, that it was a desirable thing to find fault with or condemn this rifle?—A. No, sir.

Q. It was not?—A. No, sir.

By Sir Frederick Borden:

Q. With regard to the rifle not being safe, I want to be clear as to whether all the reasons you gave against the use of the rifle in the Northwest Mounted Police, had any bearing upon that one question, whether the rifle was unsafe to use. There was a little difficulty in my mind as to whether you considered the half dozen reasons you gave all bore upon that point, or whether there was only one reason why it was unsafe, and I would like to be clear as to whether you consider it to be unsafe?—A. That is why I wanted the bolt to point out.

Q. Let me put it another way. I have your evidence given when the thing was fresh in your mind, when all the resentment which might naturally be in a man's heart from having been injured in this way, was still fresh in your mind. You said then, I will just give your evidence here, that the Ross rifle jammed several times during rapid fire practice. I ask you, it did not jam when it was not rapidly fired?—A. Oh, no.

Q. Would that make the rifle unsafe, dangerous to life or limb, the fact that it jammed when firing very rapidly?—A. No.

Q. Then you said that a portion of the piling swivel was broken off the rifle. Did that make it dangerous?—A. No.

Q. Supposing the spring bolt catch got broken or out of order, would that make it dangerous?—A. The spring catch bolt?

Q. That is what you said, 'Rifle 797, spring bolt catch broken or out of order.' I am only giving this man's evidence given at the time when the accident happened, and I want to know what part of that evidence would indicate that the rifle was dangerous?—A. I think it was a question of the utility of the rifle in general and not that particular rifle.

Q. The 'loss of screw in the front foresight,' would that make it dangerous?—A. Oh, no, sir.

Q. Then the 'slide on the back sight loose,' would that make it dangerous?—A. It would make it useless.

Q. But not dangerous?—A. Oh, no, sir.

By Mr. Hughes (Victoria):

Q. Could not the rifle be fired without the back sight?—A. Oh, yes, sir.

By Sir Frederick Borden:

Q. Now, one more question. As a matter of fact, is it not a fact that this rifle is an accurate rifle, and that at the first examination made by the Police it was considered to be a first-rate rifle?—A. I do not know, sir.

Q. You were not present at that time?—A. No, sir, I was in the Yukon Territory at the time.

Q. Well, the evidence brought down in these papers abundantly establishes that fact?—A. I do not know, sir.

Witness retired.

MAJOR McROBBIE, called, sworn and examined.

By Mr. Hughes (Victoria):

Q. You have had a good deal of experience at target practice?—A. Considerable.

Q. Have you ever had a rifle burst with you?—A. Yes, sir.

Q. Was it the Ross rifle?—A. No, sir.

Q. What rifle was it?—A. The Lee-Enfield.

Q. Do you know of any other rifle that burst?—A. The Lee-Metford carbine.

Q. Have you ever known the Ross rifle to burst?—A. No, sir.

Witness retired.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

OTTAWA, WEDNESDAY, March 27, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., Mr. Geof-
frion, acting chairman, presiding.

The committee proceeded to the further consideration of a payment of \$354,091.84 in connection with Ross rifles, as set out at page Q—118 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

MAJOR McROBBIE, recalled:

By Mr. Northrup:

Q. I understand you gave evidence yesterday that in your experience a rifle and carbine had exploded?—A. Yes, sir.

Q. These were the Lee-Enfield, were they?—A. The rifle was the Lee-Enfield, and I think the carbine was the Lee-Metford, practically the same arm.

Q. To what were the explosions due, structural weakness of the weapon or to the ammunition, to what cause was it due?—A. I think the explosion took place owing to the ammunition.

Q. And not to the structural weakness of the arm?—A. I should think not.

Q. Have you any experience with the Ross rifle at all?—A. I can give the reason why I think that they did not explode because of structural weakness, but because of the ammunition. They were not using the ordinary ammunition, that is cordite, but rifleite, an ammunition made by a London company, which deteriorates in some way so that it exploded so quickly that it burst the rifle.

By Mr. Hughes (Victoria):

Q. What kind of rifles were they?—A. The Lee-Enfield and the Lee-Metford carbine.

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Q. Have you any experience with the Ross rifle?—A. Not very much experience, I shot with the Mark I. two or three times.

Q. What was your experience with that Mark I., was it satisfactory in every respect?—A. Not altogether.

Q. In what way was it unsatisfactory?—A. After firing two or three cartridges with one rifle, Mark I., in putting in the cartridge and closing the bolt rather sharply the cartridge exploded without having touched the trigger at all.

Q. What would be the effect of that, would it be objectionable?—A. It would be dangerous, the explosion going off without the holder of the rifle knowing that it was going to be fired, it might be pointed in a dangerous direction.

Q. That it might be dangerous to those standing by?—A. To those in line of fire.

Q. Would it be dangerous to those behind the rifle?—A. No, sir, I think not.

By Mr. Northrup:

Q. When giving your evidence to Col. Hughes yesterday, were there any questions asked you, I did not hear your examination myself, about why those two guns exploded?—A. Well, there was not any time for any questions except one or two just before the committee arose.

Q. Did you tell Colonel Hughes the reason why you judged those guns exploded?—A. I think we had a discussion on the matter last year, or at some previous time.

Q. As to whether, in your judgment, the Lee-Enfield and the Lee-Metford had exploded?—A. It seems to me, so far as my recollection goes, we had.

By Mr. Hughes (Victoria):

Q. You say these rifles exploded?—A. They were burst at the breech.

Q. It was not a blowout of the breech action?—A. The bolt was blown out and the butt of the barrel split.

Q. Did any peices fly away?—A. Yes, pieces of the bolt did fly away and injured a man on my right rather seriously.

Q. No matter what the cause was the effect was that the rifles were blown to pieces?—A. One of them was split and with the other it was simply the bolt blown off, without doing any further injury.

Q. These were not Ross rifles?—A. Not Ross rifles.

Q. They were the regular Lee-Enfield rifles?—A. Yes.

Q. And the other was the Lee-Metford?—A. The Lee-Metford carbine.

Q. You spoke of an explosion in the Ross rifle?—A. Yes, sir.

Q. What was that due to possibly?—A. I could not give any evidence as to that, but my theory is that in closing the bolt the needle was drawn back and the spring caught, and the catch slipped over the seer and the needle struck the cartridge.

Q. Then it might have been due to a little bit of some material that had gotten in and interfered with the action of the spring, possibly?—A. I am satisfied that did not occur in this rifle.

Q. Did you examine the mechanism of this rifle?—A. I know my rifles inside and out as to the cleanliness of them and otherwise.

Q. This was not your own?—A. It was in my own possession, one that I had received from the stores to shoot with.

Q. Would it be possible that any material interfering with this spring would cause that?—A. I do not think it is possible in that rifle.

Q. Would it be possible for anything not soft to collect in this spring and cause this to act that way?—A. I think if anything was put in the seer, as you call it, that is moved by the trigger, the result is that the needle, I think if that was put in under that would be so short that in closing up the bolt—

Q. Supposing a piece of dirt got in there unknown to you, would that be possible?—A. It would depend upon the material, I do not think it would be possible, it does not seem to be.

Q. At all events the needle must have struck the cartridge, you think?—A. I think so, I am not so sure of that.

Q. The point I want to make is that the rifles that exploded, that you were summoned up to give evidence about, two Ross rifles as they were supposed to be, turned out to be the Lee-Enfields or a Lee-Enfield rifle and a Lee-Metford carbine?—A. That is right.

Q. I think it is about two years ago since we first discussed these accidents?—A. Some time ago.

Q. That was before the Ross rifle was ever heard of.

Witness discharged.

COLONEL HEMMING, called, sworn and examined.

By Mr. Northrup:

Q. What is your position in the force?—A. I am in command at the Stanley barracks.

Q. In Toronto?—A. Yes, and of course, particularly in command of No. 2 regimental depot.

Q. With what arm are your men supplied?—A. The Ross rifle, Mark II.

Q. When were you supplied with that?—A. I think it was a year ago last June or thereabouts, I have not the date exactly, we have had it not quite two years.

Q. Before that with what rifle were you armed?—A. The Lee-Enfield.

Q. Your force was never furnished with the Mark I. rifle?—A. Never.

Q. Has any report been sent in from your command in connection with this Ross rifle?—A. There is a report from the officer who was range officer at the last annual training.

By Mr. Hughes (Victoria):

Q. Who was it?—A. Not reflecting on the rifle, only just pointing out points such as the men claimed the rifle was oversighted and so forth. I have the report here.

By Mr. Northrup:

Q. What is the date of it?—A. October 5, 1906. I have the original written in his own handwriting if you care to have it.

Q. The date is October 5, you said?—A. October 5, 1906.

Q. Was that report sent in to headquarters?—A. It was sent to General Otter.

Q. Apparently it is not among the files. Let us have the report whatever it is?—A. This is the only report that has ever been sent in from my depot, and it is made by J. Sutherland Brown, Lieutenant, who was in command at the ranges at that time.

‘From O.C. Detachment, No. 9 Company, R.C.R., to Adjutant, No. 2 Regtl. Depot, R.C.R.

‘REPORT ON ROSS RIFLES.

‘LONG BRANCH RIFLE RANGE, October 5, 1906.

‘SIR,—I have the honour to report on the Ross rifles used by a detachment of No. 9 Company, R.C.R., at annual musketry training, as follows:—

‘1. The detachment, consisting of 3 officers, 1 drill sergeant, 1 colour-sergeant, 3 sergeants, 1 corporal, 4 lance-corporals and 43 privates, total all ranks, 55, spent four complete days to fire the recruits’ course and trained soldiers’ course as laid down in musketry regulations for the Canadian militia (permanent force). During the above time 48 Ross rifles were used, and given a fair and serviceable trial, under the most favourable conditions of weather; ammunition on the whole being good.

‘2. I find from personal observation and trial as well as by the advice and reports of officers, N.C.O.’s and men, that nearly every rifle is from 50-150 yards oversighted. The centre line (of sight) is not accurate in many rifles varying from 1 to 10 degrees from the centre line shown on the rifle. Many rifles hang fire and many miss fire. Many do not eject the empty cartridge properly. The retaining lug of the bolt is not

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strong enough. Some three or four bolts were broken during the musketry practice. The back sight shifts when firing. The magazine cannot be used at all on account of the shells jamming. If the cartridges are not laid in the breech with care, they will not go home. Cartridges frequently jam when used in rapid firing.

'3. I consider that the Ross rifle, as used by the detachment, is not accurate enough for a marksman nor strong enough for service.

'4. I submit herewith an individual report on each rifle as given by the user of the rifle.

'I have the honour to be, sir,

'Your obedient servant,

'J. SUTHERLAND BROWN, Lieutenant.

'Commanding Detachment No. 9 Company, R.C.R., at Musketry Practice.'

No. of Rifle.	In whose Possession.	Remarks by Firing.
R.C.R. 951.	Drill Sergt. Fleming, J.	Misses fire; shoots high.
" 1032.	Sergt. Carter, W. C.	Centre line wrong; too much play in windgauge.
" 956.	" Frink, W. C.	Hangs fire every shot; extractor does not work properly; occasionally misses fire; oversighted from 100—150 yard.
" 961.	" Titterton, A. C.	Considerably oversighted; does not eject cartridge properly; centre line wrong.
" 963.	Lie. Corpl. Fallon.	Bolt broken; oversighted about 100 yards.
" 953.	" Banks.	Misses fire about every other shot; shoots high.
" 1014.	" Hale.	Oversighted.
" 1027.	" Duffield.	Centre line not right; sight jumps when firing.
" 1004.	Pte. Stump.	Centre line 10 degrees wrong, at 200 yards, shoots high.
" 1018.	" St. Clair.	Shoots high; 100 yards oversighted.
" 1022.	" Mills.	About 100 yards oversighted.
" 973.	" Dunn.	Centre line not right; misses fire.
" 1036.	" Willson.	Bolt broken; shoots high; ejector broken.
" 1045.	" White.	Sight inaccurate.
" 1030.	" Scott.	Shoots high and hangs fire.
" 1050.	" Brown.	"
" 1033.	" Mundy.	"
" 1019.	" Tudor.	Oversighted.
" 972.	" Downing.	" hangs fire.
" 1044.	" Llewelin.	"
" 1048.	" Masterton.	"
" 1037.	Bugler Baker.	"
" 987.	Pte. Betzner.	Shoots high; does not eject cartridges.
" 1006.	" Fay.	"
" 964.	" Griffin.	"
" 979.	" Loughlin.	" ejector broken.
" 1012.	" Phillips.	" hangs fire.
" 1005.	Bugler Dunn.	"
" 1020.	Pte. Hart.	Misses fire.
" 969.	" Cooney.	Not correctly sighted.
" 1028.	" Purvis.	Shoots high.
" 954.	" Dalton.	"
" 1026.	Bugler Lee.	Misses fire; back sight jumps when firing.
" 994.	Pte. Major.	Hangs fire; oversighted.
" 967.	" Connell.	" misses fire.
" 998.	" Noble.	"
" 983.	" Hennessey.	" does not eject shells properly.
" 1002.	" Roe.	Shoots high.
" 986.	" Benwell.	Bolt broken; shoots high; does not eject properly.
" 1080.	" Connolly.	Oversighted about 100 yards.
" 1016.	" Hunter.	Bolt broken. (Not fired.)
" 1024.	" Wray.	Oversighted; back sight shifts when firing.
" 1038.	" Finney.	Oversighted.
" 1048.	" Whiting.	Badly sighted.
" 978.	" Gundlack.	Centre line 10 degrees to left on back sight; does not eject properly.
" 1017.	" Gourlie.	Fires too high; misses fire; centre line to the left.

I hereby certify that the foregoing remarks were made by the N.C.Os. and men as respectively mentioned.

J. SUTHERLAND BROWN, Lt.

R.C.R.

LIST of Ross Rifles Damaged sent to No. 2 M. D. Ordnance Store.

Date	Rifle No.	Corps.	Remarks.
1907.			
March 5..	29	R.C.E.	Safety catch lost.
" 5..	28	R.C.E.	Resisting lug broken.
" 5..	5	R.C.E.	Spring on handguard broken.
" 6..	28	No. 2, R.D.	Piling swivel broken.
" 6..	34	"	Resisting lug broken.
" 6..	25	"	Safety catch lost.
" 6..	7	"	Resisting lug broken.
" 6..	43	"	"
" 6..	35	"	"
" 6..	71	"	"
" 7..	1020	R.C.R.	Broken butt and bolt (fair wear and tear).
" 7..	969	R.C.R.	Broken butt; man slipped and rifle fell when on sentry.
" 7..	963	R.C.R.	Resisting lug broken.
" 7..	1050	R.C.R.	Piling swivel lost.
" 7..	989	R.C.R.	Extractor broken.
" 7..	951	R.C.R.	"
" 7..	1036	R.C.R.	Bad fitting bolt (received in this state).
" 7..	1026	R.C.R.	Mainspring broken.

By Mr. Hughes (Victoria):

Q. Will you explain to the committee what oversight means?—A. I cannot.

Q. Had you anything to do with that report?—A. Absolutely nothing except just forwarding it to the headquarters office.

By Mr. Northrup:

Q. Had you yourself personally anything to do with the Ross rifles?—A. Absolutely nothing.

Q. Was it part of your detachment that was sent up to Hamilton last year at the time of the street car strike?—A. It was.

Q. What rifle was the troops armed with?—A. The Lee-Enfield.

Q. How many men were sent up?—A. We had about 200.

Q. At the time of the riot with what arms was your force armed?—A. The Ross rifle, Mark II.

Q. Then they did not take the Ross rifle to Hamilton?—A. No.

Q. Why not?—A. Because Militia Order 193 won't allow us to use gallery ammunition in Mark II. rifle.

Q. Won't allow you to use gallery ammunition in Mark II. rifle?—A. Yes.

Q. That is a standing order, is it?—A. That is Militia Order 193, 1906.

Q. Not being a military man, I don't quite understand, colonel. Can you explain this: Is the gallery ammunition the only ammunition you have?—A. Oh, no, decidedly not. We have point '303.

Q. Why did you not take point '303 ammunition with the Ross rifle?—A. Because it is strong ammunition, and in case of riots if we unfortunately have to use ammunition it has such a carrying capacity that lots of innocent people two miles away might be shot.

Q. This gallery ammunition is not as strong?—A. It is effective at 300 yards, but I think it would hurt at 500.

Q. Where did you get the Lee-Enfield rifle that you used?—A. Out of the stores.

Q. In Toronto?—A. Yes. I did not get them, I was not there. I was on a board in Kingston at the time, and I did not go up with the detachment when they went.

Q. Is this gallery ammunition mentioned commonly used?—A. For strike duties yes, and in time of shooting.

Q. Why could it be used in the Lee-Enfield and not in the Ross rifle?—A. Because it is manufactured for the Lee-Enfield. I am not an expert, and I cannot give you much on the reason. Somebody was trying to explain it to me, but I do not know anything about it personally.

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Q. The point is this, that although the troops, as I understand it, are armed with the Ross rifle they laid it aside and took the Lee-Enfield because they could not use the gallery ammunition?—A. Not because they could not, we claim we can, but there is an order not allowing it.

Q. You could not use the gallery ammunition owing to a militia order?—A. Yes.

Q. Do you know why that ammunition is forbidden?—A. No.

Q. Were you forbidden to use it in any rifle or only in the Ross rifle?—A. Only in the Ross, Mark I. and II. I don't know anything about Mark III., I have never seen it.

Q. The gallery ammunition you are allowed to use in any rifle except the Ross rifle, Mark I. and II.?—A. Yes.

Q. And a special order has been issued for the troops not to use it with that rifle?—A. Yes, I may say that if they manufacture gallery ammunition for the Ross rifle, there is absolutely no reason why it should not be used.

By Sir Frederick Borden:

Q. Will you explain what gallery ammunition is? How it is made and what the shells are like?—A. The shell is much lighter and the bullet is shorter.

Q. Is it not a shell that has been exploded once?—A. I think so.

Q. A shell exploded in a Lee-Enfield rifle which will not fit the other rifle?—A. Yes.

By Mr. Northrup:

Q. I see at p. 455 of the return brought down an account of a board meeting. Were you personally present at that time?—A. That was the board composed of Lieutenants Brown, Willetts and Griffith. It was a question of a butt being broken.

By Sir Frederick Borden:

Q. It was held on September 13, 1906?—A. That is it.

By Mr. Northrup:

Q. Just look at the conclusion (reads) 'The board having examined the rifle are further of opinion that it would not have broken had not the grain run across the small of the butt instead of along it?'—A. Yes, that rifle was sent down to Quebec.

Q. Do you personally know anything about that?—A. I did not personally see this rifle, but I remember that this man slipped on the stone stairs. We have a few rifles that have cross-grain. I would say not altogether across. Not taking it right from point to point that way, but on a slant like this (illustrating the direction).

Q. Do you agree then with the opinion of this board?—A. Yes, I agree. Of course, it was an accident. The man fell on the stairs, having just come off recruit's drill.

Q. Would that have broken had the grain not run across the small of the butt?—A. I am not sufficiently acquainted with the subject to answer a question of that description. Of course when you fall on stone steps it is pretty heavy.

By Sir Frederick Borden:

Q. This is the soldier's statement (reads):—

'After I came off recruit drill shortly before ten a.m., Monday, September 10, 1906, at Stanley barracks, Toronto, with rifle No. 1035 on my shoulder, I slipped and fell on the top step of the passage. The rifle fell off my shoulder and fell on the top step (stone) and broke into two parts at the small of the butt.'

A. That is it.

By Mr. Hughes (Victoria):

Q. You are in command of the Stanley barracks, Toronto?—A. I am.

Q. You have had charge of troops armed with the Lee-Enfield rifle, I presume?—A. I have.

Q. The stock of the Ross rifle is in one continuous piece, you will notice?—A. Yes, I know that.

Q. It is all one piece?—A. Yes.

Q. The Lee-Enfield rifle is made in two pieces?—A. Yes.

Q. The grain of the wood running this way and fastened with a band, and then another separate piece of wood coming up here (illustrating with rifle)?—A. And there is a bolt in there.

Q. Well, in your experience, have you ever found the Lee-Enfield rifle with the wood in two separate parts work loose?—A. Very often.

Q. Have you ever seen any accidents happen at this particular point of the Lee-Enfield rifle?—A. I have, I have seen it split.

Q. And come apart there?—A. In fact in one case that I knew of the bolt had actually broke off and that of course immediately released the butt.

Q. Has Lieutenant Brown given a detailed report?—A. Yes.

Q. In that connection, I notice in the reports that General Otter objects to these reports being made by junior and inexperienced officers?—A. I cannot say that, because you see the range is twelve miles away from Toronto.

Q. Yes?—A. And he was sent out in command of the detachment. It was a small detachment.

Q. What I mean is that General Otter suggests that junior officers are not competent to make reports on a rifle?—A. Exactly.

Q. Were you ever asked to make similar detailed reports on the Lee-Enfield rifle?—A. No, I was not.

Q. As I understand it, this Ross rifle being a new rifle issued by the Canadian government, these special reports were asked for but they were never asked for in relation to the Lee-Enfield, because it was an English rifle and was already established there years before we got it. The reason these reports were asked for is that it is a new rifle and the object is to find out all the defects possible. What is the calibre of the Lee-Enfield rifles?—A. .303.

Q. Do you know what the size of the regular service bullet for the .303 is?—A. I do not.

Q. Do you know it is much larger in order to fit the groove?—A. Yes, I know that.

Q. You know why a hard silver-capped bullet is used for the small bore?—A. Yes.

Q. Would it be possible to fire a lead service bullet out of the Lee-Enfield rifle?—A. No. However, I had better keep that question for Colonel Fiset?—A. No.

Q. With regard to the gallery ammunition you do not know much about it?—A. I do not know much about it, no. I want to point out in that report I read, I would just like to notice that these broken pieces had nothing to do with the shooting, but here is a list which is a complete list.

Q. 'Misses fire, when the rifle is fired,' what do you attribute that to?—A. I should say probably the ammunition might not be perfect, or the needle is too short.

Q. That is not a serious difficulty if the needle is too short, it could be remedied in a second or two?—A. Yes.

Q. 'Shoots high,' is that a serious fault?—A. I do not think it affects it at all for a service weapon.

Q. 'Centre line wrong,' and 'too much play in wind gauge,' what about that?—A. That would not affect it for service.

Q. Is that a serious difficulty for a rifle?—A. Not for service.

Q. 'Extractor does not work properly'?—A. That might be the fault of the ammunition.

Q. Or it may be the fault of the extractor?—A. Yes.

Q. Not a very serious fault that?—'Oversighted from 100 to 150 yards,' are these men who are firing there experts?—A. No, they are not. I might say they are mostly old soldiers, but they are, so far as we are concerned, recruits.

Q. Would the overlooking of a rifle affect its usefulness?—A. It would not affect it for service.

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Q. They are very nearly all overlooked. Here you have a list of damages that have actually been an injury, the nature of which is mentioned in each case in this other report?—A. Yes.

Q. Here is one, 'safety catch lost,' would that be a serious defect in the rifle?—A. No.

Q. 'Resisting lug broken,' and 'spring on handguard broken,' that is a little spring on the handguard which holds this on, that is reported to be broken and yet it is absolutely safe, that is no serious defect?—A. No.

Q. You could manage to get along without that being there at all?—A. Yes.

Q. 'Piling swivel broken'?—A. I think I only noticed two out of all my rifles that way.

Q. 'A broken butt,' that is one you referred to before already?—A. There were two butts broken.

Q. 'Extractor broken'?—A. That is the principal thing.

Q. 'Bad fitting bolt'?—A. You may notice with regard to that bad fitting bolt that we say it was received in that state.

Q. Is there one serious defect in all these damages?—A. No, none that cannot be remedied.

Q. Here is a report by General Otter, I referred to it a little while ago, it is on page 462 of this file. The opinion of the board is given, 'The board having heard the evidence as above and examined the rifle in question, are of opinion that the bolt was defective.' That is signed by J. A. B. Thompson, Lieut., 26th Regiment.

Q. Where is the 26th Regiment from, Middlesex, if I remember aright?—A. Yes.

Q. And it is signed also by J. Talbot Hennessy, Lieutenant, D.S.O., 1?—A. That is not anything to do with me, that is in No. 1 district.

Q. Here is the report from General Otter:—

'I forward the proceedings, but in doing so, I cannot approve of same, as I am of the opinion that from the evidence produced the board is not justified in forming the opinion that the bolt was defective. I have drawn the attention of the O.C., No. 1 R.D., R.C.R., to this fact, and issued instructions that in future officers of greater seniority and more experience than those forming the personnel of this board are to be appointed to boards of a similar description.'

This young officer, Lieut. Thompson, I am not saying anything against the officer, but he comes from what regiment?—A. He is an Englishman.

Q. Is it a regular regiment or volunteer?—A. Volunteer.

Q. He is merely a volunteer officer?—A. Yes, I think so. I have only a very slight acquaintance with him, I have only seen him once.

Q. What about the other officer who signs the report?—A. I do not know him at all.

Q. At all events, I see that General Otter recommends that young officers should not be placed upon such boards. We had an example here yesterday of a very excellent young officer who did not know how to open and close a rifle.

Sir FREDERICK BORDEN.—It is only fair to say that the officer examined yesterday was an artillery officer.

By Mr. Barker:

Q. Do you know this officer who made this report?—A. The one that was read there?

Q. Yes?—A. I have a very slight knowledge, I only met him once in my life.

Q. Do you know whether he is competent or not to make that report?—A. I do not.

Q. He is your own officer?—A. Oh, you mean Mr. Brown: oh, I know that officer very well. He is one of my own officers.

Q. Is he incompetent to make such a report as that?—A. Well, I would not have sent it in.

Q. What about his competency?—A. He is a very competent officer.

Q. You were asked what was the meaning of 'oversighting,' what was your answer?—A. Well, I said I did not know much about it.

Q. You do not know much about it?—A. No.

Q. But these men in the rank and file seem to know all about it?—A. It depends largely on a man's eye.

Q. They seem to know all about it, you do not?—A. I am no shot.

Q. And you are the senior to Mr. Brown?—A. I am, very much.

Q. You are very much the senior. Then if it were relegated to a senior officer like yourself, would you know any more about it than the rank and file, the men who speak of 'oversighting' that you do not understand, than Mr. Brown?—A. I could not, for this reason that I am a very indifferent shot, and it is only because they shoot and think that they are good shots that they make these comments on the rifle.

Q. I do not understand General Otter to say that good shots should be selected, but 'senior officers,' I am not reflecting on you in this, but if you were one of the senior officers you would not know as much about it apparently as to 'oversighting,' although you are a senior officer, than Mr. Brown?—A. Because I cannot shoot.

By Mr. Hughes (Victoria):

Q. What does Brown say in the report?—A. He says nothing derogatory.

Q. He says in the report that 'nearly every rifle is from 50-150 yards oversighted. The centre line (of sight) is not accurate in many rifles, varying from one to ten degrees from the centre line shown on the rifle. Many rifles hang fire and many miss fire.' Is that the fault of the rifle or the cartridge?—A. I know of many cases in which it is the fault of the cartridge.

Q. It would almost seem from General Otter's report that there was a prejudice against the rifle on the range?—A. No.

Q. You think there is none?—A. Absolutely none.

Q. You think that the rifle got absolutely fair treatment?—A. Absolutely fair treatment, except that the recruits might use a little too much strength.

Q. Where do most of your recruits come from?—A. Great Britain.

Q. Having seen service in the old land?—A. A great number of them.

By Mr. Northrup:

Q. I think you said that a rifle would not be affected for service by the fact that it was oversighted or fired too high?—A. I don't think so.

Q. Would a man be as apt to hit the target?—A. Not the target.

Q. But if it was a human body he was aiming at?—A. You cannot judge your distance on the battlefield to any accurate extent. You are not supposed to be a sniper and try if you can kill every person in front of you. You shoot at the enemy, and you approximately judge the distance; therefore if a rifle is oversighted that would not affect it to any very great extent.

Q. Then a Boer sharpshooter would not have any advantage over a man who did not know how to handle a rifle?—A. Boers are different.

By Mr. Barker:

Q. Perhaps an oversighted rifle would be an improvement?—A. It would not do any damage in warfare unless you were absolutely certain of your distance.

By Mr. Northrup:

Q. You are giving evidence here, and we understand you to say that Canadian shots called out on active service will be just as well equipped with an 'oversighted rifle that fires too high as with a proper sighted rifle?—A. Unless they were absolutely able to judge the distance correctly.

Q. But if they were average shots?—A. Some men will underjudge the distance. Some men will come 150 yards under and others will be over it.

Q. And so in your judgment if the average Canadian shot is called out on active

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service he will be just as well off with an oversighted rifle that fires too high as with a properly sighted rifle?—A. It is better to have it accurate, if you can.

Q. If these rifles were oversighted should they have passed inspection before having been sent to the troops?—A. The question is, are these men capable of judging whether the rifle is oversighted or not.

Q. The report is that they were oversighted. I ask you, admitting they were oversighted, is that an error in inspection?—A. Not to my knowledge; I don't know.

Q. You think the officer who inspected and received these rifles was perfectly justified in receiving rifles that were oversighted and fired too high?—A. We have not heard yet whether they were oversighted or not.

Q. We have heard that they were, and I am asking you whether in your judgment the inspecting officer properly received rifles that fired too high and were oversighted?—A. If they were oversighted he should not have passed them.

Q. Then these rifles were improperly received by the militia if they were oversighted?—A. I cannot say.

Q. If they were oversighted?—A. If.

By Mr. Hughes (Victoria):

Q. Answer me this question in connection with that: There are fine shots and coarse shots?—A. Yes.

Q. You must know that some riflemen will just get the tip of the foresight and others want to take in the whole of the barley corn in aiming. Would that make a difference in hitting the target?—A. It would make a very great difference.

Q. The report shows that the musketry instructor of that company did not know anything about rifle shooting?—A. They were all recruits.

By Sir Frederick Borden:

Q. All recruits?—A. We sent No. 2 company to Halifax just before the 1st December, and this was a brand new company.

By Mr. Hughes (Victoria):

Q. Whether you took the tip of the foresight in firing at the target or the whole of the barley corn, would make a difference much greater than is pointed out here?—A. I think so, but I am not a judge; I cannot shoot well.

Q. We will prove that by officers who are expert shots. Now did you ever in your experience find any Lee-Enfield rifles defective?—A. I have certainly.

Q. What defects did you ever find? Did you ever see any of them burst?—A. No.

Q. Split?—A. No.

Q. Muzzles cracked?—A. No.

Q. Well, what defects did you find in the Lee-Enfield rifle?—A. Well, I have not found any to tell you the honest truth.

Q. But you have heard of them?—A. I have heard them spoken of.

Q. What were the defects you have heard in connection with them?—A. I have heard of bolts—portions of the bolt being broken. There is one defect I know of and that is this—

By Mr. Northrup:

Q. When this startling report was sent in by your men as the result of their experience, were any tests made by you and the superior officers to see if the rifles were as reported?—A. Mr. Brown used several of them.

Q. Those were the only tests that were made?—A. Yes.

Q. That is Mr. Brown that sent in that report?—A. Yes.

Q. And you do not think he would send in a report that he did not believe to be correct, do you?—A. I don't think he would.

By Mr. Reid (Grenville):

Q. Do you think that rifles that have the centre line wrong, bolts broken, ejector broken, are oversighted and so on, are fit rifles to give the militia for active service?—
A. I do not.

Q. Do you think they are fit rifles to arm the militia with in case they are called out on active service?—A. I am no expert, and I do not want to give an answer that condemns the rifle, especially when I am not satisfied with the judgment of men. I have handled soldiers a long time, and the permanent soldier is not a pothunter and not always a very good shot. He is a fair shot, but his judgment may be all wrong.

Q. That is is not the question. I simply ask you if you think that rifles that have the centre line wrong and the bolt broken, or that are oversighted, or have some other defect, are fit rifles to put into the hands of men going on active service?—A. Not if they are broken; not until they are repaired.

By Mr. Sproule:

Q. Would you regard it as the right thing to arm a battalion with these rifles if they are going on active service?—A. I don't assume that this report is correct.

Q. Assuming that it is correct. If it is correct?—A. If it is correct?

Q. It may not be?—A. I say no, it would not be right.

By Mr. Hughes (Victoria):

Q. Are the things which have been enumerated defects in a rifle?—A. No, not to any great extent.

Q. Did you ever see a Lee-Enfield rifle sighted so that it would fire direct at the target?—A. No.

Mr. HUGHES.—Nor any other man.

By Mr. Sproule:

Q. If a rifle was sighted at 200 yards, and it was sighted too high so that it went above the target at 200 yards, and a man were within the 200 yards range with these sights, would they be likely to do the same execution as if they were correctly sighted?—A. It is very unlikely that they are 'oversighted' at the 200 yards.

But the report says they were sighted too high?—A. They were probably shooting at 1,000 or 1,400 yards.

Q. I do not know the distances they were shooting at, but assuming that they were firing at 1,000 or 1,400, would they be as likely to do as much execution as if the rifles were correctly sighted?—A. It would not, of course, if they were sure of the range. The bullet travels straight from the muzzle in the 200 yards; it is point blank shooting; it does not give any rise to it at all.

Q. If a man was within the range, would he be as likely to be in as great danger if the rifle was sighted too high as if it was correct?—A. The range is point blank up to 500 yards.

Q. The point I wish to ascertain is, whether you would regard a rifle as valuable to troops that the troops would be well equipped, provided they were furnished with a rifle that was not correctly sighted?—A. No, I can tell you this that as far as the Ross rifle is concerned, up to 500 yards they make good shooting.

Q. I am only taking the report as it is there.

By Mr. Hughes (Victoria):

Q. Did you ever see a Lee-Enfield rifle that would fire point blank; supposing you were firing at 400 yards, and put the sight at 400 yards, did you ever see one of the Lee-Enfield rifles that would fire exactly as they are sighted? Do you not have to try every one of those sights for the purpose of rifle shooting?—A. Yes.

By Sir Frederick Borden:

Q. You are in what military district?—A. No. 2.

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Q. What is the number of troops, about the number of active militia in that district going into camp—roughly?—A. About five thousand.

Q. Then there would be something like 5,000 rifles?—A. Yes.

By Mr. Hughes (Victoria):

Q. Would you think on an average 150 accidents a year, would you say that that is a large percentage of accidents to rifles, and would that percentage justify you in saying that any rifle, we will say the Lee-Enfield rifle, was not fit to be taken into active service?—A. No.

Q. General Otter has reported, and his report was laid on the table of the House, stating that there was an average of 150 defects discovered, or accidents, in the use of the Lee-Enfield rifle every year in the rifles distributed in his district.

By Mr. Barker:

Q. What percentage of the Ross rifle in the quantity actually in use, in the service, has there been accidents to?

Sir FREDERICK BORDEN.—I am not able to say that.

By Mr. Roche (Halifax):

Q. How long were these rifles in the hands of these men before this drill on which the report was made?—A. We have had the rifles about 18 months.

Q. They were 18 months in their hands before the return was made by Mr. Brown?—A. Oh, no, that was the first trial we gave them.

Witness discharged.

ISSUE OF LEE-ENFIELD RIFLES—HAMILTON RIOTS.

On November 8, 1906, when riots were anticipated, authority was obtained from the General Officer commanding Western Ontario by the Officer Commanding Stanley Barracks, by telephone, to draw Lee-Enfield rifles.

Requisition for the following was made on the same date:—

Rifles, Lee-Enfield	75
Bayonets, Lee-Enfield.	75

The Lee-Enfield rifles were required as M.O. 193 of 1906, stated that gallery ammunition is not to be used in the Ross rifle.

In addition no bayonets can at present be fixed on the Ross rifle.

The committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

OTTAWA, WEDNESDAY, April 3, 1907.

The Select Standing Committee on Public Accounts met at 10.30 a.m., Mr. Geof- frion presiding.

The committee proceeded to the further consideration of the payment of \$354,- 091.84 in connection with Ross rifles, as set out at Q—118 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

7 EDWARD VII., A. 1907

Sergeant-Major BOWDRIDGE, of the Northwest Mounted Police, recalled.

By Mr. Northrup:

Q. Sergeant-major, the other day you were going to explain to us the mechanism of that Ross rifle. What rifle is that you have with you?—A. It is Ross rifle No. 680, Mark I. C.

Q. Is that one of the rifles issued to the Northwest Mounted Police?—A. Yes, sir.

Q. Will you kindly explain the mechanism of that rifle, as you promised the other day?—A. What I promised the other day was to point out the defect of the rifle as it affected me, when this bolt blew out. What happened to my rifle, when the firing pin blew out, was this portion, the firing pin, the mainspring, the collar which holds the mainspring in position, blew out. The stud on that collar was either worn off or it was not there when the rifle was discharged. That is the only thing that holds the firing pin in position in the inner sleeve of the rifle. This (illustrating) is a very small stud here which engages in a slot in the inner part of the sleeve. If this is worn off the chances are the force of the explosion will drive both the firing pin, the stud, the bent, and the cocking piece out.

By the Chairman:

Q. Do you know whether, or did you find out, whether it was worn out or whether it was not there?—A. No, sir, our orders were not to strip the bolt at that time.

By Mr. Hughes (Victoria):

Q. Did they all come out in different parts, or did they come out together?—A. The whole thing came out together apparently. You asked me the other day if this was the thing that held it in position, I say no.

Q. It holds the bent in its place?—A. It just holds the bent in its place. Now another thing I would like to call attention to—

Q. Before you pass away from that, you say the force of the explosion blew that out. If the little collar were broken the moment you made an attempt to cock it would it not fly off?—A. It might.

Q. Not only it might, what would hold it in when you cocked that rifle?—A. It might jam in several ways.

(Rifle produced by Mr. Hughes.)

Q. If this firing pin were minus the collar would there be any possibility of cocking the rifle, or of keeping the rifle at cock; would not the spring immediately fly back?—A. That I could not say, it might and it might not.

Q. What would prevent it from coming back?—A. If this thing were worn off? I do not know.

Q. Or if it were minus that altogether?—A. It might stay in position.

Q. With the spring in tension?—A. Yes.

Q. What would keep it in position?—A. There may be some jam or other that would do so, I could not say, but under ordinary circumstances I would say not.

Q. That would be impossible?—A. Yes, I should say not.

Q. That is if the spring were strong enough to force it out?—A. Yes.

Q. So that it might come out whether there was an explosion or not?—A. It might. There is another thing I wish to point out while I am here now, and that is the material of which the bolt itself is constructed. Do you see that bolt head, this is where the first line of resistance is supposed to come in.

Q. Where does that come in?—A. This thing is supposed to engage the collar there and that forms the first line of resistance.

Q. The line of resistance is of course, the end of the bolt?—A. Yes.

By Mr. Northrup:

Q. You spoke of part of that being gone, what would that indicate?—A. In my estimation, poor material; it also would affect the first line of resistance.

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By Mr. Hughes (Victoria):

Q. What is gone there, please?—A. This piece here (indicating).

Q. That is merely to hold the extractor in?—A. The part that holds the extractor in place is the part that is broken off.

Q. That could have been done with a hammer, could it not?—A. Oh, yes.

Q. If a soldier were so disposed, he could smash almost any rifle, I suppose?—A. Yes, almost anything.

Q. He could bring a rifle, if he fell, from his shoulder down on the stone step and break the butt of almost any rifle, could he not?—A. Oh, yes. (Bolt produced by witness.)

Q. When did you get that?—A. I got these two small pieces (producing pieces, with the bolt.

Q. Where were they found?—A. Mr. Knight, the adjutant of the force at Regina, when examining the bolt pressed his finger on this (indicating part of bolt) and they came out in his hand.

Q. I am very glad to get that evidence. It shows either that your adjutant must be a remarkably powerful man, or the pressure must have been produced by a club or a hammer?—A. Oh, no.

Q. What do you think?—A. I do not think anything of the kind.

Q. Were you present when this was done? Can you break that one here (producing bolt) is one that is not broken, can you break that, I would like you to?—A. I would not like to attempt to break anything.

Q. Oh, yes, I am responsible for that, break it. (Witness attempts to break it) That one is more than can be broken by the ordinary man's thumb?—A. That one is.

Q. That is a good thickness, is it not?—A. The other one may have been a faulty bolt.

By Mr. Barker:

Q. Have you examined these two pieces, and is there the slightest indication of a blow by a hammer or anything else on the surface?—A. Up to the present I have not examined them.

By Mr. Hughes (Victoria):

Q. You would be a good judge as to whether these pieces had been struck by a hammer or piece of wood or anything?—A. Oh, yes.

Q. A piece of wood would make a mark on the steel, would it?—A. It might.

Q. Can you recollect any instance where it ever did make a mark on steel, when you struck it with a piece of wood?—A. It will show on steel—no, there is no mark on them.

Q. What have you to say this morning about the gases having blown into the block?—A. I am not going to say anything about them.

Q. You spoke of that the last morning, it is down in your evidence, and you will be good enough to answer my question, please. You stated on the last morning you were here, rather positively, if I remember aright, that you thought the firing pin was blown out by the explosion of gases?—A. I thought so, yes.

Q. You have handled the Lee-Enfield rifle, have you?—A. Yes, sir.

Q. Would you know this rifle (rifle produced)?—A. Yes, sir, it is a Lee-Enfield.

Q. What rifle is that?—A. The Lee-Enfield.

Q. Will you point out the parts—in your last examination you spoke of the Ross rifle being weak, will you point out the superiority of that rifle over the Ross rifle?—A. This backsight is stronger.

Q. How is it stronger?—A. It is not so susceptible of being broken.

Q. Why not?—A. Because it is made of stronger material in my estimation.

Q. Supposing this rifle were to receive a blow on this sight, would it be possible to regulate it?—A. Oh, yes.

Q. It might?—A. Oh, yes.

Q. Is the material of that very much stronger than the other rifle?—A. It has a stronger built back sight.

Q. I presume it has not a stronger built backsight, but the reason in your opinion, and in nearly every other person's opinion, is that it is less liable to damage on account of being on a pivot here, so that if it is struck it falls back. Is there any other point of superiority, what about the stock?—A. I have found out that it has a smaller butt. I have never seen many of these rifles broken at all, but I have seen many of the Ross rifles with the butts broken. I do not know whether it is stronger or not but the Ross rifle seems to break here (indicating point on butt).

Q. Did you ever see any Ross rifles break?—A. Yes, many.

Q. Many of them?—A. Yes.

Q. Had they to strike them hard on stones in order to break them?—A. No, they were broken by accident, simply.

Q. You have seen this rifle? (producing rifle)—A. Yes, sir.

Q. The other is the Lee-Enfield rifle, is it? You knew that rifle, what rifle is that?—A. I do not know that rifle at all.

Q. That is the new British army Lee-Enfield?—A. I do not know it, I have never seen it before.

Q. What is the difference in the small of the butt, then, between the Ross rifle and the Lee-Enfield rifle?—A. As far as I am speaking about anything, it is in the material.

Q. Then take the material?—A. This here, seems—

Q. What is that?—A. The Lee-Enfield, which seems to be stronger, or it is stronger.

Q. How do you know?—A. Because there are not so many of them broken.

Q. What is your experience?—A. I have had 300 or 400 of them under my charge in the Yukon Territory.

Q. That is the Lee-Enfield?—A. Yes.

Q. And there are not so many of them broken?—A. Not one of them, that I remember, broken at the stock.

Q. Broken at the stock?—A. Anywhere.

Q. Your experience must have been very unique with them. Examine that rifle at the small of the butt; how is it attached to the body of the rifle? How is the Lee-Enfield butt attached to the stock of the rifle?—A. It is separate pieces.

Q. In other words, the Lee-Enfield rifle is in two main parts attached under the band?—A. Yes.

Q. Just take this rifle and twist it in your hands, that way, you are a very powerful man, can you twist that?—A. Yes, sir.

Q. You can twist that?—A. Yes, sir.

Q. And you find it moving very readily. That is a Lee-Enfield, might it be possible for the wood to get so dried up as to become quite loose? How much wood is holding that on there?—A. I could not tell you that.

Q. This Lee-Enfield rifle is loose on the butt there?—A. That one is, yes, sir.

Q. Yes, and any of them are. Do you know any of them that are not loose at the butt?—A. That is a question that never came under my notice.

Q. Did you ever examine them before?—A. Not for that purpose.

Q. What objection have you to the Ross rifle at the small of the butt?—A. The objection I have to them is that they break there.

Q. Does the report show how many of them have broken there?—A. Not to my knowledge. I did not have to deal with that, sir.

Mr. READ (Grenville).—Is this the old or the new rifle?

Mr. HUGHES.—This is a new one, a Lee-Enfield.

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By Mr. Hughes (Victoria):

Q. The only point about the sergeant-major's evidence worth looking into is the question of the rifle blowing out?—A. Yes, sir.

Q. I would like the sergeant-major now to give his theory of what happened when the accident occurred to him with the Ross rifle.

Mr. REID (Grenville).—Theory is not evidence.

By Mr. Hughes (Victoria):

Q. Let him give the facts as he knows them, that is all right, we want facts but not theory. Sergeant-major, tell us the facts as you think you know them?—A. The facts, as I know them, are that on the date of the rifle practice, I have forgotten the date now, I was firing at the 300 yards range, and on the fourth shot—the 6th of July, I think it was, or the 8th of July—I had fired at two ranges and at the 300 yards range I was firing, slow time, and on the fourth shot this bolt, the firing pin, the bent, and the milled piece blew out of the rifle and hit me in the eye.

By Mr. Maclean (Lunenburg):

Q. What piece did you say hit you in the eye?—A. This piece here, the whole piece. These are the facts.

By Mr. Hughes (Victoria):

Q. What was the cause of that?—A. The stud on the collar that retains the main-spring and firing pin in position in the inner sleeve was either worn off or not there at all. That I do not know, but it was either worn off or not there.

Q. Would the absence of that little stud on the collar allow the bolt to fly out?—A. It would.

Q. When the spring would be compressed?—A. Yes.

Q. And that would cause the accident?—A. Not the one that I got.

Q. That would not?—A. Not sufficiently.

Q. Will you, please, then explain how you were hurt. You seem positive that would not cause the accident?—A. Not in that way. There was either force applied to it, which I am unable to give an answer to, but the force of the explosion, I should imagine, which I do not know anything about.

Q. According to Dr. Reid we cannot take down your imagination, sergeant-major. But your imagination is that something else caused it?

Mr. REID (Grenville).—That is not it at all.

By Mr. Hughes (Victoria):

Q. Will you examine this rifle (rifle handed to witness), that is a Lee-Enfield rifle?—A. Yes.

Q. What is wrong with that one?—A. The bolt-head is broken off it.

Q. Did you ever meet with an accident of that kind?—A. No, sir.

Q. No, you have a unique experience?—A. Well, I have never met with one.

Q. You spoke of the bolt of the Ross rifle coming out the other day. Did you ever see the bolt of a Lee-Enfield rifle coming open by accident?—A. No, sir.

Q. You never did?—A. No, sir.

Witness retired.

Committee adjourned until 3 p.m.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 OTTAWA, WEDNESDAY, April 3, 1907.

The committee resumed at 3 p.m., Mr. Geoffrion presiding.

Sergeant-Major BOWDRIDGE, recalled.

By Mr. Maclean (Lunenburg):

Q. What do I understand to be your opinion about this rifle: did you not express an opinion the other day, or did you, I am not sure? You do not say the rifle was not worth a cent, do you?—A. No, sir.

Q. Has the rifle any merits, in your judgment, at all, is it without merit?—A. Yes, that is, this particular rifle, it is Mark I. I am speaking about.

Q. You say it has no merits at all?—A. In my estimation it has not.

Q. There is nothing about it that will commend itself to your judgment?—A. No, that is Mark I.

Q. What is your opinion as to the mechanism now, supposing every part were perfectly constructed, perfectly made, what would you think of it as a rifle?—A. It is all right.

Q. You think it is a good rifle if the design is carefully carried out, the material is right, and it is put together properly?—A. I have no reason to think otherwise.

Q. Then you think favourably of the rifle provided it is properly put together and strongly made, that it is perfect, I mean?—A. Yes.

Q. What I mean is that as to the mechanism, the idea you think is all right?—A. Yes.

Q. The principle of the rifle is all right?—A. I certainly do think so.

Q. Have you ever seen the Mark II.?—A. Yes.

Q. Is that an improvement over Mark I.?—A. Yes, decidedly so.

Q. It is a decided improvement over Mark I.? Will you please tell me what you think of it?—A. Its bolt, I have already explained about this small stud here in Mark II.

Q. I do not know that I would be able to appreciate that. You just explain it?—A. The whole firing pin and the spring depending upon the small stud which is fitted into the inner sleeve solidly in Mark II. screwed in.

Q. Then that is one improvement. Would that improve it, or eliminate the possibility or the probability of a similar accident occurring such as that which occurred to you?—A. In my estimation it would. I would use the rifle now and fire it without any hesitation.

Q. Are there any other improvements that you have noticed in Mark II. as compared with Mark I.?—A. I was principally interested in the bolt, I did not pay any more attention to it.

Q. Will you just look at Mark II. and see if there are any other improvements you notice there?

(Rifle handed to witness.)

A. This is Mark III.

Q. Eliminating the sight, do you see any other improvements over Mark I.?—A. Yes, there is an improvement in the bolt head. The cam action is better. I do not know anything about the details of this rifle.

Q. You think there is an improvement there?—A. Yes.

Q. Anything else?—A. In the bolt there is a better grip upon this portion. This

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pin here is screwed into the inner sleeve of the bolt so that it makes it stronger any way.

By Mr. Hughes (Victoria):

Q. Can it fly back?—A. In my estimation it cannot go back.

By Mr. Maclean (Lunenburg):

Q. Just have a look at that rifle. Is there anything else; it is not easy to judge a rifle in a moment, I know. Is there any improvement in the butt ends?—A. I could not say anything as to that.

Q. Is that butt end heavy enough in your judgment?—A. Provided it is strong enough it is, if the wood is strong enough.

Q. Then you think this Mark II. rifle is a pretty good rifle as far as you can see?—A. As far as I can see, I think I would be quite safe behind it.

Q. You think there is a marked improvement over Mark I.?—A. Yes.

Q. That is the Mark III. sight on that, what do you think of that sight?—A. I think it is an improvement over Mark I.

Q. You have no sympathy with the idea that a rifle is bad because a few in the early turn out of the factory have not proven satisfactory?—A. I have no sympathy one way or the other, I am just simply telling you what I know.

Q. I do not mean by the word 'sympathy' that you have a preference, but in your judgment it does not follow that the Ross rifle is a bad rifle because some of Mark I. or the whole of Mark I., were not perfect in construction or had some defects?—A. Oh, no, the rifle may be a good one.

By Mr. Hughes (Victoria):

Q. There is a bolt of Mark II., examine that and see what you think of it (bolt handed to witness)?—A. This is of different construction altogether.

Q. Would it be possible for any part of that bolt to fly back?—A. Not in my estimation; it would not.

By Mr. Reid (Grenville):

Q. Is that bolt different from Mark I.?—A. Oh, yes, a lot different.

By Mr. Hughes (Victoria):

Q. Speaking about the simplicity of action of this, did you ever take one of them apart?—A. I have taken Mark I. apart, the extractor forms a tool to take that apart in Mark II.

By Mr. Maclean (Lunenburg):

Q. You know the Lee-Enfield rifle very well?—A. I know it fairly well.

Q. I do not know anything about it myself. Now, what has the Ross rifle in merit, in your judgment, above the Lee-Enfield. In any one, two or three ways will you please tell the committee what merits it has over the Lee-Enfield?—A. Well, in the sight, it has a wind gauge. That is one advantage in my estimation.

Q. That is an advantage over the Lee-Enfield?—A. Yes.

By Mr. Hughes (Victoria):

Q. Has not the Lee-Enfield that now?—A. Not those that I have seen.

By Mr. Maclean (Lunenburg):

Q. Has it any other merits?—A. It has what is called a fine adjusting mechanism.

Q. Just see if you can think of any other point of superiority?—A. I cannot say anything more on this.

Q. Is there anything else you can tell us of?—A. I do not know of any other improvement that I can see. It has got a hood on the foresight, but it is doubtful in my estimation whether it is an improvement or not, I do not know.

By Mr. Hughes (Victoria):

Q. Do you think it is a good thing to fire with a shiny foresight?—A. It all depends on the weather.

Q. Supposing it is sunshiny?—A. Then you have to have it blackened.

By Mr. Maclean (Lunenburg):

Q. I am told, I do not know whether it is correct or not, that one advantage of this rifle over almost any other rifle known, especially over the Lee-Enfield is, that you can hold that rifle to your shoulder and empty the magazine without taking the weapon down from the shoulder?—A. I see what you have been talking about—a straight pull.

Q. Yes?—A. Well, I have never had any practice with it, I do not know, but I guess you can do that. I can do that with the Lee-Enfield too.

Q. You can?—A. If I wanted to.

Q. But is it not somewhat awkward with the Lee-Enfield?—A. Yes, it is.

Q. It is easier to do it with the Ross rifle than with the Lee-Enfield, is it not?—A. Yes, it would be, there is no turn in that in order to bring the bolt back.

Q. That is a little difficult, is it not? I do not know that it is much more difficult?—A. Oh, yes.

Q. The Lee-Enfield rifle is not a perfect rifle, is it?—A. Well, I am not in a position to say that, but I have said already that this rifle, in my estimation—the ones that I have come into contact with—I have not seen any of the new Lee-Enfield except the one that the Colonel put in my hands this morning, but this Ross rifle has the advantage of a wind gauge to the sight which is not in the Lee-Enfield.

Q. That is hardly an answer to my question. The Lee-Enfield is not a perfect arm; what I mean is this that imperfections and defects are found in the Lee-Enfield rifle the same as in any other rifle, at times?—A. What do you mean by that, that it is liable to break in some part?

Q. Yes?—A. Certainly.

Q. The bolt is apt to drop out and things like that in the Lee-Enfield?—A. I do not know about the bolts dropping out.

By Mr. Hughes (Victoria):

Q. Did you ever ride far with the Lee-Enfield rifle lying in your bucket?—A. No.

Q. Did you ever have the bolt of the Lee-Enfield rifle slip down?—A. No, I have only used them on the rifle ranges and carried them out there on my shoulder and back again.

By Mr. Maclean (Lunenburg):

Q. You have no idea of the number of accidents that happen to the Lee-Enfield rifle in Canada each year?—A. No, sir.

Q. You could not give us the number?—A. No.

Q. I understand you to say that the Ross rifle Mark II. and Mark III. is a pretty good rifle?—A. That is my opinion.

Q. Quite so. It is a pretty good rifle, and like everything else that man makes, is capable of improvement still?—A. I should judge so.

Q. And that is true of the Lee-Enfield also?—A. What applies to the one would apply to the other.

Q. Do you not think then that the Ross rifle has improved, is a pretty good rifle to have in the hands of the militia of Canada? I am not talking about the issue, Mark I., mind you?—A. Well—

Q. There is no reason why it should not be put in the hands of the militia?—A. There is no reason that I know of why it should not be.

Q. You do not know of any reason why the militia of Canada should not be armed with the Ross rifle?—A. I do not, provided the material is all right, and the manufacture is carried out properly.

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By Mr. Barker:

Q. I understood that the Mark I. is the only rifle of which you have had any practical experience?—A. Yes, sir that is up till to-day.

Q. Up till what has been shown you here, I mean practical experience, you have never fired any Ross rifle but Mark I.?—A. No, sir.

Q. You were asked if in your opinion Mark I. has no merit and you said in your opinion it had not?—A. Yes, sir.

Q. May I ask you now, if you mean by that it has such demerits as to destroy its usefulness for your purpose?—A. That is what I tried to explain that it was unsafe in my estimation, yes.

Q. Its demerits interfere with its usefulness for the purposes of your troops?—A. Yes, sir.

Q. And you are giving us your opinion as to its usefulness for the particular service you are engaged in?—A. Yes, sir.

Q. That is what you are confining it to? And now you have been examined as to Ross rifle Mark II.?—A. Yes, sir.

Q. Have you ever seen that before to-day?—A. I have seen it, but have never stripped it before to-day.

Q. Have you seen the whole of Mark II. rifle to-day?—A. All the bolts, sir.

Q. You have seen the bolt and only the bolt to-day?—A. I have seen the whole of the rifle, but I have stripped the bolt.

Q. That is here to-day?—A. Yes, sir, not here

Q. Have you examined anything in Mark II. except the bolt? Have you examined the barrel?—A. In the first instance, there was no question as to the barrel of the rifle at any time.

Q. But you have been examining particularly here to-day as to the bolt of Mark II.?—A. Yes, sir.

Q. And you have had no practical experience of that bolt?—A. None, no more than that I would take it and be satisfied and consider it safe to fire it.

Q. You do not judge from the use of Mark II., but only from the bolt shown to you here as a witness to-day?—A. Not from that bolt, but another one of a similar kind.

Q. You have also been shown another Mark II. bolt or a part of the rifle with a No. III. sight?—A. Yes.

Q. Have you ever had that in practical use?—A. No, I have never had that in practical use.

Q. You were simply shown that here and asked your opinion on it?—A. Yes, sir.

Q. Do you profess to be an expert in the manufacturing of rifles, or are you only speaking as a practical user of rifles?—A. As a practical user of rifles, I am not an expert.

Q. You have not had any particular use of any rifle of the Ross manufacture except Mark I.?—A. No, sir.

By Mr. Hughes (Victoria):

Q. You condemn the Ross rifle, Mark I. on account of the liability of that collar to break and allow the spring to fly back?—A. Yes.

Q. That is really the condemnation of the whole rifle?—A. Yes, sir.

Q. If the collar should be made strong enough so that there would be no danger of the little projection upon the Mark I. breaking off, would you count that a fair rifle then, so that the possibility of that bolt coming back could be avoided, would you call that a pretty good rifle then? In other words, would your objection to the rifle be largely withdrawn?—A. Oh, certainly.

Q. The danger of getting kicked in the face makes you nervous in using the Mark I.?—A. I do not want to have anything to do with it.

Q. You have seen the Lee-Enfield rifle. Take that (handing rifle to witness), something has gone wrong with that?—A. Yes, the bolt is broken.

Q. Have you never met with any of that kind before?—A. I have met with the bolt broken, but not with service rifles.

Q. What rifle was it that you met with broken?—A. It was the Lee-Enfield pattern.

Q. It is possible, though for the bolt to be broken off?—A. Evidently by this it is

Q. Supposing the bolt had broken off, what would be the effect, the probable effect?—A. I should think the bolt would blow back.

Q. Undoubtedly, and would there be any danger to life?—A. Yes, the man behind the gun might be killed.

Q. As a matter of fact, there was one man killed at London camp last year that way?—A. He might be, I do not know.

Q. Do you know that a man was killed, have you ever heard that anybody was killed by the bolt being blown out?—A. No, sir, I never did. I was not in the position to know it if it happened.

Q. If the bolthead of a rifle were liable to break off, you would consider it a serious defect in the rifle?—A. I would, sir.

Q. So that if it occurred that you once had the bolthead blown off and injury occurred to you, you would be nervous with that rifle afterwards?—A. I might naturally be nervous, but if I was satisfied that the mechanism of the rifle was all right, I would not condemn the whole rifle for it. It might be a faulty bolt.

Q. Have you ever seen the Lee-Enfield action fly open that way?—A. Well, no, I have never been in that position, I have not carried it that way, I have carried it with the safety catch on.

Q. Have you ever ridden with them in the bucket?—A. No, I have never used them at all, except as I say in target practice, and then I have carried them on my shoulder.

By Mr. Northrup:

Q. Do you know whether that Lee-Enfield rifle that has been handed to you is a rejected rifle?—A. I do not know.

Q. Do you know where it came from?—A. This one here?

Q. Yes?—A. I have not the faintest idea.

Q. Is it a broken rifle apparently?—A. No, that is not broken. I do not see anything broken about that.

Q. It is in good order, is it?—A. Yes.

Q. You have no fault to find with it?—A. No.

Q. How does it compare with the Ross rifle, is it better, worse, or equal in your judgment?—A. It all depends upon the mark of the Ross rifle, that is personally speaking. I would shoot the Lee-Enfield without any hesitation and be satisfied to be behind it, or I would take Mark II. of the Ross rifle in the same way.

Q. You have never tried the Mark II.?—A. No, sir, but I would shoot it.

Q. You would take your chance on Mark II., but you would not on Mark I.?—A. No, sir.

By Mr. Hughes (Victoria):

Q. Have you seen this rifle, the new English Lee-Enfield?—A. I saw it this morning.

Q. It was pointed out the other day, if I remember right, by a witness that the fact that this piece of wood on the rifle was loose was a drawback to the rifle. Would you find it a drawback to the rifle to have that wood adjustable?—A. No, sir.

By Mr. Reid (Grenville):

Q. What about the barrel on the Ross rifle being loose, would you count it a defect in the rifle?—A. As far as the safety of the rifle to the man behind it is concerned, that would not affect him at all, but I think it could be adjusted by a little oil.

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By Mr. Hughes (Victoria):

Q. What is the object of having the rifle barrel loose under the iron bands?—A. That it can be taken apart.

Q. What is the effect of heat on the barrel?—A. It expands it.

Q. If you have a rifle barrel cold and tight under the iron band, what will be the effect upon the rifle if it is fired?—A. That portion upon which the collar is would not be able to expand as readily as the other portion of it.

By Mr. Reid (Grenville):

Q. That is solid in the Lee-Enfield rifle. Did you ever see them loose in the Lee-Enfield?—A. I do not know anything about that, that is an expert question.

Witness discharged.

Commissioner A. B. PERRY, called, sworn and examined.

By Mr. Northrup:

Q. You are commissioner of the Northwest Mounted Police?—A. I am, sir.

Q. Have you seen the Ross rifle, Mark I.?—A. I have, sir.

Q. When did you first see that rifle?—A. The Mark I.?

Q. The Mark I.?—A. I first saw the Mark I. in June, 1905.

Q. Prior to that time had you seen any Ross rifle?—A. I had.

Q. When did you first see the Ross rifle?—A. In June, 1902.

Q. Just explain what rifle that was and how you came to see it?—A. In June, 1902, a representative of the Ross Rifle Company came to Regina with two rifles, one a long rifle, and another a short one, what we call a carbine, for the purpose of submitting it to a board of officers of the Police, with the view of having it adopted as a new arm for the Mounted Police.

Q. Did you take any part in that examination?—A. I did.

Q. What conclusion did you come to as to that rifle?—A. Well, first, one of the two rifles was put out of service.

Q. It was put out of service?—A. Yes.

Q. Which one?—A. The carbine.

Q. How was it?—A. Well, an explosion broke the shoe of the rifle

Q. Is that a serious matter?—A. Oh, very serious, of course an explosion is serious.

Q. That put that rifle out of business?—A. Yes.

Q. How did the other rifle compare?—A. The board suspended operations until a new carbine was produced by Mr. Paddon, the representative of the Ross Rifle Company.

Q. Yes, will you explain what the base of the rifle is?—A. It is the base of the rifle, the end of the barrel which is spoken of technically as the shoe. I can show you if you have a rifle here. (Rifle produced.) This cracked directly across here (indicating point on rifle). The barrel is screwed into this. We call it the shoe, I do not know whether it is the technical name for it, but anyway that was broken by the explosion, and it put the rifle out of business.

By Mr. Northrup:

Q. Did you go on experimenting with the long rifle?—A. No, the board was adjourned until a new carbine was produced.

Q. Where were these rifles made that were produced for test?—A. I understood that they were made in Hartford, Conn.

Q. Was it made by hand?—A. I was so told.

Q. Then the board adjourned until a new carbine was sent?—A. A new carbine, 352, which came two or three weeks later. The report is on the return. I do not know

whether you have it or not. The reports tell exactly; I am speaking from memory now of course.

Q. Then what was done with the second rifle?—A. Well, the board reassembled and proceeded to the examination of the rifle and made a report upon it.

Q. Where was that second rifle sent from?—A. From Hartford, Conn.

Q. Have you the report made by your board on that?—A. I have. The board was first assembled on the 9th of June, 1902, and we reassembled again on the 5th of July, 1902.

Q. The first date was what?—A. The first date was the 9th of June, 1902.

Q. Then you made a report, did you not?—A. There was an interim report made of the proceedings of that board.

Q. Was that made on June 14?—A. Yes.

Q. Will you kindly read that, so as to get it upon the report?—A. (Reads):

‘Proceedings of a board of officers assembled at Regina on June 9, 1902, and following days by order of the commissioner, to report upon the adaptability of a new rifle known as the Ross Patent, for service in the N.W.M. Police.

‘President—J. H. McIlree, Asst. Commissioner.

‘Members—Supt. Morris, Inspector Gilpin-Brown.

‘The board proceeded to the range with Mr. Padden, representing Sir Charles Ross, the inventor of the arm, and a number of shots were fired at the 200 and 600 yards range. Two rifles were submitted for trial, one long 28-inch barrel, and the other a shorter, 25-inch barrel; 150 rounds were fired from the long rifle in ordinary practice, and the scores made are shown. The barrel is the same as used in the Lee-Enfield and adapted by the English government.

‘The carbine was put out of action by the complete fracture of the shoe, at the point of greatest pressure, showing weakness in this particular case. On examination by the armourer, he reported that the fracture was due to the shoe being made of cast instead of wrought steel.

‘Two trials at rapid fire were made at 200 yards with the short rifle, time limit, two minutes. Mr. Padden fired 32 shots within the two minutes, scoring two centres, 10 magpies, and 18 outers, or a total of 30 hits out of 32 shots. This, he stated, was the best he had ever made.

‘On the morning of the 10th instant, a further test was made of the accuracy of shooting of the long rifle. The light was good, but the wind was strong and gusty. The shooting was good and the scores are appended. You tried the rapid firing again at 200 yards, and fired 30 shots in two minutes, scoring one bull, eight centres, six magpies and 11 outers, a total of 26 hits out of 30 shots.

‘From this we conclude that the method of loading is expeditious, and that the straight pull working smoothly and rapidly allows the rifle to be fired continuously from the shoulder without removing it, and without disturbing the position of the rifle at the shoulder to any great extent.

‘The board is unanimous in its opinion that the rifle is very accurate. Mr. Padden had no specifications in connection with the construction of the rifle, or had he any drawings or description of the different parts of the action. He has sent for them, however. The board had the action stripped, and reassembled several times, and the different parts explained, and the whole mechanism appears to be very simple and strong. The bolt works straight forwards and backwards, and more rapid continuous fire can therefore be sustained than with the Lee or Mauser. The magazine holds five cartridges, and the cut off is very simple and efficient, and with the magazine full it can be used as a single firer with the five cartridges in reserve. It is very easily loaded with a little practice. The bolt can be locked so that it can be carried safely on horseback without any chance of the bolt slipping back.

‘The foresight, like the foresights of the Lee-Netford and Mauser, stands high on the block, and it is a question if in mounted drill carrying the rifle across the horn of the saddle, damage would not be done to it. In fact the question of the best sights

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for our work can only be settled after a lengthy trial. The wood work is in a continuous piece, from butt to top of forearm, as in the Mauser, and therefore stronger than in the Lee-Metford, which is jointed at the small of the butt. The Ross rifle is very much lighter than either the Mauser or Lee-Metford, the weights being approximately:—

Lee-Enfield	9 lbs. 4 ozs.
Mauser	9 lbs. 12 ozs.
Ross	7 lbs. 15 ozs.

which is only 11 oz. heavier than our Winchester carbine, 7 lbs. 4 oz. We are given to understand that the short rifle weighs only 7 lbs. 4 oz., so that if adopted no increase in weight would be made to the equipment.

‘To sum up, the board is of opinion that the strong points of the rifle submitted are:—

- ‘1. Lightness.
 - ‘2. Straight pull of bolt.
 - ‘3. Ease of loading magazine.
 - ‘4. Practical nature of cut-off.
 - ‘5. Bolt being secured in shoe and not as in L.M.
 - ‘6. Few parts in construction of bolt, and apparent strength of all.
 - ‘7. The novel and efficient principle of the extractor.
 - ‘8. Ease of stripping and reassembling.
 - ‘9. That the above can be done without tools, an empty cartridge case sufficing.
 - ‘10. The duplicate arrangement of sear, whereby if sear spring is broken, the action can be still used.
 - ‘11. The almost complete absence of recoil, when firing.
 - ‘12. The woodwork of stock and forearm being in one continuous piece.
- ‘Respectfully submitted.

‘(Sgd.) J. H. McILREE, President,
Asst. Commissioner.

W. S. MORRIS, Member,
Superintendent.

GILPIN BROWN, Member,
Manager.

Q. When the second rifle came, did you continue the board?—A. The board re-assembled and proceeded with a test and reported upon the rifle.

Q. What is the date of that report?—A. That would be the 5th of July, 1902, I think it was. It is referring to the Ross rifle No. 352.

By Mr. Hughes (Victoria):

Q. Is that the same rifle?—A. No, that is the new one they brought out to submit in place of the one that was put out of action.

Q. That was in 1902?—A. That was in 1902, yes.

By Mr. Northrup:

Q. Have you a copy of that?—A. I have one of the originals of the board's report here in my possession.

Q. Will you put it in so that it may be recorded on the notes of the evidence. It is on pages 219 and 220, of the file brought down.

Report handed in by witness, as follows:—

‘On the arrival of short rifle “Ross Patent No. 352,” from the factory at Hartford, the board reassembled on 5th July, 1902, and made tests as to the accuracy of the shooting of the rifle, a general description of which is as follows:—

‘Bolt action, that known as the Ross Patent.

'Length from heel of butt to muzzle, 3 ft 9 $\frac{1}{4}$ inches.

'Length of barrel, 25 inches.

'Rear of foresight, 1 inch from muzzle.

'Between sights, 20 $\frac{2}{3}$ inches.

'Weight, 7 lb. 8 oz. Length of stock, 14 $\frac{1}{8}$ inches.

'The back sight consists of a leaf with sliding bar. The sliding bar having a wind gauge attachment. The foresight is of the ordinary pattern with shield, the top of which is one inch from top of barrel.

'The members of the board, and the commissioners, fired at 200, 400, 500, 600 and 700 yards, and were thoroughly satisfied with the accuracy of the rifle, which they found as good on the firing of the 140th round as it was at the commencement. With a full foresight, and no elevation of backsight, very fairly good shooting was made at 400 yards. No recoil or fouling was noticeable. The sights provided were readily picked up. The action worked smoothly and well. The balance and general feel of the rifle all that could be desired. It was found to balance well when carried on the horn of the saddle.

'Some minor alterations and additions were proposed by the committee to Mr. Padden, which were thought would make the rifle more suitable for our work. He agreed to carry them out in a pattern rifle to be delivered here in some five weeks time.

'The board was of the opinion that the butt should be strengthened, especially at the "small," and that the wood for the stock should only be of the best material, as the wood work is continuous from butt to forearm, and the small of the butt being the weakest point, it was thought advisable that this point should be strengthened to lessen the chance of any fracture at that point.

'That the screws holding down the trigger plate should be countersunk, that the V of the backsight should be a little deeper and that the centre line of the V on the sliding portion should be well defined, that some arrangement should be placed on the bed of the backsight by which when the leaf was down, it could be firmly secured.

'The board before finally accepting this rifle as a pattern for the N.W.M.P., desire to see the sample arm supplied by Sir Charles Ross, with the above alterations, and to further try it with other foresights, and the board would point out that it has only been able to test this rifle for accuracy, and has been unable to make any tests as to its durability, and it would also recommend that the new pattern when received, should be used on ordinary patrol for some months.

'J. H. McILLREE,

'Asst. Comr.,

'W. S. MORRIS,

'Supt.

'GILPIN BROWN,

'Supt.

} Members.'

Q. I am correct in saying that that rather praises the rifle?—A. I think perhaps the report is such an important one that I think if the committee really wants to understand it they ought to hear it read. However, I am in the hands of the committee and as long as the committee has it before them I have no objection.

Q. You made the second examination and then you sent in your report?—A. Yes.

Q. Which rifle did you favour, the long or the short?—A. The short one, 352, the last rifle submitted.

Q. That was in June, 1902, and you received the Ross rifle in 1905?—A. In 1905.

Q. Was the rifle you received, as far as you could see, a duplicate of the rifle you reported on?—A. It was the same action, the same principle, but of course it was not a duplicate, inasmuch as the one was a rifle and the other a carbine; it was different in weight, and in size, and different in general appearance.

Q. So I understand that you in 1902, sitting as a board, recommended the Ross rifle?—A. With certain changes which are specified.

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Q. And the rifle which you actually got, the Mark I., was a Ross rifle, not a carbine, and different in many respects from the one you had examined?—A. It differed in several respects from the one we examined. I think I might say here in fairness to the board, that sat upon the arm, that if you will look at the finding of the board it considerably modifies their position, not in any way condemning the rifle, but protecting themselves.

Q. It is in the report?—A. Yes, it is there in the final summing up. If you will allow me to read it, I shall be very glad to do so.

‘The board before finally accepting this rifle as a pattern for the N.W.M.P., desire to see the sample arm as supplied by Sir Charles Ross, with the above alterations.’

By Mr. Hughes (Victoria):

Q. What were the alterations?—A. There are a number of them specified in the report.

‘And to further try it with other foresights, and the board would point out that it has only been able to test this rifle for accuracy, and has been unable to make any tests as to its durability, and it would also recommend that the new pattern when received, should be used on ordinary patrol for some months.’

By Mr. Northrup:

Q. Is that part of your report?—A. That is part of our report on No. 352 on July 5, 1902.

Q. I have already spoken about the report of June 9?—A. This is the reassembled board, Mr. Northrup.

Q. Exactly. I want to see if we have it here on this file. We do not appear to have it here at all?—A. I think it is there if you will only look for it, because all these reports were sent down.

By Mr. Hughes (Victoria):

Q. At all events, Mr. Commissioner, this was in 1902?—A. This was in 1902.

Q. And the rifles, you say, were made in Hartford?—A. So I was informed.

Q. That was before the factory was established at Quebec?—A. It was before the factory was established.

Q. Have you seen the Mark II. Ross rifle?—A. I have not until I saw it here. I have not examined Mark II.

By Mr. Northrup:

Q. Then you sent that second report in?—A. I did, sir.

Q. What was the next thing you had to do with the Ross rifle, the receipt of Mark I.?—A. The receipt of Mark I.

Q. Then when you received the Mark I. were they issued to the men?—A. They were issued almost immediately before trial at all, for a reason that is not before the committee.

Q. What was your experience with the Ross rifle, Mark I.?—A. Well, Mark I. was issued to the different divisions of the force in September, 1905. Its first real test commenced in the following January with a class of non-commissioned officers in training at Regina, where they were being taught the new arms drill in connection with the Ross rifle. You understand we were changing off from another arm, a carbine, and these men were there or training in the use of this new rifle. We then discovered certain troubles in connection with the rifle.

Q. What were the troubles?—A. The first trouble was the question of the material of which the rifle was manufactured. We found that a number of small springs in different parts of the rifle were made of what appeared to be inferior metal, they were soft and did not seem to be properly tempered, and other small things.

Q. How would that affect the usefulness of the weapon?—A. Of course certain springs if they were broken did not quite put the weapon out of service. We did not fire that rifle until the following June at the target practice in June, 1906. When I first heard of the defects, I was in Ottawa and received the information from the Assistant Commissioner that a great many defects had been discovered in the rifle, and that at Macleod an accident had taken place, and asking whether he should continue the target practice.

By Mr. Hughes (Victoria):

Q. Who is the assistant at MacLeod?—A. Mr McIlree.

By Mr. Northrup:

Q. At what point?—A. At some of the divisions we stopped the target practice, on my return I stopped the practice in so far as it was not complete.

Q. Why was it stopped?—A. Because of the defects which he had discovered in the rifle in practice.

Q. Was the fact that there was danger to the men in handling the rifle effective?—Yes, partially.

Q. You stopped using the rifle, have you resumed it since?—A. We have had no target practice since, the rifle is still in our hands.

Q. What position is the Mounted Police in at the present time with regard to arms?—A. We have in store all our old carbines, we have in addition 200 Lee-Metford carbines, and we have also a large number of long Lee-Enfields.

Q. So that in case of any trouble your reliance would be on the discarded rifles you have in store?—A. I should not call them discarded rifles. They are in good order to a certain extent. We were simply trying to get a good arm. The other arm is just as serviceable as when we turned them into the store.

Q. What would you say as to the way in which your men are armed. Do you consider them properly equipped with the Ross rifle for service, if necessary?—A. I do not.

Q. If any trouble arose in the Mounted Police now, would you, as Commissioner, use the Ross rifles, or would you revert back to the arms you had before?—A. I would not use the Ross rifle if I could avoid it, I mean Mark I.

Q. Exactly. Have any Mark II. rifles been sent so far to the Police?—A. None at all.

Q. After you began to use the rifle then were there any other reports sent in?—A. Well, when I found that these defects had occurred in the range practice, I called for reports from all the different divisions as to what they had found in connection with the target practice. These reports were made and forwarded to the board of officers, and they took evidence and reported the results.

Q. Have you all the names there of those who reported?—A. They were all forwarded to the department.

Q. There is no use making copies if you can give us the dates to assure us that they are here?—A. The board reported on July 18, 1906.

By Mr. Hughes (Victoria):

Q. Were you on these boards, Commissioner?—A. I was not.

Q. Well, then we will just take the reports?—A. The board reported on July 18, 1906.

By Mr. Northrup:

Q. Where was that board held?—A. At Regina.

By Mr. Hughes (Victoria):

Q. While Mr. Northrup is looking up the reports, you spoke of reports wired to you at Ottawa about the accident to Sergeant-Major Bowdridge?—A. Yes.

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Q. Did you ever have telegrams sent you against the Ross rifle?—A. I had a letter stating they had found certain defects at Regina.

Q. What accidents had happened other than this one? Can you name any other accidents that had happened from the rifle?—A. You mean injury to persons?

Q. Yes, to persons?—A. I know of none.

Q. You know of none other than the accident to Bowdridge?—A. No, that is all.

Q. You know of no other than that which happened to Sergeant-Major Bowdridge?—A. No.

Q. On what you stated just now, it was on the evidence furnished you by the Assistant Commissioner while you were in Ottawa, you wired back to stop the target practice?—A. No, I did not wire back.

Q. You sent word back?—A. No, I say I was on my way back to Regina when this report came to me, and on my arrival there I stopped the practice.

Q. You stated that you know of no other accident that ever happened through the Ross rifle?—A. No other injury.

Q. Now, how many Ross rifles were issued to you?—A. We received 1,000 and 750 were issued to the men.

Q. And out of that number, you found one accident?—A. One injury. I must distinguish between an accident to the rifle, that is something injuring the rifle, and an accident to the person using it.

Q. There was only one injury to the person?—A. That is all we have.

By Mr. Northrup:

Q. We have found this report of July, 23, 1906, of the board at Regina?—A. The report upon the Ross carbine, Mark I.?

Q. Yes?—A. Well, they have the date wrong, it should be the 18th of July.

Q. Your report is dated the 23rd of July?—A. I am speaking of the report of the board. Then there was one at Lethbridge, dated the 17th of September, 1906; Maple Creek, 1st August, 1906; Bottleford, 8th August, 1906; Macleod, 31st July, 1906. Then in addition to these reports dealing with defects which had occurred during target practice there were certain other boards on accident which occurred to rifles. I have the record of the board here on Sergeant-Major Bowdridge's accident. board, I cannot do otherwise.

By Mr. Hughes (Victoria):

Q. This board was convened by your orders for the accident to the sergeant-major?—A. Yes.

By Mr. Northrup:

Q. Were there any accidents to the rifle itself?—A. There were quite a number of things went out of order in connection with the rifle.

Q. Did you continue to use the rifles for practice after the accident to Sergeant-Major Bowdridge?—A. No.

Q. Then there could not be any more accidents in actual use?—A. No. It stopped those as far as that was concerned.

Q. Were there many witnesses examined by that board?—A. There were a good many men examined, each man was examined and his evidence was taken. I suppose it would run from 40 to 50 witnesses who were examined in different particulars, I have not counted them up.

Q. Did you take any steps to get an improved rifle, did you report to the government specially?—A. Certainly, I reported specially to the government that I considered the present issue of Mark I. was unserviceable and ought to be taken into store.

Q. Yes, what is the date of that?—A. I have just forgotten the date of that, it ought to be on the file. It would be my covering report forwarding the report of the board.

Q. That is on the 23rd July, 1906, I think?—A. Yes.

Q. 'The board are of the opinion that this carbine is unserviceable and unsafe, and recommend that the issue be condemned and taken into store The evidence taken before the board held at Regina, seems to me, conclusive as regards serviceability of the present issue. The defects seem principally to be due to poor material and bad workmanship. I am not prepared to condemn the bolt action though it has been called in question. The defect, however, in the bolt which caused the injury to Sergeant-Major Bowdridge is a very serious one, and naturally has caused a great deal of nervousness on the part of those engaged in target practice. I recognize the seriousness of condemning this carbine, but, with the evidence produced before the board, I cannot do otherwise.'

That is signed by A. Bowen Perry. Was any offer made by the Ross Company after the complaints were made of these rifles?—A. In connection with these rifles?

Q. Yes?—A. I was informed by our department that it was the intention of the Ross Rifle Company to replace them all.

Q. Have they done so?—A. They have not done so yet because I have not been able to examine the samples, they were sent to Regina.

Q. That was the information you got from the department?—A. I was informed from the department.

Q. Was there anything in that letter as to who was to pay for the new rifles?—A. I understand that the whole cost of replacing those rifles was at the expense of the Ross Rifle Company.

Q. But they have not been replaced?—They are ready to replace them, and it is only a question now of our accepting them.

By Mr. Hughes (Victoria):

Q. You spoke of wiring from Ottawa and ordering the suspension of your target practice?—A. Excuse me, I corrected that before. On my arrival at Ottawa I received a wire here of the accident and I got further a letter. I was about returning to Regina and I proceeded there, as soon as I arrived I made inquiries as to the accident and then decided to postpone the target practice.

Q. Will you name the accidents that you heard of?—A. I am referring to injuries to the rifle. There was one principal accident, that which occurred to Sergeant-Major Bowdridge, which of course first created my anxiety in connection with the practice.

Q. On what date did you order the discontinuance of the rifle practice?—A. It would be just before I received the report of the board, prior to sending the board I ordered suspensions.

Q. What accidents did you find occurring to the rifle? You have told us that 750 rifles were issued to the men?—A. These reports, you understand me, I am only giving here information to the committee which came to me in my position as commissioner. I did not actually see them.

Q. In ordering the suspension of the rifle from use, you were not acting from your own experience of the rifle at all?—A. Only from the reports that came to me, as I am doing constantly.

Q. Will you please name the accidents to the rifle?—A. I would like to distinguish between accidents due to defects, accidents which may be due to the principle of the rifle, or to the material, the assembling or the manufacture, that ought to be made very clear, the difference between material and workmanship and the principle of the rifle. When I say I condemned the bolt action I speak of the material and workmanship.

Q. You do not condemn the principle of the rifle?—A. I said I hesitated to condemn the principle of the rifle, I am not sufficiently expert and do not think it is my business.

Q. What material and workmanship is defective?—A. Nearly all the springs were found very weak.

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Q. Which springs?—A. The spider springs feeding the cartridge, that was weak. The springs in the sights were weak in the old pattern sight.

Q. It was sufficiently strong in the St. John rifle to blow that out?—A. I am not speaking about the main spring.

Q. No, the little spring behind?—A. I do not know what happened in the St. John case, I know in this case it was a weak spring and a very dangerous weakness.

Q. Is that a very serious defect?—A. Yes, it is dangerous, because it is liable to revolve and loosen, and the result of that is that the firing pin projects and it makes it dangerous in rapid firing.

Q. In speaking of the accident to the rifle you refer to, these are the little details you have just mentioned?—A. Exactly.

Q. And the only injury to the person you found was the one to the sergeant-major?—A. Yes.

Q. And on the strength of that injury the whole thing was discontinued?—A. On that and other defects I found in the rifle all taken together convinced me that the use of the rifle ought to be discontinued.

Q. Have you seen the Mark II. rifle?—A. I have not.

Q. You have not examined it?—A. No, I have not, but I hope to do so very shortly.

Q. You have examined the woodwork of Mark I.?—A. Oh, yes.

Q. Do you understand the Lee-Enfield rifle pretty well?—A. Fairly well, I am not an expert in the manufacture of rifles.

Q. You would not care to give evidence as to the value of the two rifles?—A. I would not care to do so at all, unless this committee requires me to.

Q. These men that furnished reports were all men of the force, skilled and trained men?—A. They were all of senior rank, men of experience as rifle shots, not experts in the manufacture of small arms, but a number of them are very good shots, and their evidence was to be relied upon as far as my judgment goes.

Q. Have you found the Ross rifle an accurate weapon?—A. It is an accurate rifle. I have shot a good many rounds out of it. That depends upon the man, of course.

Q. Your evidence is that the workmanship in some of the rifles is practically defective?—A. I have found the material and workmanship of the rifle was bad. I was obliged to condemn it as unserviceable, that is Mark I.

Q. That defective workmanship consists of a couple of springs being weak?—A. I am not going to minimize it that way. I will thank you to understand that I did not take such a serious step as the withdrawing of the rifle from practice without some reasons. It was not because of two little springs, but because of very serious matters. If you wish me to go farther I will do so.

Q. I wish you to go as far as you can. I want to know all the defects in the rifle. You have spoken here of accidents to the rifle?—A. Yes.

Q. When I asked you to name them you named two springs. I want you to name all the defects you found in the rifle?—A. I named other things besides the two springs.

Q. The reason I ask you is this. I infer from your last statement that you are holding something up your sleeve, and I want to know what it is?—A. I have a few little things in connection with the rifles that I might mention.

Q. The spring on the sight is one thing?—A. Yes, it is a little spring, but very important.

Q. The spring in the cocking piece?—A. Yes, very important.

Q. What else, the magazine spring?—A. The magazine spring.

Q. You have named those three?—A. Yes.

Q. Now then, that is all you have named to me, and I think I was justified in saying that you named three small springs. Now, then, name the other defects?—A. The small stud in the cocking piece on the firing pin.

Q. The stud on the pin?—A. Yes.

Q. What did you find wrong with that?—A. When I examined the bolt that injured Sergeant-Major Bowdridge, it had been either cut away or worn off, the little stud that retains that firing pin in position.

Q. It had either been cut off or worn away?—A. It had been cut off, or worn away. I do not know how it disappeared, it was off anyway, and I looked upon it as a very serious difficulty.

Q. What else?—A. Then the jamming of the cartridges in rapid firing. That was a fault and was a very serious matter.

Q. That would be due to a weak spring in the magazine—that accounts for that?—A. Quite so, but it is a reason why we should not have them jamming.

Q. Is there anything else?—A. In practice on a hot day the bolt action got very stiff, and in many cases it was almost impossible to use the bolt action.

Q. That is in some of them, that is right?—A. Some of them.

Q. Is there anything else?—A. Well, the sight of course was very soft material.

Q. We do not count that much?—A. That was one of the defects of the arm, it was getting injured constantly in the mounted work.

Q. There was a corkscrew made of one of them, I believe?—A. So I understood.

Q. Any others?—A. The wood at the small of the stock is very brittle and several of them were broken.

Q. What would be the effect on the men of an accident such as occurred to the sergeant-major?—A. It would prejudice the men, it prejudiced me.

Q. It caused a prejudice at once?—A. Certainly.

Q. An accident to a person from the rifle would naturally prejudice one against the rifle?—A. No doubt, there is no question about that.

Q. An accident from the Lee-Enfield would prejudice that rifle just the same?—A. Yes.

Q. Have you very much experience of the Lee-Enfield?—A. I have fired a good many hundred rounds out of them.

Q. Did you ever hear of an accident occurring with them?—A. No, I have been told there had been accidents, but of course it was never our arm.

Q. Have you examined the wood in the butt of the Ross rifle, what is the principle of it?—A. It is continuous, it is supposed to add great strength to the rifle.

Q. The only weak part is the small of the butt, I suppose you will agree with that?—A. Yes.

Q. There is an advantage in having the wood of the rifle continuous?—A. It has always been considered as an advantage.

Q. In the Lee-Enfield it is not continuous?—A. No.

Q. It is held by a collar, you are aware of that?—A. Yes, a collar and screw. I believe a great many were broken in South Africa.

Q. If the Ross rifle were reinforced at the small of the butt so as to prevent the grain splitting, it would be an advantage, I presume?—A. Oh, yes.

Q. Have you seen the Mark II.?—A. No, I have not. Mind you, Colonel Hughes, these are all minor defects which can be amended, and it is quite apparent to the committee that we are dealing with an old, an obsolete arm.

Q. Quite correct.—A. It is an obsolete arm practically.

Q. Are you sure you had all these defects in front of you when you stopped the use of these rifles?—A. Well, the reports were to that effect. I think you will find that the report of the 18th July sets forth all these defects.

Q. Is that the date upon which you cancelled that practice?—A. I may have cancelled it before.

Q. I think you did.—A. Possibly I did. I told you I could not tell you the date.

Q. I think I am right in inferring that you cancelled the practice owing to the accident to Sergeant-Major Bowdridge, that was the primary cause?—A. That directed my attention to the necessity of examining the rifle.

Q. You have not examined Mark II.?—A. No, I hope to do so before very long. I would not be astonished to find all these defects are corrected.

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By Mr. Maclean (Lunenburg):

Q. These rifles that you tested first were merely sample rifles?—A. They were sample rifles.

Q. Have you any knowledge of arms?—A. I have only the knowledge of a man who shoots. I am very fond of shooting. I am not an expert in the manufacture of arms. I could not attempt to be.

Q. What do you think of the principle of the Ross rifle? I mean now, supposing every particular portion of the rifle was perfectly made and put together properly?—A. I understand the tenor of your question. You are asking an expression of opinion upon the principle of the Ross rifle. I want to say that I am not competent to give an opinion on the Ross rifle. But I do not see any reason why the bolt action should not be a proper action or be perfectly safe. I see no reason in the world why it should not be a perfectly sound and safe arm. I see no reason at all.

Q. You think if the imperfections which were noticed, and reference to which is contained in the various reports which you refer to were eliminated, it would be a good arm?—A. I think so. But would you mind me saying it is hard to answer a question like that. As I said before, I want to be honest with the committee, I had a sample of this rifle in my hands and tested it, but we did not ever test it in the hands of a great many men who all vary, and you can all understand my position when I say it is a good arm.

Q. I understand there must be some limitation to the answer you would give to such a question, but with these imperfections removed you think it should make a fairly good rifle?—A. I do not see any reason why it should not; I do not see any inherent defect in it that cannot be remedied, and I have no doubt that, as Colonel Hughes says, the defects noticed have been remedied.

Q. Would you take a Mark II. rifle in your hands and see whether it was improved?—A. I would not like to say on a hurried examination of the rifle.

Q. There was nothing wonderful in the first issue of that rifle having some imperfections?—A. It would have been wonderful if it had not.

Q. Did the rifles when first issued contain imperfections?—A. As far as my knowledge goes they did.

Q. You did not regard the fact of your being obliged to recall that issue to the Northwest Mounted Police as an accusation against the principle of the rifle?—A. Well, no, certainly not. But I would say that particular Mark was not serviceable, that is all I can say, and I will not go any farther.

Q. And the Ross Rifle Company have always been ready to take back that issue?—A. I have read a letter to the committee saying they were ready to replace it.

Q. And the delay in getting the Mark II. rifles in your possession was on account of your not being ready?—A. It was cold weather in the first place, I believe it was early in January last they offered to send up these samples, but at that time the weather was 50 below zero, and it was absolutely impossible to make a test of the arm at that time.

Q. It would be unfair criticism to make of the rifle that because the first thousand contained imperfections therefore the rifle is always to be condemned?—A. That would be an illogical conclusion.

Q. I have heard people make it?—A. That is very illogical in my opinion.

Q. You think it is a perfectly safe rifle, if improved, to put in the hands of the militia?—A. Well—

Q. I mean that almost all the reports say it is a splendid weapon for target practice?—A. Yes, they were all very keen about it until this accident. They were very keen about getting an accurate arm, because our old Winchester was a very inaccurate arm.

Q. There is no real ground for the prejudice against the rifle; there was an accident, which might have been more serious, to Sergeant-Major Bowdridge, and that naturally created a prejudice?—A. I do not know that I would like to answer your

question. Yes, there is, because this rifle practice was going on in several divisions at the same time, and they were discussing these troubles and the men were getting anxious about the jamming of the cartridges in rapid firing, without knowing of the accident to Sergeant-Major Bowdridge.

Q. All the imperfections pointed out in these reports are matters that can be easily remedied?—A. It was a question of the manufacture and material, there was no question of the rifle at all. For instance, 352 carbines out of which I fired a great many rounds personally, I never discovered one trouble with it.

Q. Did you like the rifle?—A. Very much, it is a very nice arm.

Q. What advantages has the Ross rifle over the Lee-Enfield; in what points do you think it is better?—A. I am not enough of an expert to go into an argument as to that.

Q. The sergeant-major gave us two or three points?—A. Perhaps he knows more about it than I do. A straight pull, of course, is called an advantage.

Q. You think it is?—A. It has its advantages and it has its disadvantages.

Q. But as a matter of opinion some people regard it as an advantage?—A. Some as an advantage and some as a disadvantage.

Q. Take the Lee-Enfield?—A. The only advantage a pull like that has in my opinion is to get a little more power in first starting the empty shell, in that you get an advantage.

By Mr. Hughes (Victoria):

Q. Do you know where the resistance occurs when an explosion takes place in the Ross rifle—it comes against the lugs?—A. Close up, it is an advantage the same as the Mauser has, down here in the base.

Q. Have you examined the sights of this Ross rifle?—A. Not in the Mark II.

Q. It is practically the same. The two sights are nearly equal in strength?—A. Yes.

Q. And the recoil is received on the lugs close up to the cartridge in the Ross rifle?—A. Yes.

Q. They are not there in the Lee-Enfield?—A. They are in the Mauser.

Q. Is not the Mauser weak on the right side of the butt in the rear of the cutoff action?—A. It is slighter but it has very fine mechanism.

By Mr. Maclean (Lunenburg):

Q. Would you like to express an opinion as to the desirability of having rifles manufactured in a country which has an army or a volunteer militia?—A. If my opinion is of any value to the committee, I should most certainly say that we ought to manufacture our own rifles and everything else connected with them.

Q. I suppose it is true that a soldier is no good without a rifle?—A. And it is also true that some of them are no good with it.

Q. Do you not think it logically follows if we attempt to have a militia in this country we should have our own rifle factory?—A. Undoubtedly our rifles ought to be made here, and will be made here, and will be made very satisfactory, I have no doubt.

Q. It strikes me it would be bad policy for any country to pretend to have a militia and not have the rifles manufactured there?—A. Oh, certainly, I quite agree with you in that.

By Mr. Hughes (Victoria):

Q. About the cartridges jamming, I do not know whether you will care to answer it or not, it may be a matter for an expert, but have you ever used an American shell in the rifle, in the Winchester rifle?—A. Yes.

Q. Did you ever get them jamming?—A. Oh, yes, frequently.

Q. You found them jamming?—A. Oh, yes.

Q. Have you ever found an American shell to remain in the chamber after firing?—A. Pull the head off, do you mean?

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Q. Yes?—A. Oh, yes.

Q. Have you ever found it occur with the Lee-Enfield rifle in your experience?—
A. I do not remember.

Q. Your experience was limited, I think you said, with the Lee-Enfield?—A. Oh, yes, we were never armed with it, I have fired a good many rounds with it.

Q. You have never used the Krag-Jorgenson?—A. No, I have not.

By Mr. Daniel:

Q. How long were you armed with the Ross rifle?—A. The rifle was issued to us in September, 1905.

Q. When was it returned to store?—A. We still have it.

Q. I thought they were returned to store?—A. They are still in the hands of the men, but we also have our old Winchester still.

Q. Are you using the Ross rifle at all?—A. Well, there is no target practice going on.

Q. In the using of the rifle as a military arm and the handling of it, I do not mean specially in the firing, but in handling it the same as men handle rifles, did you find it was just as strong and serviceable as any other rifle you could use; did various parts get loosened up, or come apart, breaking, or anything of that kind?—A. I think I explained to this committee when I first started to give evidence that we had discovered in our use of it, early in the year, certain small defects in the material.

Q. That you did not notice in others?—A. Well, I would not say that, we have had defects in all our arms. I have never seen an arm that some men could not break.

Q. The only thing I wanted to know was whether the Ross rifle, in your opinion, was one that would stand as rough usage as other weapons?—A. No, Mark I. was not a hardy rifle. But all these defects found in it were easily corrected.

Q. And of course we hope they will be?—A. We hope they will be.

By Mr. Maclean (Lunenburg):

Q. What affect has rain on the barrel of the rifle?—A. It will rust it.

Witness discharged.

Lieutenant-Colonel F. M. GAUDET, Superintendent Dominion Arsenal, called, sworn and examined.

By Mr. Northrup:

Q. Are you in any way connected with the supervision of the Ross rifle factory at Quebec?—A. I am not.

Q. When did you cease to be connected with it?—A. On or about the 13th of June, 1904.

Q. When did you begin to have anything to do with the Ross rifle factory?—A. I began at the time that the manufacture was first started.

Q. What was your position then?—A. Inspector.

Q. On behalf of?—A. The government.

Q. Or the militia department. When you began inspecting had you anything by which you could judge the rifle submitted?—A. We had a sealed pattern; two rifles, in fact, that were sealed, patterns by which one was to go.

Q. Where were they kept?—A. In my office in Quebec.

Q. And the rifles that you inspected were supposed to be each one a duplicate of those patterns?—A. Quite so.

Q. Were those rifles known as Mark I.?—A. Mark I.

Q. I conclude that the department had made its contract with these Ross people for Mark I.?—A. At that time.

Q. That was the original contract?—A. Yes.

Q. Your duty was to see that the rifles delivered by them corresponded with the sealed patterns?—A. Quite so.

Q. What was the idea of two sealed patterns, were they two different rifles, or were they duplicates?—A. I could not say, one was called the sealed pattern and the other was called the manufacturers sample.

Q. Were they exactly alike?—A. I really do not remember, I think that they were substantially alike.

Q. To which one did you require the rifles you passed to conform?—A. I never passed any Ross rifles.

Q. During the time you were there, you did not pass any?—A. I did not.

Q. Did you reject any?—A. I did not.

Q. Were any manufactured while you were there?—A. None.

Q. I find a letter on the file, dated the 29th December, 1902, from Colonel Pinault, Deputy Minister of Militia, to you, in which he says:—

‘On reading the copy of the contract it will be found there are no reference to specifications or drawings; such being the case the contractors must agree to accept your specification when prepared, before they will be binding. Upon this subject and with respect to space in their factory for carrying on the examination of the rifles, we will communicate at once with the contractors.’

A. I remember.

Q. Is that a fact that there were no drawings or specifications by which you were to judge the rifles submitted to you?—A. It is.

Q. Are specifications and drawing proper things to have for a man who has to inspect rifles for manufacture?—A. It would be of great assistance.

Q. As a matter of fact, is it possible properly to examine rifles if you have not plans and specifications and drawings to go by?—A. It increases the difficulties considerably.

Q. Does it increase the risk of your not getting what you want to?—A. Well, naturally, in inspecting any article, whether it be a rifle, a building or a ship, the more you particularize the more likely you are to get what you ask for.

By the Chairman:

Q. Did you not have a model to go by?—A. We had.

By Mr. Northrup:

Q. I suppose you could judge better from specifications and drawings than you could from a model, could you not?—A. Well, in some cases the specifications would not cover what a model would cover, or vice versa. I should think they would properly have to be supplementary one to the other, the one would be the complement to the other.

Q. A contract properly drawn should provide for both a model and a specification, should it not?—A. I am not prepared to go to that extent. In some cases we call for supplies without specifications, in some cases a model will be sufficient and in some cases we require both.

Q. With regard to a rifle, would a specification assist you if it provided for the tempering of the steel, the hardness of the steel, the kind of springs, and all those details, that would assist you, would it not?—A. It would.

Q. What is the gauge such as you have there?—A. Pardon me.

Q. What is the gauge, such as were subsequently got there? As I understand it, is it a duplicate of each part of the rifle?—A. I think the question you ask me is: What is a gauge?

Q. Yes?—A. It is an instrument for taking the measurements, a measure.

Q. There was a gauge, or a set of gauges procured for the examination of these rifles?—A. The government contracted with the manufacturer for the gauges.

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Q. Contracted with the Ross Rifle Company?—A. They did, yes.

Q. During the time you were there, were there any gauges owned by the government?—A. The gauges were completed just about the time I left, I think they were completed, I am not certain.

Q. Are they necessary in order to enable the officer to inspect and pass the rifles?—A. They are.

Q. It would be improper to receive the rifles unless there was a gauge in the possession of the party passing them, am I correct?—A. That would depend upon the conditions of the contract.

Q. I am referring to the efficiency of the inspection, I understood you to say that was a necessary part of the inspection?—A. I say that all depends upon the conditions of the contract.

Q. I am not talking about that, the contract may be improperly drawn, you might have to take everything. But looking at a proper inspection, is it possible to have a proper inspection of the rifles for the purpose of receiving them without a gauge?—A. What do you mean by proper inspection?

Q. Proper inspection, I suppose, is to get the proper rifle. You have made a contract—A. I have not inspected any of these rifles, nor have I ever passed any of these rifles.

Q. That does not prevent your having an opinion on the subject. If you do not know, say so. Could any officer satisfactorily inspect those rifles without a gauge?—A. I have already stated that would depend upon the conditions of the contract. If the contract called for a certain rifle, you may be able to do that without gauges. If it calls for another kind of rifle, you would require the gauges.

Q. Supposing it called for a copy of the sealed pattern. Is a gauge necessary to inspect that before receiving that or not?—A. That involves the question of interchangeability.

Q. I understand that very point is referred to in your letters to Colonel Cotton, but that does not touch my point which seems to be a simple one. You know the contract between the government and the rifle company?—A. Yes, I do.

Q. You know what was called for, Mark I.?—A. I do.

Q. You had a sealed pattern in your possession?—A. I had.

Q. Could you possibly inspect the rifles to be received on behalf of the government without a gauge?—A. To ensure interchangeability of parts, you would require gauges.

Q. Is that essential in these rifles?—A. That again depends upon the interpretation of the contract, and I am not a barrister and cannot answer you that.

Q. Is it a proper thing to have in a rifle, this interchangeability, contract or no contract?—A. I am not going to say it is proper, or improper, it is usual.

Q. Would a rifle be considered defective that had not that interchangeability?—A. It is usual to make them interchangeable.

Q. Would it be considered a defect if it had not that interchangeability?

By Mr. Hughes (Victoria):

Q. Do all parts of the British Lee-Enfield rifle interchange?—A. The large majority of them do.

Q. And you understand a great many of them do not?—A. I am not prepared to say that.

By Mr. Northrup:

Q. Do you consider it a defect in a rifle that it has not that quality?—A. I think the rifle should be made interchangeable.

Q. Would you find it impossible to inspect a rifle with respect to that rifle without a gauge?—A. Certainly, you could not do it without a gauge.

Q. You had some correspondence with the government, had you not, about gauges?—A. I had.

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Q. Was there any dispute as to who should furnish the gauges?—A. Well, I really do not remember, it is such a long time ago. Perhaps if you will refer to my letters I can tell you.

Q. Have you any idea what rifle gauges or sets of gauges are called?—A. They would be called sets of gauges, because every rifle has a number of gauges.

Q. Have you any idea what one of these sets of gauges should cost?—A. I really could not say, it depends entirely on what you call for.

Q. A set of gauges for the Ross rifle, have you any idea what they should cost?—A. No.

Q. Had you any experience yourself with the Ross rifle, Mark I.?—A. In what respect?

Q. Any experience with the rifle, firing it or using it?—A. I have.

Q. Have you had much experience?—A. Yes, quite a deal.

Q. How did you find the Ross rifle, Mark I.?—A. Well, that is confidential, I cannot answer that.

Q. Not at all, what is your own experience as a man, using the rifle, what is your experience with it?—A. The question which you have asked me forms part of a confidential communication that I have addressed to the department, and that I am not at liberty to give to the committee.

Q. Then you decline to give any information about the Ross rifle, because your information has been expressed confidentially to the department?—A. My information has been expressed confidentially, I do not think it would be advisable.

Q. You decline to give any information to the committee about it?—A. I do not think it would be advisable to do so at present.

By Mr. Hughes (Victoria):

Q. You are in the service of the department?—A. I am.

Q. And the opinion you have expressed is found and embodied in your official report?—A. In the confidential communication I have made to the department the question which you have asked me will be found answered.

By Mr. Northrup:

Q. Is it in private letters to the department or in an official report?—A. In official reports.

Q. How many reports have you sent in on the Ross rifle, do you know?—A. Well, I have sent in two at least.

By Mr. Hughes (Victoria):

Q. Have you had much experience with Mark II.?—A. I have.

Q. You have with Mark II.?—A. Yes.

Q. And the changes that have been made between Mark I. and Mark II., are they to the advantage of the rifle?—A. That is confidential.

Q. I am now referring to reports that you signed along with General Otter?—A. I said I had sent in at least two reports, there was one in 1901. I was on a board with General Otter, that, I think, you will find in the return. That was one I was referring to.

Q. On the jamming of the cartridge after firing, what was the cause of the jamming of cartridges in the rifle, was it the chamber was too small or what?—A. You had better not get on that ground here. All these things are confidential, and I cannot say anything about them.

Q. I do not refer to this rifle particularly, but about any rifle?—A. It does not matter.

By Mr. Maclean (Lunenburg):

Q. Do you say they were confidential as a matter of policy in the administration of the Militia Department, do you mean?—A. Well, I have addressed a report to the

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department, and the Militia Council have decided that this report is as yet incomplete and transitory, and until they have had a reply from the Ross Rifle Company it has not been deemed advisable to produce that report, until these gentlemen have had an opportunity of examining it.

Q. It is not a complete report?—A. It will not be complete until the Ross Rifle Company replies. I understand that is the decision of the Militia Council. Therefore, I am not at liberty to make any statement in connection therewith or to touch on any subject that is referred to in that report.

By Mr. Northrup:

Q. How long since that report was sent in?—A. 2nd January, 1907.

Q. That is three months ago, and this committee cannot get information until the Militia Council gets ready to act apparently. I was speaking about the Ross rifle Mark I.; you decline to give information about that. Have you seen the Ross rifle Mark II.?—A. I have.

Q. Does it differ from Mark I.—A. It does.

Q. Slightly or materially?—A. Oh, it differs materially.

Q. Can you give us a description of the respects in which it differs?—A. In cocking the rifle, and in closing the bolt, the mainspring is compressed on closing the Mark I.; the reverse action occurs in Mark II.

Q. It is the exact opposite?—A. Yes.

Q. Which do you think is the better?—A. I have no opinion to give.

By Mr. Hughes (Victoria):

Q. What he means is he declines to give an opinion?—A. All this information is dealt with in that report.

By Mr. Northrup:

Q. Exactly, there are a number of differences between the two?—A. Between Mark I. and Mark II.

Q. Yes?—A. Oh, yes, there are a great many minor differences, I cannot remember them.

Q. I think Colonel Cartwright pointed out fifteen, or fifteen were pointed out to him, and he suggested another one, making sixteen, do you know that?—A. I have no knowledge.

Q. Which do you think is the better rifle, Mark I. or Mark II.?—A. I cannot say at present.

Q. Has there been any other rifle than Mark I. and Mark II., have they got to Mark III.?—A. I cannot say, I saw a rifle in this room, and I overheard somebody say it was a Mark III. I really know nothing about it.

Q. Do you know what kind of sight was put on the Ross rifle Mark I.?—A. I do.

Q. Is that sight still used?—A. The sight put on originally on the sealed pattern, was afterwards discarded.

Q. Was that sight one that was approved on the original rifle by the committee?—A. Which sight do you mean?

Q. Which was used on Mark I., and subsequently discarded?—A. The original sight used on the sealed pattern, yes, it must have been approved or it would not have been put on that pattern.

Q. That is, the sight which was put on Mark I. and subsequently discarded, was approved by the committee which originally approved of the Ross rifle?—A. No, the committee had not approved of that sight, because as far as I can remember—no, I think the sight was lengthened afterwards.

Q. By the Ross people after the rifle had been submitted to the committee?—A. Yes, the rifle which we examined originally in 1901, as far as I can remember, did not have that long sight, I am not quite certain about that.

Q. Your impression is that you passed a rifle that had not a long sight and the rifle delivered had a long sight, is that correct?—A. No, that was never delivered, because the action of the company altered that again. I think that appears in the correspondence.

Q. Who paid for the alteration, can you say?—A. I do not know, I have not anything to do about the payment.

Q. At all events the long sight was discarded and a second was taken up. Is that second one the adopted one that is used still on the Mark II.?—A. As far as I am aware of, but I have had nothing to do with the Ross Rifle Company since 1904.

Q. Why was it you ceased to inspect?—A. I had too much work.

Q. You wrote a letter, did you not, pointing out you would decline to take the responsibility under the circumstances, was there not a letter to that effect?—A. Under what circumstances?

Q. Under the circumstances of the contract, the way the contract was, and the want of appliances?—A. I have written so many letters I would like to see the letter.

Q. Do you remember objecting to certifying to 75 per cent advance?—A. I do.

Q. About when was that?—A. That must have been—it was in the early part of their operations.

Q. Here is a letter from you, dated the 22nd of April, 1903?—A. That is it, yes.

Q. You say as follows:—

‘I have been directed to obtain receipted invoices for material and to examine the contractors’ books to ascertain amounts paid in wages, with a view to using these figures as a basis on which to recommend advances not exceeding 75 per cent of the price of the rifle.

‘After careful consideration, it is found impossible, under this system, to carry out the instructions received, in guaranteeing that the percentage laid down in the contract shall not be exceeded, for the following reasons:—

‘(2) The shipments of materials received consist of barrels, receivers and sundry components.’

Then you give a number of reasons, and among other things you say:—

‘It is submitted that if the inspector is expected to take into account the value of materials and workmanship, in making his estimates, he has been given an impossible task, and it is suggested that the contractor’s certified statements of expenditures under clause 8, be transmitted to the department, and that the amount of advance to be paid, be determined at headquarters.’

After giving a number of reasons why you think it was impossible for anybody to do as you were asked to do, you say that. Will you explain what had occurred that caused you to write that letter?—A. I think the reasons are all given in that letter there, the letter itself contains the reasons.

Q. You had been asked, I suppose, to make advances, is that it?—A. Under section 8, the contractors were entitled to be paid 75 per cent on progress estimates. That was what gave rise to that letter.

Q. The contractors claimed an estimate of 75 per cent?—A. They did.

Q. And you found it, as you said here, impossible to certify to that, is not that the case?—A. I did.

Q. So you refused to do it?—A. I suggested an alternative method.

Q. You suggested that that should be done by the department at Ottawa?—A. Quite so.

Q. That suggestion was adopted, was it?—A. There was a modification of it adopted.

Q. Who was appointed to inspect?—A. A chartered accountant was appointed.

Q. Mr. Wurtele?—A. Yes.

Q. Who was this Mr. Wurtele? Who was he?—A. I understand he is the representative of the Bank of Montreal.

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Q. As between the Bank of Montreal and the Ross Company?—A. I presume so.

Q. Did you know the Ross Rifle Company were getting all their finances from the Bank of Montreal?—A. I did not.

Q. Did you know that Mr. Wurtele was representing the Bank of Montreal and that the government arranged in some way that he was to certify to the amount, is that it?—A. He was to certify to the expenditure on wages and material.

By Mr. Hughes (Victoria):

Q. Mr. Northrup has made use of the term 'advances' made by the Bank of Montreal to the Ross Rifle Company. Do you know anything about the financial relations between Sir Charles Ross and the Bank of Montreal?—A. Nothing whatever.

Q. Are you aware that Sir Charles Ross paid over three quarters of a million dollars into the Bank of Montreal to the credit of this company, and for the conduct of this company?—A. I had not heard it before.

Q. Did you know he sold the Bannington Falls in British Columbia and put everything he received for it to the credit of this company?—A. I had not heard of it before.

By the Chairman:

Q. Did you say Mr. Wurtele was a chartered accountant?—A. He is a chartered accountant.

Q. He is not in the employ of the Bank of Montreal?—A. Oh, no—pardon me, I think that he was considered acceptable to the Bank of Montreal.

By Mr. Hughes (Victoria):

Q. Who is this Mr. Wurtele, is it Lieutenant-Colonel Wurtele?—A. Yes, he was not employed as a military man, but as a chartered accountant.

By the Chairman:

Q. Do you know that he is the man upon whom the contractors, the Bank of Montreal and the government agreed to have there?—A. I know so little about it that I would not like to say.

By Mr. Northrup:

Q. Do you know how much of the Ross rifle factory building in Quebec is occupied by the government for business purposes?—A. How much of the Ross rifle factory building?

Q. How much of the Ross factory building is occupied by the government?—A. I could not say definitely. You can get the other witnesses who come to state that.

Q. I thought as you had been there you could state roughly. I do not want to know exactly?—A. So many changes have been made since I had anything to do with it I cannot say.

Q. You were there the first two years?—A. Till June, 1904.

Q. Up to that time how much of the premises was occupied by the government?—A. We only had a little place about the size of this platform.

By Mr. Hughes (Victoria):

Q. Occupied by the government, what for?—A. In connection with the Ross rifle. When I was there we occupied a little room, they were rather hard up for space and it was a very small room.

Q. The point I want to make is that it was not for storing rifles nor ammunition, but for work in connection with the Ross rifle?—A. Certainly.

By Mr. Northrup:

Q. Up to the time you left in June, 1904, all the room the government occupied

in the Ross rifle factory was a small room?—A. Yes, it was only a temporary arrangement.

Q. Have you seen the premises there recently?—A. Yes, I have been in the inspector's office this winter once or twice.

Q. In case we have not any other witnesses, speaking generally, how much of their factory is occupied by the government for any purpose?—A. I could not say definitely.

Q. Do you know how much land the Ross Company have possession of in the Plains of Abraham?—A. I do not.

Q. Speaking roughly, is it ten acres or fifty acres, how much about?—A. The only evidence I could give would be hearsay, what I had read in the papers, I do not know.

Q. We have it in the papers, but I cannot figure it out?—A. It would only be hearsay.

By Mr. Maclean (Lunenburg):

Q. Did you ever hear any rumours of the Birmingham Small Arms Company?—A. I have.

Q. Did you ever hear of them promoting a campaign in Canada against the Ross rifle?—A. No.

Q. You never heard of any correspondence from them with anybody in Canada?—A. No.

By Mr. Hughes (Victoria):

Q. Do you know of any other small arms company in Britain or the United States?—A. I know hundreds of them.

Q. That are in the habit of supplying the British government with arms?—A. Not supplying the British government, but there are lots of firms in existence.

Q. The London Small Arms Company have supplied the British government with arms, have they not?—A. I do not know.

By Mr. Northrup:

Q. While you were there, do you know where the various component parts of the Ross rifle came from? Were they made on the premises or imported?—A. The forgings were imported in the rough and they were machined on the premises.

Q. What do you mean by the forgings? Take the springs, the locks, and bolts, were they brought in in the shape that they were used?—A. When I say forgings, the steel is taken roughly forged into the shape and then finished in the machines.

Q. Did that continue up to the time you left?—A. It did.

Q. Do you know whether there is any provision in Quebec to make these various forgings?—A. I do not know.

By Mr. Hughes (Victoria):

Q. Can they be made in Quebec?—A. They can be made at the North Pole if you put in the machinery.

Q. Do you know that other forgings are made in Canada for any purpose?—A. For rifle factories? This is the only rifle factory in the country.

By Mr. Northrup:

Q. Do you know where they came from?—A. From the United States.

Q. Do you know what company they came from, or where?—A. It is hard for me to recollect that.

Witness discharged.

Major A. O. FAGES, called, sworn and examined.

By Mr. Northrup:

Q. What is your position in Quebec?—A. I am in command of the 5th Regimental Depot, R.C.R., Quebec.

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Q. Have any of these Ross rifles been issued to you?—A. Yes.

Q. When were they first issued?—A. We have only received the Mark II. rifles, they were issued on the 15th June, 1906.

Q. You never had the Mark I.?—A. No, I never saw it, only the one produced here, I don't know anything about it.

Q. You are still using the Mark II.?—A. Yes.

Q. How do you find it as a rifle?—A. I have no personal experience with the rifle at all, I have never fired a shot with the rifle. The fact was that when the musketry was carried on, I practically went away on leave of absence for a month, and the musketry was really carried on during my absence. Personally, I know very little about the rifle except what has been brought to me that several rifles had from time to time been reported and they were returned to be fixed up.

Q. Some Mark II. rifles were brought to you with defects, is that it?—A. A militia order was, you are aware, issued asking us to bring to the notice of the department any small defects which might happen to develop during the musketry course, or at any other time.

By Mr. Hughes (Victoria):

Q. Had you ever received such notice about any other rifle, about the Lee-Enfield for instance?—A. No. Well, when this order was given I at once gave instructions to those using the rifle to take great care in going through the musketry course to report to me any little defects, or what I might call accidents, or anything that might happen. Whilst the course was proceeding, some ten rifles—that was about the end of July—were reported to have had some irregularity. The defects noted were as follows, not of serious consequences, with the exception perhaps of one. The report made to me was as follows:—

'G.M. II. 36, 1905 A—Not accurate and reliable when firing beyond 100 yards, as per sketch annexed marked "A."'

'G.M. II. 579, 1905 A—Back sight reversed.

'G.M. II. 593, 1905 A—Bolt blew back when firing.

'G.M. II. 952, 1905 A—Will not extract cartridge.

'G.M. II. 174, 1906 D—Bolt stop broken.

'G.M. II. 411, 1906 D—Bolt stop broken.

'G.M. II. 191, 1905 A—Foresight loose.

— 'G.M. II. 187, 1906 D—Screw lower swivel missing when received.

'G.M. II. 155, 1906 D—Barrel loose where it screws in the body (breech).

'G.M. II. 542, 1905 A—Extractor and safety catch will not work properly and bolt stop out of order.'

Well, these rifles were of course put aside, although I did not consider the defects serious, with the exception of the one that had the bolt blow back. They were put aside waiting until the musketry course would be finished. I happened to meet Colonel Cotton during that time and had a conversation. I forget whether I brought it up or whether he did, but I was ordered to send these rifles down to the office and to put on a piece of paper these remarks which I have just read over to you. The rifles were sent there and the Colonel himself, I think, looked them over, I am not sure whether Major Pym did not also see them, I believe he did. I received instructions to send them to the factory to be put in good order and they would be returned to me or exchanged, which I did.

Q. You spoke about ten rifles having irregularities, how many rifles were there in your command out of which these ten were found defective?—A. At that time let me tell you we had to send a very strong detachment, about fifty men—

Q. You sent down about fifty men?—A. Well, there must have been I think about fifty or sixty men, I think very likely engaged in that detachment.

Q. Out of that number ten rifles proved to have defects?—A. There might have

been more, if I had thought I would be asked that question as to strength I could have consulted the parade state. I sent fifty men down to Halifax about May, if I remember, and then we started recruiting again, and how far we had gone that is hard to say.

Q. These rifles had only been received a month before?—A. Yes, the 15th of June.

Q. The practice was in July?—A. Yes, in July and part of August.

Q. One month, or a little over a month?—A. I should say it was within two months.

Q. What was your experience of that practice with Mark II. rifle? Are you prepared of your own knowledge to give any information as to Mark II. rifle?—A. No, sir.

Q. Since that time have your men used the Mark II. rifle for musketry practice?—A. I must say, no, the musketry practice ceased about that time; we carried it on during the summer and afterwards we had no reason to go out to shoot except some of the good shots who want to keep up their practice, and they go down in the afternoon.

Q. There has been practically no company practice since?—A. None.

Q. There has been no practice in the way of testing the rifle since that time?—A. No, I do not think so. As I say, some men that like to go into the D.R.A. matches and things like that have gone down the range and fired, but I did not get any complaints from them whatever.

Q. You do not know anything about what they did with it?—A. No.

Q. From whom did your company get the rifles, from the department?—A. From the ordnance stores.

Q. Had they been inspected before they were passed on to you?—A. I cannot say, I do not know anything about it.

Q. Were they inspected by you on receipt?—A. No, we issued them as we got them.

Q. Were they new rifles, or had they been previously used?—A. They were new rifles.

Q. Did you write to the department notifying them of these results?—A. I wrote a letter; in fact there was no necessity for me to write as the master of ordnance was aware of what had taken place and instructions, verbal instructions, had been given to send the rifles in which I did. But on returning from leave I discovered some of the rifles were returned with a few remarks from the engineer through Major Pym, that is all, and on that I replied.

Q. The master of ordnance, I did not follow you, came to know of these facts and gave instructions that such rifles should be sent in and you sent them in, did you?—A. I sent this, as I stated before to the district office, they were examined up there, and I got instructions to return them to the stores.

Q. You did return them to the stores?—A. Yes, and they were repaired and returned back to us again.

Q. That is the government stores, I suppose?—A. Yes, well I think they went back to the stores or they might have been taken to the factory itself; I would not be quite positive because it was a special case.

Q. Have you had any Mark III. rifles?—A. No, sir.

By Mr. Hughes (Victoria):

Q. The report on the first rifle here says: 'Not accurate and reliable when firing beyond 100 yards.' Do you know what was done with this rifle after it left your hands?—A. I do not rememehr. Well, I am not aware that after it came back it was accurate.

Q. Did Captain Swift report on it?—A. I do not know anything about Captain Swift, but Major Barnes, the chief engineer, reported in writing that it might have been accurate.

Q. 'Back sight reversed,' that could be done by the man himself?—A. I do not think so, because the men had been directed not to tamper with the arms, and it was against orders for them to do so.

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Q. Well, I know that, but if the men did not obey orders?—A. Oh, well——

Q. Could not a jack knife turn that?—A. I presume that could be done.

Q. How could that possibly leave the factory and be reversed, would that be a serious defect? Could not anybody see it?—A. I should think they ought to be able to, but it surprised me that it should leave the factory in that condition.

Q. The next is a very serious one, I believe you have the cartridge, have you not?—A. As far as that goes, I did not see it myself, I saw the rifle damaged at the time.

Q. What was the damage done to the rifle, Major, please?—A. Would you like me to show you the report?

Q. Can you not tell us what the accident was?—A. I can tell you this, it was reported that the bolt blew back. Of course, we have no instructions giving us the names of the different parts of the rifle, but Major Pym is preparing some instructions showing the different parts of the rifle, the mechanism.

Q. That is the thing that should be done, it should have been done before?—A. I do not say it should have been done, but it is being done. Therefore it will not surprise you that a man in my position does not understand the mechanism of the rifle. I did not wish to interfere or attempt to teach any one things I did not know myself until we got the necessary instructions. The bolt which was reported, mind you I did not see it myself, that the little cover here, the magazine cover, that was reported to be blown off at the time of the explosion, and that piece was attached to the rifle when it was brought to me and we attached it together. That was reported by the Sergeant-Major who told me that the rifle was in the hands of Private Randall. On the board the fact was stated that the case of the cartridge which had exploded was broken at the base, I do not remember whether that was the cartridge fired at that time, I presume it was. There was an officer there that took it up and I strongly remonstrated with the officer in charge of the range for not having brought the cartridge to me for the reason that whether it was the fault of the ammunition or not, the case should have been in my possession. He apologized afterwards for not having done so.

Q. You did not see the shell?—A. No, I did not.

Q. Did you hear that the shell had been fired?—A. They said it was. I think that a man would be a fool to file the cartridge, as has been suggested, and then put it in his rifle.

Q. A trick might have been played upon him by another man. Supposing that one of the man's comrades had a little spite at him and wanted him to fire a defective cartridge?—A. No, I do not think it was that. It may have been a cartridge which was defective and the accident may have occurred from that, but to think it was filed before it was put in the rifle, I do not think that.

Q. You do not think so?—A. I would not think so.

Q. Well, we will give evidence to show that it was filed.—A. Well, of course that may be, but I do not know of that.

Q. 'Would not extract cartridge,' are you aware that it was explained that it had extracted the cartridge all right?—A. This was reported in some cases that it was hard to extract the cartridge. As to the cause of it, I leave it to the manufacturers to deal with that.

Q. 'Bolt stop broken,' that is a mere accident?—A. That is on account of this little knob breaking off.

Q. If a man wanted to be a little adverse to the rifle he could knock it off?—A. Of course if a man wanted to do it purposely he could certainly do it.

Q. 'Foresight loose,' that is a matter of no consequence?—A. No, it was attended to.

Q. 'Screw lower swivel missing,' that is off?—A. Yes, that is down here.

Q. This was one thing that was not a defect in the rifle?—A. It was of no consequence, no.

Q. 'Barrel lose where it screws in the body,' you did not see this yourself?—A. Oh, yes, they showed me this afterwards, it was loose under the breech.

Q. You do not know whether it had been taken apart by the man?—A. No, I do not think so.

Q. You could not say?—A. No, I do not think so.

Q. If it were screwed up and the set screw put in place, it would be impossible to get loose. 'Extractor and safety catch will not work properly'?—A. Yes, when I say that it was for the information of the factory, that was all.

Q. Now, of all these accidents, there is only one that amounts to anything. That is this where the defective cartridge occurs?—A. That is the only serious thing that happened.

By Mr. Maclean (Lunenburg):

Q. The Mark II. Ross rifle is a pretty good rifle?—A. Well, gentlemen, I am really not in a position, being under oath, to express an opinion, unless I tried the rifle myself, and satisfied myself that everything is what I should like it to be. It is a pretty difficult thing to express an opinion on a new rifle.

Q. You do not know enough about the rifle to express an opinion?—A. No, I could not see anything to condemn it for, and I will not express an opinion as to an arm that I do not know anything about really. I do not wish to express an opinion of that kind, not having had sufficient experience with the rifle.

Q. The question I asked you about is, do you know anything about it as an arm?—A. No, except from what reports I have received and what I have seen.

Q. And therefore, you are not in a position to express an opinion?—A. No, I am not in a position to express an opinion.

By Mr. Daniel:

Q. You are an artillery officer?—A. No, an infantry officer.

By Mr. Hughes (Victoria):

Q. It would be of great advantage to have a little book giving instructions in the different parts of the rifle?—A. Well, of course, as I have stated before, we have to teach the militia the mechanism of the rifle, the shooting, which is the principal part of it, the cleaning of the rifle, &c., and it is very difficult for us to manufacture names for the different parts when we do not really know what to call them.

Witness discharged.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 32,

OTTAWA, FRIDAY, April 5, 1907.

The Select Standing Committee on Public Accounts met at 11 a.m., Mr. Geoffrion, acting chairman, presiding.

The committee proceeded to the further consideration of the payment of \$354,091.84 in connection with Ross rifles as set out at Q—118 of the Report of the Auditor General for the fiscal year ended June 30, 1906.

Mr. NORTHROP.—I understand that an agreement has been made between Sir Wilfrid Laurier and Mr. Borden that the present Auditor General's Report and the public accounts are to be referred to the Public Accounts Committee next session, and that in consequence no further investigation will go on before this committee during

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this session unless with the express consent of the Hon. Mr. Fielding and Mr. Borden. Now, so far as this morning's work is concerned, I have Mr. Borden's consent to proceed, provided Mr. Fielding also consents, but I am not willing to examine witnesses or take any part in the committee unless the chairman is satisfied that Mr. Fielding's consent has been given. I merely mention this in order to avoid any misunderstanding a few months later, not that I mistrust any members of the committee, but to avoid possible mistakes next session.

Mr. HUGHES (Victoria).—I might state that the matter is all arranged between Mr. Borden and Mr. Fielding. Mr. Borden came and told me the result of his conference with Sir Wilfrid Laurier, and that there were to be no more meetings of the committee unless Mr. Fielding gave his consent. When Mr. Borden came and told me what the arrangement was, I wrote to Mr. Fielding and said: 'Kindly do not call off Ross rifle inquiry to-morrow—whatever you may do later.' In reply to that Mr. Fielding wrote: 'Sir Wilfrid and Mr. Borden had an understanding that the committee should not meet. Mr. Borden talks of a meeting. If he wishes it I shall not object.' That is Mr. Fielding's reply. Then I know that afterwards Mr. Borden saw Mr. Fielding and that the matter is arranged.

Dr. DANIEL.—I think the matter should be understood so that there will be no possible doubt about it when the committee assemble together next session. Whatever arrangement is come to should be a matter of record so that there will be no doubt about it, and so that anybody can turn up the record and know exactly where we stand.

(Discussion followed.)

The CHAIRMAN.—Then we will go on and examine the witnesses who have been summoned for to-day.

WILLIAM O. BARNES, civil engineer, called, sworn and examined.

By Mr. Hughes (Victoria):

Q. You are engineer of the Ross Rifle Company, the manufacturers of the Ross rifle?—A. Yes.

Q. Will you be good enough to take the Mark I. rifle and explain to the committee the chief objections urged against that rifle. One of the objections is that the back sight is very weak?—A. That is the back sight.

Q. Do you consider that too weak?—A. Well, it might be stronger; all things might be stronger.

Q. Could a corkscrew be very readily made out of that backsight?—A. No, not out of that.

Q. Have you ever heard complaints in the factory about the weakness of the sight?—A. No.

Q. You have heard some of the reports urged here?—A. Some of them.

Q. You have noticed this is one of the stock in trade objections to the rifle?—A. Yes.

Q. This is the same sight as on all the rifles of that Mark?—A. Yes.

Q. One of the objections to this rifle is that this piece of wood here is loose. Would it be possible to have that piece of wood any other way than loose?—A. It would be possible, but not desirable.

By Mr. Reid (Grenville):

Q. Why?—A. The wood is intentionally made to come off so as to get at the barrel.

By Mr. Hughes (Victoria):

Q. How is it held on?—A. By this spring here (illustrating).

Q. This rifle I am now handing you is the new English rifle, is there any loose piece of wood about that?—A. Yes, that is made to come off in the same way.

Q. You do not consider that an objection?—A. Not at all.

Q. In other words, it is the customary way, is it not, for all that class of wood to be placed on the rifles in that manner?—A. Yes.

By Mr. Daniel:

Q. Which has the better spring of the two, that keeps that piece of wood in its place?—A. I should say one is as good as the other, I do not see any difference.

By Mr. Hughes (Victoria):

Q. It comes off the easier in the English rifle?—A. Yes.

Q. Now take the Ross rifle and take it off that?—A. There is not very much difference between them, if anything I should say the Lee-Enfield will come off easier.

By Mr. Daniel:

Q. It will be more likely to come off of its own accord in case of the rifle knocking against anything?—A. I do not think either one of them would come off.

By Mr. Hughes (Victoria):

Q. Another point I want to call your attention to. This is the Lee-Enfield rifle, is it not, their Lee-Enfield Mark I.?—A. Yes.

Q. Do you notice this piece of wood on here?—A. Yes.

Q. The barrel hand piece?—A. Yes.

Q. Do you regard that as a good fastening?—A. No, I would not say it was. This piece of wood is fastened to the barrel at this point of the band—the real band—and the upper band there (illustrating).

Q. Would you consider that a serious defect in the rifle, though?—A. Why no.

Q. A very trifling defect in the English rifle?—A. Yes.

Q. And if you were criticising the English rifle would you regard that as a defect against it?—A. No, I should not.

Q. And yet we find it brought here and urged as a defect in the Ross rifle. Do you regard that as a defect in the Ross rifle?—A. Not at all.

Q. Major Perry in his evidence said the magazine spring was weak. What is your opinion in regard to that?—A. I think it would be possible that a few individual springs in individual rifles might be found to be weak.

Q. Might be found to be weak?—A. Yes.

Q. But there is no general complaint?—A. No.

Q. Another objection urged to this rifle is that the butt and stock are one continuous piece of wood. You have the Ross rifle in your hand, what is the difference between the Ross rifle and the Lee-Enfield rifle in that respect?—A. The stock of the Lee-Enfield is composed of two pieces.

Q. Would you please show that on the rifle?—A. The fore end, that runs from here down to this part (illustrating).

Q. Down to the breech?—A. And then the butt end, that runs from the breech down to the butt piece.

Q. And how are they held together?—A. The fore end is held together by means of screws.

Q. At the breech action?—A. Yes. The butt is held by a screw that is let into the wood, in a hole in the wood, and screws into this piece here in the butt. It extends about that length (illustrating).

Q. Through the small of the butt?—A. Yes.

By Mr. Daniel:

Q. Does it come to the end of the butt?—A. No it extends about this length (illustrating).

Mr. HUGHES (Victoria).—In other words, it is held in by a collar.

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By Mr. Daniel:

Q. And screwed in, is it?—A. Yes.

By Mr. Hughes (Victoria):

Q. Is there any objection to the butt being in two parts?—A. Yes, decidedly, it is apt, the wood is apt, to dry out and become shaky and loose.

Q. The wood is which?—A. The wood is apt to dry out and become loose and shaky.

Q. And as a matter of fact that rifle is shaky?—A. Yes.

Q. I suppose you know that a great many of them, especially when out of the armoury for a time, do become loose and shaky here. Another objection urged by Major Perry—

Mr. DANIEL.—Did Mr. Barnes say that a great many become loose and shaky, or did Colonel Hughes?

Mr. HUGHES (Victoria).—I asked the question, Dr. Daniel.

The WITNESS.—I said the wood was apt to dry out and get shaky. I have seen a great many that were shaky.

By Mr. Hughes (Victoria):

Q. Another objection urged in one of the reports here is that the back sight line on the Ross rifle is not in the centre. Would you consider that a very serious objection to the rifle?—A. No.

Q. Possibly it might be due to the fact that the man did not know there was a wind gauge on the rifle?—A. Possibly, yes.

Q. Another objection urged is that the rifle is sighted too high. Did you regard that as a serious objection?—A. I think the sighting is too high, that objection may be owing to the difference in sight between two different men.

Q. Another objection that I find in one of the reports from Quebec is that on firing the rifle an explosion took place, and the magazine was broken or bent at the side. Do you know anything about that?—A. No.

Q. Did you ever have any experience with a defective cartridge in a rifle brought back to Quebec?—A. Yes.

Q. That is the rifle I refer to. What were the defects in connection with that?—A. The facts in connection with that rifle were that the rifle was sent back to the Inspection Department at Quebec with the report that the bolt blew back in firing. It was shown the cartridge case that came from the rifle.

Mr. HUGHES (Victoria).—Dr. Reid, I want your attention to this; I am bound to convince you.

The WITNESS.—I was shown the cartridge case that came from the rifle and from the firing of which it was alleged the bolt blew back. The cartridge showed—

By Mr. Hughes (Victoria):

Q. A break?—A. A break like that (illustrating).

Q. This is a facsimile of the cartridge case (exhibiting cartridge case)?—A. This is a facsimile of the cartridge case.

Q. Of the one that was broken, the other was held by the officer?—A. The cartridge was taken and filled so as to be a facsimile of the other cartridge, and then it was fired in the same gun. The bolt did not blow back or did not show any indications of blowing back.

By Mr. Reid (Grenville):

Q. How did you know the cartridge was filled?—A. It showed plain evidences.

By Mr. Barker:

Q. As plain as that?—A. Yes, sir, as plain as that.

By Mr. Reid (Grenville):

Q. Then what you mean is, it was probably filed deliberately before it was put into the gun?—A. It was deliberately filed before it was put into the gun.

By Mr. Barker:

Q. Why would it not be as fair to suppose that after the accident happened, some one saw the way it occurred and filed the cartridge then?—A. Because—

Q. Would the blackening show that?—A. Yes, the blackening would show that. If you filed that it would show the break in the metal.

By Mr. Hughes (Victoria):

Q. Is it customary in testing explosions such as this, to make cartridges defective?—A. Yes, it has been done.

Q. Is it not always done in testing rifles?—A. Yes.

Q. Is it not the custom, for instance, to saw the cartridge on this side; it is easily sawn from the base, is it not customary in testing the magazine of a rifle?—A. That is one of the tests that would be applied in testing the model of a rifle. It would not be applied to every rifle.

Q. Oh, no?—A. Because it would not be fair to the rifle.

Q. It would be likely to do some damage. Have you ever seen the Ross rifle tested in this way?—A. Yes.

By Mr. Northrup:

Q. It would not be fair to the rifle, you say?—A. Not fair to the rifle.

Q. To cut the cartridge?—A. To cut the cartridge before firing.

By Mr. Hughes (Victoria):

Q. What would be the effect of the explosion?—A. The explosion would come out all around the breech.

Q. Is it customary to make defective cartridges to test the magazine of a rifle through the backward explosion of the powder?—A. Yes.

Q. I am trying to get some other defects. 'Small of the butt weak,' that is a very important thing. Now we are on this, you notice this is the new Springfield rifle (rifle handed to witness), you recognize it as that?—A. Yes.

Q. Wherein does the butt mechanism in the new American Springfield rifle differ from the butt construction of the Ross rifle?—A. In no way except slightly improved.

Q. In other words, the butt of the new American rifle is made of one continuous piece of wood the same as the Ross rifle?—A. Yes.

Q. Are all rifles the same length in the butt, even in the same arm?—A. No.

Q. They are made of different sizes for different men, and tall men have a longer butt to the rifle; if the American government adopted a rifle with one continuous piece of wood in the stock and butt should that be regarded as a defect in the rifle?—A. No, the majority of military rifles of the world—

Q. What is the custom in other nations with respect to the stock being in one continuous piece?—A. The majority of the military rifles of the world are fitted with the one-piece stock.

Q. But the Lee-Enfield rifle is fitted with two pieces?—A. Yes.

Q. It has a two-piece stock?—A. Yes.

Q. Do you know what the Mauser rifle has?—A. Yes.

Q. What is it?—A. A one-piece stock.

Q. What has the Mannlicher?—A. It has a one-piece stock also.

Q. And the Italian and French rifle?—A. They each have a one-piece stock.

Q. The English rifle, though, is in two pieces. Then it would naturally follow that the Englishman who has been in the habit of handling the Lee-Enfield rifle should think that the butt, being in one continuous piece, is a defect?—A. Naturally.

Q. Why?—A. Because that is not what he has been in the custom of using. If

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he had been using the one-piece rifle stock I do not think it would convey anything to him.

By Mr. Northrup:

Q. Does it make any difference in a one-piece wood butt whether the grain runs one way or the other?—A. Whether the grain runs one way or the other, do you say?

Q. Does it make any difference in the way in which the grain runs in your rifle, in the one-piece stock?—A. Why, yes.

Q. Have you always had the grain running in the same way?—A. Well, understand, Mr. Northrup, the grain of two pieces of wood never runs the same.

Q. Have you not had complaints made against your Ross rifles because the grain was put in the wrong way, and you changed it?—A. And you changed it?

Q. Yes, changed the mode of putting in the grain of the wood?—A. We cannot change the mode of putting the grain in the wood, that is the way the wood grows.

Q. Have you not had complaints about the way the wood was laid in the butts of these rifles?—A. I have seen the report of, I think, one case in which it was stated that it was cross-grained in the stock.

By Mr. Hughes (Victoria):

Q. That the butt was partially cross-grained?—A. Yes.

By Mr. Northrup:

Q. That is the only one you have heard of?—A. That is the only one I have heard of.

By Mr. Barker:

Q. I suppose you would have to take a great deal more care in selecting the wood to avoid any trouble of that kind when the stock was in a single piece?—A. Yes.

Q. But before you took that care, if you did not take that care until lately, were there any defects of that kind because there had not been sufficient care taken in selecting the wood, and getting the grain the right way?—A. What is that question?

Q. Did difficulties arise and did the stock break because there was insufficient care taken in selecting the pieces of wood for the stock?—A. The rifle I saw did not break because it was cross-grained. The rifle I saw that was broken, was broken because it had been mishandled.

Q. Were there none broken in your knowledge, or according to the reports made to you, simply from the grain running across?—A. None that I have seen, no.

Q. Did you ever hear of any?—A. I have seen a reference in the reports that were put in, but I think it is only one or two rifles.

By Mr. Daniel:

Q. What reports did you see this in?—A. I think it was the report of the N.W.M.P.

Q. That is the report of the board of officers on the rifle?—A. I think so, my recollection of that report is not clear.

Q. Reading that report, and coming from the source that you believe it to have come from, you naturally place some reliance upon the report that was given?—A. From my recollection of the report I think there was, as near as I can make out from it, there was a complaint about one or two rifles out of one thousand in which it was said that the grain of the wood ran across the stock.

By Mr. Hughes (Victoria):

Q. Was there any report in connection with the Northwest Mounted Police that the rifle had broken at the small of the butt?—A. No.

Q. Not one?—A. No.

By Mr. Daniel:

Q. If the grain of this stock runs in this direction, right from here up (illustrating), is it not absolutely necessary that it must be weak here in the small of the butt? In other words, here you have the grain which runs off here, and here, and there and does not that necessitate this part being very weak?—A. No.

Q. Would it not be likely if it got any blow, to break off there, more likely than if it were in two pieces with a strong bolt and a screw up in it to retain it together?—A. I do not think it would be necessarily so.

Q. Not necessarily so? Do you think it would not be likely to be so? Is it not more natural to think this would make a break there when the grain runs right off short? So that all you really have there in the small of the butt is, in this case, just about one-half the thickness of the small of the butt. That is all you have to retain the strength of the stock, is not that true?—A. I should say that with regard to the strength of that stock there it would be stronger at the small of the butt than the stock of the Lee-Enfield rifle.

By Mr. Hughes (Victoria):

Q. What makes you think that?—A. Because of the leverage strain that there is on that collar and screw.

Q. Is the stock of the Lee-Enfield rifle in two parts held together by a collar and screw?—A. It is held together by a screw.

Q. Under the collar and a screw at the base?—A. Yes.

Q. And the Ross rifle stock and butt are in one continuous piece?—A. Yes.

Q. What rifles, to your certain knowledge are built on the same model as the Ross rifle in that regard?—A. The German rifle, the Austrian rifle, the Swiss rifle, the Italian rifle, the Swedish rifle, the Japanese rifle, and the American.

Q. The Ross rifle is on the model of all these nations?—A. Yes.

Q. And departs from the Lee-Enfield rifle in this particular?—A. Yes.

By Mr. Daniel:

Q. With regard to the rifles of these foreign nations, do you know the wood of which the butt of those rifles are made. Do you know whether the manufacturers of those butts do anything to bend the wood in such a way that when it is formed into the stock, the grain will be continuous in one direction?—A. No.

Q. It is not bent?—A. No, it is not bent in any way.

Q. What wood is the butt of the Ross rifle made out of?—A. Walnut.

Q. Is that the same wood that the butts of these other rifles are made out of? How is the wood that is put into the butt of the Ross rifle seasoned?—A. It is seasoned for some years before we obtain it, and then it lies in the factory for years before it is put into the rifle.

Q. For how many years?—A. I think the wood of all our rifles has been stored in our factory for at least three years.

Q. After they are made?—A. After they are made.

Q. But how long is the wood being seasoned before it is manufactured into butts?—A. Before it is manufactured into butts it would be probably five years.

Q. You say it is seasoned before you get it?—A. Yes.

Q. How do you know?—A. By the condition it is in when we get it.

Q. Do you know how it is seasoned? Is it kiln-dried or naturally seasoned by time, or is it put through a forcing process?—A. No, I don't think so.

Q. Do you know that it is not?—A. No.

By Mr. Hughes (Victoria):

Q. A charge against the Ross rifle is that in ordering arms, the breech falls open. Have you anything to say to that?—A. Yes, it would not fall open if the action was locked.

Q. And does it readily fall open if the action is unlocked?—A. No.

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Q. Is there a difference between Mark I. and Mark II. in regard to the liability of the breach action to fall open?—A. Yes.

Q. Please explain it?—A. The cocking or compression of the mainspring in the Mark II. rifle is effected by the withdrawing of the bolt.

Q. On the back action?—A. In the Mark I. rifle the compression of the mainspring is effected by the pushing of the bolt.

Q. In other words, one is cocked by pulling out, the other is cocked by pushing forward?—A. In the Mark I. rifle the mainspring will resist the opening of the bolt.

Q. And in Mark II.?—A. It has no tendency to resist.

Q. Have you ever heard of a bolt flying open when it is fired in the Ross rifle? It is charged that in one case the bolt flew open. Have you ever seen one do that?—A. I have heard it alleged.

Q. Did you ever know of one?—A. No.

Q. Have you ever known of a Ross rifle to burst in firing?—A. No.

Q. I will not ask anything about the figures of compression or the tensile strength of this rifle—the official reports show that. What is the particular difference between these two rifles, the Lee-Enfield and the Ross, in regard to the opening? In other words, the charge is made that the action of the Ross rifle comes open. Is it possible for the action of the Lee-Enfield to come open?—A. Very possible, yes.

Q. Have you ever known of any coming open?—A. In carrying?

Q. In carrying?—A. Yes.

Q. Is it an easy matter for the bolt of the Ross rifle to become loose, in other words to fall out of the rifle entirely?—A. No.

Q. Have you ever known of one, in action or use of the rifle to fall out?—A. No.

Mr. HUGHES (Victoria).—I don't suppose you have had much experience with the Lee-Enfield, so I should not ask you if you have ever heard of the bolt of that rifle falling out.

By Mr. Reid (Grenville):

Q. Have you ever had any experience with the Lee-Enfield?—A. Not on service, no.

Q. Have you had any experience with the Ross rifle on service?—A. No.

By Mr. Hughes (Victoria):

Q. I want to be fair, and I did not want to ask Mr. Barnes to criticise the Lee-Enfield rifle—I would rather have a Lee-Enfield expert—that is why I am not asking these questions about this rifle. Which would be cheaper, to have the stock made in one part or two parts?—A. It is cheaper in two parts.

Q. Would it not be better selected and seasoned when in one continuous part?—A. Yes.

Q. You were here when the witness was explaining the accident to the rifle at St. Johns?—A. No, I was not here.

Q. Were you here the day that Sergeant-Major Bowdridge was examined?—A. I was here one day.

Q. You heard Sergeant-Major Bowdridge, of the Northwest Mounted Police, explain the accident to the Ross rifle?—A. Yes.

Q. In other words, how is the collar fastened in the action of the Mark I. rifle? That is a Mark I. bolt (exhibiting bolt)?—A. That is a Mark I. bolt.

Q. Please explain to the committee how the accident happened to the Sergeant-Major's rifle?—A. The mainspring is retained by the retainer that is held in the back of the bolt by this stud here (illustrating).

Q. In other words there is a collar?—A. Yes.

Q. What could happen in that collar to cause the accident? Sergeant-Major Bowdridge had the collar with him and a little piece, the stud, was broken off?—A. Was broken off it.

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Q. Yes, did you see it?—A. No, I did not see it.

Q. Will you take that collar out?—A. Yes, sir. Can I have a cartridge shell? (Cartridge shell produced).

Q. The stud on that collar was off of the sergeant-major's rifle (producing stud). How could that happen?—A. I should like to see the rifle.

Q. Well, the rifle was here, I think it is here yet. If you go over to the Mounted Police Department you can see it. The sergeant-major claimed, I did not examine it at all, but he claimed that the little stud on that collar was broken off, or worn off, or had never been on it, and that caused it to fly back, that because of that the accident occurred. If that were released, the spring would force the firing piece back, would it not?—A. Yes, the spring would force it back.

Q. Would it be possible for the explosion of the cartridge to force the firing pin back?—A. The powder pressure does not get to these parts at all.

By Mr. Barker:

Q. But after that, and if the spring would work in that way, it could not work with sufficient strength to cause the damage that was done to him?

By Mr. Hughes (Victoria):

Q. Would the blow from the mainspring drive that bolt into a man's eye and hit him pretty sharply?—A. He might feel it, but I do not think it would do him very serious injury.

Q. When the needle hits the cartridge it is with a heavy blow, is it?—A. Yes.

Q. And the recoil the other way would be just as powerful?—A. Yes.

Q. That is if this were broken?—A. Yes.

By Mr. Daniel:

Q. Would that spring be strong enough to throw it over a man's shoulder and throw it away behind him?—A. This spring here, do you mean?

Q. Yes?—A. Possibly, you could shoot that spring through that window (pointing to window).

Q. Firing it that way, in case the gun went off as the Ross rifle has gone off on two or three occasions, and assuming this bolt to fly back, as it is said to have flown back on two or three occasions, a long way over a man's shoulder, would that spring alone, the action of that spring alone, be of sufficient strength to do that without any explosive power from the cartridge?—A. The only case that I have heard of a bolt blowing backwards, as we are speaking of now, was in the case of Sergeant-Major Bowdridge. That is the one case, I have never known of any others.

Q. There was one down in New Brunswick?—A. That was entirely different.

Q. In what way, were you there?—A. I was not there, but I saw the rifle.

Q. After it came here?—A. Yes.

Q. You do not know anything about the occurrence?—A. No, sir.

By Mr. Barker:

Q. Sergeant-Major Bowdridge put it this way. He admitted the spring action, but he said the injury he received could not arise wholly from that, although he said he was not able to account for the extra force which was applied.

By Mr. Hughes (Victoria):

Q. He said he imagined that there was some other power.

By Mr. Barker:

Q. But the previous day he swore it must have been caused from the explosion, but he said it was something he did not understand.

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By Mr. Hughes (Victoria):

Q. The sergeant-major, in his first day's examination, said his firing pin had been blown back, and he supposed it would be the action of the explosion of the cartridge. He said the cartridge had not been defective, but he noticed in the space around the base of his rifle and he supposed it was owing to the gases coming back. When I asked him how the gases could possibly reach the firing pin, and pointed out that it would have to come out of the forward end of the cartridge, down past the chamber, turn a right angle around the base of the cartridge, a sharp right angle upwards again, and another right angle back to the firing pin, and he refused to answer any more. The next day after examining the rifle, he admitted the spring would do that. He said it was the mainspring did it, but he imagined there was some additional force?—A. In case the cartridge was not defective, it would be impossible for the gas to get around there.

Q. About the St. John accident, will you explain how the St. John accident must have happened, according to what you know?—A. In the St. John accident the rifle showed this part of the bolt to be in perfect condition, the retainer, that is that part (illustrating). The mainspring was still retained under its ordinary compression in the bolt. The bolt in this rifle was shown to be not in a defective condition, as far as the retaining of the firing pin.

Q. By the collar and the mainspring?—A. And the mainspring. The retainer, the mainspring, the firing pin, the bolt itself and the bolt sleeve were in perfect condition.

By Mr. Reid (Grenville):

Q. After the accident?—A. After the accident they were in their normal place.

By Mr. Daniel:

Q. You will take the apparatus and show us, as we are not acquainted with the technical terms.

By Mr. Hughes (Victoria):

Q. One moment, before you put the little spring in. This is one of the springs which Commissioner Perry said the other day was too weak. This is the little spring that fits in at the base of the cocking piece, which he said, was in his opinion too weak. Have you ever heard of this spring being too weak?—A. No.

Q. Where do you get these springs, you do not make them?—A. We buy them.

By Mr. Reid (Grenville):

Q. Where do you buy them, in what country?—A. In England.

By Mr. Hughes (Victoria):

Q. Will you put that in place, Mr. Barnes?—A. In one of the rifles, to the best of my recollection, the bolt was in this condition.

MR. HUGHES (Victoria).—Mr. Barnes was showing how the bolt was in the St. John rifle. I would like you to come forward, Dr. Reid, and see all that happened.

THE WITNESS.—The bolt was in this condition—that this piece, the milled thumb piece, was missing.

By Mr. Reid (Grenville):

Q. Where does that fit on?—A. It screws on there (illustrating).

By Mr. Hughes (Victoria):

Q. Will you put it on please?—A. Yes.

By Mr. Reid (Grenville):

Q. That milled thumb piece was missing after the accident?—A. That is when I saw the rifle after the accident.

By Mr. Hughes (Victoria):

Q. That might be due to the defective thread at the end of the piece?—A. No, the thread was not defective. It might be due to somebody assembling that gun, just putting the thing on partly.

By Mr. Reid (Grenville):

Q. Not to a defective thread?—A. Not to defective thread.

Q. Would it not possibly be defective thread?—A. The thread was not defective, the thread is in existence.

By Mr. Hughes (Victoria):

Q. It might be due to the fact that the milled thumb piece was not screwed on far enough?—A. Yes.

Q. Some one in the factory not putting it on properly?—A. One of my workmen might put it together wrong. After it has left our hands and left our inspection it goes to the government inspectors; they take it apart and put it together again.

Q. The inspector has to go over it, has he?—A. He has to go over it.

Q. In the case of that accident then it might be due to an error on the part of the workmen or the inspector?—A. It might be due to that, or it might be due to a man taking—

Q. His own rifle barrel apart?—A. Yes.

Q. And not knowing how to put it together again?—A. It is more apt to be that than any other cause.

Q. The man might have the rifle put together, but it might not actually be screwed up tight enough?—A. That is, not screwed home.

Q. It must be compressed?—A. You see, Dr. Reid, the office of that spring down there (illustrating), is to use the bolt to make the nut lock. When the nut is screwed home, the rib on the rear of the cocking piece enters a groove on the front face of the nut. Now, the object of that is to so secure that nut that the jar of operation—

By Mr. Reid (Grenville):

Q. Won't allow it to turn?—A. Won't allow it to shake off.

Q. That is to turn?—A. That is to turn.

By Mr. Daniel:

Q. You stated that it might have been done by a man taking his rifle to pieces and not putting it together properly?—A. Yes.

Q. Do you think that would be likely to happen with a new issue of rifles, when the men are getting rifles in their hands for the first time?—A. From what I know of human nature, I think it is very likely.

Q. Do you think it very likely that a company of militia having rifles put in their hands to be used for the first time, say on May 24, they would be likely to take their rifles apart and screw them up again?—A. I don't say all of them would, but I think that among a company of men you will find a certain man with enough mechanical curiosity to investigate the workings of his rifle.

By Mr. Hughes (Victoria):

Q. You think it might possibly have occurred after the inspection?—A. It might possibly.

Q. But you do not wish to blame any man?—A. I don't want to blame any man.

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By Mr. Daniel:

Q. You have said the stocks of the English rifles and of the rifles of these other nations were made of walnut?—A. Yes, sir.

Q. What is that stock made of (producing rifle)?—A. That is walnut.

Q. You think that is walnut?—A. I think that is walnut.

By Mr. Reid (Grenville):

Q. It is not oak?—A. Not oak.

Q. You are sure it is not?—A. Sure.

By Mr. Daniel:

Q. There is another thing I wish to ask you, Mr. Barnes?

Mr. HUGHES (Victoria).—That is an American rifle you have.

Q. I am glad you spoke of that, because I will use that too. Where is the Ross rifle (Ross rifle produced). Now, the point I want to ask you about is this: You see the thickness of the barrel?—A. Yes.

Q. That is the Lee-Enfield rifle, and this is the Ross. What difference do you notice in the barrels?—A. The Lee-Enfield barrel is the thicker barrel.

Q. A very much thicker barrel, is it not?—A. Yes.

Q. About half as thick again?—A. You can easily measure it.

Q. Pretty much thicker?—A. That is at the muzzle.

Q. What would you consider would be the result of that on the strength or weakness of the rifle?—A. From what I know of the steel composing those two barrels, I would consider that the Ross rifle barrel was a great deal stronger than the Lee-Enfield.

Q. Because it is thinner?—A. Because it is stronger material.

By Mr. Reid (Grenville):

Q. How can you tell?—A. Only from what I know of the specifications governing the manufacture of the Lee-Enfield rifle.

By Mr. Hughes (Victoria):

Q. And of your own rifle?—A. And of my own.

Q. Take the Springfield rifle. That appears to be about the same thickness as the Lee-Enfield?—A. No, it is not, it is narrower.

By Mr. Hughes (Victoria):

Q. At this point in the barrel (illustrating), how much shorter is the barrel of the American rifle than the Lee-Enfield?—A. The barrel of the American rifle is about six inches shorter than the Lee-Enfield.

By Mr. Daniel:

Q. The point I want to get at is in the thickness of the barrel. The Ross rifle barrel is very much thinner than either the Lee-Enfield barrel or the barrel of this American rifle?—A. I think if you take a section through our barrel at the same distance from the breech, you will find not a very great difference. On the other hand, the American rifle is built for a very much higher pressure cartridge than is used in the Canadian service.

Q. How about the Lee-Enfield?—A. Or the British service either. At the same time we have used the American cartridge in our barrels—I mean of the same dimensions except that they had been chambered for the American cartridge and very successfully.

By Mr. Hughes (Victoria):

Q. In other words, you have chambered your barrels to take an American cartridge and you fired them?—A. Yes.

By Mr. Daniel:

Q. In other words, you say the Ross rifle barrel, being thinner than the Lee-Enfield and Springfield, is stronger?—A. I did not say that.

Q. What do you say then?—A. I said that the Ross rifle barrel, being of stronger material than the Lee-Enfield, was stronger.

Q. How do you know that it is stronger?—A. I have seen the specifications governing the manufacture of the British rifle.

By Mr. Barker:

Q. You mean the quality?—A. Of the material.

By Mr. Daniel:

Q. Where do you get the steel you make your barrel from?—A. We buy it from the manufacturers.

Q. Where?—A. In the States.

Q. Do you get all your steel in the States, the steel that those barrels are made of?—A. We have so far, yes.

Q. All bought from what firm?—A. From different firms.

Q. You say that you import all the steel that the Ross rifle barrel is made of, that you import it from the United States, that you import it from different manufacturers. Now do you know where the Springfield people get their steel from?—A. I know some of the places.

Q. You know some of the places?—A. Yes.

Q. Is the steel that you put into the Ross rifle barrel the same as the steel they put into the Springfield?—A. Yes.

Q. It is the same?—A. Yes.

Q. And the reason that you gave for the Ross rifle being stronger than the Lee-Enfield does not carry when you compare it with the Springfield?—A. No, I did not say that our barrels were stronger than the Springfield.

Q. Leaving the Lee-Enfield barrel out, you still say that the Ross rifle barrel, although thinner than the Springfield, is still just as strong?—A. I do not say that.

Q. That is what I understood. Well, what do you say?—A. I say that the Ross rifle barrel is amply strong enough to stand any strain put upon it.

Q. That it is sufficiently strong for the purpose?—A. Sufficiently strong for the purpose.

Q. That is a very different thing?

By Mr. Maclean (Lunenburg):

Q. What is the cost of the steel in your barrel, the Ross rifle barrel, compared with the cost of the steel used in the Lee-Enfield, can you give us that?—A. The cost of the steel in our barrel—we pay about twice as much for it as we could buy the steel of similar specifications to the Lee-Enfield.

By Mr. Hughes (Victoria):

Q. Let me ask you a question, Dr. Daniel asked you to compare the Canadian and the American rifle. What is the difference in the length of the barrel between the Ross rifle and the United States rifle?—A. I think it is four inches.

Q. Four or five inches; theirs is 24 and ours is 28 something.

By Mr. Reid (Grenville):

Q. Is that considered important by the United States authorities, the shortness of the barrel. The United States barrel is four inches shorter. Is it not a fact that the United States authorities consider the shorter barrel an improvement on the rifle?—A. They have adopted the shorter rifle in order to secure uniformity in the different

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branches of the service, and in order to do that they have had to increase very highly the cartridge pressure.

Q. They have increased their cartridge pressure?—A. Yes.

Q. You have never heard of it as being a fact that they consider the shorter barrel an improvement on the rifle?—A. Yes.

Q. You have heard that?—A. Yes, that is that the shorter barrel with increased cartridge pressure.

Q. That is supposed to be an improvement?—A. They consider it to be an improvement and they have adopted it.

By Mr. Hughes (Victoria):

Q. Do they consider it an improvement for shooting? In other words what is the general opinion as between the long and short barrel for accuracy in shooting?—A. The general opinion is that the long barrel gives a longer sight line and is more accurate.

By Mr. Reid (Grenville):

Q. That is not the opinion of the United States authorities on their rifle?—A. There are other considerations, I have mentioned.

By Mr. Hughes (Victoria):

Q. Dr. Daniel was asking you about the size of the American rifle at the muzzle as compared with the Ross rifle at the muzzle. The American rifle, you notice, is much shorter than the Canadian rifle. At the point of 24 inches from the base of the Ross rifle, is it in your opinion, or is it not, your opinion, that the Ross rifle is as large as the American rifle is, that is at the 24 inches from the base?—A. I should say that they are practically equal.

Q. That is at that point?—A. Yes.

By Mr. Daniel:

Q. You mean to say that you trim down the Ross rifle at the muzzle?—A. It tapers from the rear down to the muzzle.

Q. All the way, and is that the ordinary length of the Springfield rifle, or is that a carbine and have they a long rifle as well?—A. They have one uniform length.

Q. They have no rifle length and the carbine as well. You say this that the Ross rifle, except at the very muzzle, is as thick in the barrel as the Lee-Enfield or the Springfield?—A. I should judge so.

By Mr. Reid (Grenville):

Q. Did you ever hear of the barrel of a rifle exploding?—A. I never did.

Q. Of any rifle?—A. Yes.

Q. You have heard of a rifle exploding?—A. Yes.

Q. Would you consider from the fact of this being thinner that it was more liable to explode than the Lee-Enfield?—A. No.

Q. Why?—A. Because the barrel is stronger.

Q. Because the barrel is stronger?—A. Yes.

By Mr. Hughes (Victoria):

Q. Can you give us the tensile strength and the explosive resistance of the steel in the two rifles?—A. The elastic strength in the Ross rifle is 70,000 lbs. per square inch. The ultimate strength or breaking strength is 100,000 lbs.

Q. That is in the Ross rifle?—A. Yes.

Q. What is it in the Lee-Enfield?—A. In the Lee-Enfield rifle the limit of elastic strength—I can only give you this approximately, because I am trusting to my memory—is, I think about 45,000 lbs.

Q. And yours is?—A. Ours is 70,000. The ultimate strength of the steel used in the Lee-Enfield, I believe, to be about 70,000 lbs. per square inch.

Q. The figures show that the steel in the Ross rifle is much more powerful than the steel of the other rifle?—A. Yes.

Q. In the report of the British Small Arms Company it is stated that there was a trimming down of the Lee-Metfords as compared with the Lee-Enfields, do you know anything about that?—A. No, I don't know anything about that.

By Mr. Maclean (Lunenburg):

Q. I want to ask you some questions about this rifle, but first I will put two or three that are general in their nature. A witness was questioned here the other day in reference to some rent paid by the government for the use of portions of the Ross rifle factory. Will you tell me what portion of the Ross rifle factory is used by the government?—A. The government uses about half of the ground floor of one of the wings of the factory building.

Q. What would that be in floor space, can you tell me, or will you draw a plan on paper?—A. That is, you want the floor space of all the inspection department there that we light and heat (witness makes rough drawing of plan and hands it to Mr. Maclean).

Q. What is the length of this section here?—A. 100 feet by 15 feet.

Q. This portion here?—A. 30 by 30.

Q. This portion here?—A. I think it is 70 feet.

Q. Seventy feet long by how much wide?—A. About 15 to 20 feet wide.

Q. And this part here?—A. That is about 60 by 40 I should say.

Q. Is that the lower floor or is there another floor occupied by the government?—A. This is all on the lower floor.

By Mr. Daniel:

Q. Do they occupy the whole of that?—A. They occupy the whole of that.

Q. What is this occupied by the government for?—A. They occupy it in order to shoot and examine the rifles that are delivered to them.

By Mr. Maclean (Lunenburg):

Q. The Ross Rifle Company heat and light these rooms occupied by the government?—A. Yes, sir.

Q. What pieces are imported which go into the Ross rifle?—A. The springs are imported.

Q. The springs are imported from England, I understand?—A. Yes.

Q. What else is imported?—A. Why all our material is imported in the rough.

Q. That is raw material?—A. Yes.

Q. Beyond that you make everything except the springs?—A. Yes.

Q. The spring is the only thing you do not make?—A. It is the only thing that is imported finished.

Q. I suppose that walnut does not grow down at Quebec or in Canada?—A. No.

Q. The walnut does not grow in Canada, and you cannot get it here? That is correct, is it not?—A. Yes.

Q. You have got to go to Italy for it?—Can you get the quality of steel that you require in Canada?—A. No.

By Mr. Hughes (Victoria):

Q. Don't you import some steel for your barrels from England now?—A. We have always endeavoured to, but heretofore the only steel that we have found to meet our specifications have been American steels.

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By Mr. Maclean (Lunenburg):

Q. Please answer the questions as quickly as you can because we have only got half an hour, and we want to get through this finally to-day. This paper has been put into my hands by a member of the committee, requesting me to ask you if these pieces are not imported? This is a memorandum of a shipment to Sir Charles Ross, Quebec, in 1903. I don't know what it means?—A. Those will mean rough forgings.

By Mr. Reid (Grenville):

Q. They are parts of the rifle?—A. Not until they are manufactured, any more than a bar of steel is a part of the rifle until it is made into parts.

By Mr. Maclean (Lunenburg):

Q. Do you still import these things in the rough shape?—A. Yes that is some of the parts.

By Mr. Reid (Grenville):

Q. Do you import the barrels?—A. Do we import the barrels?

Q. Yes?—A. We make the barrels.

Q. Do you import the steel for them?—A. We import the steel for the barrels.

Q. Do you import the trigger guards?—A. We import the trigger guards in the shape of forgings.

Q. And the rear bands?—A. The rear bands we import the steels for.

Q. And the receivers?—A. The receivers we import in the form of forgings.

Q. The bolts?—A. The bolts we import in the form of steel.

Q. And the sears?—A. The sears in the form of steel, I think.

Q. And the bolt sleeves?—A. The bolt sleeves in the form of forgings.

Q. And the butt plates?—A. The butt plates in the form of steel.

Q. And these are from the Billings and Spencer Company?—A. That item there is dated back to 1903. Yes, I think that is all from the Billings & Spencer Company. They will all represent rough forgings.

Q. Rough forgings?—A. Yes.

Q. And the workmanship is put on them after they are brought over?—A. Yes.

Q. But they are not manufactured by the Ross Rifle Company?—A. They are manufactured by the Ross Rifle Company.

By Mr. Hughes (Victoria):

Q. You will understand it this way. Take that piece (handing piece to witness), the sleeve we will call it, in what form is it?—A. It is in a solid lump of steel having a rough handle, that is a rough projection on here that eventually is formed into a handle.

By Mr. Reid (Grenville):

Q. Not bored out?—A. Not bored out.

Q. Not bored out at all?—A. Not bored out at all.

Q. Just the solid steel casting?—A. It is not a casting, it is a forging.

By Mr. Maclean (Lunenburg):

Q. How many men do you employ at the Ross rifle factory?—A. At the present day I think we employ in the neighbourhood of 400 men.

Q. How many operations are there on the rifle, the different points of the rifle?—A. Taking all the operations, the number of handlings the pieces have, it will run up in the neighbourhood of 1,000.

Q. That is the number of different stages of operations?—A. Yes, that is all the operations subdivided.

By Mr. Reid (Grenville):

Q. A thousand operations, you say? I do not understand what that means. There is a thousand different operations on a single rifle?—A. Yes, take a piece like this (illustrating), that surface will be machined at one time by one man, and that is an operation.

Q. And the whole will be put in there by another man?—A. Yes.

By Mr. Maclean (Lunenburg):

Q. What you meant a moment ago was that the spring was the only piece you imported fully completed and ready for assembling, to put in the rifle?—A. Yes.

Q. You are doing what all other rifle factories do in that regard, you are importing your raw material?—A. Yes.

Q. I want to ask you about the gauges. There was some question asked about that the other day. The gauges are owned by the government?—A. What gauges?

Q. The gauges used?—A. Well, we have a great many gauges of our own.

Q. You have?—A. And the government have same gauges of their own.

Q. The government, you say, own some gauges which they use in the inspection of the rifle, Mr. Barnes?—A. Yes.

Q. And you have your own besides?—A. Yes.

By Mr. Daniel:

Q. Ask him to describe the gauges, please?—A. Well, the gauges are measuring instruments. I can hardly make a drawing of the gauges, because they come in so many shapes. For instance, a gauge would be an instrument we would use for measuring that diameter across there (illustrating).

By Mr. Hughes (Victoria):

Q. That would be one gauge?—A. Yes.

By Mr. Barker:

Q. That is what you would call a caliper gauge?—A. That would be a caliper gauge, there are many simple forms of gauges. Another gauge would measure the width of that rib there (illustrating), and still another gauge would measure the diameter of that hole.

By Mr. Maclean (Lunenburg):

Q. I want to ask a question about the rapidity of the Ross rifle in comparison with, say, the American or the Lee-Enfield rifle.

By Mr. Northrup:

Q. The rapidity of change, do you mean, or the rapidity of firing?

By Mr. Maclean:

Q. I do not mean that, I mean the rapidity of firing?—A. An employe of ours, that is Mr. Padden, made some records at Regina, and I think it was 60 shots in two minutes.

By Mr. Northrup:

Q. What year was that?—A. I think it was 1902, Mr. Northrup, or 1903.

Q. Was it at the time he made the demonstration up there for Commissioner Perry?—A. I think it was 1903. The records of the American rifle, I have seen the reports of the test of that rifle by the United States board who were examining it, and I think the highest rapidity of fire they attained was 20 shots in 59 seconds.

By Mr. Maclean (Lunenburg):

Q. Well, what percentage in excess of rapidity has the Ross rifle over the American?—A. I think it is about 50 per cent.

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Q. About 50 per cent?—A. Yes, sir.

By Mr. Daniel:

Q. Does that often jam?—A. There is not much jamming.

By Mr. Maclean (Lunenburg):

Q. First tell us in a few words the improvement in Mark II. over Mark I. Take the Ross rifle and illustrate if you can?—A. One of the principal changes or improvements was the change in the cocking or compression of the mainspring to the opening movement of the bolt on Mark II. as opposed to the closing movement on Mark I.

By Mr. Hughes (Victoria):

Q. In other words, it cocks on the back action instead of on the forward action?—A. Yes.

Q. What else?—A. A primary cam extraction is added to the rifle.

Q. What else?—A. The bolt sleeve cover was made solid, or it was done away with and it was incorporated as a solid piece with the bolt sleeve.

Q. Was it because this screw broke sometimes, the little screw holding the cap?—A. Yes.

Q. Did you point out the difference in the extractor?—A. Yes, the extractor was made so that it could not possibly fall out when a man took the bolt out of a gun. You will see that although that extractor is perfectly secured while the bolt is in the gun, if a man takes it out and is perhaps unfamiliar with it, he may possibly drop it off the bolt. That is with the Mark I., whereas with this extractor it is impossible for such a thing to occur.

By Mr. Maclean (Lunenburg):

Q. It cannot fall off?—A. No, not unless he wilfully springs it out of place.

By Mr. Hughes (Victoria):

Q. Was it any great defect that the extractor was loose in Mark I.?—A. No, I do not think so.

By Mr. Maclean (Lunenburg):

Q. Now, as to some of the complaints made against the rifle, that it jams, what does it mean, how do you account for that?—A. I think that is due—

Q. Take a rifle and illustrate what jamming means, and how it happens?—A. I think that the jamming occurs mostly from the improper understanding of the action of the magazine.

Q. Illustrate that if you please, if you can?—A. The magazine of the Ross rifle is on what they call the controlled feed system. The platform can be depressed with the fingers and can be depressed instantly. With most other magazine guns there is no way of getting at the spring controlling the feed of the magazine.

Q. That piece there controls it?—A. Yes.

By Mr. Hughes (Victoria):

Q. On the left hand side of the barrel?—A. Now, if in any magazine the upper cartridge, the head, of the cartridge will get behind the base of the one below, it is apt to cause what is called a 'magazine jam.' The only way to avoid that, therefore, is to make the magazine fit so very closely to the cartridges that it would be impossible for one to get behind the other, as is shown in the Lee-Enfield, but that has its objections, because the introduction of a little dirt or sand is apt to do the clogging itself, whereas the principle of the Ross magazine that the magazine is in itself a loose fit to the cartridges, but the controlling platform, the elevator, is such that the cartridges can

be poured in there without any care at all. That is the arrangement, and a flip downwards of the platform will, if they get out of position, rearrange them in the proper place. So that if there is a jam, anybody knowing the rifle will use that piece there, that platform, and that will adjust the cartridges in the chamber properly, so that they will not jam.

By Mr. Daniel:

Q. Are you speaking now of Mark I. or Mark II.?—A. I am speaking of both.

Q. Of both?—A. Yes.

Q. Is there any alteration between Mark I. and II. in the stock?—A. No.

Q. Any difference in the magazine?—A. No difference in the magazine in that respect. There was a difference in the cut-off.

Q. Is that part of the magazine?—A. That is a part of the magazine.

Q. What was that difference made for?—A. That difference on the recent Mark I. magazine the button actuating the cut-off projected from the side, and on the recent Mark II. the cut-off was changed down into the trigger guard here so as to make it non-projecting.

By Mr. Maclean (Lunenburg):

Q. Another objection made to this rifle is that it missed fire. Tell me how that happens?—A. A miss fire can—

Q. I want you to show just how it occurs?—A. A miss fire can happen here (illustrating). Now, you will notice that when I press that bolt home I get the parts so that the bolt itself is perfectly locked behind the receiving shoulders, but my bolt sleeve has not gone home—the bolt sleeve not the bolt. Now, in that trigger and the bolt you see, the main spring comes down and drives the sleeve home, but not necessarily quick enough to explode the cartridge.

By Mr. Hughes (Victoria):

Q. But if it did explode the cartridge, the rifle is absolutely locked, is it not?—A. Certainly.

By Mr. Maclean (Lunenburg):

Q. Well, then a miss fire is caused by a bolt not being pushed home?—A. The bolt sleeve.

Q. That is the explanation?—A. Yes.

By Mr. Hughes (Victoria):

Q. A defective cartridge is frequently the cause of a miss fire?—A. Yes.

By Mr. Maclean (Lunenburg):

Q. Complaint is made of a loose barrel. To what do you attribute that?—A. Well, the rifle may have been taken apart and not assembled together properly.

Q. You think it would be likely to be that?—A. Yes.

Q. Among the complaints laid by the Halifax board is something about the safety catch. Do you remember that?—A. I remember some complaints on that, yes.

Q. What have you to say about that?—A. I don't think they would ever have made complaints if they had given proper instruction to their men.

Q. You think the men were not instructed?—A. Yes.

Q. Has there been an improvement in Mark II. in that respect? I mean the safety catch?—A. Yes.

By Mr. Reid (Grenville):

Q. Do you know they are not instructed?—A. I don't know anything about it.

Q. You don't know anything about it?—A. No, I don't know.

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By Mr. Maclean (Lunenburg):

Q. Another objection is that the sight jumps when firing. What have you got to say about that?—A. If the sight is not properly locked and the notches provided for, it undoubtedly will jump.

Q. Now, illustrate that?—A. There are notches arranged alongside in that piece there, and also over here (illustrating). Each one of those represents a multiple of 100 yards sighting. Now, if a sight slide should be moved in such a position that the catch would not enter the notch—

Q. That is if this thing here was stopped between the two notches it would not catch?—A. Yes, it would not catch.

Q. And that is the only way that sight can drop back, is it?—A. Why, yes.

By Mr. Hughes (Victoria):

Q. Upon that point, Mr. Barnes, take this rifle, please. Is that the rifle you made with the first sight of this new pattern on? Is that the rifle you had at the ranges last summer?—A. No.

Q. Is that a similar kind of sight?—A. It is somewhat similar, but it is somewhat improved.

Q. Similar to the sight on the rifle which you gave us to test on the ranges during the D.R.A. matches?—A. Yes.

Q. What was the defect in it?—A. The defect in that, the spring in this part was too weak (illustrating).

Q. The spring in the thumb piece was too weak?—A. Yes.

Q. That is the rifle that Major Davidson and a number of others, including myself, fired from?—A. Yes.

Q. Do you remember did that sight jump?—A. I believe so, yes.

By Mr. Maclean (Lunenburg):

Q. Another objection made is that when ordering arms the bolt drops?

Mr. HUGHES (Victoria).—He explained that this morning.

Q. Did you explain that?—A. I think so, yes.

Q. Should that happen if the bolt is locked?—A. No.

Q. Then it is due to careless handling of the weapon if it does happen. Now, premature explosion is another objection made to this rifle. Has there been any improvement in Mark II. over Mark I. in that respect?—A. I don't see how, in the Mark I. rifle, it would be possible for premature explosion to occur unless the cut-off or trigger mechanism is tampered with. But in the Mark II., no matter how a man might tamper with the trigger mechanism, it would be, I consider, impossible for a premature explosion to take place.

By Mr. Reid (Grenville):

Q. Then there is an improvement in Mark II.?—A. An improvement in Mark II. over Mark I., yes.

By Mr. Maclean (Lunenburg):

Q. Then there is the bolt sleeve lug. Has there been any change in it?—A. In the bolt lug of Mark II.?

Q. Yes?—A. Yes, the bolt lug is smaller and the walls surrounding it are thinner; that is due to the change in the bolt.

By Mr. Daniel:

Q. As I understand it, the difference between the Ross rifle sight and the English and American sights is this: That the Ross rifle sight goes into notches while the

American and English sights slide when you want to raise or lower?—A. Some forms of English sight have notches.

Q. Well, take the Lee-Enfield, that does not notch, it slides?—A. There are notches along here.

Q. Yes, but it does not notch where it rises. There is a great difference, I take it between these two sights. This, while it has notches in it and you can catch it where you please, it slides along, whereas you have to shove this up by notches, a notch at a time, how is that, that is as I understand it?—A. That slides up that way (illustrating).

Q. You do not have to lift it notch by notch, you can put it up anywhere, is that the idea?—A. Yes.

By Mr. Hughes (Victoria):

Q. The question of sights has not been settled yet?—A. No.

Q. No sight has ever been practically adopted or ordered for the rifle?—A. No.

By Mr. Daniel:

Q. Do you think it is an improvement on the Springfield sight?—A. Yes, I think so.

By Mr. Reid (Grenville):

Q. Is the sight supposed to be a part and parcel of the rifle?—A. Well, a rifle without a sight would not be of any good at all, but necessarily the sights of a rifle can be changed.

By Mr. Northrup:

Q. As a matter of fact, they were changed on the Ross rifle, were they not?—A. Yes.

Q. You have a Mark I. sight?—A. Yes.

Q. That is not what you are using to-day?—A. No.

Q. There is a Mark II. sight?—A. Yes.

Q. That is the sight you are using to-day?—A. That is the sight at present in use.

Q. Did it cost anything to change from Mark I.?—A. Yes, a good deal.

Q. How much?—A. I cannot tell.

Q. Who paid for the change, the government or the Ross Rifle Company?

(No. answer.)

Q. Why was the sight changed?—A. Because the department wanted another sight.

Q. Did you consider the first sight satisfactory?—A. My opinion was not asked.

Q. Did you consider the first sight was satisfactory?—A. I think the second sight was a great deal better.

Q. Then the first sight was not satisfactory?—A. Well, now, you understand, Mr. Northrup, that to say that an improvement on the gun makes the other unsatisfactory, why—

Q. I am not asking you the why or the wherefore, do you consider the first sight was unsatisfactory?—A. I think the first sight was satisfactory at the time, but I think the second sight was an improvement, but I was not the person to decide.

Q. Was the first sight the one that was accepted originally in the sealed rifle?—A. I believe so, although I had nothing to do with the accepting of it.

By Mr. Hughes (Victoria):

Q. Did the committee adopting the rifle report on the sight at all?—A. That I do not know.

Q. After the Boer war the fad came in for the lever sight, but the committee nor

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the department knew nothing about that. The Boer rifle had this lever sight?—A. Yes.

Q. And the British have adopted the lever sight now on their Lee-Enfield, which is the Boer sight?—A. Yes, and the Americans adopted it too.

Q. And the Americans have adopted a similar sight?—A. Yes.

By Mr. Daniel:

Q. Do you know what was done with the Mark I. rifles which were issued and then condemned, or put out of use? Tell me what was done with them?—A. Done with what?

Q. With the Mark I. rifles that were first issued and then their use was ordered to be stopped?—A. What rifles do you refer to.

Q. The Mark I. Ross rifles?—A. That were issued from the factory, you mean; we have turned rifles over to the factory, I do not know what the government does with their rifles.

Q. Have you had rifles returned back to the factory, rifles that had been issued to the troops or to the Northwest Mounted Police?—A. No.

Q. You never have?—A. No, that is to the troops or the Northwest Mounted Police. There have been certain cases where the rifles have come back to the inspection department and have been shown to us for a report on defects.

Q. Defects of parts?—A. Parts.

By Mr. Daniel:

Q. Do you know what has been done with the Mark I. rifles?—A. With the Mark I. rifles?

Q. Yes?—A. No.

Q. You do not know what has become of them after they left the factory, you do not know where they are now?—A. No.

Q. They have never been returned to you in order to be turned into Mark II. rifles?—A. No.

Q. So that all these Mark I. rifles, so far as you know, are lost to the country?—A. I do not know.

Q. You do not know?—A. I do not know anything of that, I do not think they are.

Q. At all events, they have not been sent back to the factory to be turned into Mark II.?—A. No.

By Mr. Hughes (Victoria):

Q. Do you consider the Mark I. rifle a good one?—A. I do.

By Mr. Reid (Grenville):

Q. What is your position in the Ross rifle factory?—A. Engineer.

Q. Chief engineer of the factory?—A. Yes.

Q. Your sole interests are with the Ross rifle?—A. Yes.

Q. You are not connected with any other rifle?—A. No.

Mr. NORTHROP.—I would like to allow this witness' examination to stand over until the next session of the House. I would like to examine him at some length, but I do not want to do so now.

The CHAIRMAN.—That is agreed to.

Witness retired.

Committee adjourned.

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

RESPECTING

A PAYMENT OF \$249.09 TO C. S. EASTWOOD

IN CONNECTION WITH

DREDGING AT MATCHEDASH BAY

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

HOUSE OF COMMONS,
COMMITTEE ROOM No. 32,
OTTAWA, 10th April, 1907.

The Select Standing Committee on Public Accounts beg leave to present the following as their

ELEVENTH REPORT.

Your Committee have had under consideration the accounts, vouchers and other papers relating to a payment of \$249.29 to C. S. Eastwood in connection with dredging at Matchedash Bay, as set out at pages V—249 of the Report of the Auditor General for the fiscal year ended 30th June, 1906, and in connection therewith have examined witnesses under oath, and for the information of the House report herewith the evidence given to date by such witnesses, and the exhibits filed during the said examination; and your Committee recommend that the same be printed, and Rule 72 suspended in relation thereto.

VICTOR GEOFFRION,
Chairman.

HOUSE OF COMMONS,
 COMMITTEE ROOM No. 32,
 THURSDAY, April 4, 1907.

The Select Standing Committee on Public Accounts met at 11 a.m., Mr. Geoffrion presiding.

The committee proceeded to the consideration of a payment of \$249.29 to C. S. Eastwood, inspector of dredging at Matchedash Bay, as set forth at V—249 of the Auditor General's Report for the fiscal year ended June 30, 1906.

Mr. CHARLES S. EASTWOOD, called, sworn and examined.

By Mr. Bennett:

Q. Mr. Eastwood, when did you go to live at Fesserton?—A. Nine years ago.

Q. What was your employment while there?—A. Bookkeeper to Mr. W. W. Carter.

Q. In the summer of 1905, according to the Public Accounts of Canada, on Page V—249, you were employed as inspector of dredging there, from August to October, 65 days, at \$3; overtime, 64 hours, at 30 cents; boat-hire, \$33.33; rope, \$1.50; postage, 26 cents; making a total of \$249.29. That is the item I find on page V—249. The next thing I have here are a lot of papers—the return brought down by the department. Is this your handwriting?—A. Yes, sir.

Q. These different papers here show your handwriting, that 'C. S. Eastwood,' is that your signature?—A. Yes, sir.

Q. In the summer of 1905—you will remember last year was 1906—in the summer of 1905, did you receive the appointment to act as inspector of dredging there?—A. Yes, sir.

Q. When did you start work in that capacity?—A. I think it was about August 1, or it might be July 31, somewhere about that.

Q. It says August to October, 65 days, I assume it was the first of August or somewhere about that date. What was the name of the dredge you were in charge of, or had she a name?—A. The number is given on that, it was Prendergast's dredge.

Q. She was called Dredge No. 7 in the papers?—A. Yes, sir.

Q. On the first of August then, you proceeded in your employment on this dredge, did you?—A. Yes, sir.

Q. What time did you report in the morning at the dredge?—A. Well, I had a man hired, Mr. Bennett. I found—in the first place, when Mr. Carter spoke to me about the work, he was the one who told me about the dredge coming in, and that he would get the appointment for me. He said as the dredge was coming to Matchedash Bay it was nothing but fair that somebody from that section should have the appointment, and he gave me to understand the work could all be done after hours and that there would be two dredges come in. You will remember one dredge came in in the fall and dredged for a short time at Waubaushene, and they were there about two weeks, I think. I never heard anything more about the appointment and I concluded the thing was a little bit of taffy; but later on when the spring came, I said: 'What about the appointment,' and he said: 'I will write to Gunn about it.'

Q. That was in the spring of 1905?—A. Yes, along in June, 1905, and so he wrote to Mr. Gunn about it. I got the appointment and I found I was not able, on account of my duty to Mr. Carter—I either had to throw up one or the other.

By Mr. Bennett:

Q. So you employed some person to look after the work for you?—A. Yes.

Q. What were you paid per day?—A. \$3, I think it was.

Q. You are sure, are you not?—A. It will be on that.

Q. You are sure, are you not?—A. I am not positively certain. I think that is what it was. You will find it on that account.

Q. As a matter of fact it was \$3 per day. Who did you employ to look after it for you?—A. J. W. Gendron.

Q. How much did you pay him per day?—A. \$1.25.

Q. Where does he live?—A. He is at Penetang.

Q. Did he come to Fesserton to work on that dredge that summer?—A. He was there then.

Q. What was he doing there?—A. He was on the other dredge.

Q. He was working on the other dredge, Dr. Spohn's dredge?—A. Yes, sir.

Q. So Mr. Gendron was employed on Dr. Spohn's dredge, which was working there also. Where does Dr. Spohn live, Penetang?—A. As far as I know.

Q. He is the superintendent of the asylum there, is he not?—A. I do not know.

Q. You know that he owns the dredge?—A. I did not know until Gendron told me.

Q. There is an item here for J. W. Gendron, inspector of dredging; that is for the other dredge?—A. Yes, sir.

Q. So that, as a matter of fact, when you were sending in these returns day by day that this dredge of Prendergast's was taking out so many scowloads of mud, you did not know whether it was so or not?—A. I had him employed to tell me.

Q. But you yourself did not know anything about it?—A. No, I could not positively swear, but I had a man employed to look after that.

Q. So that we will have to get Gendron if we are to know anything about it, whether this work was really done, that is as far as you know. Were you ever on the dredge?—A. Yes, sir.

Q. For how many hours at a time?—A. I was on it at different times, Mr. Bennett.

Q. Tell us the limit of the number of hours you were on it; I mean at any one time?—A. One or two hours.

Q. On Sundays, would that be probably?—A. It was on some occasions on Sunday.

Q. It was a nice place to go down and sit and smoke?—A. No, I do not smoke.

Q. Well, to listen to the other fellows talking—of course the dredge was not working on Sundays?—A. But I was there on other days besides Sundays.

Q. Were you ever there for two hours at a time at any other time than between the hours of 7 or 8 in the morning and after 6 in the evening?—A. Yes, sir, I was out there at different times to get orders in connection with supplies for the store.

Q. You used to get orders for the store, and you would be there at the dredge getting store orders?—A. Yes, sir.

Q. I see a bill here for hire of a boat: 'Received from C. S. Eastwood, \$12.50 for five weeks' boat hire.' That is signed by L. L. Hubbard?—A. That is my wife.

Q. How is it that her name is Hubbard if she is your wife?—A. That is her maiden name.

Q. Does she usually go by the name of Miss Hubbard or by the name of Mrs. Eastwood?—A. Well, Mrs. Eastwood, I guess.

Q. Is this her handwriting (receipt produced)?—A. Yes.

Q. Did you tell her to put her account in in that way?—A. Yes.

Q. What kind of a boat is this?—A. It is a canoe.

Q. Tell me, by the way, there seems to be a lot of valuable logs got out there, who got the logs?—A. They were lifted by the dredge on some scows. When I was there they were placed on the side of the dredge, and were dumped there so that Carter could get them.

Q. You do not know whether Carter paid for them?—A. No.

Q. You do not think there was anything wrong as things go up there about your farming out the job?—A. No, sir.

Q. You have been a scaler for Mr. Carter in the woods under the Ontario government?—A. No, sir.

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Q. Haven't you scaled logs for Carter in the woods?—A. Never.

Q. Have you a scaler's license in Ontario?—A. No, sir.

Q. What different operations did you ever conduct for Mr. Carter?—A. I was simply bookkeeper.

Q. Have you never done any log scaling?—A. No, sir.

Q. These two dredges were lying alongside one another, or how far apart were they?—A. They were close to one another, generally one behind the other.

Q. And these two dredges lying alongside each other, they were supervised by Gendron?—A. Yes.

Q. Did Gendron tell you that his brother was in partnership with Mr. Spohn in the other dredge?—A. No.

Q. Did you ever hear of his brother being in partnership with Mr. Spohn?—A. No, sir.

Q. So that when you were putting in these accounts and certifying to them week by week and month by month, and drawing \$3 per day, you knew it was a fraud on the department, didn't you?—A. No, sir.

Q. You think that is a straight way of doing business?—A. Yes, sir.

Q. You are a pretty straight Liberal?—A. Not very well. I did not work against you last election.

By Mr. Maclean (Lunenburg) :

Q. Did Mr. Bennett ever ask you to vote for him?—A. No, sir. I did not work against you last election, Mr. Bennett.

By Mr. Bennett :

Q. Had you left Carter then?—A. No, sir, you see I was working for Carter—you understand that, don't you.

Q. So that is as far as you know, these logs that were taken out were taken possession of by Carter?—A. Certainly.

Q. What kind of logs were they, oak logs?—A. No, it would be mostly elm; it was right down near the stove mill where the logs were.

Q. Gendron, you say, was on the other dredge, the Spohn dredge?—A. Yes.

Q. Tell me, before the season of navigation opened, and before the dredge went into commission, was Gendron there overlooking the fitting out of the Spohn dredge?—A. I could not say as to that, Mr. Bennett; he was at Waubaushene there, they had a broken dipper—I do not think it was the dipper, but what the dipper is fastened to, that was at Waubaushene, but I cannot say whether he was overseeing the fixing of it or not; he was there at that time.

Q. Was that before they started dredging operations for the season?—A. I could not say; they had either started and shut down on account of that, or it was just before they started, I could not say that positively.

Q. Who used to go looking after the Spohn dredge, Dr. Spohn?—A. I could not say as to that; I never saw him.

Q. Who was looking after the interests of the Spohn dredge on behalf of the owner?—A. I could not say as to that.

Q. Will you give us a frank explanation of why you put this account in for boat-hire in the maiden name of your wife? Did you think it would go better that way?—A. It was her own canoe.

Q. I have no doubt of that; is not Eastwood her own name?—A. Yes, Eastwood is her name now.

By Mr. Macdonald :

Q. The canoe belonged to your wife?—A. Yes, positively.

Q. It was used for the department?—A. Yes, sir.

Q. You did not consult a lawyer as to whose name you should make out the bill in?—A. No, sir.

By Mr. Bennett :

Q. How was this boat employed for five weeks? This is how the receipt reads, 'Fesserton, September 2, 1905.—Received from C. S. Eastwood, \$12.50 for five weeks' boat-hire. L. L. Hubbard.' How would this canoe be employed?—A. By my going out there, taking trips out to the dredge; how could I get to the dredge without a boat.

Q. You would be going out to get orders for the store?—A. Not necessarily in every case.

Q. What did you have to go for?—A. To look at the water line and to see Gendron to ascertain things from him.

Q. Had Gendron a boat attached to the Spohn dredge?—A. I think so; in fact, I know he had.

Q. He had one for the Spohn dredge?—A. Yes, sir.

Q. It was not any advantage to Gendron the man in charge to have that canoe?—A. The canoe was for my business.

Q. Did you ever see the scows going out from the dredge?—A. Yes, you could see that right from the office window.

Q. Where would Gendron be?—A. He was on the scows. He had his tent pitched on the point right near where the dredges were working.

Q. He would be at the tent inspecting the dredges and you could see the scows going out from the office?—A. Yes, sir.

Q. Could he see the scows going out from his tent?—A. Oh, yes.

Q. That was his point of observation to view the scows going out. Did you ever see him at this point in the day time?—A. No, sir.

Q. You and he would not go down there and gambol under the trees?—A. No, sir.

Q. You were not down there at his tent with him when the scows were taking out the mud?—A. No, sir.

Q. How many scows had this Prendergast dredge belonging to her?—A. Two, one on each side.

Q. How many had the other?—A. They had two.

Q. When you looked out there from the office, how far would the distance be?—A. About a quarter of a mile, I should think.

Q. You could give them a good inspection whenever they were going in and out yourself at that distance?—A. Yes, but trying to run a set of books I could not be at the window all the time.

Q. But when you were there you could tell whether they were working or not?—A. Yes, and you could hear whether they were working or not.

Q. And you could see whether the scows were well loaded or not?—A. No, sir, I trusted that to Gendron.

Q. And the more scows that went out the more dollars came to Spohn and Prendergast?—A. Yes, sir.

Q. And whether the scows were one-half or one-quarter full you do not know; Gendron will have to tell us that?—A. I have Gendron's word for it.

By Mr. Macdonald :

Q. How was the contract, was it by the yard?—A. Yes.

By Mr. Bennett :

Q. And you could see from your point of view at the office window, and the more scows the more money to Spohn and Prendergast?—A. I did not say so; the scows were measured.

By Mr. Barker :

Q. Do I understand you correctly that when you were offered the appointment it was understood that you were not required to attend to it personally?—A. No, sir. I said that Mr. Carter told me he thought the position could be run in the evening or after hours, and that he was willing to let me off for an hour or so when required.

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Q. There would be no attendances necessary during the day—that would be done by somebody else, was that the understanding?—A. I had Gendron there on the ground.

Q. Was it the understanding that if any attendance was necessary during the day you would employ someone else?—A. No, sir, there was no understanding between Carter and I in reference to that. When the appointment was first spoken of he gave me to understand that the work could be done in the evening, and that it would not be necessary for me to be there all day. It would be nonsense for me to throw up a steady position for a month or two job.

Q. I suppose there was nobody in the neighbourhood who could be employed during the day, was that the reason you were given it?—A. I could not say as to that.

Q. You do not know whether any other man could have been found in the neighbourhood who could have given his time during the day?—A. I think possibly there could have been one found.

Q. What connection had Carter with the employment?—A. Well, he would have none. Of course, Mr. Carter is a lumber manufacturer at Fesserton, and practically it is Carterville, and I was in the employ of Mr. Carter.

Q. You were in Carter's employment?—A. Yes.

Q. What had he to do with the employment of inspector?—A. He would have the recommending.

By Mr. Macdonald :

Q. Do you know why he was to have the recommending?—A. He recommended me, I know that.

Q. You do not know who he recommended you to, but you know that through his influence you were appointed?—A. He was using his influence in my behalf.

Q. He is not an official of the government?—A. No, sir.

By Mr. Barker :

Q. How did you understand that Mr. Carter entered into this discussion with you, what had he to do with it?—A. When the dredge was talked about coming on Matchedash Bay, he said: 'I think I can get you that appointment.'

Q. From whom?—A. Of course, it would come from the government.

Q. Mr. Carter said he thought he could get you that appointment, and that you would be able to do the work in the evenings?—A. Yes, sir.

Q. You are his clerk?—A. No, sir, bookkeeper.

Q. He could get you that appointment and it would not interfere with your work for Carter?—A. That is what I understood.

Q. Did you understand from anybody who was seen about getting you this appointment—did you understand from anybody how Mr. Carter got you that situation?—A. No, I surmised that he would ask Mr. Gunn, who would have the patronage of the riding, I suppose.

Q. Who was Mr. Gunn?—A. Mr. R. D. Gunn was the man who opposed Mr. Bennett.

Q. The opponent of Mr. Bennett in the election?—A. Yes, sir.

Q. He is the gentleman who had what is called the patronage up there. We all understand it; there is nothing to make any concealment about. Did you see Mr. Gunn yourself?—A. No, sir, I wrote him.

Q. On this subject?—A. Yes.

Q. Did you get a reply?—A. Yes, sir.

Q. Where is the letter?—A. I have not got the letter.

Q. Why?—A. Well, they are all destroyed.

Q. The letter is destroyed and you cannot produce it?—A. No.

Q. Did he promise you you should have that position?—A. He said he would see what he could do for me.

Q. Did he say anything to you as to the terms?—A. No, sir.

Q. Or as to the work or as to the pay?—A. No, sir.

Q. He did not say anything as to that?—A. No, sir.

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Q. When did you get the appointment and from whom?—A. Along about the end of July, I think it was, or the 1st of August.

Q. And from whom?—A. From Mr. Sing, I think it was.

Q. Did he come there and install you, or did he write to you?—A. He wrote me a letter; he told me I would get my instructions from Mr. Gendron as to what was necessary to be done.

Q. You were to get your instructions from Mr. Gendron, where is that letter?—A. I have not any of those letters.

Q. I did not ask you if you have it; where is it?—A. They are simply destroyed.

Q. Do you destroy all letters you receive?—A. As a general rule, most of them. I recollect these, I cannot say, but I guess I had them for a year. About a year ago I was moving so often that it became a burden to carry them around, and I destroyed them.

Q. You recollect you did destroy that letter as well as the other?—A. I remember destroying the dredge papers. I had all the papers in connection with the reports, copies of them, and I remember distinctly burning them.

Q. You do not remember that particular letter?—A. No, I could not say that particular letter was destroyed, but I destroyed all the papers.

Q. Was it the understanding that Gendron would do the work?—A. No, sir.

Q. That was a bargain you made yourself with Gendron?—A. Yes, sir.

Q. Was Gendron doing similar work on board the other dredge?—A. Yes, sir.

Q. And you employed him to do the work under you?—A. Yes, sir.

Q. On the No. 7 dredge?—A. Yes, sir.

Q. How many days in each week did you go to the dredge?—A. Oh, I would be out there every other day possibly; I would go there two or three days in succession, and if it was rough weather I would not attempt to go out in the canoe.

Q. If it was rough weather you would not go?—A. No.

Q. You would go two or three days in succession?—A. Yes, and possibly skip one day.

Q. How long would you stay on board?—A. Sometimes I would not get out of my canoe, go right up around the dredge and see the scows.

Q. To make sure that the dredge was there?—A. You could tell they were working from the shore by the clinking of the chain.

Q. You were quite certain they were there when the canoe was alongside?—A. Yes.

Q. How many days a week would you get orders for the store?—A. I do not know, sometimes twice, sometimes once a week; it would just depend.

Q. You would get orders twice or sometimes less than twice, and sometimes more perhaps?—A. Yes, they would usually tell me when I was out there if they wanted anything.

Q. You would get these orders when you went out in the canoe, I suppose?—A. Not always.

Q. Where would you go, you would not swim out. I asked when you went out to get the orders?—A. Only once do I remember going out to get orders, and that was when I was getting the trade from one dredge and wanted to get it from the other. That day I made a special trip out there.

Q. When you were out there you would get any orders that were going?—A. Naturally.

Q. You were looking after Mr. Carter's business, doing your duty?—A. Certainly.

Q. All the crew boarded on board the dredges?—A. Yes, sir.

Q. They had to be fed, I suppose?—A. Yes, sir.

Q. And I suppose Carter got the whole of that trade?—A. No, sir.

Q. Did he not get all that trade, now? All that he dealt in?—A. I do not catch that.

Q. Anything that your store supplied you would supply to the dredges?—A. No, for a long time they got the bulk of their supplies at Waubaushene.

Q. The one you were in charge of, No. 7, did they get theirs up at Waubaushene, too?—A. Yes, sir.

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Q. For how long?—A. It was late on in the season when they started—well, it would be possibly in the middle of August that I got the orders.

Q. And after that you got the trade?—A. We got the most of it.

Q. Of both boats?—A. Of the both boats.

Q. I suppose whenever you went out in the canoe you, as a matter of attending to your duty, you took care to see what orders were wanted for supplies?—A. Not always.

Q. You would not even inquire whether they wanted anything?—A. Sometimes I would not.

By Mr. Macdonald :

Q. Would the dredge people send in themselves for what they wanted?—A. Yes, sir.

Q. Did the cook of the dredge send in orders for what he wanted?—A. They did often with Gendron when he came in.

Q. Did Gendron come to the store with orders, or did he give them to you when you went out in the canoe?—A. Sometimes he came to the store.

Q. In his own boat?—A. Yes, sir.

Q. What was this canoe doing; you would go out for an hour sometimes to look at the dredge, was it doing anything else all the time except being used for pleasure?—A. No, sir, I do not think anybody used it besides myself.

Q. Not even Miss Hubbard, did not she use it?—A. She could not handle the canoe.

Q. I thought you said it was hers?—A. So it was.

Q. She kept it for your benefit?—A. The principal reason it was hers was that if a fellow owned a canoe at Fesserton he was pestered to death by people wanting to borrow it.

Q. You need not go into details. You said it was your wife's canoe?—A. Yes.

Q. But she could not use a canoe?—A. Well, she could not handle a canoe.

Q. She could not handle it?—A. No.

Q. When you were not going out with the canoe to the dredge what was done with it?—A. It was locked up in the boathouse.

Q. It was locked in your boathouse?—A. Not in my boathouse.

Q. In the boathouse where you kept the canoe?—A. Yes, sir.

Q. It was lying there idle all the time, and you were collecting from the government \$2.50 per week for it?—A. I do not think that was the fee, was it?

Q. I think it was \$12.50 for five weeks. Well, whatever is in the account, you collected the amount?—A. Yes.

Q. Will you tell me for what purpose you took a receipt from your wife for the money. Did you pay her any money?—A. Yes, sir, she got that money herself.

Q. Before you took that receipt?—A. She got her money when I got mine.

Q. You took a receipt from your wife and having paid her \$12.50 you sent it to the government as having paid the money?—A. Yes, and gave her the money.

Q. Did you give her the money when you received it?—A. When I got her receipt I handed her the money.

Q. This was a straight account for \$12.50 for canoe hire. Did you pay her that money as set forth in the receipt?—A. I paid her the money, yes, sir.

Q. At the time you got the receipt or before?—A. I could not say as to that \$12.50 one.

Q. Did you tell anybody that L. L. Hubbard was your wife?—A. I told it right here to-day.

Q. I mean at that time, did you tell any person connected with the government?—A. No, sir.

Q. Why could you not have charged that as your own charge for your own canoe? Just explain to the committee why you wanted to conceal that from the government?—A. It is just like this, if the canoe was my own they might have thought I should use it and get nothing for it.

Q. I see, and they might not have paid it?—A. I could not say whether they would or would not.

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Q. Was that in your mind that they would not pay you?—A. I thought they might expect me to use my own canoe.

Q. And therefore, in order to get the money, you pretended it was not yours?—A. It was not my own.

Q. It was not even Mrs. Eastwood's?—A. It was not.

Q. That is, according to your representation, it was Miss Hubbard's?—A. I never said it was not hers.

Q. Now, Mr. Eastwood, supposing Mr. Gendron had chosen to misrepresent the quantities on that dredge, had you any means of checking it?—A. No, only by noting the distance that the dredge would travel.

Q. If he had added 50 per cent to the quantity you would not have known to the contrary?—A. Oh, yes, you could tell by the length the dredge had proceeded during the day.

Q. You could do that?—A. Yes, sir, it is all staked out, the channel.

Q. How far were you from the dredge?—A. You could tell that when you went out.

Q. How far were you from the dredge to the store?—A. About a quarter of a mile.

Q. But you were in the store attending to the business?—A. Upstairs in the office.

Q. And you could tell by the marks how far they went?—A. I could tell when I went out in the canoe.

Q. When you went out in the canoe a couple of times in the week you were capable of telling what quantity of earth they had dredged?—A. You could get an idea.

Q. Just tell us why you could tell by the appearance of things when you occasionally went out to the dredge?—A. Well about—

Q. And if Gendron had added a considerable quantity, or even if he had not done justice to the contractor with the government you could not have checked it?—A. I would not think he would do anything wrong.

By Mr. Macdonald :

Q. You thought he was an honest man?—A. Yes, I think so.

By Mr. Barker :

Q. The people on board the dredge were honest too, were they?—A. I could not say as to that.

Q. But you could about Gendron?—A. I thought Gendron was an honest man.

Q. Did you not think the other men were honest?—A. What men do you mean, the cook and the deckhands?

Q. The men that were doing the work on the dredge. My object in asking you is this, what reason had you to suspect they would not have given the true figures as well as Gendron?—A. I hired Gendron; I was not looking to them for figures.

Q. You hired Gendron and you say he was checking both boats?—A. Yes.

Q. Did you ever know Gendron before?—A. Yes, I had met him.

Q. If Gendron was as good a man as you, and a man you could rely on him for \$1.25 per day, the government could have relied upon him, that is, if they had to anyway, for \$1.25 per day?—A. I think the government could depend upon him.

Q. And they could have got him for \$1.25?—A. I could not say as to that.

Q. But you got him?—A. Certainly I got him.

Q. And you took \$3 a day?—A. Yes.

By Mr. Bennett :

Q. When did you say you first applied for this position?—A. I started about the 1st of August.

Q. Who came up there from Ottawa, was it Mr. Hughes?—A. I know there is a Mr. Hughes comes up there, who would you see when he came there for the government?—A. I did not see any government man.

Q. You spoke about Mr. Sing, did he ever come there?—A. I had a letter from Mr. Sing; he gave me my appointment.

Q. Did he ever come there personally on behalf of the government?—A. Mr. Sing was up there, I think, but I did not see him.

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Q. You never saw Mr. Sing?—A. No, sir.

Q. I want to put in this from the return:—

OFFICE OF THE MINISTER OF PUBLIC WORKS OF CANADA,
OTTAWA, July 4, 1905.

Memorandum for Chief Engineer.

When a second inspector is required in connection with the work at Matchedash Bay, the chief engineer will please appoint Mr. Chas. Eastwood, c/o Mr. R. D. Gunn, K.C., barrister, Orillia, Ont.

(Sgd.) C. S. HYMAN.

July 10, 1905.

SIR,—If a second inspector is required in connection with Matchedash Bay, you will please appoint Mr. Chas. Eastwood, c/o Mr. R. D. Gunn, K.C., barrister, Orillia.

Yours obediently,

J. G. SING, Esq.,

Resident Engineer, Toronto, Ont.

Chief Engineer.

July 10, 1905.

Memorandum for Mr. Howden.

I have informed Mr. Resident Engineer Sing, of Toronto, that a second inspector is required in connection with the work at Matchedash Bay, to appoint Mr. Chas. Eastwood, c/o Mr. R. D. Gunn, K.C., barrister, Orillia.

Chief Engineer.

J. G. SING, Esq.,

Resident Engineer, Toronto, Ont.

OTTAWA, July 18, 1905.

Has Penetang Dredging Company placed dredge at work Matchedash Bay? If so, have you appointed Charles Eastwood as inspector?

Chief Engineer.

(Telegram.)

EUGENE D. LAFLEUR, Esq., C.E.,

Chief Engineer, Dept. Public Works, Ottawa, Ont.

TORONTO, ONT., July 18.

Penetang Dredge Company began work June 1st alongside dredge No. 9. Inspector Gendron has up to present time been looking after both dredges; consequently have not appointed Charles Eastwood. Shall I appoint him?

(Sgd.) J. G. SING.

Chief Engineer :—Please appoint Eastwood on Penetang Company's dredge.

(Sgd.) C. S. HYMAN.

(Telegram.)

J. G. SING, Esq.,

Resident Engineer, Toronto, Ont.

OTTAWA, July 21, 1905.

Please appoint Charles Eastwood as inspector of dredging, Matchedash Bay.

Chief Engineer.

So that when you would go to work and mark on this return, 'I hereby certify that the above work has been performed,' you were marking down something that of your own knowledge you knew nothing about?—A. Yes, sir.

Q. And Mr. Carter got the logs?—A. I think he got them; some of them may be shoved off; they were sinkers that were lying in the bottom of the bay.

By Mr. Macdonald :

Q. Is there anything charged for the logs?—A. We got a little extra for taking them out. If they got in the dipper there was trouble in moving them off. I do not

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know what they got, but I know I was bound to report them. If you catch logs in the dipper and shove them out of the channel, I expect Carter would get them, because his men would pick them up.

Q. What the dredge company would get paid for was for taking out the logs, which is more difficult than the ordinary work of taking out the mud?—A. If they did get paid for them, I do not know.

By Mr. Bennett :

Q. What was elm worth at that time?—A. That would all depend on the class of logs.

Q. What was the price of that class of log?—A. I think at that time they were paying about \$8 per thousand if I remember correctly.

Q. What would these logs run to the thousand?—A. That I could not say.

Q. You charge here for 35 hours' overtime at 30 cents an hour; you thought that was a good honest charge?—A. I was told that was right.

Q. Who told you that?—A. Mr. Gendron.

Q. What was Mr. Gendron getting, did he tell you?—A. He did not say.

Q. In your own bill you put in, I see, you got in your fine work, for overtime. Here is one charge here for 35 hours. When would you call this overtime, was it when you were going out to get orders for groceries?—A. No, I would get that time from Gendron.

Q. Gendron would tell you you had worked 35 hours overtime?—A. He would tell me the time the dredge was working.

Q. And you thought you ought to get paid for that?—A. Yes.

Q. Did you think it was a fraud on the country and on the government?—A. No, sir, I would not do it if I thought it was a fraud on any one.

Q. Just a soft snap. Were you there last year?—A. No, sir.

Q. Who was looking after it last year?—A. I have not the faintest idea.

Q. Have you ever heard of anybody else having the same snap last year that you had?—A. I was not aware positively that it was working there last year.

By Mr. Macdonald:

Q. You did not know you had a snap, did you?—A. Oh, I didn't know, from what Mr. Carter told me in the first place I thought it was about \$10 a day for the thing.

By Mr. Bennett:

Q. Did any of that \$3 go to Mr. Carter?—A. No, sir.

Q. On account of the time you were absent from the office?—A. No, sir.

Q. The only thing he got was the logs?—A. Yes.

Q. In the account for overtime you charged 30 cents an hour, and that Gendron told you you were entitled to?—A. Yes, sir.

Q. After paying Gendron \$1.25 per day did you give him any bonus, an extra as a sweetener?—A. No, sir.

Q. You thought he had been well enough paid, and that is your idea of common honesty, is it in dealing with the department?—A. I thought that was square enough.

By Mr. Macdonald:

Q. I see you have a pin on the lapel of your coat, what does that signify?—A. That pin don't mean anything in politics.

Q. How are you going to vote at the next election?—A. Oh, well, I—

Q. If Mr. Bennett runs?—A. I do not know, I might vote for Mr. Bennett.

Q. You might?—A. Yes.

By Mr. Bennett:

Q. Are you going to repay this money back to the department? Have you any intention of paying it back?—A. I can't pay it back, I haven't got it to pay back.

Witness discharged.

Committee adjourned.

SELECT STANDING COMMITTEE

ON

PRIVILEGES AND ELECTIONS

MINUTES OF PROCEEDINGS AND EVIDENCE

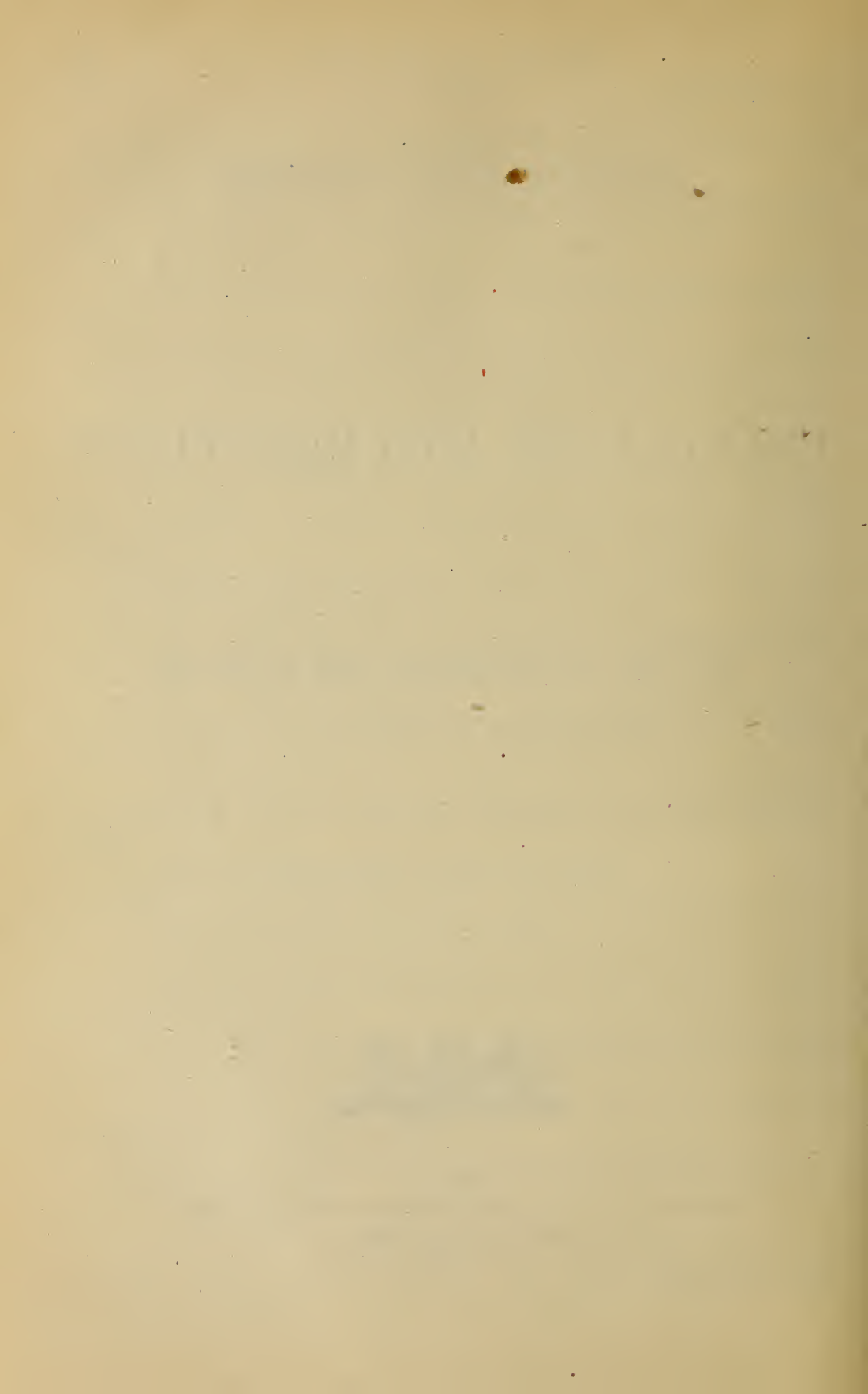
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EXCELLENT MAJESTY

1907



SELECT STANDING COMMITTEE ON PRIVILEGES AND ELECTIONS.

MINUTES OF PROCEEDINGS

THURSDAY, February 21st, 1907.

The Committee met at 11 o'clock, a.m.

PRESENT:

Messieurs Logan (Chairman), Alcorn, Aylesworth, Barker, Bennett, Bergeron, Boyce, Carvell, Chisholm (Antigonish), Clark, Demers, Dugas, Geoffrion, German, Grant, Guthrie, Lancaster, Lapointe, Laurence, Lavergne (Montmagny), Lennox, Macdonald, Maclean (Lunenburg), McColl, Monk, Northrup, and Porter.—27.

The Chairman read the Order of Reference of the 18th instant, as follows:—

Ordered, That the letter or declaration bearing date the twentieth day of November, 1906, from the Honourable Charles S. Hyman, as a Member of this House for the Electoral District of the City of London, to His Honour the Speaker, and communicated by His Honour to this House on the 8th day of February, and all other letters or declarations from the said Member to the like purport delivered to His Honour, and all correspondence touching the same or any of them, be referred to the Select Standing Committee on Privileges and Elections, for the purpose of inquiring into the execution of the said letters or declarations, and all matters relating thereto, and reporting whether any of the said letters or declarations constitutes a valid resignation of the seat of the said Honourable Charles S. Hyman as Member of this House for the Electoral District of the City of London.'

The letter of the Honourable Charles S. Hyman, referred to in the foregoing Order of Reference, was laid on the Table, and is as follows:—

'CABINET DU MINISTRE DES TRAVAUX PUBLICS DU CANADA,
'LONDON, November 20th, 1906.

'SIR,—I have the honour to tender my resignation as Member of the House of Commons for the Electoral Division of the City of London.

'Yours truly

'C. S. HYMAN.' [L.S.]

'The Honourable

'The Speaker of the House of Commons.'

Witness { C. J. BEAL.
 { W. F. D. JARVIS.

On motion of Mr. Barker, it was

Resolved, That the Committee do recommend that their proceedings and any evidence taken by them be printed from day to day, for the use of members.

On motion of Mr. Barker, it was

Resolved, That all papers and correspondence relating to the subject-matter of the inquiry, between the Hon. Charles S. Hyman, or any person on his behalf, or any person

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whomsoever, and the Government, or any member thereof, be produced before the Committee.

On motion of Mr. Barker, it was

Resolved, That His Honour the Speaker of the House of Commons be requested to attend and give evidence and that he be requested to produce all correspondence between himself and the Hon. Charles S. Hyman, or any other persons, relating to the subject-matter of the inquiry, and all papers and documents in his possession or custody relating to such matter, and all notes, entries, and memoranda made in regard thereto.

On motion of Mr. Barker, it was

Resolved, That the warrant issued by His Honour the Speaker for a new election for the Electoral District of London, or a copy thereof, be produced by the Clerk of the Crown in Chancery.

On motion of Mr. Barker, it was

Resolved, That C. J. Beal and W. F. D. Jarvis, of the City of London, Ontario, be summoned to attend at the next meeting of this Committee, and give evidence as to the subject-matter of the inquiry, and that each of them produce all correspondence between them, or either of them, and the Hon. Charles S. Hyman, or any other person or persons relating to the subject-matter of the inquiry, and all papers, memoranda and documents relating thereto.

On motion of Mr. Bennett, it was

Resolved, That the said summonses be sent to the Sheriff of Middlesex, with instructions to serve the same upon the said Beal and Jarvis personally, and that a sum sufficient to defray their expenses to Ottawa be also sent to them through the Sheriff.

On motion of Mr. Northrup, it was

Resolved, That when the Committee adjourns, it do stand adjourned till Thursday next, 28th instant.

Mr. Lancaster moved

That the Committee ask leave of the House to sit while the House is in session, which was negatived on the following division:—

YEAS:

Messieurs Alcorn, Barker, Bennett, Boyce, Lancaster, Lennox, Northrup and Porter.—8.

NAYS:

Messieurs Aylesworth, Carvell, Chisholm (Antigonish), Clark, Demers, Dugas, Geoffrion, German, Grant, Guthrie, Lapointe, Laurence, Lavergne (Montmagny), Macdonald, Maclean (Lunenburg), and McColl.—16.

The Committee adjourned till Thursday, February, 28th, at 10.30 o'clock a.m.

Attest.

WALTER TODD,

Clerk of the Committee.

THURSDAY, February 28, 1907.

The Committee met at 10.30 o'clock, a.m.

PRESENT.

Messieurs Logan (Chairman), Alcorn, Aylesworth, Barker, Bennet, Bergeron, Boyce, Bristol, Carvell, Chisholm (Antigonish), Clarke, Dugas, Geoffrion, German,

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Hall, Lancaster, Laurence, Lavergne (Montmagny), Lennox, Macdonald, Maclean (Lunenburg), McColl, Monk, Northrup, Tisdale and Ward.—26.

The minutes of the previous meeting were confirmed .

The Chairman read the following letter which he had received, viz.:—

‘PRIME MINISTER’S OFFICE, CANADA,
OTTAWA, February 28, 1907.

‘SIR,—I am directed by Sir Wilfrid Laurier to inform you, in answer to the resolution adopted by the Committee on Privileges and Elections at their last sitting, and communicated to him, by Mr. Walter Todd, Clerk of the said Committee, that he has had no other correspondence with Mr. Hyman but what has already been placed by him on the Table of the House.

‘He wrote only one letter to Mr. Hyman, and that is the letter just referred to. To this he received no answer but the telegram placed on the Table of the House.

‘He has received no letter from any person on behalf of Mr. Hyman, unless it be a letter from Mrs. Hyman, dated from Los Angeles, December 30, 1906. He does not know if the Order of the Committee calls for that letter. It is herein inclosed, subject to the Order of the Committee.

‘I have the honour to be, sir,

‘Your obedient servant,

‘E. J. LEMAIRE,

‘*Private Secretary.*

‘H. J. LOGAN, Esq., M.P.,

‘Chairman, Standing Committee on Privileges and Elections,
‘House of Commons, Ottawa.’

Hon. Mr. Aylesworth stated that he had received three letters and a telegram from Mrs. Hyman, one of the letters containing a note written by Mr. Hyman, and which he would produce and file if required by the Committee.

Mr. H. G. Lamothe, Clerk of the Crown in Chancery, produced a certified copy of the Speaker’s Warrant for the issue of a new writ for an election for the Electoral District of the City of London, in the Province of Ontario, which was filed and read as follows :—

(Exhibit No. 1.)

DOMINION OF CANADA, }
To wit : }

HOUSE OF COMMONS.

To HENRI G. LAMOTHE,

Clerk of the Crown in Chancery for Canada.

These are to require you to make out a new writ for the election of a member to serve in the present Parliament for the Electoral District of the city of London, in the province of Ontario, in the room of the Hon. Charles S. Hyman, who, since his election for the said Electoral District has resigned his seat.

Given under my hand and seal at Ottawa this Eleventh day of February, in the year of our Lord one thousand nine hundred and seven.

(Signed) R. F. SUTHERLAND, (L.S.)
Speaker.

Certified a true copy,

(Sgd.) H. G. LAMOTHE,
C.C.C.C.

His Honour the Speaker of the House was sworn and examined and discharged from further attendance. During his examination the following papers were filed and marked as Exhibits:—

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Exhibit No. 2.—Letter, dated December 3, 1906, from Speaker, House of Commons, to Hon. C. S. Hyman, London, Ont., formally stating that he could not recognize the letter of resignation of November 20, and asking for another in regular form, if he desires to make it effective.

Exhibit No. 2a. Envelope containing foregoing letter (No. 2).

Exhibit No. 3. Letter dated December 7, 1906, from C. S. Hyman & Co., to Hon. R. E. Sutherland, Speaker, House of Commons, returning foregoing letter (Exhibit No. 2) unopened.

Exhibit No. 5. Letter dated January 16, 1907, from C. S. Hyman & Co. to the Hon. the Speaker, requesting him to mail to them Mr. Hyman's resignation of November 20, 1906, which they will forward to him.

Exhibit No. 6. Copy of Mr. Hyman's resignation as member (*See* Exhibit No. 4).

Exhibit No. 7. Copy of letter, dated December 10, 1906, from Speaker, House of Commons, to Messrs. C. S. Hyman & Co., London acknowledging receipt of their letter of December 7, 1906 (Exhibit No. 3), and asking for Mr. Hyman's address.

Exhibit No. 8. Copy of letter dated January 18, 1907, from Speaker, House of Commons, to Messrs. C. S. Hyman & Co., London, inclosing the incomplete resignation of Mr. Hyman, dated November 20, 1906.

Hon. Mr. Hyman's letter of resignation dated November 20, 1906 (original) was marked as Exhibit No. 4, and the envelope in which the same was enclosed was marked Exhibit No. 4a.

Mr. Charles John Beal, office manager of the firm of C. S. Hyman & Co., London, Ontario, was sworn, examined, cross-examined and discharged from further attendance.

Mr. William Frederick DeWitt Jarvis, business manager, of the firm of C. S. Hyman & Co., London, Ontario, was sworn, examined, cross-examined and discharged from further attendance.

On motion of Mr. Maclean, it was

Resolved, That Mr. James C. Duffield, president of the Gas Company, London, Ontario, be summoned to give evidence at the next meeting of the Committee *duces tecum*.

The Committee adjourned till Thursday next, March 7, at 11 o'clock, a.m.

Attest,

WALTER TODD,
Clerk of Committee.

THURSDAY, March 7, 1907.

The committee met at 11 o'clock a.m.

PRESENT: Messieurs Logan (chairman), Alcorn, Aylesworth, Barker, Bennett, Bergeron, Boyce, Chisholm (Antigonish), Clarke, Dubeau, Dugas, Emmerson, Geoffrion, German, Gervais, Hall, Lancaster, Laurence, Lavergne (Montmagny), Macdonald, Maclean (Lunenburg), McCarthy (Simcoe), McColl, Northrup, and Ward.—25.

Inquiry into the resignation of Hon. C. S. Hyman resumed.

Mr. SPEAKER SUTHERLAND appeared and made a further statement as to the custody of Mr. Hyman's letter of resignation (exhibit No. 4), between the date upon which it

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was first reported to the House, and the date upon which it was sent to C. S. Hyman & Co., at their request. He also stated his recollection as to whether or not the seal was upon the paper at that period.

Mr. JAMES C. DUFFIELD, of London, Ontario, being called, in accordance with the resolution of the 28th ultimo, made default.

The clerk stated that a summons to attend *duces tecum* had been sent to Mr. Duffield by registered mail on the 2nd March instant.

Mr. Maclean (Lunenburg) moved that the committee adjourn till Thursday next, and that another summons to attend and give evidence on that day be sent to Mr. Duffield, service to be made through the Sheriff.

Mr. Lavergne (Montmagny) moved, in amendment thereto, that the committee having sufficient evidence already before them to determine as to the validity of Mr. Hyman's resignation, do report thereon forthwith.

Mr. Aylesworth moved, in amendment to the said proposed amendment, that the committee adjourn until Thursday next, and that in the meantime a sub-committee composed of Messieurs Barker, German, Macdonald, Northrup and the mover be appointed to consider and report upon the legal aspect of the resignation, which was agreed to, on a division.

The main question, as amended, was agreed to.

On motion of Mr. German, it was

Resolved, That a summons to attend *duces tecum* and give evidence before the committee at their next sitting be served upon Mr. James C. Duffield, through the Sheriff of Middlesex, London, Ont.

On motion of Mr. Lavergne (Montmagny), it was

Resolved, That the agents of both telegraph companies at London, Ontario, be summoned to attend *duces tecum* on Thursday next, and that the said summons be served through the Sheriff.

The committee adjourned till Thursday, March 14 at 11 o'clock a.m.

Attest,

WALTER TODD,

Clerk of the Committee.

THURSDAY, March 14, 1907.

The committee met at 11 o'clock.

PRESENT.—Messieurs Logan (chairman), Alcorn, Aylesworth, Barker, Bennett, Bergeron, Boyce, Bristol, Carvell, Chisholm (Antigonish), Dubeau, Dugas, Emmer-son, Geoffrion, German, Gervais, Laurence, Lavergne (Montmagny), Lemieux, Lennox, Macdonald, Maclean (Lunenburg), McCarthy, McColl, Northrup and Ward.—26.

The minutes of the last meeting were confirmed.

The clerk read affidavits received from the sheriff of Middlesex county, Ontario, proving service of summonses upon Mr. James C. Duffield, president of the City Gas Company, London, and Mr. D. H. Bowen, agent of the Canadian Pacific Railway Company's Telegraph at London, Ont.

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The following letter was also read:—

WALTER TODD, Esq.,
Clerk of Committee on Privileges and Elections,
House of Commons,
Ottawa, Ont.

CITY GAS CO. OF LONDON, ONT.,
March 11, 1907.

DEAR SIR,—I regret very much not having received yours of the 2nd instant (summoning me to appear before your committee on Thursday, the 7th instant) until this morning; as I only returned from Quebec on Wednesday last at midnight, it would have been much more convenient for me to have been in Ottawa last Thursday than appear this Thursday, for which I have also your summons, served on me by the sheriff. I shall use my best efforts, however, to be on hand at Ottawa at the time designated, i.e., Thursday next, the 14th instant, at 10.30 a.m.

Yours truly,
(Signed) JAS. C. DUFFIELD,

Mr. JAMES C. DUFFIELD, London, Ont., was sworn, examined and discharged from further attendance. During his examination he produced the following telegrams:—

Exhibit No. 9—‘From Coronada, Calif., Feb. 2, 1907. To Jas. C. Duffield, London. Please have seal attached to my resignation as member for London, and have properly witnessed. Chas. S. Hyman.’

Exhibit No. 10—‘From Coronada, Calif., March 1, 1907. To James C. Duffield, London, Ont. Any statements or insinuations that my resignation, either as member or minister, was prompted by other motives than those contained in my letter to Sir Wilfrid are absolutely untrue. C. S. Hyman.’

Mr. D. H. BOWEN, agent Canadian Pacific Railway Company’s Telegraph, London, Ont., was sworn, examined and discharged from further attendance.

Mr. Lavergne (Montmagny) moved that the evidence be considered as closed.

Mr. German moved, in amendment thereto, that the letters received by Hon. Mr. Aylesworth, bearing on the subject-matter of the inquiry, and ordered by the committee on the 21st February last, be now read.

And the question being put upon the amendment, it was agreed to on the following division: Yeas, 13; nays, 10.

The main motion, as amended, was agreed to.

Hon. Mr. Aylesworth then read the following letters, viz.:—

Exhibit No. 11—Letter from Mrs. Hyman, dated Los Angeles, Cal., 12 Dec., 1906.

Exhibit No. 11a—Envelope containing above letter.

Exhibit No. 12—Note from Mr. Hyman—not dated.

Exhibit No. 13—Letter from Mrs. Hyman, dated Los Angeles Cal., 30 Dec., 1906.

Exhibit No. 13a—Envelope containing last mentioned letter.

The letter of Mrs. Hyman to Sir Wilfrid Laurier, dated Los Angeles, Cal., 30 Dec., 1906, was read and marked as Exhibit No. 14.

(For foregoing letters see *Evidence*, page 45.)

Mr. Barker submitted the report of the sub-committee, appointed at the last meeting of the committee, to consider the legal aspect of Mr. Hyman’s resignation, which was read as follows:—

HOUSE OF COMMONS, March 14, 1907.

The sub-committee of the Select Standing Committee on Privileges and Elections, appointed to consider and report upon the legal aspect of the resignation of the Hon. C. S. Hyman, beg to report:—

1. It is a settled principle of parliamentary law that a member, after he is duly chosen, cannot relinquish his seat.—May’s Parliamentary Practice, 11th Edition, 1906, page 642; Flint’s Bourinot, page 242.

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2. Provision, however, is made in the Canadian law for the resignation of members during a session, or after a prorogation of parliament.—Flint's *Bourinot*, page 242.

3. The Canadian law as to such resignation is found in the Revised Statutes, 1906, chapter 11, sections 5 and 7, vol. 1, page 208, as follows:—

Sec. 5. Any member of the House of Commons may resign his seat,—

- (a) by giving, in his place in the House, notice of his intention to resign, in which case, and immediately after such notice has been entered by the Clerk on the Journals of the House, the Speaker shall forthwith address his warrant, under his hand and seal, to the Clerk of the Crown in Chancery, for the issue of a writ for the election of a new member in the place of the member resigning; or,
- (b) by addressing and causing to be delivered to the Speaker a declaration of his intention to resign his seat, made in writing, under his hand and seal before two witnesses, which declaration may be so made and delivered either during a session of parliament or in the interval between two sessions, in which case the Speaker shall, upon receiving such declaration, forthwith address his warrant, under his hand and seal, to the Clerk of the Crown in Chancery for the issue of a writ for the election of a new member in the place of the member so resigning;

And in either case a writ shall issue accordingly.

2. An entry of the declaration so delivered to the Speaker shall be thereafter made in the Journals of the House.

Sec. 7. Any member tendering his resignation in any manner hereinbefore provided, shall be held to have vacated his seat, and shall cease to be a member of the House.

It is evident that the letter of the 20th November, 1906, from the Honourable C. S. Hyman to Mr. Speaker, as first received, was not a valid resignation.

The question, however, arises whether the subsequent affixing of a seal and the attestation by two witnesses, under the circumstances set forth in the evidence, had the effect of making such letter a valid resignation.

The sub-committee, having carefully considered the requirements of the statute, as above set forth, and the evidence, is of opinion that the subsequent affixing of the seal, and the attestation by the two witnesses, had not the effect of making the letter a valid resignation.

The sub-committee beg to refer the committee to the Bruneau case, 'Hansard,' 1898, page 2146; and to the Guité case, 'Hansard,' 1899, page 3.

On motion of Mr. German, the foregoing report of the sub-committee was adopted.

Mr. Barker moved that the following draft report be adopted as the report of the committee, viz.:—

DRAFT REPORT.

That your committee do find and report to the House:—

1. That the letter or declaration, bearing date the twentieth day of November, 1906, from the Honourable Charles S. Hyman, as a member of the House of Commons for the electoral district of the city of London, and communicated by His Honour the Speaker to the House on the eighth day of February, 1907, had been, on or about the day when it bears date, made in writing by the said honourable member under his hand, and in the words and figures as follows:—

LONDON, November 20, 1906.

SIR,—I have the honour to tender my resignation as member of the House of Commons for the electoral division of the city of London.

Yours truly,

C. S. HYMAN.

The Honourable

The Speaker of the House of Commons.

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2. That the letter or declaration so made was by the said Honourable member addressed to and, on the twenty-second day of November, 1906, caused to be delivered to His Honour the Speaker and is the only letter or declaration to the like purport signed by the said Honourable Member, and by him caused to be delivered to His Honour the Speaker.

3. That the said letter or declaration was not made under the seal of the said Honourable Member, nor was it made before two witnesses.

4. That C. J. Beal and W. F. D. Jarvis, whose signatures are appended as witnesses to the said letter or declaration, as the same was communicated to the House on the eighth day of February, 1907, were not present when the said Honourable Member signed the said letter or declaration, and did not see him sign it.

5. That neither the said C. J. Beal nor the said W. F. D. Jarvis ever saw the said letter or declaration until a day between the eighteenth day of January, 1907, and the eighth day of February, 1907, when under the circumstances set forth in the evidence taken by this Committee, they added thereto the word 'Witness' and appended their signatures as professed witnesses thereto, and on the same day, and under the circumstances also set forth in the said evidence the said W. F. D. Jarvis affixed the seal which now appears thereon.

6. That in the opinion of your Committee the said letter or declaration made by the said Honourable Member did not and does not constitute a valid resignation of the seat of the said Honourable Charles S. Hyman, as a member of the House of Commons for the Electoral District of the City of London, and is wholly inoperative and ineffective.

Your Committee also beg to submit herewith the Proceedings of Your Committee, and the evidence taken by them during the inquiry.

All of which is respectfully submitted.

And the question being put, it was agreed to on division.

Ordered, that the said Draft Report be the Report of the Committee and that the same be presented in the House this day.

The Committee then adjourned.

Attest.

WALTER TODD,
Clerk of the Committee.

SELECT STANDING COMMITTEE ON PRIVILEGES AND ELECTIONS

MINUTES OF EVIDENCE

HOUSE OF COMMONS, THURSDAY, February 28, 1907.

The Committee met at 10.30, Mr. Logan in the Chair.

Consideration of the resignation of Hon. Mr. Hyman, as member for the electoral division of the city of London.

Hon. Mr. R. F. Sutherland, sworn.

By Mr. Barker :

Q. You are Speaker, Mr. Sutherland?—A. I am.

Q. And on the first day of the present session of parliament, according to Hansard at Page 1, on November 22, 1906, you made this declaration to the House :

‘Mr. SPEAKER. I have the honour to inform the House that I have received a communication from the Hon. C. S. Hyman announcing his resignation as a member of the House for the electoral district of the city of London. I may say to the House that the resignation is not perhaps quite in form, but I thought it desirable to communicate it to the House.’

On that date did you lay the letter itself or the communication, before the House?—A. That was all that was done.

Q. That was all that was done that day?—A. Yes.

Q. On the next day, at page 7 of Hansard, the following appears : A question was asked by Mr. R. L. Borden :—

I will read it, Mr. Speaker, and if I do not read it correctly, or if you do not assent?—A. I will interrupt you.

Q. The record in Hansard is as follows :—

‘Mr. R. L. BORDEN (Carleton, Ont.) Mr. Speaker, before the Orders of the Day are called I would like to ask what is the effect of the resignation as a member of this House of the hon. the Minister of Public Works, which was referred to but not read yesterday? Is it or is it not in due legal form; has it the effect of rendering the seat of the hon. gentleman vacant? I would also like to ask whether or not the Hon. Mr. Hyman retains his portfolio?’

‘Mr. SPEAKER. In my judgment the resignation is not in proper form and is not therefore complete.’

‘Sir WILFRID LAURIER. I have to inform my hon. friend (Mr. Borden) that Mr. Hyman has asked to be relieved as Minister of Public Works, but under the circumstances I have not thought it advisable to place his resignation in the hands of His Excellency yet. I have asked Mr. Hyman to reconsider his determination.’

That is not strictly pertinent to this inquiry, but I thought I would complete that entry.

Q. Then on the 26th of November last at page 92 of the *Hansard*, this appears :

‘Mr. R. L. Borden (Carleton, Ont.) Before the Orders of the Day are called, I would ask you, Mr. Speaker, whether any additional resignation has been placed in

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your hands by the hon. member for London (Mr. Hyman). I would also ask my right hon. friend, the leader of the government, whether or not the retention of the portfolio continues, as he stated to the House the other day.

‘Rt. Hon. Sir WILFRID LAURIER (Prime Minister). In so far as the resignation of Mr. Hyman’s portfolio is concerned, I have had no further communication from him since I last addressed the House. He has gone south in very poor health, and I have reason to believe that I shall have an answer from him in a very few days.

‘Mr. SPEAKER. I have no further resignation to report.’

On the 5th of December last, at page 581 of Hansard, these further remarks appear:

‘Mr. R. L. BORDEN. Mr. Speaker, before the Orders are called I would like to inquire whether the government have any further announcement to make with regard to the resignation of the Minister of Public Works which was placed in the hands of the Prime Minister at the commencement of the session, as he informed us, and also to inquire whether anything further has been communicated to you, Sir, by Mr. Hyman with respect to the resignation of his seat as a member for the city of London. I think the matter is of a little more than usual moment, for the reason—

‘Sir WILFRID LAURIER. Order.

‘Mr. R. L. BORDEN. For the reason and that is why I ask the question, that the Prime Minister told us that he would make a further announcement later on.

‘Mr. SPEAKER. I may say to the House that I have received no further communication from the hon. member for London beyond the one I mentioned to the House on a previous occasion. Meantime, not having heard anything further from him, I have written to him calling his attention to the nature of the tendered resignation.’

‘Sir WILFRID LAURIER. I may add that I have had no further communication from Mr. Hyman. I have written to him, but have not yet received a reply.’

‘Mr. R. L. BORDEN. Has any action been taken upon his resignation as a minister?

‘Sir WILFRID LAURIER. No action more than I have stated already. I have asked Mr. Hyman to reconsider his determination and have sent a letter to him, but have received no answer yet.’

Q. You wrote a letter to Mr. Hyman?—A. I did.

Q. Have you that letter or a copy of it?—A. I have the original letter.

Q. That is already in. This is the original to Mr. Hyman?—A. I may explain, I thought in the first instance that Mr. Hyman would, from the publicity that was given to the matter in the press, notice that his resignation was ineffective, but after waiting a little time, feeling that as an official of the House, it was my duty to keep an official record and to bring the matter officially to his attention, I wrote this letter. Shall I read the letter?

Q. I think perhaps you had better; it bears on the subject of the enquiry?—A. It does.

(Exhibit No. 2.)

OTTAWA, December 3, 1906.

‘The Hon. C. S. HYMAN,
‘LONDON, ONT.

‘DEAR MR. HYMAN,—While the document you sent to me as a resignation was defective in that it was not signed before witnesses, I considered, under the circumstances, I had better apprise the House of the fact of having received it. This I did on the opening day, namely, the 22nd ult. I had fully expected that you would have learned through the press, or some of your friends, of the fact that the resignation was not a legal one, and that by this time, I would have heard further from you.

‘I now desire to formally state to you that I cannot recognize the said resignation, and that you had better, if you desire to make it effective, send me one in the same form, but executed in the presence of two witnesses.

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'Not knowing your present address, I am directing this to London, and no doubt it will be forwarded to you in due course.

'Yours sincerely,

'R. F. SUTHERLAND,

'*Speaker, House of Commons.*'

(Envelope attached.)

'House of Commons.

'Free.

'Dec. 3, 1906,

'Canada.

'*Personal.*'

Hon. C. S. HYMAN,

London,

Ontario.

R. F. S.—Please forward.

(Exhibit No. 2a.)

Q. Perhaps you had better give an explanation of how the original came back to you?

By Hon. Mr. Aylesworth :

Q. You have the envelope there, that is the best evidence?—A. Well, I have a letter. Then within a few days I received a letter dated December 7, 1906, from London, Ont., directed to myself as Speaker, and reading as follows :—

(Exhibit No. 3.)

'DEAR SIR,—The enclosed letter came here a few days ago, and we think from the initials that it may be from yourself. We held it, thinking we might hear from Mr. Hyman, but up to the present time have no word from him as to his mail, which has been accumulating since he left. We thought it best to return this to you, in case it was of importance.

'If we can do anything further, please command us and oblige,

Yours truly,

'C. S. HYMAN & CO.'

Q. I suppose, Mr. Speaker, that implies that your letter was not opened?—A. It was not opened, it was returned to me unopened—I opened it on its return.

Q. And it appeared to you not to have been opened from the time you sent it?—A. It appeared not to have been opened.

Q. A letter has been produced here, Mr. Speaker, purporting to be from Mr. Hyman, and already appearing on the Minutes of the Proceedings, apparently addressed to you. (Exhibit No. 4.) Have you the envelope in which this came?—A. I have, I produce it. (Envelope produced.)

Q. Put that in, please. (Envelope attached to resignation and marked Exhibit 4a.)

Q. Is that the letter you received? (Exhibit No. 4.)—A. That is the letter I received originally, yes.

Q. I observe there is no mark upon it for identification?—A. In what way do you mean? By me?

Q. Yes, or by anybody?—A. No, I kept the envelope and the letter.

Q. I mean there is no mark made at any time by you, or by any person on your behalf, or by any person, in fact, to identify it as the particular letter you first received?—A. No; I identify it.

Q. But there is no mark upon it?—A. No, there is no mark upon it, it remained in my possession.

Q. Your belief is that it is the same letter?—A. I am certain of it.

Q. It is a matter of opinion?—A. There is no matter of opinion.

Q. Has it been in your possession ever since?—A. It was, until I sent it back on a request contained in a letter which I subsequently received. Shortly after, within a

day or two after January 16, 1907, I received a letter bearing that date, directed to myself as Speaker, and reading as follows:—

(Exhibit No. 5.)

‘The Honourable Speaker of the House of Commons,
Ottawa.

‘DEAR SIR,—Kindly mail us Mr. Hyman’s resignation as member of the House of Commons for the city of London, we will forward to him.

‘Yours truly,

‘C. S. HYMAN & CO.’

Q. What was that in reply to?—A. That was not in reply to anything sent by me.

Q. That is dated January 16, 1907. You had no communication with these people on the subject, had you?—A. In the meantime?

Q. Yes?—A. None.

Q. Except that letter that was returned by them?—A. That was the only communication I had. I assumed from that letter, they stated in that letter that when they got into communication with him they would write me further.

Q. That letter which they returned to you had not been opened by them?—A. No.

Q. So that they had no communication whatever with you until this came to you?—A. No.

Q. And this contained what? Anything more than this?—A. Nothing but that.

Q. Have you the envelope in which this came?—A. I do not believe I have; I do not think I retained that; but I received it within a day or two of that date.

Q. What did you do at that time, having received this?—A. I made a copy of the resignation just for the sake of keeping a copy of it, and wrote this letter on the 18th January, 1907.

(Exhibit No. 8.)

January, 18, 1907.

‘Messrs. C. S. Hyman & Co.,
London, Ont.

‘Dear Sirs:

‘In compliance with the request contained in your letter of the 16th inst., I herewith send to you the incomplete resignation of Mr. Hyman, dated the 20th November, 1906, and which I communicated to the House on the 22nd of November, 1906.

“Yours truly.”

And enclosed with it this paper which is now produced.

Q. And is now marked—A. And is now marked Exhibit 4.

Q. Was that mailed to them on the 18th of January?—A. It was mailed on the day of its date, yes.

Q. To C. S. Hyman & Co?—A. To C. S. Hyman & Co., London.

Q. Did you make any entry in your own books or anywhere relating to these proceedings?—A. No—I kept the file.

Q. Only what you are producing here, there was no book in which you made any entry at all?—A. No.

Q. Did you communicate what you were doing, verbally or in writing, to anybody?—A. Well, my secretary, of course, knew.

Q. To anybody else?—A. Did I communicate to anybody? No. The first time I spoke about the matter to anybody was the day that this—I might qualify that, to this extent, the press used to come, members of the press and members of Parliament would ask me frequently if I had received any further resignation from Mr. Hyman, to which I replied, ‘no.’ Apart from that I had no communication with anybody until the day on which Mr. Borden introduced the matter recently, when he came to

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me, I was in the Chair, and asked me the particulars of the matter and I gave them to him.

Q. You had no communication then with any member of the government?—A. None.

Q. Nor with any secretary of any member of the government?—A. None.

Q. Nor with Mr. Hyman, except through C. S. Hyman & Co.?—A. None, except through these letters.

Q. Will you put in the copy you made of the original letter of resignation?—A. I will.

(Exhibit No. 6.)

(Copy.)

London, Nov. 20, 1906.

‘ Sir :—

I have the honour to tender my resignation as member of the House of Commons, for the electoral division of the city of London.

‘ Yours truly,

‘ C. S. HYMAN.

‘ The Honourable, The Speaker of House of Commons.’

Q. Were any of these communications you are referring to received by you otherwise than through the post?—A. Yes, the first communication was handed to me—the resignation—was handed to me by the Prime Minister, Sir Wilfrid Laurier, on the day of the opening of the House.

Q. Didn’t he give you the letter that accompanied it?—A. No, he gave me nothing but just the resignation in the envelope.

Q. Did he tell you he had received any communication with the resignation?—A. He did not.

Q. Did he give you the envelope in which it came?—A. Oh, yes, it was enclosed in the envelope.

Q. In that envelope?—A. Yes.

Q. Let me see the envelope (Exhibit No. 4a), please. That is addressed to——?—A. To me.

Q. And did not come through the post office?—A. No——

Q. Except as an enclosure?—A. Except as an enclosure.

Q. Do you know whether it came by mail to Sir Wilfrid Laurier?—A. I have no means of knowing.

Q. You do not know whether he received it through the post or whether it was delivered to him?—A. I do not.

Q. Of course, you do not know of your own knowledge, but did you receive any information on the subject from him, or from anybody?—A. No.

Q. When you received that letter of resignation was it in its present form?—A. No.

Q. What difference was there in it then from the condition in which it is now?—A. It was not witnessed.

Q. Is that the only difference?—A. It is the only difference.

Q. Everything else was just as it is now?—A. Just as it is now.

Q. And supposing Mr. Hyman had signed that in duplicate, had written it in duplicate, it is in his own handwriting, I believe?—A. I believe it is, I think it is.

Q. Supposing he had written that in duplicate, and signed the two copies, do you mean to say you could distinguish between the two, between the one he deposited with you, the one that you saw first, and the other?—A. I am absolutely sure about it; I identify that as the paper. I have not any doubt that is the paper I sent to London.

Q. I suppose if he had, at the time he wrote that resignation in London, or the time he wrote it, wherever it was, if he had signed two copies and put the seal to each just as you say that was, do you mean to say if both were in his own handwriting that you could tell which of the duplicates it was you saw first?—A. I suppose if he made each very similar in the whole outline, I would have difficulty in knowing the difference.

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Q. You would not know whether it was the same you received at first, but you have no doubt it was the same?—A. I have no doubt about it.

Q. Where did you write to Mr. Hyman when you wrote that letter you referred to?—A. I wrote to the firm—that first letter?

Q. The letter of December 3?—A. I directed it to London, the envelope is there.

Q. You knew at that time he was not in London?—A. Yes, I knew that, only by newspaper comment and talk, but I assumed if I sent it there they would forward it; I had no other address.

Q. Did any person suggest that you should address it there?—A. Nobody suggested I should write a letter at all, directly or indirectly. I did it because I thought as an official I should follow the matter up.

Q. It was as a matter of business the communication was sent?—A. Yes.

Q. On the 11th of December, 1906, at page 839 of the Hansard, this matter was again before the House and drew some remarks from Mr. R. L. Borden, who, after different observations in reference to the question, says:—

‘We are also somewhat in the dark with respect to the status of the Minister of Public Works as a member of this House. We do not know whether any further communication has been received from him in regard to his resignation. I assume not, because otherwise no doubt, his honour the Speaker, would have communicated that fact to the House.’

A. Might I interject a remark for a moment. I find on the file a letter which I think, for the moment, I overlooked, dated December 10. On receiving the letter of Messrs. Hyman & Co., returning my first letter to Mr. Hyman, I seem to have followed it up this much farther that I wrote them again on the 10th of December as follows:—

(Exhibit No. 7.)

‘December 10, 1906.’

‘Messrs. C. S. Hyman & Co.,
London, Ont.’

‘DEAR SIRS.—I am in receipt of your letter of the 7th inst. returning a letter which I had mailed to Mr. Hyman at London.’

‘In case you learn his address, I will be obliged if you will communicate the same to me at once.’

‘Yours truly,’

Q. You got no answer?—A. I got no answer to that until the request was made to send the resignation back.

Q. On page 842 of Hansard there is a statement that is perhaps material to the Committee; as follows:—

‘Right Hon. Sir WILFRID LAURIER.—I will very cheerfully comply with the requests of my hon. friend (Mr. R. L. Borden) as to the different matters to which he has called my attention. As to the first, which is by far the most important, I am sorry to say that I have no information to give to my hon. friend to-day in regard to Mr. Hyman. At the opening of this session some three weeks ago you, Mr. Speaker, informed the House that you had received the resignation of Mr. Hyman as a member of this House. The reasons why Mr. Hyman thought it advisable to offer his resignation are well known. Since there had been aspersions as to the manner in which he had been elected in the last election in London, he thought it due to himself not to retain any longer a seat which might have been tainted with corruption. As far as that is concerned, for my part, I think the action of Mr. Hyman was reasonable and satisfactory. The reason that no action has been taken on the resignation is that unfortunately Mr. Hyman had not complied with the condition of the statute, as I understand, he had not taken the precaution of having his signature attested by two members of parliament.’

That is a mistake, that the resignation should be attested by two members of parliament. It was explained afterwards that it should be two witnesses.

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'At the same time that Mr. Hyman offered his resignation as a member of the House he also placed his resignation in my hands as a member of the cabinet. I informed the House then that while I thought the reasons which had induced Mr. Hyman to resign his seat were quite adequate the same reasons did not exist why he should resign as a member of the cabinet. Unfortunately it is a matter of notoriety that Mr. Hyman had to leave the country and go south to another clime in consequence of the condition of his health. I am sorry to have to say that Mr. Hyman is in a very poor condition of health, so poor that I know that the letter which I wrote to him asking to withdraw his resignation and allow me not to place it in the hands of His Excellency has not yet reached him.'

The Prime Minister says he wrote Mr. Hyman asking to withdraw his resignation, but that the letter had not yet reached Mr. Hyman—I think that letter has not yet been produced:

'His physician has given absolute orders that he should receive no communications whatever, that he should be absolutely free from all kinds of trouble and not be allowed to transact any kind of business, and that is the reason why up to the present time I am not able to give my hon. friend the information he now seeks. I am sure that when my hon. friend and hon. members of the House know that Mr. Hyman is in such a condition of health that he is not permitted by his physician to attend to any kind of business they will find no fault that no further action has been taken upon the resignation which he intended to have accepted.'

'Mr. R. L. BORDEN. I think this is the first we have learned of it.'

On the 10th of January, 1907, at page 1184 of 'Hansard,' Mr. R. L. Borden inquired whether the Prime Minister had anything further to announce. Mr. Borden said:

'Mr. R. L. BORDEN. Might I inquire whether the Prime Minister has anything to announce to the House with regard to the position of Mr. Hyman as a member of the House or as a member of the cabinet. It is nearly two months since we had the announcement made by Mr. Speaker that there had been an informal resignation, and the announcement by the Prime Minister that Mr. Hyman had tendered his resignation as a member of the cabinet, but that it had not been officially communicated to His Excellency the Governor General. After that we learned through the Prime Minister of the somewhat serious illness of Mr. Hyman. As to Mr. Hyman's resignation as a member of the House, it is of course a very simple matter. If his intention is to resign it simply requires a declaration of intention executed in the presence of two witnesses. As to Mr. Hyman's position as a member of the cabinet we should know at the earliest possible moment what the intention of the Prime Minister is with regard to that. The present condition is very unsatisfactory, and while it may be unavoidable, yet it is incumbent upon us to make inquiry and to receive an answer.'

'Sir WILFRID LAURIER. I have to inform my hon. friend and the House that since we separated some three weeks ago I have received no communication whatever from Mr. Hyman himself. I have received a communication from a person very near to him and I am sorry to have to say that the report as to his condition is very unfavourable indeed. The condition of Mr. Hyman is serious; it is not without hope, however, and under such circumstances, the House will certainly allow some further delay.'

On the 15th of January Mr. R. L. Borden (page 1472 of 'Hansard') said:

'Before the Orders of the Day are called, I would like to ask the Prime Minister whether he or any member of the government have received the resignation of Mr. Hyman in proper form. I mean the resignation of his seat as a member of the House.'

'Rt. Hon. Sir WILFRID LAURIER (Prime Minister). No.'

On the 8th of February, at page 2728 of 'Hansard' this appears:

'Mr. DEPUTY SPEAKER. His Honour the Speaker has received the following communication:

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'LONDON, November 20, 1906.

SIR,—I have the honour to tender my resignation as a member of the House of Commons for the electoral division of the city of London.

'Yours truly,

'C. S. HYMAN.

'Witness :

C. J. BEAL,

'W. F. D. JARVIS.

'The Honourable,

'The Speaker of the House of Commons.'

That, I presume, was, by your direction, communicated to the House in full, the completed paper that you have produced?—A. That is correct; I was out of the city the next day, I think, and I think I gave that to the Deputy Speaker. I think I received it in the evening and was leaving that night for Windsor, and handed it to him to read the next day.

Q. 'Mr. W. F. MACLEAN. Does that mean that the informality that was in the original letter has been corrected?'

'Right Hon. Sir WILFRID LAURIER (Prime Minister). Yes. Another letter has been substituted, attested by witnesses. The first letter sent by Mr. Hyman was not attested by witnesses, and therefore the Speaker would not issue his warrant. Another one has been substituted for the first.'

'Mr. FOSTER. A duplicate of the first?'

'Sir WILFRID LAURIER. I understand so.'

The Premier was incorrect in stating that 'another one has been substituted for the first'?—A. Yes, that is incorrect.

Q. That has never been corrected in the House?—A. Not that I have noticed in the proceedings.

Q. There has been no correction made there?—A. No.

Q. When Sir Wilfrid Laurier stated that you were not present, I think?—A. I was not present on the day that the statement was made if it was made on the day that the resignation was presented to the House.

Q. I see the Deputy Speaker was in the Chair?—A. I was not there then.

Q. Up to that time had the document, to your knowledge, been in the possession of any member of the government?—A. Not to my knowledge. Beyond the fact that I received Mr. Hyman's first letter from the Prime Minister—do you mean his first letter?

Q. At any time from its receipt in November up to this date, February 8, 1907, had that document been in the possession of any member of the government?—A. It had not to my knowledge. It had never been in the possession of any member of the government, except when Sir Wilfrid handed it to me originally, that is the only knowledge I have of its being in the possession of a member of the government.

Q. That was before you received it, but from the time you received it and announced it to the House up to February 8, 1907, that document produced here, or the one you received from the Prime Minister, has never been, to your knowledge in the possession of any member of the government?—A. No.

Q. Was it ever out of your possession except during the time when it was on its way, by post, to C. S. Hyman & Co.?—A. Never, unless when it was sent into Mr. Bowles, one of the clerks.

Q. When was it sent to him?—A. Immediately after I announced it in the House; it was sent in to Mr. Bowles, who is in charge of the preparation of the Votes and Proceedings.

Q. When was that?—A. Immediately.

Q. On the same day?—A. Yes, I just sent it in to him.

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Q. When you sent it up to C. S. Hyman & Co., how long was it absent before you saw it again?—A. Well, I received it the evening before that announcement was made by the Deputy Speaker in the House.

Q. On the evening before February 8?—A. Whatever that date is.

Q. The announcement was made on February 8?—A. Well, then, I received it on the evening of February 7.

Q. You received it from whom?—A. Through the mail.

Q. From whom?—A. My recollection is that that evening, while I was in the Chair, my secretary brought me in a number of letters, this among the rest. I opened this and called Mr. Marcil, the Deputy Speaker, who was sitting near and said, 'I will be leaving in a little while, and if an opportunity offers to-night, I think I said, announce this; if not, announce it to-morrow.' I left about 10.30 that evening to get the train.

Q. So that letter was addressed to you through the post?—A. Addressed to me through the post.

Q. From London?—A. I think so, I would not be sure about that. As I say, I opened a number of letters, this among the rest, and threw the envelopes down. I could not say whether it was from London or elsewhere.

Q. Can you produce the letter accompanying it?—A. There was no letter, just the resignation.

Q. Have you the envelope?—A. No, as I say, I threw it down; I received a number of letters that night, this was among them.

Q. Was it a registered letter?—A. No, I do not think so.

Q. There was no letter from Mr. Hyman, Mr. Beal or Mr. Jarvis?—A. No, nothing but just the resignation as it stands, and in the meantime the addition had been made to it of the word 'witness' and the two signatures.

Q. Yes, what about the seal?—A. Oh, it was sealed all the time, I think. The only fault in the first instance was the fact that there were not two witnesses.

Q. Did you pay any attention to the address on the envelope?—A. I did not; as I say, I opened it when I received it with several other letters, and it did not occur to me at all that there was anything to notice at the time, and I called Mr. Marcil at the time and handed it to him.

Q. That was the only reply you received from C. S. Hyman & Co.?—A. To my return of the resignation.

Q. The only reply was the envelope addressed to you containing that document?—A. Precisely.

Q. Do you recall whether it was an envelope mailed to you a day or so before it came in the ordinary course of the post?—A. Well, it came in with the other letters, beyond that I cannot say.

Q. You did not look at the postmark?—A. No, I did not.

Q. You are quite positive it came to you on the 7th of February, the day before it was laid before the House?—A. Perfectly.

Q. Then on the 8th of February, the day that it was communicated by the Deputy Speaker to the House, there appears on page 2735 of *Hansard* this statement from the Prime Minister, on the Orders of the Day being called:

'Right Hon. Sir WILFRID LAURIER (Prime Minister). Mr. Speaker, some two weeks ago my hon. friend the leader of the opposition (Mr. R. L. Borden) questioned me as to whether or not I had had any communication to give him with regard to Hon. Mr. Hyman, Minister of Public Works, and I answered him that I had reason to believe that within a couple of weeks, which are to expire next Monday, I would be able to give a communication to the House. At the opening of the session I stated to my hon. friend that Mr. Hyman had sent his resignation to the Speaker, but unfortunately the resignation was not in such form that Mr. Speaker could act upon it. At the same time Mr. Hyman had sent to me his resignation as a member of the cabinet and as Minister of Public Works.'

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I think that has not been produced, and it is important, as being connected with the sending of the other paper?—A. You do not mean to say it has not been produced by me?

Q. No?—A. Of course, I would have nothing to do with that.

Q. I am referring only to the productions that have been made before this committee.

‘I informed the House at that time that I had asked Mr. Hyman not to press his resignation, and I also informed the House that Mr. Hyman had left for the south, being in very poor health, and that his physicians would not allow him to have any communication whatever, and that I had received no answer to my letter. I am glad to say that Mr. Hyman is a little better now and able to read his correspondence, although I am sorry to say that his condition is not such that he can resume business. I have now, however, received a communication from Mr. Hyman which completes the correspondence, and I shall give communication of the same to the House.

‘I received his letter some six or seven weeks ago:

‘MINISTER OF PUBLIC WORKS, CANADA,

‘LONDON, November 19, 1906.

‘SIR,—I view of the disclosures at Toronto in connection with the by-election of June 13, 1905, I have most regretfully reached the conclusion that while I am neither personally charged with nor responsible for the acts referred to, I cannot continue, under the circumstances, to longer serve as the representative of the constituency of London, and I have therefore forwarded my resignation as member for that electoral division in the House of Commons.

‘As the resignation of my seat involves my withdrawal from the government, I beg most respectfully to tender my resignation as Minister of Public Works.

‘I find it difficult to express my regret at the breaking of the tie which has existed for nearly three years between my colleagues and myself, but I cannot part from them without an expression of heartfelt appreciation of their great kindness and never failing courtesy.

‘From you, sir, the severance of official relations is keenly painful, since I value at this moment more than ever the sympathetic consideration you have always shown me, and I pray you may long be spared to your country’s service in the exalted position of Premier of the Dominion.

‘May I add that I leave the government in full accord with its measures and general policy.

‘Faithfully yours,

(Sgd.) ‘C. S. HYMAN.

‘The Right Hon. SIR WILFRID LAURIER, G.C.M.G.,
‘Ottawa.’

“On November 21, I answered Mr. Hyman as follows :—

‘PRIME MINISTER’S OFFICE,

‘OTTAWA, November 21, 1906.

‘MY DEAR HYMAN,—I have your letter of the 19th instant, whereby you inform me that in view of the disclosures at Toronto, in connection with the by-election of June, 1905, you have come to the conclusion that you cannot continue to longer serve as the representative of the constituency of London, and that you have forwarded your resignation to the Speaker.

‘To this determination on your part, under existing circumstances, I cannot take any exception. I am not prepared, however, to admit your conclusion that the resignation of your seat should involve as a consequence your withdrawal from the government. You say very truly in the opening sentence of your letter, that you are not personally charged with nor responsible for the acts which have taken place in London. Whilst a strict sense of honour may induce you to relinquish a seat, the election to

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which may have been tainted, your true course would seem to be to submit your action to your electors, and invite them to pronounce upon it.

'This is the view entertained by all your colleagues. I will not, therefore, immediately place your resignation in the hands of His Excellency, but I earnestly ask you to reconsider your determination and to accept the view which I have just indicated.

'Believe me, as ever, my dear Hyman,

'Yours very sincerely,

'The Hon. C. S. HYMAN,
'London, Ont.'

'WILFRID LAURIER.'

Sir Wilfrid says, 'You have forwarded your resignation to the Speaker.' That communication had been sent to Sir Wilfrid himself, and Sir Wilfrid sent it to you, is not that the case?—A. I do not know whether it had been sent to him or not, I know I received it from him.

Q. On the day of opening?—A. On the day of the opening of the House, 22nd November, 1906.

Q. Sir Wilfrid goes on:

'As I have just stated, this letter remained unanswered for a long time, it was not even communicated to Mr. Hyman. On the 2nd of this month I received from Mr. Hyman the following telegram:

'CORONADO, CALIFORNIA, February 2, 1907.

'Sir Wilfrid Laurier, Ottawa.

'Improved health and the assurance that a few weeks more of rest will find me able to resume work of department permits me to comply with your request to withdraw my resignation as Minister of Public Works.

'CHARLES S. HYMAN.'

Now, there are one or two small extracts more. The question was asked whether anything more had been communicated, and Sir Wilfrid Laurier on February 8, the same day, made this statement (page 2739, 'Hansard'):

'In so far as I am personally concerned, I certainly have nothing more to add to what I have communicated to the House. I have dealt with the House in this matter with absolute frankness. I received this letter from Mr. Hyman on the 20th or the 21st of November, and I communicated it to the House immediately afterwards. Since that time I have had no communication whatever with Mr. Hyman, none whatever. If I may be permitted to go into some domestic matters——'

I will only read this because it closes his remarks.

'—I may say that the only communication I have had was with Mrs. Hyman, who told me her husband could not attend to business of any kind. On last Saturday I received the telegram which I have just communicated to the House, in answer to my letter of November, which I have also communicated to the House.'

There is more, but it is discussion and not a matter of fact.

At page 2750, on the same day, Sir Wilfrid Laurier says:

'Now I come to the main question of my hon. friend.'

That is Mr. Foster, who had been making a long argument on the question, which I do not touch, because it is entirely argument.

'He has put to me a question to which he has a right to an answer, what is to be done with the portfolio of the Minister of Public Works. I have to say in reply to my hon. friend (Mr. Foster)—and I gave the correspondence to-day—that in my opinion Mr. Hyman should not resign his portfolio because of the circumstances which have induced him to resign his mandate as a member of the House of Commons. He has thought it advisable on account of the reflections which have been made and proved against the manner in which the election was carried on in June, 1905, to place his course and his record and himself in the hands of his electors, and as to this I say that

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I approve his course, but I stated to Mr. Hyman that, whilst it was right that he should go to his electors and put the whole record before them, and give them an opportunity to testify, and pass judgment upon what took place, there was no reason whatever why the hon. gentleman should resign his portfolio as a member of the administration. Mr. Hyman does not admit that he did anything wrong, and his colleagues do not admit that any wrong has been proved against him.'

I think, Mr. Chairman, I have given everything that bears upon the resignation; I have not confined it to all that we on this side might want to prove, but I have given the whole.

Q. Had you any communication with the two witnesses?—A. None.

Q. None whatever?—A. No.

Q. I suppose, perhaps, you would not know either of them?—A. No.

Q. Did either of them see you or write to you?—A. No.

Q. Did anybody tell you that these men had seen Mr. Hyman sign his resignation?—A. No.

Q. Had you any knowledge that, as a fact, it had been signed in the presence of two witnesses?—A. None, except what appeared upon the face of it.

Q. And that did not appear when you received the paper?—A. No, not originally, that is the reason I pointed out that it had not been witnessed as far as this paper was concerned.

Q. Do you know, as a fact, where these witnesses were at the time you sent that paper back?—A. I do not.

Q. Did you know where Mr. Hyman was then?—A. I did not.

Q. I suppose you know now that he was in California?—A. I know just from that communication in the House, and what appeared in the press.

Q. Mr. Hyman, at that time, when you sent that unwitnessed, unattested paper to London, was in California as far as you understand?—A. I have no personal knowledge.

Q. Do you know whether he has ever been in Canada since?—A. I do not.

Q. Did you make any inquiry when you got that paper sent back to you as to whether it had been re-executed?—A. I did not.

Q. Nor as to how those two gentlemen came to put their names there?—A. I did not.

Q. You know nothing on that subject?—A. I do not.

I would like to see whether I put a copy of this letter in, I am not perfectly sure, it is the letter returning the incomplete resignation of Mr. Hyman to Messrs. C. S. Hyman & Co., of London, under the date of January 18, 1907. I think I read it, but did not put it in.

(Letter filed and marked Exhibit 8.)

Q. Have you now put in everything in the shape of correspondence, papers, books, &c., in connection with the matter?—A. I have.

By Mr. Bergeron)

Q. I do not quite understand about this letter of resignation, and I want to be sure about it. If I understand well this letter which I have in my hand now, Exhibit No 4, which is signed by Mr. Hyman and addressed to you, as you said when presenting it to the House, when it came to you there was only the signature of Mr. Hyman?—A. That is all.

Q. It was not attested?—A. It was not.

Q. Do I understand well that this letter afterwards was sent over to London addressed to the C. S. Hyman & Co., or Mr. Hyman himself rather, in London, so that he would send a proper resignation? Did I understand that was the way of it?—A. Yes.

Q. So that this letter which I hold in my hand, Exhibit 4, went there to London. Do I understand well that it came back to you later never having been opened?—A. No, no; that was the first letter to Mr. Hyman.

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Q. That is not correct?—A. Oh, no; that is not correct.

By Hon. Mr. Aylesworth:

Q. Here is the envelope in which that went to London—that is the envelope in which it was sent to London?—A. Mr. Bergeron is referring to the resignation.

By Mr. Bergeron:

Q. I am referring to Exhibit No. 4, the resignation itself, when it came at first it was not attested?—A. That is so.

Q. This is the point which I want to make clear that that very same letter Exhibit 4, had been sent addressed to Mr. Hyman, so that it could be put into legal form?—A. Not at first. The order of events is this: 'I received this communication and announced it to the House; in the course of a few days, thinking I should officially inform Mr. Hyman that his resignation was not a complete one, I wrote a letter to him, directed to him at London, which is the one you hold in your hand.

Q. That letter to which you refer is exhibit 2?—A. Yes, and the envelope is attached to it. That letter was returned to me with the letter which has already been put in (Exhibit 3), written by Hyman & Co., unopened, in which they stated, as you will see by the letter, that from the initials upon it they thought it was my letter, and they returned it to me.

Q. Yes?—A. Then I wrote that further letter, as the correspondence shows (Exhibit 7), and said: 'In case you learn his address I will be obliged if you will communicate the same to me at once.' Later I received a letter from C. S. Hyman & Co., (Exhibit No. 5), asking me to return the 'resignation,' as it was expressed in the terms of the letter. Thereupon I mailed the resignation, which you hold in your hand, to London, directing my letter to C. S. Hyman & Co.

By Mr. Lennox:

Q. Is that the first time you parted with the resignation?—A. That is the first time I parted with the resignation apart from having sent it to Mr. Bowles' office, as already stated.

Q. In the first letter you wrote to London, I do not understand you sent the resignation in that?—A. Not at all.

By Mr. Bergeron:

Q. That is what I understood?—A. In the first letter I simply called his attention to the fact that the resignation was incomplete.

Q. I understand now. That is what I want to make clear. Now this first letter came back to you unopened—your own letter addressed to Mr. Hyman in London, came back to you unopened?—A. But with an accompanying letter.

Q. Then you did send the first letter which you had received unattested, which I hold in my hand, Exhibit 4, you sent it there to him?—A. To Hyman & Co., because they had written me a letter stating if I sent this to them it would be completed.

Q. To the Hyman Company in London?—A. In London.

Q. How long did it take before you got an answer?—A. The only way I could tell you is by my letter to them and the date.

Q. Where is the letter accompanying the resignation when it came back attested, is it there—

By Hon. Mr. Aylesworth:

Q. They wrote asking for it on January 16, and the Speaker sent it on January 18?—A. On January 18, 1907, I sent it to them, and on the night of February 7, I received it back.

By Mr. Bergeron:

Q. Have you got the letter accompanying it?—A. There was no letter.

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Q. It just came back?—A. It just came back with the addition to it of this word 'witness' and these two signatures.

Q. And this is the envelope in which it was?—A. No, that is the original envelope in which I first received it. I think I have already sworn I have not the envelope in which it came on February 7.

Q. The seal which I see now near the signature of Mr. Hyman, was that on it when you first received it?—A. Yes, I have already sworn that, I have been asked that question before.

By Mr. McColl:

Q. What is the date of that resignation?—A. November 20, 1906.

By Mr. Barker:

Q. When you first received the resignation from Sir Wilfrid Laurier, did you receive the resignation itself or was it inclosed in an envelope?—A. It was just in this envelope.

Q. It was inclosed in the envelope?—A. Yes.

Q. Was that envelope sealed up or was it open?—A. I am not sure about that, it was either open or opened just at the time, I am not quite sure about that.

Q. It was addressed to you?—A. Yes, it is addressed to me, but I am not sure whether it was sealed or not. (Examines envelope). It appears to have been sealed.

Q. Do you recall whether it had been opened before you got it?—A. I do not recall it definitely.

By Mr. Bennett:

Q. When you sent that envelope to London—A. I did not send that to London.

Q. Is that the envelope in which it first came to you?—A. Yes.

Q. And you retained this envelope and sent the letter?—A. I did.

Q. How about this, are you positive that it was sealed?—A. Yes.

Q. Who handed it to you?—A. Sir Wilfrid handed it to me in person.

Q. And it was already sealed?—A. I am not clear about that.

Q. I mean the envelope?—A. I am not quite clear about that, I do not know whether I paid much attention to that.

By Mr. Boyce:

Q. What conversation took place between you and Sir Wilfrid Laurier with regard to the irregularity?—A. I do not think there was much conversation, if any.

Q. That was discussed was it not?—A. I do not recall whether it was or not. I noticed the moment I looked at it that the witnesses were wanting.

Q. And Sir Wilfrid was present when you looked at it?—A. I think so.

Q. And you drew that fact to his attention at the time?—A. I do not recall, I will not say I did.

Q. The very moment the resignation was handed to you by Sir Wilfrid Laurier, you became aware in his presence, that it was irregular?—A. That was I think immediately, because I know that between the time I received it and the opening of the House I made up my mind—I discussed it with myself as to whether I would announce it to the House or not.

Q. Did you discuss it with Sir Wilfrid Laurier then?—A. I cannot recall that I did.

Q. Would not the probabilities be that having noticed the irregularity at that time you drew his attention to it?—A. I may have done so; I do not recall just what occurred.

Q. You have no specific recollection?—A. No.

Q. Was it upon Sir Wilfrid's suggestion at that time that you wrote the letter to Mr. Hyman that was returned?—A. Not at all. I did not write that letter to Mr.

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Hyman you see, for ten days afterwards. I wrote entirely on my own motion and simply because I thought as an official, that while Mr. Hyman might become aware through the press of the fact that it was incomplete—it had been announced in the press of the country—still I thought it was my duty to apprise him of the fact that it was incomplete.

Q. You made no reference to any of the law officers of the Crown?—A. None.

Q. You took no advice upon the subject?—A. No, I saw it was incomplete and did not need advice upon that.

By Mr. Maclean (Lunenburg):

Q. Do you recollect at what place Sir Wilfrid Laurier handed you this letter?—A. I think it was in his room.

Q. Do you remember at what hour—that might be important?—A. What hour? Are you asking this seriously?

Q. Was it in the forenoon or the afternoon?—A. I am inclined to think it was the forenoon. I think it was the forenoon.

By Mr. Barker:

Q. I would like to ask you, before you go, how this interview between you and the Prime Minister occurred in his room?—A. I can tell you how it occurred—that was the morning of the opening of the session, and I went over to see him about a matter in connection with my constituency. After we had finished that he spoke to me about this, and said he had received this resignation and handed it to me.

Q. He knew it was a resignation?—A. I think so.

Q. How did he understand that?—A. As I say—

Q. When it was sealed up?—A. Whether it was sealed or not I cannot recall definitely, but he told me he understood that it was the resignation of Mr. Hyman. He appeared to know perfectly well that it was, or was intended to be, a resignation. He stated that to me.

Q. He knew that, whether it was sealed up or not?—A. I think so. I think he stated to me that it was a resignation from Mr. Hyman, and I think he told me that he intended to hand it to me before the House sat.

Q. Did you understand from him that he had a communication from Mr. Hyman indicating that it was a resignation?—A. No, I do not think he stated that at all. He simply stated to me that this was the resignation of Mr. Hyman.

Mr. Speaker was then discharged from further attendance.

Mr. C. J. BEAL, of London, sworn.

By Mr. Barker :

Q. What is your name in full?—A. Charles John Beal.

Q. What is your occupation?—A. I am an accountant. In point of fact, I have been with Mr. Hyman as his office manager since he has been in business.

Q. Have you been office manager for Mr. Hyman for many years?—A. Yes, sir.

Q. Are you the accountant in C. S. Hyman & Company's business?—A. Yes, sir.

Q. When did you first see this resignation that is spoken of here?—A. Some time during this month.

Q. How did you happen to see it?—A. It was handed to me.

Q. By whom?—A. By Mr. Jarvis.

Q. Who is Mr. Jarvis, your fellow-witness here?—A. Yes, sir.

Q. You never saw it before?—A. No, sir.

Q. How did you happen to sign that as an attesting witness?—A. I was requested to do so.

Q. By whom?—A. By Mr. Jarvis.

Q. He asked you to sign that as a witness?—A. Yes, sir. That is as a witness to Mr. Hyman's signature.

Q. You had never seen Mr. Hyman sign it?—A. No, sir.

Q. Did you ever have any conversation about it?—A. Yes, sir.

Q. When?—A. The morning he left for the south.

Q. You say you did not see him sign it?—A. No, sir.

Q. Where were you when Mr. Jarvis asked you to put your name to it as a witness?—A. In C. S. Hyman and Company's office.

Q. At London?—A. In one of the offices.

Q. At London, in Canada?—A. At London, in Canada.

Q. Where was Mr. Hyman at that time?—A. I do not know.

Q. Do you mean to tell me, sir, that you do not know where Mr. Hyman was at that time?—A. I do say that positively, I do not know where he was.

Q. Was he in Canada?—A. I do not know. I was not keeping watch on Mr. Hyman.

Q. I understand that, sir, but you are a business man. If you were asked where Mr. Hyman was, as a matter of business, could you have answered?—A. I would have said just what I have said to you, that I did not know where he was.

Q. If somebody, on a matter of business with C. S. Hyman & Co., came to you and asked where Mr. Hyman was you would have been unable to give him Mr. Hyman's address?—A. I would have given him exactly the same answer that I have given you, that I did not know where he was.

Q. Had you instructions not to say where he was?—A. No, sir.

Q. Then in the ordinary course of business, Mr. Beal, you would have told any person coming to you on business that you did not know where Mr. Hyman was unless you had seen him at the office?—A. If they put it to me as you have done I should have said that I did not know where he was. I might have surmised.

Q. What knowledge had you?—A. Very little.

Q. What was it?—A. I do not know that I had any.

Q. If you wanted to write him at that time where would you have written?—A. My instructions from Mr. Hyman when he left was not to write to him?—Q. If you wanted to write to him where would you have written?—A. My instructions were not to write to him.

Q. Do you understand the question?—A. I do not.

Q. If you had wished to write to Mr. Hyman at that time, no matter what your instructions were, where would you have written?—A. I should have sent the letter, if I had necessity to do so, not to him, but to Mrs. Hyman.

Q. Where?—A. If I knew where she was.

Q. Then you could not have communicated to Mr. Hyman any information however important? Your information at that time would not then have enabled you to do so? Do you say that upon your oath?—A. I might have sent it to his last known address.

Q. Where was that?—A. At what date?

Q. At the time you signed that document?—A. From memory, I would not be positive, I think he was—oh, yes, I know, he was at Del Coronado or some such name as that.

Q. Where?—A. Somewhere in California.

Q. And how long before that had you known him to be there?—A. Some two or three weeks.

Q. And previous to that where had he been?—A. From Mrs. Hyman's letters, Los Angeles.

Q. Well, generally speaking, after he went south, as you say, was he out of Canada, to the best of your knowledge, until the present moment?—A. Yes, sir.

Q. When did he go south?—A. I am not positive what date. I think it was November 19.

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Q. November 19?—A. I think so, I am not sure about that.

Q. On November 19, to the best of your knowledge, he went south to the United States. Is that so?—A. I think so.

Q. And according to your knowledge and information he has never been in Canada since?—A. Not to my knowledge.

Q. What did Mr. Hyman say to you that day he was going away?—A. He called—a messenger came to my office, or that part of the office in which I was employed, and said that Mr. Hyman was in his room and would like to see me. I had not seen him for several days, probably a week, although I presumed he was at home, and on going into the room, into his office, I shook hands with him and said 'I hope you are better.' He said 'I am not. I am sick Beal, and I must go away.' 'Well,' I said, 'I am very sorry. I said 'When are you going?' He said 'I am going on this train.' Several other things passed between us, conversation of a general character, and he left. I might say, for the information of some of the gentlemen present—having known him for many years, in fact ever since his father's death I have been in business with him, as I told you at the commencement—I had my serious doubts, I am not a physician, of course, that I would ever see Mr. Hyman again alive, and I felt pretty badly over it. He went south, and I have had one communication from him since.

Q. What did that relate to? Did it relate to the matter that we are inquiring about?—A. No, sir. It was just on the evening of the day he left.

Q. That is all he said, that he must go on that trip?—A. No, he said other things.

Q. Did he say anything referring to this matter?—A. Yes.

Q. What did he say?—He said 'my resignation will be in the hands of the Speaker.' I think those were his words.

Q. 'My resignation will be in the hands of the Speaker'?—A. Or 'it is in the hands of the Speaker.' I would not be positive as to the words now.

Q. Was anybody present when you had this conversation?—A. No, sir.

Q. Was Mr. Jarvis?—A. No, sir. Some one came in during the time of our conversation, came in and out on some matters of business.

By Hon. Mr. Aylesworth :

Q. Did he have this paper there?—A. No, sir; no document. He merely said by word of mouth that he was going to resign.

By Mr. Barker :

Q. You never saw this paper until the time you put your name to it as a witness?—A. No, sir.

Q. When was that?—A. I think I have already answered that question. Some time this month I think it was.

Q. This month?—A. Some time in February; I did not keep track of the date.

Q. Who did you receive that paper from?—A. I have already answered that. Mr. Jarvis handed it to me.

Q. I am not speaking of you as a stranger to the Hyman & Company business. Where did that paper come from to your knowledge?—A. Mr. Jarvis had it, I presume, he showed it to me.

Q. You do not know where he got it?—A. Mr. Jarvis is here, he will tell you.

Q. I am asking you, Mr. Jarvis might forget?—A. Well, I do not know whether I asked him where he got it.

Q. Do you know whether he told you where he got it?—A. He might have told me.

Q. And he might not?—A. I did not think it of sufficient importance.

Q. Do you say, on your oath, that you have no recollection whether he told you where he got it?—A. I might have asked him

Q. Do you hear my question. I have asked you if you have any recollection whether he told you where he got that letter?—A. We may have had some conversation about it.

Q. Have you any recollection whether he told you about it?—A. Before that?

Q. At any time?—A. We had conversation about it.

Q. What did he tell you?—A. He told me it was sent to C. S. Hyman & Co., from Ottawa.

Q. It came from Ottawa to C. S. Hyman & Co.?—No answer.

By Hon. Mr. Aylesworth:

Q. Where were you, Mr. Beal, when you wrote your name on this paper?—A. In the office

Q. Of Hyman & Co.?—A. In that part of the office in which I have the most of my daily occupations.

Q. In your part?—A. In that part of the office.

Q. Were you and Mr. Jarvis together when the names were written?—A. Yes, sir.

Q. You saw him sign, did you?—A. Yes, sir.

Q. And he saw you sign?—A. Yes, sir.

Q. Was anybody else present?—A. Not as witnesses. There may have been others in the office.

Q. Did anybody else see what you were doing?—A. No, I do not think so.

Q. Well, you two men together—A. I think so.

Q. Wrote your names here?—A. That is my recollection of it.

Q. Do you see this little red wafer beside Mr. Hyman's signature?—A. Yes, sir.

Q. Do you know anything about how that got there?—A. I am not sure about it.

Q. Was it there the first time you saw this paper?—A. I only saw it then.

Q. Was it there then?—A. I would not say it was, or was not, I am not sure.

Q. Then you do not know?—A. I do not recollect, I could not answer that question.

Q. What became of the paper I am holding, after you had written your names on it?—A. Mr. Jarvis handed it back to me and I put it in an envelope and addressed it to the Speaker.

Q. Was anything else in the envelope—A. No, sir.

Q. You addressed the envelope you say in your own handwriting?—A. Yes, I remember I addressed it in my own handwriting.

Q. And sent it off?—A. Well, I put it for the mail. I did not send it out of the office myself.

Q. You know Mr. Hyman's signature very well, I suppose?—A. I have seen it a great many times.

Q. You have seen it hundreds of times no doubt?—A. Yes, hundreds of times.

Q. Do you know whether that is his signature (exhibiting document)?—A. I would have no hesitation in saying it was.

Q. You have no hesitation in swearing to it?—A. None, whatever.

Q. What warrant did you consider you had for writing your name there as a witness if you did not see Mr. Hyman sign it?—A. A telegram received from Mr. Hyman.

Q. A telegram from Mr. Hyman?—A. Yes, sir.

Q. Have you got it?—A. No, sir.

Q. Where is it?—A. I do not know.

Q. Was it to you?—A. No, sir.

Q. To whom was it addressed?—A. I do not remember. No, I do not remember on seeing it whether I read who it was to or not.

Q. How did you come to see it?—A. It was sent to the office, and Mr. Jarvis and myself saw it on the attestation of that signature.

Q. On that occasion when you attested that signature?—A. In order to witness that signature.

Q. On the occasion when you and Mr. Jarvis wrote your names here, there was a telegram from Mr. Hyman?—A. Signed by him.

Q. Purporting to be signed?—A. Purporting to be from him, not signed by him.

Q. You say you cannot tell me to whom that telegram was addressed?—A. I believe it was addressed, but I could not state from memory to whom.

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Q. Who do you believe it was addressed to?—A. To one of the citizens of London.

Q. Let me know who, please?—A. I think it was Mr. Duffield.

Q. Is that James Duffield?—A. Yes.

Q. He is a well known man in London, is he?—A. Yes, he is a well known man.

Q. And a close personal friend of Mr. Hyman's?—A. I believe so.

Q. Then you say that that telegram was sent to your office?—A. Yes, sir.

Q. Do you know who sent it?—A. A messenger brought it.

Q. When?—A. When Mr. Jarvis and I signed that paper.

Q. On this occasion?—A. On this occasion whenever it was.

Q. Whatever day you signed that, some messenger came, as you understand, from Mr. Duffield with this telegram?—A. A messenger came from the city—we are a little away from the city proper—and Mr. Jarvis handed the message to me and said, 'There is that telegram,' and I looked at it and read it, and on that we both signed, and the telegram was sent back.

Q. The telegram was sent back?—A. It was handed to whoever brought it. I suppose so; I did not see it done.

Q. You say Mr. Jarvis remarked 'there is that telegram.' Had you heard about the telegram before?—A. I had no word. He said, 'there is a message,' or something of that kind. I do not know that he said message. It was in general conversation, I could not recall the exact words.

Q. But the use of the expression 'that telegram' signifies that you heard of it before?—A. I had not heard of it before.

Q. You had not?—A. No.

Q. Then as to the telegram from Mr. Hyman, do you remember where it professed to come from?—A. I presume it was from the place where he was at.

Q. Do you know where that place was?—A. Well, he had been staying at Del Coronado or some such place as that.

Q. What was there in the telegram that you considered justified you in writing your name?—A. The fact that it stated something about signing.

Q. Can you remember the contents well enough to give us any idea of it?—A. No, I cannot recall the contents.

Q. Had you any other authority than reading that telegram for putting your name there as witness?—A. Except in conversation with Mr. Jarvis that Mr. Hyman was expected to reply as to this witnessing of the signature.

Q. When was that conversation with Jarvis?—A. I do not know when it was.

Q. Was it the same day?—A. I think so.

Q. You have said two or three times that it was some day this month. I would like to get a little nearer to it than that? This is the last day of the month?—A. As to the signature? If you can prove the day it was sent from London, that is the day I put it in the mail, and that is the day we signed it.

Q. The same day?—A. In the afternoon, an hour or two before closing the mails.

Q. We know what date it got here to Ottawa. You say it was the same day it left London that you signed it?—A. Well, I put it in the mail, to go with the other mails.

Q. You had never seen this document you wrote your name on before your attached your signature to it?—A. That is the first time.

Q. Jarvis produced it to you, he came with it?—A. Yes, sir, he handed it to me.

By Mr. Boyce:

Q. Had Mr. Hyman, just prior to the time of his going away, an active interest in the business, that is the management and supervision of it?—A. Mr. Hyman has not had—perhaps you had better define what you call active?

Q. I mean was he actively engaged in the supervision of that business up to the time when he went away, just as a man ordinarily at the head of a firm would be?—A. Well, for several years past now, especially so in this latter year, we have not seen Mr. Hyman in London more than half a dozen times in the year.

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Q. Well, during the time Mr. Hyman was there he was actively engaged in the business, was he not?—A. No.

Q. Was he attending to business as a man ordinarily would be?—A. No.

Q. Who had the active management of the business?—A. Myself and Mr. Jarvis.

Q. Were you in consultation with Mr. Hyman in regard to the affairs of the business before he went away?—A. To a very slight extent. For a year past Mr. Jarvis and myself have managed the business.

Q. You are members of the firm?—A. Yes, sir, we are.

Q. You are both members of the firm. Before Mr. Hyman went away did you consult with him with reference to general matters of business?—A. Very little, sir.

Q. At any rate it was necessary to consult him to some extent?—A. Well, we might expect that when he came to London he would want to know what was going on.

Q. When Mr. Hyman went away how long was it before you received correspondence from Mrs. Hyman?—A. Probably a month.

Q. From what place was her letter written to you?—A. I think Los Angeles.

Q. Was that directed to you?—A. To me.

Q. And was that in reply to a communication to you or Mr. Jarvis?—A. I do not know that it was either.

Q. Was not Mrs. Hyman's letter written to you in consequence of some communication transmitted by you, or by Mr. Jarvis, to her, or to Mr. Hyman, or to some communication forwarded by you?—A. I do not think so.

Q. Are you sure of that?—A. As far as I can judge.

Q. So far as you can judge. Is your memory clear upon that?—A. I think so.

Q. You think it is clear?—A. I think so.

Q. Upon what subject was the communication from Mrs. Hyman, I mean from Los Angeles?—A. General topics, on matters connected with herself and Mr. Hyman.

Q. And making reference to certain business matters?—A. None at all.

Q. Have you got those letters, Mr. Beal?—A. No, sir.

Q. What has become of them?—A. I do not know.

Q. Have you destroyed them?—A. Possibly so.

Q. You have possibly destroyed them. How many letters altogether did you receive from Mrs. Hyman during the time that Mr. Hyman was away?—A. From the time that Mr. Hyman left until now?

Q. Eh?—A. From the time Mr. Hyman left until now?

Q. From the time you said good bye to Mr. Hyman?—A. Probably three.

Q. Over what period did those three letters extend?—A. The first one, I have already stated, was about a month.

Q. I mean—A. From the time he went away till now.

Q. And you replied to it?—A. I think so.

Q. And mentioned matters of business?—A. No.

Q. Did you correspond at all with Mr. Hyman?—A. Well, no. When you say matters of business, I might have said in my letter that business is progressing all right, or something of that kind, if that is what you mean.

Q. Was there anything in any of Mrs. Hyman's letters to you, or to Mr. Jarvis, which you saw, which indicated to you any particular line to take with regard to any particular business transaction?—A. No, except some matters relating to herself. If she had a bill to pay and wanted me to pay it she would tell me to do so.

Q. That was her personally?—A. Certainly.

Q. Did any of these letters from Mrs. Hyman contain any reference whatever to any business of the firm?—A. I think not.

Q. Will you swear to that?—A. They certainly did not have any reference to anything in particular of the business of the firm, if that is what you mean, if I can put it that way.

Q. But you think they contained some reference?—A. I do not think so, I do not think there was anything as to business in it.

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Q. Will you swear to that?—A. As far as I am able to swear I would say no, she has nothing to do with the business.

Q. And when did you first become aware of the fact that Mr. Duffield had some communication to make to you or Mr. Jarvis?—A. When we were about to sign that attestation of Mr. Hyman's signature.

Q. And how did you become aware that Mr. Duffield had a communication to make?—A. Mr. Duffield showed me the telegram.

Q. And was that the first intimation you had of this telegram?—A. I think so.

Q. Did you not have telephonic communication with Mr. Duffield?—A. No.

Q. Or did Mr. Jarvis have such communication?—A. I can answer for myself, Mr. Duffield did not telephone to me.

Q. You know Mr. Duffield?—A. I do.

Q. You have read the evidence in connection with the London case?—A. No, I do not go into reading of that kind.

Q. The case heard in Toronto?—A. No.

Q. Is this the same Mr. Duffield whose name is mentioned in connection with that case?—A. It may be, I do not know. I am not reading the papers.

Q. You never heard of Mr. Duffield connected with the London election case tried in Toronto, Mr. Duffield of the Gas Company?—A. It is a matter of notoriety.

Q. And this is the same Mr. Duffield?—A. I suppose so.

Q. Now do you, or do you not know this same Mr. Duffield?—A. Do I know Mr. Duffield?

Q. Do you, or do you not know that this is the same Mr. Duffield, president of the Gas Company, who was mentioned in connection with the investigation into the London election case which took place in Toronto?—A. I do not know anything about the London election case in Toronto any more than anybody else.

Q. You do not know anything about that?—A. No.

Q. But this is Mr. Duffield, president of the Gas Company?—A. Certainly.

Q. Do you know how this telegram got into Mr. Jarvis' hands?—A. I think I have already stated that a messenger brought it to the office.

Q. And what did you do with the telegram?—A. Handed it back to Mr. Jarvis.

Q. Do you know what Mr. Jarvis did with it?—A. I do not.

Q. There was no conversation between you as to the advisability of destroying it?—A. No, none whatever.

Q. Now, when Mr. Hyman had this conversation with you as to the resignation what was the ground suggested to you by him as the necessity for his resignation?—A. I think you are putting words in my mouth. I did not say that I had conversation with Mr. Hyman about his resignation. He merely stated in the course of conversation that his resignation would be in. I was not discussing his resignation.

Q. That was all that took place?—A. I was not discussing his resignation.

Q. You had been a good deal in Mr. Hyman's confidence, from a business point of view, a great many years?—A. Yes, sir.

By Mr. Clarke:

Q. Do you know who it was that wrote down for the resignation to be returned?—A. No, sir.

Q. You had nothing to do with that?—A. No, sir.

Q. Did you see that first letter that was sent up by the Speaker and which was returned?—A. What is the letter you are referring to?—A. A letter was sent up franked by the Speaker which was returned unopened. Do you know anything about that?—A. Yes, I can answer about that.

Q. Was that returned by you?—A. It was returned by myself.

Q. But you know nothing of the subsequent letter asking for the resignation to be returned?—A. No, sir.

Q. Do you know who would know about that?—A. Well, somebody has had to do with it I suppose, but I do not know who had to do with it.

By Hon. Mr. Aylesworth:

Q. This letter, Mr. Beal, marked L 3, of the 7th December, is altogether in type-writing, there does not seem to be any penmanship about it. Can you tell who dictated that?—A. I dictated that myself.

Q. It was dictated by yourself?—A. Yes, sir.

Q. Do you remember dictating it?—A. Yes, I remember it. I dictate lots of letters.

Q. You remember it, do you?—A. Yes, sir.

Q. Was anything inclosed in it when it left you?—A. The letter to which that has reference?

Q. Do you remember the look of that letter?—A. I did not open it.

Q. Do you remember the look of it outside?—A. It was a letter similar to what we receive sometimes from members of the House of Commons.

Q. Look at this and see if you identify it?—A. (after examining letter). Yes, I would understand—I would think that was certainly it from this request, 'please forward.'

Q. You see there the words, 'please forward'?—A. I could not be in a position that the initials there were the Speaker's, but I presumed they were, and therefore I sent it to him with the accompanying letter.

Q. That letter apparently, according to the postmark on it, reached Loudon on the 4th December, and your letter sending it back is dated the 7th. During that time, I suppose, it had been in your custody in the office?—A. Yes, sir, I had placed it with Mr. Hyman's mail.

Q. Had it ever been opened?—A. No.

Q. You placed it with Mr. Hyman's mail, and what then?—A. But as none of his mail was opened, I thought it was wise to return it to the House of Commons.

Q. At that time what were you doing with his mail?—A. Retaining it as per instructions by him.

Q. What instructions?—A. As to his mail. On his leaving I said, 'Will I send you your mail?' He said, 'send me nothing. I do not want to have business or any letters. Keep what you get and go through it in your own way.' With one exception, up to the present, I have piled the mail on Mr. Hyman's desk a foot high.

Q. Opened or unopened?—A. Unopened, unless I would think it was a matter of business from anybody's hand writing.

Q. You say you have piled the letters on the desk a foot high. Have you not sent any of these letters on to him?—A. I have sent none. He had one lot of letters, but that was in my absence, so I cannot answer for that.

Q. About when was that?—A. Some time—I think it was about a month after he left.

Q. How did that happen?—A. When I returned to the office, I understood there had been a communication from Mr. or Mrs. Hyman—I looked for that communication but could not find it—asking for his mail to be sent. That mail was registered and sent, but I was not there.

Q. That is everything you had up to that time?—A. Up to a recent time.

Q. It would be a month after he left?—A. About a month after he left.

Q. And since then it has been accumulating there and not forwarded?—A. Not forwarded, it is still on the table.

Q. Who is the writer of this letters (Exhibit L. 5)? Whose handwriting is it?—A. I would judge it to be Mr. Jarvis'.

Q. It is not yours, anyway

By Mr. Bennett:

Q. You have expressed an opinion here as to Mr. Hyman's state of health. On what date was that?—A. When he left.

Q. What date was that?—A. I think it was the 19th or the 20th of November, I am not positive.

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Q. And you say that you never expected to see him alive again?—A. That was my own firm judgment, unless he rapidly recovered.

Q. Would you be surprised to know that a week before that he had been to New York with a party of friends?

Hon. Mr. AYLESWORTH.—I think we all would.

A. Yes, I would have been surprised.

Hon. Mr. AYLESWORTH.—You are entirely mistaken in saying it was the week before the 20th of November.

By Mr. Bennett:

Q. Would it surprise you to know that on the 10th he had been down with a party of friends to see how elections were conducted in the United States?—A. Oh, I do not know. Mr. Hyman is a man who gets about a good deal. He goes here and there and everywhere. I would not like to say whether it would be a surprise to me or not.

Q. I did not introduce the subject of Mr. Hyman's health, you introduced it on the side?—A. Not on the side. I had to refer to Mr. Hyman's health to let you know how I came to know anything about his resignation.

The witness discharged.

Mr. F. W. DEWITT JARVIS, sworn.

By Mr. Barker:

Q. What is your full name?—A. William Frederick DeWitt Jarvis.

Q. What is your occupation.—A. Business manager.

Q. Of what?—A. C. S. Hyman & Co.

Q. How long have you been with them?—A. I have been with C. S. Hyman & Co., 19 years.

Q. When did you first see that paper (Exhibit No. 4)?—A. When it was returned to S. Hyman & Co., by the Speaker.

Q. When was that?—A. I do not remember the date.

Q. Was it this month?—A. No it was not. It was, I think, about the latter part of January.

Q. It is about a month?—A. It is about a month.

Q. You have never seen it before?—A. No I have never seen it before.

Q. Did you receive it back from the Speaker yourself?—A. Yes.

Q. Who opened the letter?—A. I opened the letter.

Q. Was there anything in it, besides that letter?—A. I think there was a letter from the Speaker, but I am not certain. If there was, it was destroyed; I do not keep anything that I consider correspondence outside of the business.

Q. You wrote the Speaker on the 16th January?—A. I did.

Q. This is the letter produced by the Speaker. I will read it: 'Kindly mail us Mr. Hyman's resignation as member of the House of Commons for the city of London. We will forward to him.' That is the letter you write?—A. That is the letter I wrote.

Q. That is your handwriting?—A. I cannot tell. I do not see it from here.

Q. I thought perhaps you would recollect you had written it?—A. (after examining letter). That is all right. I recollect the wording of it.

Q. And in reply to that you received within a couple of days that document?—A. No. I was either away and the letter was held for me, or there was a delay in mailing, I do not remember which.

Q. When I say received, I mean by the firm?—A. I do not know when it was received by the firm. I received it in my mail about five days after I wrote that letter.

Q. This letter of the Speaker is dated January 18, two days after your letter?—A. Yes.

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Q. It awaited your return, I suppose?—A. It awaited my return.

Q. And when you returned and opened the envelope did you find that letter in it?

—A. Yes.

Q. With Mr. Hyman's, what we call, resignation?—A. Yes.

Q. When you so received it, in what condition was it? Were there any witnesses?

—A. No.

Q. Was there any seal?—A. Do you mean was the envelope sealed?

Q. Was there any seal on the paper?—A. No.

Q. It was neither sealed nor witnessed? Who put the seal on?—A. I put the seal on.

Q. And what did you do? Did you witness it yourself then, or did you go and see Mr. Beal?—A. I inclosed it in an envelope, marked it personal, and put it in the safe waiting to hear from Mr. Hyman.

Q. Did you hear from Mr. Hyman?—A. Indirectly.

Q. How indirectly?—A. Through a telegram.

Q. From whom to whom?—A. From Mr. Hyman to Mr. Duffield.

Q. Where is that telegram?—A. I presume it is in Mr. Duffield's possession.

Q. How did you know that Mr. Duffield had received a telegram from Mr. Hyman?

—A. He telephoned me that he had.

Q. Mr. Duffield telephoned you that he had a message from Mr. Hyman to what effect?—A. To witness his signature.

Q. Asking you to witness his signature to what?—A. To his resignation.

Q. Had you communicated to Mr. Duffield at that time that you had got this paper from the Speaker?—A. Yes.

Q. When did you do that?—A. I wrote for the resignation at the suggestion of Mr. Duffield. He thought that the resignation ought to be brought back and sent on for completion.

Q. It was at the suggestion of Mr. James Duffield that you wrote this letter marked L5?—A. Yes, sir.

Q. And did you say anything to Mr. Duffield when you got that letter?—A. I telephoned him that I had received the letter.

Q. What did he say?—A. He said to hold the letter, that he expected to hear from Mr. Hyman.

Q. To hold the letter, that he expected to hear from Mr. Hyman? When did he hear? Was that the telegram?—A. The next I heard was the telegram.

Q. You do not know whether there was any letter?—A. No, I do not.

Q. Or any second telegram?—A. That is absolutely all I heard about it.

Q. Do you recollect the wording of it?—A. Not closely. I just recollect the instructions.

Q. What did they say?—A. To attach his seal and have the resignation witnessed.

Q. To attach his seal and have the resignation witnessed? And you did that in whose presence?—A. Mr. Beal's. I attached the seal in the presence of Mr. Gibbons.

Q. You attached the seal in the presence of Mr. Gibbons? Who is Mr. Gibbons?—

A. Mr. Gibbons is the firm's solicitor.

Q. Gibbons, K.C., of London?—A. Yes, sir.

Q. George C. Gibbons?—A. Yes.

Q. And at his request or by his direction you so sealed it?—A. No, I did not. I put the resignation in my pocket, and as I had not a seal in the office, I walked down and just dropped into Mr. Gibbon's office and got the seal and put it on.

Q. Who put it on?—A. I put it on, if my memory serves me.

Q. You are sure about that?—A. I am not sure.

Q. Did you or Mr. Gibbons put it on?—A. I am not sure.

Q. I do not know that it makes any difference. And what did Mr. Gibbons suggest further you should do?—A. Mr. Gibbons did not suggest anything further.

Q. You know the rest did you?—A. Well I knew the instructions that I had.

Q. In that telegram?—A. In that telegram, yes.

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Q. What were those instructions?—A. To attach his seal and witness his signature.

Q. Were those instructions, to put his seal on and get two witnesses to witness it, from Mr. Hyman apparently?—A. Apparently.

Q. Did he give those directions himself?—A. Apparently.

Q. And you put the seal on in Mr. Gibbon's office?—A. Yes.

Q. And then did you go back to your place of business at Hyman & Co's?—A. Yes.

Q. And what did you say to Mr. Beal?—A. If I remember rightly, I took this down as I was going home at night, and I asked Mr. Beal to witness the signature sometime the next day.

Q. You asked him sometime the next day?—A. Yes.

Q. To witness it? Did you show him the telegram?—A. Yes.

Q. And you and he witnessed it?—A. Yes.

Q. You had never seen it signed?—A. No.

Q. This was done in January, and the document itself is dated 20th of November last, is it not?—A. The 20th.

Q. What did you do next?—A. I left the resignation with Mr. Beal.

Q. Did you agree, the two of you, what was to be done with it, or did you know?—A. We agreed it ought to be mailed to the Speaker, that is all.

Q. And you did mail it to the Speaker?—A. I did not personally mail it to the Speaker, it was mailed with the regular mail.

Q. Did you tell Mr. Duffield you had done that?—A. I do not remember that I did.

Q. You had no more conversation after you witnessed it?—A. No.

Q. But you are quite positive you never saw that document signed or sealed by Mr. Hyman?—A. I am positive.

By Mr. Bennett:

Q. Did you and Mr. Beal sign it at the same time?—A. Yes, sir.

Q. Or did Mr. Beal sign it next day?—A. He signed at the same time.

By Mr. Clarke:

Q. In presence of each other?—A. Yes.

By Hon. Mr. Aylesworth:

Q. Did you read this telegram?—A. Yes.

By Mr. Bennett:

Q. Do I understand you say you saw Mr. Gibbons at Hyman & Co's office?—A. No, he was in his own office.

Q. Mr. Gibbons had not been at your office before?

Q. Then you went to Mr. Gibbons' office to get a seal?—A. Yes.

By Mr. German:

Q. Did Gibbons charge you for the seal?—A. We have not got the bill, yet, but I presume it will come.

By Hon. Mr. Aylesworth:

Q. Did you see this telegram yourself?—A. Yes.

Q. Was it typewritten or in handwriting, do you remember?—A. Typewritten.

Q. Can you tell me what the signature was, whether C. S. Hyman, Charles Hyman or Elizabeth Hyman?—A. It was either C. S. Hyman or Charles Hyman.

Q. It was not from Mrs. Hyman?—A. No.

Q. It professed to come from Mr. Hyman?—A. From Mr. Hyman.

Q. Have you any idea what date it would be, how long before the date on which you signed this paper?—A. No, I have not. I did not look at the telegram very closely. I just read it. I took it for an ordinary telegram.

Q. And you sent it back to Mr. Duffield?—A. I returned it by the messenger who brought it.

By Mr. Lennox:

Q. Do you remember when you got the telegram?—A. The date?

Q. Yes?—A. No, I do not.

Q. With reference to the time when you went to Gibbons' office, when was it? That same day?—A. That I saw the telegram.

Q. Yes?—A. No it was the day after that I saw the telegram.

Q. The day after you saw the telegram you went to Mr. Gibbons' office?—A. Mr. Duffield telephoned me they had a telegram the same day.

Q. Mr. Duffield telephoned that he had a telegram, and then when did you go to Mr. Gibbons' office?—A. That evening as I was going home.

Q. And when did you get the telegram?—A. The next morning before signing.

Q. What did you do with it?—A. I returned it. I put it in an envelope and returned it.

Q. What did you do with it in the meantime?—A. The messenger waited for the telegram and I returned it to him.

Q. A messenger brought it to your office?—A. A messenger brought it to our office sealed. I opened the envelope, read the telegram, showed it to Mr. Beal, put it in an envelope, readdressed it to Mr. Duffield and returned it.

Q. That was, I presume, the day you signed this document?—A. That was it.

By Mr. Boyce:

Q. The telephone message from Mr. Duffield was the first intimation you had from him that he had some communication from Mr. Hyman?—A. Yes.

Q. It was?—A. It was.

Q. Had you been in communication with Mr. Duffield prior to the time he had telephoned?—A. Not between the date of his asking me to ask for his resignation and that date.

Q. When was the date he asked you to ask for the return of the resignation by Mr. Speaker?—A. I do not remember.

Q. What period intervened between that and the sending to you of the telegram?—A. That I cannot remember.

Q. On January 16 you wrote the letter, Exhibit 5, asking for the return of the resignation by Mr. Speaker?—A. Well, then it was January 15 that I saw Mr. Duffield.

Q. Was that a telephone communication or an interview?—A. That was an interview.

Q. And where did it take place?—A. In Mr. Duffield's office.

Q. Did he send for you?—A. He telephoned for me that he wanted to see me.

Q. What in substance was his message?—A. That he wanted to see me.

Q. About what?—A. He did not say.

Q. You went to his office?—A. I went to his office.

Q. And what statement did he make to you?—A. That he thought the resignation ought to be properly witnessed and ought to be brought back to London, and sent on to Mr. Hyman.

Q. Did he not tell you he had received a communication from Mr. Hyman to that effect?—A. No, he did not.

Q. What did he say was the reason why the resignation was not in order?—A. I do not think that that was discussed at all.

Q. Did he say who had intimated to him that the resignation was not in order?—A. He did not.

Q. Well, why was this resignation not sent to Mr. Hyman?—A. For the simple reason that when I got it, I telephoned Mr. Duffield, and he said he expected to hear from Mr. Hyman.

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Q. Mr. Duffield said he expected to hear from Mr. Hyman ? Did he subsequently tell you that he had heard ?—A. When he got the telegram he telephoned me.

Q. And did not Mr. Duffield tell you that he had written to Mr. Hyman and stated the facts ?—A. He did not.

Q. Did you not understand from what he had said that he had done so and was awaiting an answer ?—A. Do you mean after I had written to the Speaker ?

Q. After you had written to the Speaker ?—A. After I had written to the Speaker, I telephoned Mr. Duffield, and he said that he had written to Mr. Lyman and expected to hear from him.

Q. Mr. Duffield said, that he had written to Mr. Hyman ?—A. Yes, at that time.

Q. And expected to hear from him ? Then subsequently he showed you this telegram ?—A. He did not show me the telegram, a messenger brought it.

Q. After Mr. Duffield telephoned to you ?—A. Yes.

Q. What did Mr. Duffield tell you, what did he say when he telephoned you ?—A. That there was a telegram.

Q. From Mr. Hyman in answer to his letter ?—A. He did not say in answer.

Q. But you knew that Mr. Duffield had written to Mr. Hyman about his resignation ?—A. Yes.

Q. And Mr. Duffield told you that his telegram was an answer ?—A. Well, he did not put it that way. He said he had a telegram from Mr. Hyman.

Q. How long have you known Mr. Duffield ?—A. I suppose twenty years.

Q. And he is a prominent man in the city of London ?—A. We consider him so.

Q. What was the conversation you had in Mr. Gibbons' office with reference to the resignation ?—A. I do not remember anything in reference to the resignation.

Q. Did you not show that resignation to Mr. Gibbons ?—A. I did, and told him what I was going to do.

Q. Was that the first time you had shown that resignation to Mr. Gibbons ?—A. That was the first time the resignation had been shown to anybody.

Q. Was that the first time you had spoken to Gibbons about that resignation ?—A. It was as far as I remember.

Q. Cannot you be definite about that ?—A. I think so.

Q. Oh, you think you can say that was the first time you had spoken to Mr. Gibbons ?—A. As far as I remember that was the first time I had seen Mr. Gibbons for a year probably.

Q. So you did not discuss it with him ? What position does Mr. Duffield hold in the Liberal Association in London ?—A. I do not know.

Q. Does he hold a prominent position there ?—A. I do not know.

Q. You know he was actively supporting Mr. Hyman at the last election, do you ?—A. Only from hearsay.

Q. You have read the newspapers, have you ?—A. I do.

Q. And you read about the inquiry into what is called the London election scandal which took place in Toronto ?—A. Yes.

Q. You saw Mr. Duffield's name mentioned there ?—A. I did.

Q. Is that the same Duffield ?—A. It is the same man.

By Mr. Maclean (Lunenburg):

Q. How old are you ?—A. Thirty-five.

By Mr. Macdonald:

Q. Have you looked at that resignation that purports to be signed by Mr. Hyman ?—A. I have.

Q. Do you know his handwriting well ?—A. Yes.

Q. What do you say as to whether or not, from your knowledge that is his handwriting ?—A. That is certainly his writing.

By Mr. Bergeron:

Q. Not only his signature, but the whole of the letter?—A. It is his writing.

By Mr. Boycé:

Q. Did Mr. Gibbons tell you whether he had any communication from Mr. Hyman?
—A. He did not.

Q. Did you talk about the question of correspondence between Mr. Gibbons and Mr. Hyman?—A. We did not.

By Mr. Clarke:

Q. Had you any conversation with Mr. Hyman, before he went away, about his resignation?—A. I had.

Q. What was it?—A. On the Thursday before Mr. Hyman—on the Saturday before Mr. Hyman went away, I received a telephone message from Mrs. Hyman to come to the house at five o'clock, that Mr. Hyman wanted to see me before leaving home. I went over and had a chat with Mr. Hyman about a number of things, and just remember him mentioning that he had forwarded his resignation or was forwarding it, I do not remember, to the Speaker.

Q. Do you know of his intention to resign?—A. I knew of his intention.

Q. You knew his signature?—A. I know his signature.

Q. And you thought it was sufficient to warrant you in witnessing it?—A. I did.

By the Hon. Mr. Aylesworth:

Q. Do you know the time that he actually did leave London?—A. It was on Monday morning, I do not remember the date.

Q. That would be the Monday after the Saturday on which he had told you he had sent in his resignation?—A. Yes, or was intending to send it.

By Mr. Bennett:

Q. Did he go in the morning or in the evening?—A. He went at 11.25 by the C.P.R.

By Mr. Boyce:

Q. Did you have any conversation before he went?—A. I did.

Q. What did you understand he was going for?—A. To look at Mr. Hyman he would not have to tell you that.

Q. I did not ask that, I asked what he said?—A. He said he had been to New York to consult a specialist.

Q. He said he had been to New York to consult a specialist? And how long had he been back from New York?—A. I do not remember.

Q. Had he come straight back from New York to London?—A. I do not think so.

Q. Did you ask Mr. Duffield when you saw him about Mr. Hyman's health?—A. No, I did not.

Q. Did it not occur to ask Mr. Duffield, who was in communication with him, how his health was?—A. I had heard from different sources, especially through his daughter and from Mrs. Hyman, how his health was, so I did not have to ask Mr. Duffield.

Q. So that Mrs. Hyman was in communication with the household and with you?
A. I think I received one letter from Mrs. Hyman.

Q. Did you write to Mr. Hyman yourself at any time while he was away?—A. I wrote one, I think, to Mr. Hyman.

Q. Did you get a reply to that letter?—A. I got a reply from Mrs. Hyman.

Q. What was the date of that letter from Mrs. Hyman?—A. I do not remember.

Q. Was it before or after the resignation?—A. After the resignation. It was six weeks after that.

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Q. Six weeks after the resignation? What month would it be in?—A. It would be sometime in December or early in January.

Q. And what did you write to him about?—A. I wrote especially about a new superintendent that we had engaged in London.

Q. About a new superintendent that you had engaged in the firm?—A. Yes.

Q. And what did you say to him about this new superintendent?—A. I do not think that that is evidence.

Q. It was about business at any rate?—A. It was about business.

Q. And you got no reply from Mr. Hyman himself?—A. I got a reply from Mrs. Hyman, asking me not to write to Mr. Hyman about business matters again as she found it put him back to hear anything in reference to business matters.

Q. And did she give you any reply in regard to the superintendent?—A. No, I do not know that Mrs. Hyman knows very much about superintending the tannery business.

Q. Did you get any reply to your letter about the superintendent?—A. None, whatever.

By Mr. Chairman:

Q. You began to tell us something about a conversation that you had with Mr. Hyman on the Saturday before he left in reference to his health. You started to tell it and you were stopped. Just tell us what Mr. Hyman told you about the reasons of his going away?—A. I will go back further if the Committee will let me, and state the first of it. Mr. Hyman, three weeks before, told me that he was feeling bad, and said that he was going to New York to consult a specialist. He came back, and I, of course, asked what the specialist said. The specialist said that unless he went away for some months, and had absolutely no business whatever, he did not think he would get over it; that that was the only hope he had of recovering his health.

Q. That was the cutting himself loose absolutely from all business?—A. Absolutely from all business.

Q. And then what did he say further, or did he say anything further, about his going away on the Saturday?—A. On the Saturday he said he was going south and he was going to travel until he found a place he liked, and he would settle there for some months.

Q. Did he tell you who the physician in New York was?—A. No, I did not ask him.

By Mr. Maclean (Lunenburg):

Q. Is Mr. Duffield in London now?—A. That is a hard question.

Q. What is his address there?—A. James C. Duffield.

By Mr. Bergeron:

Q. Did you say Mr. Hyman left on Monday?—A. On Monday.

Q. That would be the 19th November?—A. I do not know.

Q. Well, he left on Monday?—A. He left on Monday.

Q. Will you look at Exhibit No. 4 and see what the date of it is?—A. November 20th.

Q. Dated from where?—A. From London.

Q. Then how do you account for his sending that letter on Tuesday, the 20th, if he had gone the day before?—A. Mr. Hyman was in such shape before he left London that I would not be surprised if he had dated a letter in 1900.

The witness was discharged and the Committee adjourned.

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HOUSE OF COMMONS,

Thursday, March 7, 1907.

The Committee met at 10.30 a.m., Mr. Logan in the chair.

Consideration of the resignation of Mr. C. S. Hyman, as member for the electoral division of the city of London, resumed.

The Hon. R. F. SUTHERLAND, Speaker, was, at his own request, recalled and made the following statement:—

When I was summoned before the committee on a former occasion I read the request as practically an invitation to bring my file of papers in connection with the matter. I did not give the matter any further consideration, particularly until after my examination. The other day, among other questions that were asked me was with regard to the custody of this letter of Mr. Hyman's after I had originally presented it to the House, and I intimated that I sent it to Mr. Bowles, and I think in one part of my evidence I intimated that I got it back from Mr. Bowles and retained it in my possession. However, after I had been examined I felt I should go down and see Mr. Bowles and the Clerk of the House, to inquire into the facts of the matter. From the conversation I then had with them it became quite clear to my mind that Mr. Bowles retained it after he got it originally, until the time I received a request from London to forward the letter to Mr. Hyman. It was only then I asked to have it handed back to me and forwarded it to him. I also asked Mr. Bowles and the Clerk of the House about the question of the seal. Mr. Bowles seems to be clear that there was no seal upon it; at first the clerk could not very well recall whether there was a seal upon it or not, but he also is rather of the opinion, finally, that there was no seal upon it. To that extent I think that perhaps I may have been a little inaccurate in thinking there was a seal upon it, and I think perhaps I was led to that conclusion by the fact that I had written a letter simply pointing out one defect—the absence of witnesses. I thought it was only proper I should come back to state these facts to the committee. I really paid very little attention to the matter when I was originally summoned. If there is any further question any member of the committee would like to ask in connection with the matter I would be very glad to make any further statement I can.

By Hon. Mr. Aylesworth:

Q. I suppose you have read the evidence given by Mr. Jarvis?—A. Yes, I have read it recently. In one place on page 24, I think, I see in the printed copy that it says—it is only a clerical inadvertence, I expect, but on the last line of the page it says, as printed: 'A. Not at all. I did write that letter to Mr. Hyman, you see, for ten days afterwards.' It evidently should be, 'I did "not" write that letter to Mr. Hyman, &c.'

Q. I suppose you have read the evidence of the other witnesses?—A. No, I did not.

Q. At all events, one of them, Mr. Jarvis, was very clear that he personally had put the seal on this paper?—A. Well, I may say that I learned that fact. I sent my secretary after I had this conversation with Mr. Bowles and Mr. Flint, which was immediately after I had left the room, I sent my secretary back here, and he informed me later in the day that one of the witnesses had sworn that.

Q. In the light of that statement, what do I understand you to say now with regard to the question whether or not there was a seal on the document which came to you in November?—A. I would say now that I am not clear that there was one, I am not clear

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at all that there was one. I thought when I received it back, just before I handed it to Mr. Marcil on that evening, that it was exactly like what it was when it left me, with the exception that the word 'Witness' and the two signatures were upon it. That was my strong recollection, a rather strong recollection at the time, I must say, but I would not like to swear positively against a witness who would say that he put the seal upon it afterwards.

By Mr. Barker:

Q. I think you qualified it by the words 'I think.'—A. Yes, I qualified it slightly, but I really had a strong impression about it, that they were identical with that exception.

Witness retired.

Committee adjourned.

HOUSE OF COMMONS,

THURSDAY, March 14, 1907.

The Committee met at 11 o'clock a.m., Mr. Logan in the chair.

Inquiry as to the validity of the resignation of Hon. C. S. Hyman, as member for the electoral division of the city of London, resumed.

MR. JAMES C. DUFFIELD, sworn:

By Mr. Maclean, (Lunenburg):

Q. You belong to London?—A. Yes, sir.

Q. You live in London, Ontario?—A. Yes, sir.

Q. Do you know F. W. Jarvis?—A. Yes, sir.

Q. He is in the employ of C. S. Hyman & Co.?—A. Yes, sir.

Q. Do you know the Hon. C. S. Hyman?—A. Yes, sir.

Q. Do you remember having any conversation with Mr. Jarvis, or do you remember instructing Mr. Jarvis to have the names of witnesses attached to the resignation of the Hon. C. S. Hyman—the resignation of his seat?—A. I am not sure that I instructed him.

Q. You do not remember instructing Mr. Jarvis to witness the signature of Mr. Hyman?—A. I think I just sent him the telegram containing the instructions.

Q. You sent him a telegram?—A. A telegram.

Q. What telegram was that?—A. From Mr. Hyman that I received.

Q. Have you got that telegram in your possession?—A. Yes, sir. (Telegram produced.)

Q. Will you read that telegram, Mr. Duffield?—A.

(Exhibit No. 9.)

CORONADA, CALIFORNIA, Feb. 2, 1907.

JAS. C. DUFFIELD,
London.

Please have seal attached to my resignation as member for London, and have same properly witnessed.

(Signed) CHAS. S. HYMAN.

Q. Was that telegram delivered to you personally? Did you receive it from the telegraph office?—A. Yes, it came to my office. I may not have been there at the time it was delivered, but it came direct to me.

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Q. And you say you placed that telegram direct in the hands of Mr. Jarvis?—A. Yes, sir.

Q. Mr. Jarvis states in his evidence that you telephoned him the contents of that telegram. However, that ends your connection with the resignation itself?—A. Yes, sir.

By Hon. Mr. Aylesworth:

Q. When did you get the telegram? On the day it is stated, do you think?—A. I presume it would be on that date.

Q. You did not notice any discrepancy between the time when you got it and the date of it?—A. No, sir.

Q. How did that date compare with the date on which these witnesses wrote their names on the resignation?—A. Well, it was after, several days after, this was received that they were supposed to have put their names to the resignation.

Q. Were you present when they did it?—A. No, sir.

Q. But you know it was some days afterwards?—A. Yes, sir.

Q. Have you had any further communication with Mr. Hyman since then?—A. I received one other telegram.

Q. You received one other telegram?—A. Yes, sir.

Q. Any letters?—A. Yes, I received a short note.

Q. Have you got the telegram or letter?—A. I have the telegram; I destroyed the letter. It was simply a personal note to me.

Mr. Maclean (Lunenburg):

Q. Has the second telegram any relation to this resignation?—A. I do not think so.

Q. It has nothing whatever to do with it?—A. I do not think it has.

Q. You may look at it again and make sure. You need not read it aloud?—A. (After examining telegram) I would not think so; no.

By Hon. Mr. Aylesworth:

Q. When was it received?—A. Received on March 1—the 1st of this month.

By Mr. Bergeron:

Q. It has no relation at all to the resignation of Mr. Hyman, directly or indirectly?—A. Well, it has indirectly; yes, sir.

By Hon. Mr. Aylesworth:

Q. You had better read it?—A. (Reads):

(Exhibit No. 10.)

From Coronado, Calif.

March 1, 1907.

To JAMES C. DUFFIELD,

London, Ont.

Any statements or insinuations that my resignation either as member or minister was prompted by other motives than those contained in my letter to Sir Wilfrid are absolutely untrue.

(Sgd.) C. S. HYMAN.

Q. Do you know anything about how that came to be sent?—A. Well, I inclosed clippings from the Toronto papers, the three papers, on the day on which they published certain utterances made by Mr. Fowler in the House here. In enclosed those in a letter to Mrs. Hyman, in a sealed envelope for Mr. Hyman.

Q. How long before March 1 would that be?—A. Oh, I presume it would be perhaps ten days or two weeks.

Q. You made clippings from the Toronto newspapers the day following Mr. Fowler's speech in the House?—A. Yes, sir.

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Q. And sealed them in an envelope you addressed to Mr. Hyman?—A. Yes.

Q. And inclosed that in a letter to Mrs. Hyman?—A. Exactly.

Q. And about ten days afterwards you got that telegram?—A. I presume it would be about ten days.

By Mr. Bergeron :

Q. Do you believe from the answer you had from Mr. Hyman that he read the clippings you sent him?—A. I do.

Q. He must have read them?—A. I should think so, yes.

By Mr. Northrup :

Q. How did this telegram come to be sent to you, the one you received the first time, (Exhibit No. 9)?—A. I think in one of my letters to Mr. Hyman, I said something about there being a doubt as to the regularity of the resignation, and Mr. Gibbons thought it would be better for him to authorize somebody to have the resignation properly witnessed and sealed.

Q. You wrote that letter to Mrs. Hyman?—A. To Mrs. Hyman.

Q. How long before this message of February 2?—A. Well, that I could not tell you, I have no idea, sir.

Q. A considerable time or only a few days?—A. It would be time for a letter to leave London and arrive out there; just about five days any way.

Q. Did you keep any copy of that letter?—A. No, sir.

Q. But that was the whole effect of it—you told him it would be better to authorize somebody to witness his resignation?—A. Mr. Gibbons asked me to do that; that if Mr. Hyman was well enough to talk at all about politics to suggest that to him.

Q. At that time the so-called resignation was in London was it, you had seen it?—A. No, sir, I never saw it.

By Mr. Bergeron :

Q. You are a very intimate friend of Mr. Hyman?—A. Yes.

Q. Did you see him before he went away?—A. Well, about a week before he went away.

Q. Did he speak to you about resigning?—A. No.

Q. He did not speak to you about it?—A. No.

Q. When you heard that he had resigned were you surprised?—A. Yes, sir.

By Hon. Mr. Aylesworth :

Q. Some members of the committee seemed to express doubt as to Mr. Hyman's physical condition when he went away. Can you say anything as to that?—A. I think I can.

Objection raised by Mr. Barker to the introduction of a matter which had not been referred to the committee.

By Hon. Mr. Aylesworth :

Q. When did you see Mr. Hyman last?—A. I saw him in New Orleans last.

Q. When?—A. Well, that would be either the last of November or the first part of December: I could not exactly say, sir.

Q. Was Mrs. Hyman with him at that time?—A. Yes, sir.

Q. How had she got there?—A. I went with her as far as St. Louis. I left London with Mrs. Hyman and went with her as far as St. Louis, and there we met Mr. Hyman and his nephew. His nephew went back, and Mr. and Mrs. Hyman and myself went on next day to New Orleans.

Q. Then you returned from New Orleans?—A. I returned from New Orleans.

Q. And you were with him then from the time you met in St. Louis until you left New Orleans—two or three days?—A. From Monday morning until Friday night.

Q. What state of health was he in at that time?—A. I should say it was very bad indeed.

Q. What was your idea as to his coming back when you left him?—A. Well, he appeared to be a nervous wreck. To me it seemed as though it would take quite a long time before he got back again.

By Mr. Boyce:

Q. Did you see Mr. Hyman after he left London?—A. Yes.

Q. Where?—A. In St. Louis and New Orleans.

Q. That was after he had gone south?—A. I went with him.

Q. You went with him?—A. From St. Louis.

Q. Were you down at New York with Mr. Hyman about the first week in November?—A. No, sir.

Q. When were you in New York with him?—A. Oh, I could not say.

Q. Since he left London?—A. No, sir.

Q. You were?—A. Oh, no.

Q. What letters did you write to Mr. Hyman, if any, since he left?—A. None, whatever.

Q. All your letters were addressed to Mrs. Hyman?—A. Yes, sir.

By Mr. Bergeron:

Q. You said a moment ago you were surprised to hear he had resigned?—A. Yes.

Q. After you had seen him in New Orleans, were you surprised when he had sent in his resignation?—A. Not at all.

Q. I am speaking his health, you know?—A. Yes.

By Mr. Lavergne (Montmagny):

Q. You got that telegram on the 2nd February?—A. It is dated on the telegram there.

Q. And the telegram told you to have the resignation properly witnessed?—A. Well, the telegram speaks for itself.

Q. Did you instruct Mr. Jarvis how to witness the resignation?—A. No.

Q. Not at all?—A. No.

Q. Did you know how the resignation was to be witnessed?—A. No.

Q. You did not look at the statute?—A. No, sir.

By Mr. Bergeron:

Q. You just carried out the instructions in that first telegram?—A. Yes, sir.

Q. Believing it was coming from Mr. Hyman himself and that it was his wishes?—A. Yes, sir.

The witness was discharged.

MR. DANIEL H. BOWEN SWORN.

By Mr. Maclean (Lunenburg):

Q. Are you the manager of the telegraph office in London?—A. Yes, sir.

Q. Which office?—A. The Canadian Pacific.

Q. Look at the telegram produced and say whether it came through your office?—A. Yes, sir.

Q. Have you got the original?—A. I have a water impression of it. This is the original as it came over the wire. The copy I have is simply a tissue impression of what we took.

Q. The telegram submitted to you is the original?—A. This (Exhibit No. 9) is the original; I have simply a water copy. Mine is an exact duplicate.

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By Mr. Bristol:

Q. I suppose you saw Mr. Hyman sign that telegram?—A. I did not.

The witness was discharged.

Hon. Mr. AYLESWORTH.—I was required to produce any letters I received from Mr. Hyman, or from anybody on his behalf, touching this matter. I produced the letters at a former meeting and they were not read. Since then a good deal has taken place in this committee which makes it, I think, of importance that these letters should be in evidence; I am therefore proposing to put them in. They are alluded to repeatedly in the extracts from *Hansard* which, at the first meeting, Mr. Barker caused to be put upon the minutes of this committee. If for no other reason the allusions that are there made to these letters are rendered intelligible by the production of the letters themselves. I am proposing therefore, with your approval, Mr. Chairman, to read these letters so that they may go into the evidence.

Objection raised to the reading of the letters and argument followed. Upon division, it was ordered that the letters be read.

Hon. Mr. AYLESWORTH.—The first letter is from Los Angeles, Cal.,

(Exhibit No. 11.)

LOS ANGELES, CAL., December 12, 1906.

‘Dear Mr. Aylesworth:—

‘For the first time since I joined Charlie on the 26th of November, has he spoken to me of his letters. He asked for them and I am sorry to say the few he opened have upset him greatly, and am afraid will undo a great deal of the good work.

‘Charlie looks better and brighter, but cannot collect or concentrate his thoughts on any subject. He seemed much worried over one article in the *London Advertiser* (Nov. 24th) to the effect that his resignation of his seat was not regular and could not be acted upon. I do not understand it all, but am quite sure you will not mind explaining it all to me and also what is necessary to make it regular.

‘Charlie also spoke of report in paper of Sir Wilfrid’s speech, saying he had written Charlie regarding his resignation from ministry. I am quite sure no such letter reached him, for I have all his mail up to November 24, and there is no letter from Sir Wilfrid, and I thought Sir Wilfrid ought to know this.

‘For the past few nights Charlie has had more sleep. The specialist he consulted strictly enjoined complete rest from all work and worry for some months. Would you mind writing me to address on letter heading. Charlie knows I am writing, and joins me in kindest regards. Trusting you are quite well, I remain,

‘Sincerely yours,

‘(Sgd.) ELIZABETH HYMAN.’

I replied to that letter, but I kept no copy of my reply. There is another letter from Mrs. Hyman dated Los Angeles, December 27, 1906, but there is nothing in it which particularly relates to this matter. Then there is a telegram from Mrs. Hyman conveying Christmas greetings. On December 30 Mrs. Hyman wrote from Los Angeles as follows:—

(Exhibit No. 13.)

‘LOS ANGELES, CAL., December 30, 1906.

‘My Dear Mr. Aylesworth:

‘It is nearly a week since I wired you saying I would write you fully, and Charlie has just asked me to do so, inclosing his note.’

The note inclosed is in these words in Mr. Hyman’s handwriting:

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(Exhibit No. 12.)

'My Dear Aylesworth:

'The wife is writing you to-day. I simply cannot. I am oh so sorry it cannot be as you and Sir Wilfrid wish. Please tell him of my deep sympathy with him in his trouble. Heaven bless you, dear old fellow.

'Sincerely,

'(Sgd.) C. S. HYMAN.'

Let me continue the reading of Mrs. Hyman's letter (Exhibit No. 13):

'I am sorry to have to tell you the intervening time has proved only too plainly how impossible it would be for Charlie to take up any work for a long time to come. He read your letter, and was very much affected by all you wrote and by your affectionate feeling towards him.'

Then there is a sentence that is entirely personal to myself. The letter goes on to say:

'Charlie is not as well as he was a week ago. It may be that the severe cold which has not yet left him is largely the reason, but the deep thought he has given this decision and his future have brought on the restless, sleepless nights, and his nerves are bothering him greatly. However, when he has this all off his mind (and it had to be decided some time) he may, I sincerely trust, improve. Yesterday I received a letter from Mr. Duffield. He had had a talk with Mr. Gibbons and other Londoners, and they urged Charlie to run again. I had to tell C. contents, as I thought it wiser to get it all over at once, and I shall try to answer Mr. Duffield's letter to-morrow.

'Charlie wants me to tell you frankly the position of affairs, and just why he feels at the present moment he cannot agree to all his friends' wishes and accept the London nomination, and, if successful, return to his department again. The specialist he consulted told him he was at a very critical time of his life, and upon the next few months depended all his future health.

'He has now been away six weeks to-morrow, has not seen a Canadian paper (with the exception of the one I told you of), has only received two letters (at least read two), neither of them of a worrying nature, and the slight improvement has all gone just because he had to give this decision. I am sorry (more than you realize) to have to agree with him that there is little or no chance of a complete recovery with the feeling ever present that his work at Ottawa is awaiting him. If he returned I think he dreads a complete breakdown.

'My letter is, I fear, very disconnected, but C. told me so much to say to you and Sir Wilfrid and then started off for a walk. I have done the best possible to explain the situation, and am anxious to get my letters posted before his return and so if possible to get his mind off them.

'I have been busy packing to-day, as we move to the Hotel Alexandria, just a block from here, to-morrow. It is much nicer than this hotel, and we engaged rooms last night. I had hoped to get Charlie to the coast, but he won't leave Los Angeles at present. I will wire or write you when we do move again. I did not tell C. I wrote to you the other day.'

That is all.

The CHAIRMAN.—You will remember that at a previous meeting a letter was received from the Prime Minister inclosing a letter from Mrs. Hyman. I suppose that letter should be read also. It is as follows:—

(Exhibit No. 14.)

'LOS ANGELES, CAL., December 30, 1906.

'MY DEAR SIR WILFRID,—Mr. Aylesworth's letter came a week ago, and Charlie has tried to think it possible for him to do as you all wish. But I am sorry to say the

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result has been that he has lost any improvement he had made since leaving home, and proved how impossible it will be for him to attempt any work for a long time to come. I am writing Mr. Aylesworth very fully by this mail.

'It is all too bad and I am simply broken-hearted at the idea of Charlie giving up his political life. But I see only too plainly the one and only hope of Charlie coming back his old self is the removal of all the worries in the future, and we both know him well enough to realize that is impossible if his work is awaiting him at home. He asks me to again assure you how deeply he regrets the necessity of this decision, that his resignation be acted upon at your discretion.

'We are both so very sorry to hear of your brother's serious illness and sympathize with you and Lady Laurier.

'Charlie joins me in kindest regards for Lady Laurier and yourself.

'Very sincerely yours,

(Sgd.) 'ELIZABETH HYMAN.'

The committee adjourned.

REPORTS

OF THE

SPECIAL COMMITTEE OF THE HOUSE OF COMMONS

TO WHOM WAS REFERRED

BILL No. 2

AN ACT RESPECTING

INDUSTRIAL AND CO-OPERATIVE SOCIETIES

ALSO WITH

MINUTES OF PROCEEDINGS AND EVIDENCE, ADDENDUM TO
EVIDENCE, AND EXHIBIT No. 1



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1907

SPECIAL COMMITTEE

ON

BILL NO. 2, AN ACT RESPECTING INDUSTRIAL AND CO-OPERATIVE SOCIETIES

1906-07

ORDER OF REFERENCE.

HOUSE OF COMMONS,

WEDNESDAY, December 5, 1906.

Resolved,—That the Bill No. 2, An Act respecting Industrial and Co-operative Societies, be referred to a Special Committee, to be named at the next sitting of the House.

Attest,

THOS. B. FLINT,
Clerk of the House.

WEDNESDAY, December 12, 1906.

Ordered,—That Messieurs Aylesworth, Lemieux, Smith (Nanaimo), Bourassa, Verville, Gervais, Sinclair, White and Monk do compose the said Committee.

Attest,

THOS. B. FLINT,
Clerk of the House.

TUESDAY, December 18, 1906.

Ordered,—That the said Committee have leave to report from time to time.

Attest,

THOS. B. FLINT,
Clerk of the House.

TUESDAY, December 18, 1906.

Ordered,—That the said Committee be empowered to send for persons, papers and records, and to examine witnesses under oath or affirmation; and

That they be authorized to employ a shorthand writer to take down such evidence or proceedings as they may deem necessary.

Attest,

THOS. B. FLINT,
Clerk of the House.

FRIDAY, February 8, 1907.

Ordered,—That the evidence being taken by the said Committee be printed day by day for the use of the Members of the Committee, and that Rule 72 be suspended in relation thereto.

Attest,

THOS. B. FLINT,
Clerk of the House.

REPORTS OF THE SPECIAL COMMITTEE TO WHOM WAS REFERRED
Bill No. 2, AN ACT RESPECTING INDUSTRIAL AND
CO-OPERATIVE SOCIETIES.

FIRST REPORT.

TUESDAY, December 18, 1906.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their First Report.

Your Committee recommend:—

1. That they be empowered to send for persons, papers and records, and to examine witnesses under oath or affirmation; and
2. That they be authorized to employ a shorthand writer to take down such evidence or proceedings as they may deem necessary.

All which is respectfully submitted.

R. LEMIEUX,
Chairman.

SECOND REPORT.

FRIDAY, February 8, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their Second Report.

Your Committee recommend that the evidence being taken by them be printed day by day for the use of the Members of the Committee, and that Rule 72 be suspended in relation thereto.

All which is respectfully submitted.

R. LEMIEUX,
Chairman.

THIRD REPORT.

FRIDAY, March 1, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their Third Report.

Your Committee recommend that leave be granted to them to sit while the House is in session.

All which is respectfully submitted.

R. LEMIEUX,
Chairman.

FOURTH REPORT.

THURSDAY, April 11, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, beg leave to present the following as their Fourth Report:—

Your committee have had under consideration Bill No. 2, An Act respecting In-

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dustrial and Co-operative Societies, and have agreed to report the same with amendments.

Your committee have held several sittings and taken the evidence of a number of witnesses as to the possible advantages to Canada of legislation upon the lines indicated in above-mentioned Bill, which authorizes the formation of co-operative associations.

From this evidence, derived from persons who have made a special study of the co-operative movement in Europe, it appears clearly that co-operation offers very great advantage to the farming classes, particularly in certain branches of agricultural pursuits, such as dairying, market gardening and fruit culture. Co-operation has also been proved of great use in the purchase by farmers of agricultural implements and fertilizers.

Your committee found that co-operation offers a means for the labouring classes to purchase, under the most favourable terms, the necessaries of life and the articles required for the exercise of any trade. It also provides a system by which the wage-earners can either build or acquire their own homes, by means of small loans from credit and savings societies.

Your committee have given the credit and savings feature of the Bill their special consideration and have arrived at the conclusion that any general movement to foster co-operations destined to provide small loans and means of investment for people whose situation removes them from the sphere of action of our ordinary banks.

In dealing, however, with this feature of the proposed measure, your committee have provided special clauses destined to surround the exercise of the credit and savings power by these societies with all necessary guarantees to prevent any possible abuse.

The interesting experiment made by Mr. Alphonse Desjardins with the institution known as 'La Caisse Populaire de Lévis,' establishes clearly that this special form of co-operation is productive of the best results and can be carried out without risk, if under proper control.

This control and supervision your committee have sought to ensure in the Bill.

The witnesses heard by your committee are persons well versed in the co-operative movement since its inception ; their testimony bears out with singular unanimity the conclusion to which your committee have arrived, that the proposed Bill, as amended by your committee, if enacted, would be productive of the best results, and your committee therefore recommend that the government take charge of the measure and have it passed.

Your committee also report herewith their minutes of proceedings and evidence, and the exhibits filed, and recommend that the same be printed, with the exception of exhibits from Nos. 2 to 10, inclusive.

All of which is respectively submitted,

R. LEMIEUX,
Chairman.

MINUTES OF PROCEEDINGS.

COMMITTEE ROOM,
TUESDAY, December 18, 1906

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 11 o'clock a.m., for organization. Present: Messieurs Aylesworth, Lemieux, Monk, Sinclair, Smith (Nanaimo), and Verville—6.

The Committee being called to order,—

On motion of Mr. Aylesworth,

Mr. Lemieux was chosen chairman of the Committee.

Mr. Monk explained the provisions of the Bill.

On motion of Mr. Monk, it was

Resolved, That a report be made to the House recommending:—1st, That the Committee be empowered to send for persons, papers and records, and to examine witnesses under oath or affirmation; 2. That they be authorized to employ a shorthand writer to take down such evidence or proceedings as they deem necessary.

On motion of Mr. Monk, it was

Ordered, That Mr. Alphonse Desjardins, President-Manager of *La Caisse Populaire de Lévis*, and Mr. W. L. Mackenzie King, M.A., LL.B., Deputy Minister of Labour, and Editor of the *Labour Gazette*, be requested to attend the next meeting.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,
FRIDAY, February 8, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present:

Messieurs Lemieux (in the chair), Bourassa, Monk, Sinclair, Smith (Nanaimo), Verville and White.—7.

On motion of Mr. Monk, it was

Resolved, That a report be made to the House recommending that the evidence taken by the Committee be printed day by day for the use of the Committee.

Mr. Alphonse Desjardins was then called and examined in part by Mr. Monk and others.

During his examination, the Constitution or By-laws of *La Caisse Populaire de Lévis*, in the English and French versions, were filed and marked as Exhibits No. 1 and No. 1a, respectively.

A statistical statement of the operations of the said Caisse was also filed and marked as Exhibit No. 2.

Mr. Desjardins was by the Committee instructed to prepare as supplementary to his evidence a general statement based on the opinions of leading authorities on the subject of Co-operative Credit or Banking, and to submit the same as an addendum to the Minutes of Evidence.

The Committee adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

APPENDIX No. 3

COMMITTEE ROOM,
WEDNESDAY, February 20, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present:

Messieurs Lemieux (in the chair), Bourassa, Gervais, Monk, Verville, Smith (Nanaimo), and White.—7.

Committee resumed the examination of Mr. Desjardins.

During his further examination, the following papers were filed and marked as Exhibit No. 3.—Statement of the operations of *La Caisse Populaire de St. Malo*, from its organization up to February 13, 1907.

Exhibit No. 4.—Statement relating to *La Caisse Populaire de St. Joseph de Lévis*, up to the 14th February, 1907.

On motion of Mr. Monk, it was

Resolved, That Prof. Shortt, of Queen's University, Kingston, be invited to attend the next meeting.

On motion of Mr. Smith (Nanaimo), it was

Resolved, That Messrs. Ruddick and McNeill, officers of the Department of Agriculture, Ottawa, be requested to attend the next meeting of the Committee.

On motion of Mr. Monk, it was

Resolved, That Mr. F. O. Dugas, M.P., be invited to attend the next meeting.

The Committee then adjourned until Friday, 22nd instant.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,
FRIDAY, February 22, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting the Industrial and Co-operative Societies, met at 10.30 a.m. Present:

Messieurs Lemieux (in the chair), Bourassa, Monk, Smith (Nanaimo), Verville and White—6.

Mr. F. O. Dugas, M.P., attended as per invitation, and was examined by Mr. Monk and others.

Mr. J. A. Ruddick, Dairy and Cold Storage Commissioner, was called, and examined by Mr. Monk and others, and discharged from further attendance.

During his examination, a report on Co-operative Agriculture and Rural Conditions in Denmark (prepared by the members of a deputation sent to the country by the Department of Agriculture and Technical Instruction for Ireland), was filed and marked as Exhibit No. 5.

Prof. Adams Shortt, of Queen's University, Kingston, was called and examined in part by the Chairman and others.

Resolved,—That in order to give Prof. Shortt an opportunity to read the by-laws of *La Caisse Populaire de Lévis*, his examination be now discontinued, to be resumed on Friday, 1st March next.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

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COMMITTEE ROOM,

FRIDAY, March 1, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 11 a.m. Present: Messieurs Lemieux (in the chair), Monk, Sinclair, Smith (Nanaimo), Verville and White—6.

Professor Shortt's examination was resumed and concluded.

On motion of Mr. Monk, it was

Resolved,—That a report be made to the House recommending that leave be granted to the Committee to sit while the House is in session.

Mr. A. McNeill, chief of the Fruit Division, Department of Agriculture, was called and examined, and discharged from further attendance.

The Chairman expressed his desire to hear the evidence of some bankers on the sections of the bill relating to banking.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,

Clerk of Committee.

COMMITTEE ROOM,

THURSDAY, March 7, 1907.

The Special Committee to whom was referred the Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present :

Messieurs Lemieux (in the chair), Monk, Smith (Nanaimo), Verville, and White—5.

Messrs. E. M. Trowern, of Toronto; H. C. Ellis, of Ottawa; and J. A. Beaudry, of Montreal, respectively, secretary, 2nd vice-president, and treasurer of the Retail Merchants' Association of Canada, were present at their own request, and allowed to be heard.

Leave was granted to Mr. Trowern to send to the Clerk of the Committee copy of certain letters, &c., referred to in his evidence as unfavourable to the principle of co-operation, said letters to be filed and marked as exhibits (No. 9 and No. 10).

Mr. W. L. Mackenzie King, C.M.G., Deputy Minister of Labour, was then called and examined in part.

During his examination, a publication on 'Co-operation in New England,' by Edward W. Bemis, Ph. D., was filed and marked as Exhibit No. 6.

The Committee then adjourned until Tuesday next, 12th instant.

Attest,

N. ROBIDOUX,

Clerk of Committee.

COMMITTEE ROOM,

TUESDAY, March 12, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 10.30 a.m. Present :

Messieurs Lemieux (in the chair), Monk, Smith (Nanaimo), Verville, and White—5.

Mr. King's examination resumed and concluded.

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During his examination, a copy of *The Canadian Co-operator*, a monthly magazine published in Whitby, Ont., was filed and marked as Exhibit No. 7.

Also, witness submitted for the use of the Committee, reports from the Workmen's Store Company, Limited, Dominion, C.B.; the British Canadian Co-operative Society, Limited, Sydney, N.S.; and Glace Bay Co-operative Society, Limited; and also, the Rules and Regulations of the Guelph Co-operative Association, Limited.

Mr. Monk offered Mr. King the thanks of the Committee for his researches and studies on the subject-matter covered by the provisions of the Bill under consideration.

Mr. Monk read a letter from Mr. Pierre Jay, of Boston, addressed to Mr. Alphonse Desjardins, on the subject of co-operation. (Said letter to be filed and to form part of the appendix to the Minutes of Evidence.)

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,
TUESDAY, March 26, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 12 o'clock (noon). Present:

Messieurs Lemieux (in the chair), Monk, Sinclair, Smith (Nanaimo), Verville and White. Also, Senators and other Members of Parliament.

His Excellency the Governor General, at the special request of the Chairman, was pleased to attend this meeting of the Committee in his capacity as President of the International Co-operative Alliance, and gave his views on the subject of co-operation: its birth, growth and success in the Mother Country and on the Continent.

At the conclusion of His Excellency's address, on motion of Mr. Monk, seconded by Mr. Smith (Nanaimo), it was

Resolved, That this Committee desires to place on record its indebtedness to Earl Grey, and tender His Excellency its thanks for his attendance this morning, and for the valuable information he has given this Committee, as well as for his deep interest in the cause of co-operation.

An article by Henry Vivian, M.P., on 'Co-partnership in Housing,' published in the *Garden, Suburbs, Villages and Homes*, was submitted by His Excellency and marked as Exhibit No. 8.

After which His Excellency retired.

The Committee then adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,
FRIDAY, April 5, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 4 o'clock p.m., Mr. Lemieux in the chair.

On invitation, Mr. George H. Perley, M.P., was pleased to attend this meeting of the Committee, and gave his views on the provisions of the Bill under consideration.

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Mr. Alphonse Desjardins was again heard.

The Committee adjourned to the call of the chair.

Attest,

N. ROBIDOUX,
Clerk of Committee.

COMMITTEE ROOM,
THURSDAY, April 11, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met. Present : Messrs. Lemieux (in the chair), Monk, Sinclair, Smith (Nanaimo), Verville and White.—6.

The committee proceeded to the consideration of the Bill, and amended several sections thereof.

On motion of Mr. Monk, it was :

Resolved, That the title of the Bill be changed to that of 'An Act respecting Co-operation.'

Ordered, That the Bill as amended be reprinted and reported to the House.

The committee then adjourned *sine die*.

Attest.

N. ROBIDOUX,
Clerk of Committee.

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LIST OF EXHIBITS.

- No. 1.—Constitution or By-laws of *La Caisse Populaire de Lévis*, (English version).
(*Printed.*)
- N. 1a.—Constitution or By-laws of *La Caisse Populaire de Lévis* (French version).
(*Not printed.*)
- No. 2.—Statistical statement of the operations of *La Caisse Populaire de Lévis*. (*Not printed.*)
- No. 3.—Statistical statement of the operations of *La Caisse Populaire de St. Malo*.
(*Not printed.*)
- No. 4.—Statistical statement of the operations of *La Caisse Populaire de St. Joseph de Lévis*. (*Not printed.*)
- No. 5.—Report on Co-operative Agriculture and Rural Conditions in Denmark. (*Not printed.*)
- No. 6.—Publication on 'Co-operation in New England,' by Edward W. Bemis, Ph. D. (*Not printed.*)
- No. 7.—Copy of *The Canadian Co-operator*, a monthly magazine published in Whitby, Ontario. (*Not printed.*)
- No. 8.—Copy of *Garden, Suburbs, Villages and Homes*, containing an article by Henry Vivian, M.P., on 'Co-partnership in Housing.' (*Not printed.*)
- No. 9.—Prize letter on co-operation written by a Clackmannanshire woman in reply to a series of letters in favour of co-operation published in the *Weekly Scotchman*, January 12, 1907. (*Not printed.*)
- No. 10.—A Farmer's Bitter Complaint, published in the *Weekly Scotchman*, January 12, 1907. (*Not printed.*)

MINUTES OF EVIDENCE

MINUTES OF EVIDENCE.

HOUSE OF COMMONS,
COMMITTEE ROOM No. 30,
FRIDAY, February 8, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met at 10.30 a.m., Mr. Lemieux in the Chair.

Mr. MONK.—Whatever may be the fate of this Bill, I think the information we are going to gather will be valuable not only to ourselves but to the House and to the public generally. I therefore move that we report to the House that the evidence taken from day to day be printed day by day for the use of the Committee.

The CHAIRMAN.—Was that not understood ?

Mr. MONK.—There is no record. We simply obtained authority to employ a stenographer.

The CHAIRMAN.—It is moved by Mr. Monk that a report be made to the House that the evidence taken day by day be printed day by day for the use of the Committee. Is it the pleasure of the Committee to adopt this motion ?

Carried.

Mr. ALPHONSE DESJARDINS, president and manager of 'La Caisse Populaire de Lévis,' was called and examined.

By Mr. Monk :

Q. Mr. Desjardins, do you prefer to give your evidence in English ?—A. Yes, I shall do my best.

Q. Mr. Desjardins, have you had any occasion to study co-operative societies as they exist in Europe?—A. Yes, sir, I have been studying that question for the last ten or twelve years. I have devoted much of my time and attention to it, and, moreover, I have had the advantage for the last ten years of having an interchange of correspondence with almost all the leaders of that movement in Europe, in Italy, Germany, Austria, France, Belgium and England. I have thereby gathered a large stock of information which is not even to be had in the books published up to date. Those details are more of a particular nature of the movement in each country, but still at the same time give a fair idea of the possibilities of that movement.

Q. Would you state to the Committee briefly the advantages which have resulted from the adoption of the co-operative system in some of those countries, in Germany, Italy, France, England and Belgium, and perhaps, also, what kind of co-operative associations exist at the present time particularly in those different countries?—A. Well, as far as the first part of your question is concerned I can only give a very general outline of the advantages derived from co-operation. One of them is an essential feature of it. The poor people are thereby brought up to an astonishing level of education so far as economics are concerned. They know what is the nature of capital. They know its relation to the rest of the social life and thereby a good deal of prejudice is abated. Now when you go down into the details of it, one of the great advantages of co-operation is that it teaches people how to do their own business instead of relying upon a middleman. If you go further into the details and take, for instance, the banking aspect of the movement you will find that it has taught people

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the great advantages of economy, thrift, saving, and above all, it has 'taught them the value of the cents, the small savings. If you ask the poor man to save money, he will tell you: 'Well, my friend, I would but I have no money.' When you go further and you ask him, 'Have you not cents sometimes in your pockets,' he will reply 'of course, but that is not money,' and, therefore, having but cents in his pockets he never thinks of saving, because it is not worth while. On the other hand, if you teach him that saving can be exercised with great advantage upon those few cents, you will create in a very short time a very large capital, because it is not units that count here but the quantity of units.

By Mr. Bourassa :

Q. And if they find a use for the cents it will induce them to put more aside?—
A. Exactly. The first move is the most difficult one to secure. The moment you have succeeded in convincing a man that he must put something aside he says, "that is a dollar, I never thought I could save that much"; then two dollars and then five dollars, and so on.

By the Chairman :

Q. You spoke of saving. What is the difference between penny banks and bank under your system?—A. Well, the penny banks do not go in for the same class of loans. Of course, the penny bank does not usually exist except in some large centre or large town.

Q. Not in rural communities?—A. Hardly in rural communities because the penny bank is usually fostered by some philanthropist who is the head of some financial institution and they hope in starting a bank in an urban district to have the advantage of the savings thereby made put in their institution. Or perhaps they prefer the credit or prestige derived from the institution, while in a rural community or small town that is not sufficient to enable them to found a bank on those lines.

By Mr. Bourassa :

Q. What is the radical difference between a penny bank and a co-operative bank? Is it that the penny bank simply accepts the people's deposits of their money, while with you they are enabled to make savings of small amounts and acquire shares?—
A. In the penny bank the administration is carried out by a certain number of gentlemen and the depositors have no control, but in the co-operative bank all have an interest and have the advantage of knowing what is the situation.

By Mr. Smith (Nanaimo) :

Q. In the penny bank the depositors have no control?—A. No control in the matter. It may turn out right or wrong, or they may lose their money—

Q. It is the intention in your bill to provide both for a bank and for a co-operative society?—A. Yes.

Q. It is not proposed to have the bank connected with the co-operative society?—
A. No, I think the best way will be to have distinct societies so far, because you may have three or four co-operative societies, and if the administration is in the hands of a few it may be conducive to bad results. For instance, you may take example in Mentone. I suppose the gentlemen here, if they have not been to the south of France, know something about it. I have not been there, but I have a good friend there who tells me that some people are members of seven different co-operative associations, each having different objects, one banking, one a distributing association, another for wine selling, and another for a restaurant. Instead of joining up these associations into one with one administration, every association has its own officers, and by this means you get a larger number of officers to advise as to the management.

Q. In this way you get a distinct system for distribution. In England it was a condition that the distributive societies should be formed into the wholesale productive societies, and then take hold of the banking system. How are you going to establish the bank unless you first teach the people to save?

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By the Chairman :

Q. I think, Mr. Smith, it is now time for Mr. Desjardins to explain the features of his system. You might state how you organize it, on what basis it is organized, and what are the principles of the organization?—A. (The witness), I was just going to complete my answer so far as the second part of the question was concerned, that is the employment of these funds by a co-operative credit society. Anyone in the association who is in need of money can go to the society with the usual security, not very exacting in these cases, and obtain a loan.

By Mr. Smith (Nanaimo):

Q. He can get a loan equal to his deposits?—A. More than that. The credit of the man is based upon his honesty. That is a startling principle, I suppose in finance. But we have made the experiment successfully.

By the Chairman :

Q. How do you make the selection of the honest borrower?—A. Well, first of all the society is not like a joint stock company in which a man buys a share and has all the rights of a shareholder. In these associations, a man cannot be a shareholder until he has first been admitted by ballot, and so we know something of him beforehand and whether he is honest or not. We will take him on his present honesty, or what may be described as his promise of future honesty. If he is admitted on his future honesty, of course it will take some time before he can come for a loan. The first choice or election is a guarantee, and we know each other the more so because the association only covers a small area, a small district where everyone is known, and it is strange how far we are known to each other.

Q. When a man comes for a loan it is a question for the committee who supervise these loans to see that it is not granted unless every possible information has been obtained, and if the information is not satisfactory then no loan is made?—A. Yes, but, as I said just now, we know each other pretty well.

By Mr. Bourassa :

Q. The whole basis of the safety of making these loans is the limitation of the territory covered by the association?—A. Certainly, to a large extent.

By the Chairman :

Q. How did you proceed to organize a co-operative society?

Mr. MONK.—Mr. Lemieux, I was just coming to that. You have been connected with only one kind of these associations, and have made a trial and experiment on that particular method. Perhaps, as the chairman says, you will tell how it works out in practice?

The CHAIRMAN.—I think a few years ago they started an association in Montreal, what is called co-operative stores, but in this case it is a banking society.

Mr. SINCLAIR.—We have co-operative stores in Nova Scotia.

Mr. MONK.—I understand, Mr. Desjardins, that the association with which you are connected is particularly with regard to banking and credit.

The WITNESS.—As I said just now, while the principle of co-operation is a very good one, in a new country like Canada it might not answer the purpose so well as in an old country or in other countries in Europe, and to make the experiment complete and make myself sure of it I resolved to start one of these co-operative credit associations.

By the Chairman :

Q. Where?—A. At Lévis.

Q. What would be the population of Lévis?—A. About 7,000. We included a
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rural part in order to have the experiment among the rural as well as the urban people.

Mr. MONK.—Do you mean you took in the suburbs?—A. The outside parishes formed part years ago of the old parish, but these were exclusively rural, so we had a fair ground for experiment among both kinds of population, urban as well as rural. All the leaders of the movement agree that co-operative banking is the very basis of the whole movement, although I may say in England circumstances were such that it was distributive co-operation that was started first.

The CHAIRMAN.—What is the nature of the population at Levis; is it industrial?—A. Railways form the main industry there, and then we have two or three foundries or machine or other shops, and a large shoe factory. There are many labourers working at the port and elsewhere.

Mr. SINCLAIR.—What is your experience as to the stability of those saving banks? It seems one of the greatest difficulties in my mind to make them safe. I have known a few of them in Nova Scotia, and invariably they have gone to pieces in the course of a few years by bad management. That is small saving banks in little towns that were started under some special local Act, a special Act, by which some few men were permitted to start a small saving bank.

Mr. BOURASSA.—But was it on the co-operative basis that nobody could make any transaction in the matter of credit with the bank unless he was a shareholder of the association?

Mr. SINCLAIR.—No, I do not think so.

Mr. BOURASSA.—You see that is the basic difference, that nobody can transact banking unless he is a member of the association, and then it is limited as to area.

The CHAIRMAN.—And the transaction is always supervised by a committee.

The WITNESS.—We started with about fifty spirited citizens. Of course, we had no law whatever. It was upon the voluntary system. We, of course, adopted by-laws.

The CHAIRMAN.—Would you kindly file them?

(By-laws produced as Exhibit No. 1.)

The CHAIRMAN.—Would you file the English copy as well?

The WITNESS.—Yes. We adopted those by-laws, which were genuine co-operative by-laws, and we began business. We organized on the 6th December, 1900, and we started to collect a few cents. By the 25th January following, our first semi-monthly statement showed an asset of \$242.

By Mr. Smith (Nanaimo):

Q. Have you any of your financial statements?—A. Yes.

By Mr. Monk:

Q. You said you had \$242?—A. On the 21st January last, the total assets were \$48,775.67.

By the Chairman:

Q. After six years of operation?—A. After six years of operation.

By Mr. Smith (Nanaimo):

Q. Was that banking pure and simple?—A. Yes, pure and simple.

By the Chairman:

Q. Explain the system now?—A. We had to create a capital. In doing so we had to conform to the wishes of those who were called upon to furnish the capital, as we addressed ourselves to very poor folks. We had to offer them what I call the variable capital or capital withdrawable at any time. If you go to a poor man and say, 'You

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put a dollar there and you will never see it again unless you sell your share and go about in the street and try to sell it,' he will never take such a share. We had, therefore, to remember that.

By the Chairman:

Q. Did you fix a limit to that capital at first?—A. No. There is no limit fixed, because the capital is variable.

By Mr. Sinclair:

Q. Would they take it back without notice?—A. In the by-laws we stated that the notice was thirty days, to be exacted as a measure of safety. We have never exacted notice. Whenever some one called, we said, 'Here is your money.' It was the best way to create confidence. We are like the bank, we give the money whenever people wish to have it. You will see that the withdrawals of share capital have not amounted to very much after all. We have received \$44,957.15 of shares. En passant, I may say that those shares have been fixed according to the financial position of our future and present members at \$5. I would advise \$2 shares, because the people feel somewhat proud in saying, 'I have so many shares.' Never mind the amount of shares. One share of \$200 would not be the same thing as 100 \$2 shares. You must conform to the wishes of the members. There is no harm done, and it pleases them. I have studied a good deal that part of human nature, and I think it is the best way. There is no harm done and there is nothing to be lost. Out of the \$44,957 we have collected as share instalment, we have paid back only \$10,159.88 in six years, leaving a balance of \$34,797.27. At first a great deal of movement had been gone through, but it is now getting steadier. Of course, at first the people had some confusion as to the idea of capital, and were making the mistake of paying in a little for shares which should have been paid in purely as savings, because they wanted it again to buy their winter provisions or pay the rent or something of that kind. When they wanted to do this, I told them not to take up shares, but to deposit a small savings outside the shares, and we now have \$9,933.66 apart from the shares. We have received altogether \$28,519.95, and we have paid back \$18,586.29, leaving a balance, as I said, of \$9,933. That is entirely savings apart from shares.

By Mr. Bourassa:

Q. In the last six months?—A. No, that is in the whole period.

By Mr. Monk:

Q. What was the amount of the loans you made during this period?—A. The total amount of the loans is \$199,527.33, of which there has been repaid \$167,610.05, leaving, in outstanding loans, well guaranteed, \$31,917.28. Out of this almost \$200,000 that we have loaned, and I hope I may be pardoned if I speak with certain pride, we have never lost one cent.

By Mr. Sinclair:

Q. What do you do with the surplus?—A. We had in hand \$16,794.81; that money is put into the bank.

Q. At three per cent?—A. Yes.

By the Chairman:

Q. You were saying that you received \$200,000 in deposits?—A. No, I was speaking of the loans made.

Q. With the money of the shares as well as the small savings?—A. The whole, of course.

By Mr. Bourassa:

Q. That was the general movement of the funds?—A. Yes.

By Mr. Monk :

Q. As a matter of fact, speaking generally in all cases of societies of this character, making small loans they have very small losses, if any?—A. So much so that I received a letter a year and a half ago from Luigi Luzzatti, the Chairman of the Popular Banks Association of Italy, in which he stated to me that in forty-one years of experience with the 800 popular banks they have in Italy, the loss amounted to one-tenth of a cent, for forty-one years, out of each 2,000 francs loan.

Q. That, I suppose, is due to the extreme caution with which these loans are made?—A. The main security is the fact that the association is working within a small area and that everybody knows each other. A second security is that everybody is interested by being a shareholder.

By Mr. Smith (Nanaimo) :

Q. Anyone receiving a loan must get someone to act as security?—A. They must have two endorsers, if required.

Q. And those must be members of the society?—A. Members of the society as well.

By Mr. Sinclair :

Q. What security do you take from the manager?—A. I am the manager of this particular association, and I have to give a bond with an insurance company for \$3,000. Of course the council of administration could have exacted a higher bond, and the premium is paid by the association itself.

By Mr. Bourassa :

Q. What is the average yearly expenditure?—A. Well, that is a very delicate point you are now touching upon.

By the Chairman :

Q. Of course, it depends upon circumstances?—A. As I stated, I have started the association and I understood that it was of the greatest interest to make it a success, that the money should be kept always ready and whatever would be the outcome of it, we ought to be in a position to take the money out of the till and give it back to those who ask us for it. I thought it also my first duty, as I had no law to protect me, to be very careful about expenses. I took upon myself to do the whole work of the association without indemnity or salary. The office was kept in my own house, the book-keeping was done by myself, and whenever I was absent from town, by one of my family. All the members used to come to my place for the payment of their instalments or shares, or to do any other transaction they had with the society. That is the explanation why the expenses have been so low. My every desire was to create a reserve fund as rapidly as possible in order to be prepared against any possible mishap, damage, or injury that might have happened, and we have succeeded because our reserve fund amounts to \$3,341. That explains the fact that the whole of the expenses during the six years of operation have only been \$543.57, including printing.

The CHAIRMAN.—How much?

WITNESS.—\$543.57. You may tell me perhaps that we cannot expect everybody to do the same amount of personal work in order to make the saving.

The CHAIRMAN.—No.

WITNESS.—Surely not. But I was labouring under very peculiar circumstances. We were the pioneers in that kind of institution and upon the devotedness and zeal which we displayed depended the success of it. The only successful associations at the time I could point to were those in Europe, and people could tell me they are so far away that we cannot go there to see by ourselves. We can succeed better when one in this country is established and we can point out that one and say, 'You can go there and find out for yourself whether it can be as successful in your locality as it has been in Lévis.'

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The CHAIRMAN.—How many shareholders have you in that society at Lévis?

WITNESS.—About 900. I say about, because people are going in and out.

The CHAIRMAN.—The average membership is 900 ?

WITNESS.—Yes.

The CHAIRMAN.—How did you organize it at first ? There is of course a board of directors ?

WITNESS.—When the shareholders had subscribed shares, we made the best choice we could. Then we had a general meeting and at that general meeting the board of administration, composed of nine members, was elected by the shareholders. Another committee, called the Commission de Crédit, or Credit Commission, a special body to deal only with the loans, was appointed by the general meeting as well, and then a third body, the Commission of Surveillance, or you might say auditors, were appointed, not by the board, but by the general meeting, by the shareholders themselves.

The CHAIRMAN.—So that you have three distinct boards ?

WITNESS.—Exactly. The auditors are really the general meeting sitting en permanence alongside the officers they have chosen and the board have no control over them. They can tell the board, 'You can do this or that if you dare; but if you do, we shall suspend operations for the time being and report to the general meeting.' They have the right to inspect the books day and night and go to them when they please. In my own experience I can say that they have always done their duty. They would tell me: 'Mr. Desjardins, we want to see your cash.' 'There you have everything, here is the cash book, the bank book, the loan book, and make the addition and see whether it is correct or not.'

Mr. BOURASSA.—So that that board which has the responsibility to the shareholders of looking after the good administration, is not at all under the authority of the credit board ?

WITNESS.—Not at all. It has more authority than the board of administration and more authority than the board of credit.

The CHAIRMAN.—It is a striking difference between the general by-laws that are made by banking institutions where the auditors are selected by the board of directors without referring to the shareholders ?

Mr. MONK.—These institutions on the whole are much more democratic.

The CHAIRMAN.—Therefore, the shareholders have three boards, a board of directors, the credit commission, and the auditors ?

WITNESS.—Yes. Of course the word 'auditor' does not exactly convey the meaning I wish to convey.

Mr. MONK.—A board of censors ?

Mr. BOURASSA.—The power of an auditor is simply to look over the work and report on it.

The CHAIRMAN.—What further authority have they? Can they suspend the board of directors or suspend operations?

WITNESS.—To even the president they can say, 'Go and sit down there and be quiet. We shall rule this society until we have a general meeting.'

The CHAIRMAN.—How many members are there on each board?

WITNESS.—On the board of administration there are nine, on the commission of credit there are four, elected directly by the general meeting, while the chairman of the association is a member ex officio, and then the auditors or supervisors number three.

Mr. SINCLAIR.—Do they get any money?

WITNESS.—No. It is desired that no officer get remuneration except the manager.

The CHAIRMAN.—By whom is the selection of general manager made ?

WITNESS.—By the board of administrators.

Mr. MONK.—From what experience you have had in those six years in Lévis, do you think that it is possible to find in our provinces sufficient men capable of filling positions such as those you have indicated in localities similar to yours. You have a board of administrators, you have commissaires and you have a board of censors or auditors. Now, in towns like St. Hyacinthe or Three Rivers and similar localities, would there not be some difficulty in finding capable men to fill positions of that kind in similar organizations?

WITNESS.—It is a matter of education. It will require perhaps a good deal of propaganda before we convince people who are accustomed to work for money to undertake such duties, but on the other hand there are competent men enough and devoted citizens enough to fill those places anywhere. Thus in our humblest parishes we find that idea. It is a fact that our municipal as well as school organizations in the province of Quebec have been working admirably for the last fifty years. We have found the material for that administration which is a very complicated one, a very useful one, and at the same time a very responsible one, but we have municipal councillors handling thousands, perhaps millions of dollars a year, without a cent of indemnity.

Mr. MONK.—And not a cent wasted?

WITNESS.—And no defalcations. And those school commissions that we have in the provinces are working very well. Of course what I call the social authorities would have to come and give help, such as professional men, our priests, our leading citizens.

Mr. SMITH (Nanaimo).—All voluntary service?

WITNESS.—Of course. It is like our municipal government and school government. It is a voluntary system looking only to the official honour.

The CHAIRMAN.—Suppose I am a shareholder, and suppose I have \$100 in this society and I am in need of say \$200 or \$300, what will be the process to obtain money from the society? I am a shareholder and I want to get more than my share in a loan, how am I to obtain that? What is the process or the procedure?

Mr. BOURASSA.—Don't you think that we might go into the question and ask Mr. Desjardins in what way the money gathered by the society is employed?

WITNESS.—The amount of money that a member has in the society has a very restricted bearing upon his credit. We consider first the conditions on which he is to pay and his intention of paying the instalment. It is, as I stated, the honesty of the individual that is considered, his savings or assets are not the first consideration. For instance, if one of you gentlemen came for a loan of \$300.00, the application will come before the board of credit, who will decide whether or not to make the loan. But first of all, the general meeting fixed annually the amount to be loaned to any one individual, be it \$300.00 or \$500.00.

By the Chairman:

Q. I don't quite catch the point? Do you say that each application comes before the general meeting?—A. No, the maximum amount of a loan to any one individual is fixed by the general meeting.

By Mr. Bourassa:

Q. Not the loan?—A. No.

Q. Is the total amount to be loaned fixed annually by the general meeting?—A. No, because it depends upon the funds.

By the Chairman:

Q. Do you mean to say that each year the general meeting will fix the extent of the loan that can be made to each individual member?

Mr. MONK.—No, but to any individual.

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By the Chairman:

Q. Why is a limit put upon the amount of the loan?—A. It is to prevent the centralization of the funds in the hands of one or two. You must not forget that everybody in the association has the right to obtain a loan provided he gives good security, and if you loan all the money to one or two individuals, that limits the power of the society to help other members during the year. We consider that it is better for the association that small loans should be made, and we prefer them to larger loans. Suppose the manager of such a bank had ten individuals coming to him and saying, we should like to have a loan of \$10.00, that would mean \$100.00, but suppose the eleventh came and said that he would like a loan of \$100.00, it would be better for the society if it should have to choose, to make the loan of \$10.00 to ten individuals than to loan \$100.00 to one individual.

By the Chairman:

Q. The smaller the amount—A. The larger the number of people benefited.

By Mr. Monk:

Q. Before loaning the money what is the procedure?—A. In order to prevent delay, I generally draw up a list and submit it to the board. Suppose, for instance, that Mr. Lemieux wants a loan, I would ask the board what amount of credit they would allow Mr. Lemieux. Will you limit him to \$100, or will you go up to \$1,000, our present maximum, and the board would answer, 'Well, hardly that, without an endorser,' or they would consent upon his good character, and so I would know the amount of credit they will give; I would therefore be able to say yes or no when the application is made.

By the Chairman:

Q. Would you want an endorser for that?—A. Yes, in cases of large loans. When a man comes to my office and says I want \$1,000 or \$500, I say all right, and I give him the cheque and take his note. I have no need to consult the board, because I have already done so.

By the Chairman:

Q. You do not find borrowers asking for advances not offering security besides their own?—A. Of course, we do very often loan upon personal security, because we know the borrower.

Mr. Smith (Nanaimo):

Q. What is the amount of interest on deposit?—A. Well, we have not dared to go further than three per cent.

Q. Equal to the average banks?—A. Yes.

By Mr. Monk:

Q. Suppose a carpenter or a blacksmith wanting to purchase tools for his trade, comes to you and wants \$40 or \$50. As a rule do you require endorsers?—A. Often we would not, because if a man is honest we should know it.

By the Chairman:

Q. That is the great advantage of this small area. You know who is an honest man?

By Mr. Monk:

Q. Suppose a seamstress wanted to buy a sewing machine, would you rely on your knowledge of her honesty and means?—A. Yes, and if we have not received a reference

of a good character of the candidate then we don't like to put somebody in trouble, and we would say, 'we cannot do it unless a member well known to the board is willing or insists upon becoming security.'

By the Chairman:

Q. Before you go on with your explanations, do the banks in the locality where you reside advance such small loans even on endorsed notes? Suppose a seamstress, as Mr. Monk was saying, wanted to buy a sewing machine, could she go to the Banque Nationale or the Bank of British North America for a small loan of \$20 or \$25? In your experience have these banks made loans of such small amounts?—A. Never; they do for amounts of \$25 or \$50, but they charge the same amount of interest as for a loan of \$100. That is what I have been told often.

Mr. Smith (Nanaimo):

Q. Do you deposit your surplus with private banks?—A. Oh, yes, the surplus money is deposited.

Q. You make nothing of the surplus except the interest given by the private bank?—A. On those funds, yes, but you must recollect that we have \$3,400 of a reserve fund of our own, which goes to supplement our gross earnings.

Q. Where do you put that reserve?—A. That is used in the general business of the association.

By the Chairman:

Q. What is the average interest you receive from loans?—A. Six and five-eighths per cent last year.

Q. That is not very high?—A. The question of interest is so closely connected with the question of the repayment of the loan that if the committee will allow me, I will approach that question, because no question has been put to me that has drawn my attention to it, and it is a very interesting one. Mr. Monk was supposing just now a labourer coming to the society and asking a loan of \$30 to buy tools with. In the ordinary banks a loan may be made for three or even four months, and then at the end of four months the borrower will have to pay at least fifty per cent of the loan. He may perhaps have a chance of renewing for two months, but at the end of the two months it must be paid in full. Some borrower will come to us and borrow \$50 and will reimburse that \$50 as he wishes. I wish to make that point very clear because it seems a very wide authority to give to the borrower. He makes his own conditions and says he will reimburse \$3, \$4 a month and so on. If these conditions are accepted, we generally hold him close to his engagement: you have promised to give that sum and you shall give it, according to your own conditions.

Mr. SMITH (Nanaimo).—According to the man's own conditions.

WITNESS.—Yes. Now take the question of interest. While charging an interest for the whole time we grant the borrower as much interest on his reimbursements as he pays.

Mr. SMITH (Nanaimo).—So that he is encouraged to pay it off as quickly as possible?

WITNESS.—Yes. The quicker he pays the better it is for himself. A loan which comes to my mind is this one. Last spring two young men, brothers, one an employee in a shoe factory, another a carpenter, came to me and said, 'We are offered a great advantage. We are considering buying a house at very easy conditions. We hope one day or another to marry and settle down; we would like to be alongside one another, and this house is divided into two lodgings that would suit us. The only difficulty in the whole situation is that we have not the \$200 that the vendor asks us as a cash pay-

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ment on the purchase price, so we come to you and ask if the society will be ready to loan us those \$200. We have no real security to give, the house standing as security for the seller. We cannot offer anything but our good reputation, and perhaps our mother may come in and give her signature for us as well.' 'Well,' I said, 'I will submit the question to the board of credit; come to-morrow and I will let you know the answer.' The next day the question was submitted to the board and agreed to unanimously, and that is a point to which I wish to draw your attention. The board must be unanimous on every loan. If one says 'no,' the loan is not made. The board in this case was as usual unanimous, and the loan was made. I said to the young men, 'Here are the \$200,' the conditions of reimbursement fixed being \$20 a month, or ten months in all.

By the Chairman:

Q. You can accept partial reimbursements?—A. Yes, that is a great advantage to the borrower. I have had reimbursements of fifty cents a week of a sum of \$20. But to return to the case I was speaking of, the loan was made, the house was bought, the house is now paying itself by the rent, and the \$200 were reimbursed in less than eight months. The young men were so completely pleased and so hopeful that they worked almost day and night to clear that off.

By Mr. Verville:

Q. How much interest do you charge?—A. The interest is fixed by the board of administration. In fixing the interest we had to take into consideration the general state of the market, the general rate that is charged for high protected loans, and we had at the same time to see, not to imitate them, what is done at usury shops, and, lastly, the legitimate remuneration to be granted to the thrifty who provides the funds. Taking these three elements together we fixed the rates.

By the Chairman:

Q. Are there any shavers at Lévis?—A. There were two or three before, but God knows where they are now.

By Mr. Bourassa:

Q. It is an effective way of stopping usurers?—A. Upon a loan the borrower is charged seven per cent interest if he chooses to pay the interest in advance, or eight per cent when he wants the right of reimbursing either partially or the whole amount before the time expires. We charge then only for the time that has elapsed one per cent more, assuring the borrower the advantage of reimbursing when he pleases.

Q. Of course you do not exact the eight per cent on the total amount of the loan, they get the benefit of the interest on any instalment they make?—A. Exactly. I will give here a practical instance. A member of our society came about the month of July last and said: 'I expected a payment due to me of \$150, I counted upon it to pay my insurance premium on my life, but the man who owes me the money has not come; the premium must be paid to-morrow, I have not a red cent in my possession and I want you to let me have \$150 in order to pay my premium when due. What are the conditions?' I said, 'You have the option of either paying seven per cent in advance or eight per cent, with the privilege of paying then only for the time you keep the money or any part thereof.' He said to me, 'I prefer the eight per cent rate because you might have the money to-morrow or to-night.' He came the next morning and he got \$150, after I had submitted his demand to the board of credit. Five days afterwards he came back and he had the money from the man who owed him. He had paid his premium and said, 'Now, according to the condition, how much do I owe you?' I think it was twenty-three or twenty-four cents for the whole amount.

Mr. BOURASSA.—If he had discounted the note at the bank the interest would have run thirty days at least.

By Mr. Monk:

Q. Is it not a fact that there is a great deal more usury than people think, and that one of the effects of these institutions is to stamp it out effectually. Has that not been the result of your observation everywhere?—A. Everywhere. A very typical case was the one quoted in the history of co-operative credit in Alsace Lorraine. After the Franco-Prussian war in 1870, Jews by thousands were following the German armies into French territory and exercising their peculiar industry. After the war was over they settled down into these provinces annexed by Prussia and there began, according to the historian, almost every kind of usury. They might even take mortgages upon farm animals, cows, and so on. They had the whole peasantry in their hands and they exacted a general rate of interest of 100 to 150 per cent. With regard to the second part of your question as to usury, I can say that a gentleman I knew called upon a certain rural usurer and borrowed \$100, I think it was. There was an old caleche in front of the usurer's place, and he told the carter who drove him that he had bought it twenty-five times for \$30 each time, being a condition of each loan. The amount of interest charged by the usurer was the usual rate, 6 per cent, but having to pay for the old caleche that made the rate on the loan something like 125 to 150 per cent.

Mr. Smith (Nanaimo):

Q. If you educate the people to save money by a system of co-operative banking, as you have in Lévis and do not establish a co-operative distributing society, you will be making your bank an agency to enable the distributors to exact high prices from the people?—A. I don't think so.

Q. Should you not commence with the distributive societies and then establish the bank?

Mr. LEMIEUX.—The Bill provides for that.

Mr. SMITH (Nanaimo).—Do you not think that the only way to help the people, is to co-operate first in the sale of the necessities of life?

Mr. MONK.—Do you mean to say that a co-operative system of distribution would be sufficient without the bank?

Mr. SMITH (Nanaimo).—No, but they must go together. If you establish a bank and teach the people to make small savings and do not have a co-operative distributive association and leave the sale of the necessities of life to the competitive plan, the competitive distributors will take advantage of the people having more money. By having the distributive co-operative association in the operation of this business you will have a method of utilizing your profits in the bank. You can build houses, buildings for your business and become producers.

Mr. MONK.—At the same time, don't you think that, as was said in the beginning, if the carpenter required tools or the seamstress a sewing machine, the co-operative bank would be able to make them a loan. Until they can get the money to start with they cannot do their business.

Mr. SMITH (Nanaimo).—You can assist them in selling the machine or the tools at a cheaper rate than they would be sold under the competitive plan, and still clear a profit on the transaction.

By the Chairman:

Q. Well, Mr. Desjardins, you say that these societies should be confined to a small area. Do you limit that area to a town or village or could you extend it as far as the boundaries of a county, for instance?—A. It might be beneficial to take the boundary of the electoral district, except perhaps in the Northwest where the boundaries are very large. But, generally speaking, the idea of these associations is to take the municipal boundaries as the basis, or, if you like it better, the parish. You have there a population gathered together for municipal purposes or for religious purposes, and if you can create an economic organization as well, it will be in the public interest.

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In all groups of population three wants exist: the religious one, the material one of the collectivity, and, lastly, the economic need. In our present organization the church looks after the religious interests, the municipality looks after public health and so on, but there exists no organization to satisfy the economic needs. If those other organizations and other enterprising individuals wanted money they would be in a position to have it from the local society, and those who want to be thrifty would have a place where they could go. If the municipality wanted money it could go to the bank within the parish.

Q. The shareholders would know everything with regard to the other organizations in the parish, and be able to say if a loan is properly made to such an association?

Mr. Smith (Nanaimo):

Q. What is the idea of prescribing that these societies should be connected with the electoral district?—A. We must have some division.

By the Chairman:

Q. An arbitrary line?—A. We have to draw a line somewhere.

Mr. MONK.—In the case of census returns and other returns we generally take the electoral district for the purpose of convenience.

Mr. SMITH.—Yes, but in a case of a co-operative society or bank, boundaries are unnecessary. What would it matter whether a man lived in the country or Toronto. If a poor man in Toronto wants to comply with the conditions of your society, is your credit refused?

Mr. BOURASSA.—The basis of security would disappear, for the whole basis of security is the fact that those people live together and are so closely connected.

Mr. SMITH (Nanaimo).—But we are discussing a different system as dissociated from co-operative stores. If you are selling goods to the community you would not object to a person coming from another town.

Mr. MONK.—This condition in the Act is limited to the system of banking: 'A society carrying on the business of banking shall not operate outside of the electoral district where it has its head office.'

The CHAIRMAN.—There will be as many societies as there are municipalities?

WITNESS.—Yes, there is no monopoly; there can be no monopoly, for there could be more than one society per municipality.

Mr. MONK.—The electoral district is chosen as being an area within which there would always be found to exist that knowledge which Mr. Desjardins has referred to as the basis of credit, namely, having the man to whom they loan under their eye.

Mr. BOURASSA.—We may take that up as we come to the section.

Mr. SMITH (Nanaimo).—You have a distributive society, you are selling goods to your poor people and you have a man in Montreal, say, where there is no co-operative store and he wants to join your society. Would you admit him?

WITNESS.—There would then be no risk as in the banking system.

Mr. SMITH (Nanaimo).—He buys your goods and he deposits his dividend in your co-operative society. By-and-by he has savings as a consequence of buying in your retail society and he says: 'Why cannot I do business with your bank?' That is the difficulty which I am up against.

Mr. MONK.—In that case they are not carrying on business of banking. It is separate.

WITNESS.—The store cannot do banking at the same time. There may be the same members, the same individuals in both.

Mr. BOURASSA.—You can organize a co-operative society for banking and you can organize another co-operative society for distribution.

Mr. SMITH (Nanaimo).—But if you do a trading business in the co-operative system, you will find that it is the members of your business that become members of your bank, and that the profit you create by doing business in the co-operative store is the self-same money coming from the self-same individuals who want investment. It would have to be controlled by the same opinion as exists in England, where you cannot get men to invest except as a consequence of the sale upon your co-operative retail business.

Mr. MONK.—In England they are not confounded with the bank.

Mr. SMITH.—Of course. There the co-operative banking system is done by the co-operative wholesale store.

WITNESS.—But not by shareholders of the local society.

Mr. SMITH (Nanaimo).—Every retail local society in England is a shareholder in the co-operative wholesale society, and the co-operative wholesale society has a banking system for the retail system.

WITNESS.—But it is not a banking system for the shareholders of the local system. You must have the safe principle of restricting the area. It might be a hardship in some cases, but there rests one of the most essential safety of the whole system.

Mr. SMITH (Nanaimo).—I was showing the impossibility of utilizing people's savings until you learn them to save.

WITNESS.—You have there a particular community in England, for instance. You must admit that there is more money, generally speaking, about our workmen here in Canada than among the corresponding class in Europe; our people are much more extravagant than are those people on the other side, and it is to crush that extravagance that such institutions should be created, for they afford the true means to reach that end, and it is upon that point that the people should be educated.

Mr. SMITH (Nanaimo).—I appreciate fully the benefits of the banking system, but it seems to me that we are not beginning at the beginning. Of course the restricted area is provided in the Bill.

Mr. BOURASSA.—If you wish to start banking you can start it in just whatever form you like.

The CHAIRMAN.—It was necessary to provide specially in this Bill for banking operations, because the other co-operative aspects of such societies can be obtained without coming to this parliament.

Mr. BOURASSA.—Perhaps it may be put in a more exact way, that those principles of co-operative societies are on the same basis giving them the same local existence but that more precautions have to be taken with regard to banking.

Mr. MONK.—I do not think it is possible to finish to-day with Mr. Desjardins. I think we have made a very satisfactory beginning.

Mr. BOURASSA.—Before we adjourn perhaps it would be germane to the information we have received if we could be informed without entering into details as to the difference between this Bill and the legislation of Europe, having regard to the special conditions here.

Mr. MONK.—As that question will require some development, Mr. Desjardins may take a note of it for our next meeting.

Mr. BOURASSA.—What I want to get at is this, the difference of conditions in our country and those that exist in Europe, so that we may see whether we must imitate the legislation in Europe or see in what way we must reject or differ from that legislation.

Mr. MONK.—I was going to ask a similar question. It has been said that these societies render services in Europe where social conditions are entirely different from what they are here, and the doubt has been expressed as to their utility in this country. You might think over that.

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By the Chairman :

Q. You think that from your knowledge of these societies in England and Italy that the same amount of good would be done in Canada. Do you know of any similar society which has been in existence other than your own in Canada or in the province of Quebec, and what has been the result?—A. I may state that on the same lines, an institution was started at St. Malo, Quebec, and that it has been working for some two years; another was started about a year after our own at St. Joseph de Lévis, and both are doing very well indeed.

Q. As you have been giving statements of your own conclusion, you might perhaps prepare for the committee a statement of business of these other societies, because we cannot draw conclusions from your conclusion, but when we know what they have done in two years, it may perhaps help?—A. I will write immediately.

Q. In so far as you have been giving evidence as an expert, I would suggest that you might boil down the facts you know concerning the establishment of similar institutions in Germany, France, in India and Italy. Just boil down the facts and it can form part of your evidence, because we must consider this before reaching a report.

By Mr. Smith (Nanaimo):

Q. That is very important?—A. I think I can show the necessity of such societies by the books I have here and the experience I have gained. I have been boiling down my experience and I shall be quite ready to give it to the Committee—showing the need for these institutions and the work they have done in these countries.

Mr. BOURASSA.—It will be a history, I suppose, of the system and its principles?

The CHAIRMAN.—Don't make it too long.

Mr. BOURASSA.—But sufficiently complete as to give a fair and good idea of the whole question.

Mr. MONK.—I think we can be very well satisfied with the work we have done, and as we shall have to have several sittings we might perhaps adjourn until Tuesday if that day is convenient.

The CHAIRMAN.—I don't think we can fix so early a day. We might say next Friday. I will try and call a meeting before Friday, but because of the Labour Bill I shall be very busy at the beginning of the week. If you will agree to the adjournment being *sine die*, I will try and arrange a meeting.

Mr. BOURASSA.—That may give Mr. Desjardins time to get all the information we will want.

Mr. SMITH (Nanaimo).—It is an important matter, and now that only Monday is left for private members, it should be proceeded with as quickly as possible.

Mr. MONK.—I think, Mr. Smith, that if we come to the conclusion that it is a good measure that the Government ought to take it up.

The CHAIRMAN.—I am sorry that Mr. Aylesworth was not here to-day as you know there is a constitutional question to be settled. The Minister of Justice has practically decided that the objection, if objection there is, to a general feature of the bill, may be overcome. I do not see any objection, in fact, there is a desire on the part of the Department of Labour to have this legislation placed on the statute-book, but whether it is done in this session or in another session, we must have the fullest inquiry and evidence for the benefit of the public.

Mr. BOURASSA.—At the same time if we come to the conclusion that this is a question on which it would be an advantage to have legislation, I think that the fact that the bill is not creating anything but that it is permissive legislation should be sufficient reason for its being proceeded with.

The CHAIRMAN.—At present I see two great features in the bill. It has first as its aim, the destroying of usury, and second, it encourages thrift and saving on the

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part of the people. I can not answer for my colleague, but, personally, I may say that the bill suits me.

Mr. SINCLAIR.—It seems to suit everybody.

Mr. SMITH (Nanaimo).—This legislation is based on what was done in England sixty years ago, it simply provides for the incorporation of co-operative societies.

The CHAIRMAN.—It is a great move in the right direction to have obtained the formation of a Committee and the publication of the evidence.

Mr. MONK.—I was told that there was an objection to this bill, but since it has been found that it will confine its loan operations only to borrowers who are shareholders, the president of the Banking Association said that the objection has been removed.

Mr. BOURASSA.—More than that, it will be an advantage, because it will result in money being deposited with the banks which would not otherwise be deposited.

Committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 62,

WEDNESDAY, February 20, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at 10.50 o'clock a.m., the Chairman, Hon. Rodolphe Lemieux, presiding.

Mr. DESJARDINS' examination continued.

By Mr. Monk:

Q. Mr. Desjardins, was there anything in what you stated to the Committee at its last meeting that you wished to make clearer or explain?—A. Yes, Mr. Chairman, first of all I was asked to get information about the operations of the two other associations created upon the co-operative basis, one at St. Malo and the other at St. Joseph de Lévis. I wrote immediately to the managers of those two associations and I have the answer now. The St. Malo association (filed as Exhibit No. 3) has now assets to the amount of \$5,154.66 and the amount of the loans is \$5,585.05. The profits—I mean the general profits, of course in all these figures, are for the whole time of the existence of the association. The benefits amount to \$182.63 and the expenses up to date were \$71. The total number of the members is 355 and the total amount of dividends paid was \$41.20. The number of shares was 614 and the reserve fund amounts to \$72. That is certified to by the manager.

Mr. Smith (Nanaimo):

Q. Where is that society?—A. At St. Malo, in the electoral district of Quebec East.

By Mr. Monk:

Q. You will file that, I suppose?—A. Yes I will, with pleasure. Then as to the association at St. Joseph de Lévis, in the county of Lévis, the results are: General assets \$3,022.10, total amount of loans \$4,787.58, total amount of profits \$167.14, total amount of loans outstanding \$525, number of loans 155, total number of members 106, dividends paid up to date \$27.42, number of shares 177, amount of reserve fund \$90.60. That association has been in existence for a longer period than the other,

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just about a year more, so you find the figures for some of the items a little higher. That is certified to by H. Bourassa, manager of the institution. (Filed as Exhibit No. 4).

In answer direct to the question put to me just now, I would like to refer to the duties of the board of administration. Some questions in this regard were put to me at the last meeting and perhaps a little more information upon those duties may be useful. If I am allowed I will give the information in a very few minutes. The board of administration is the general executive board of the association but the business is divided, so far as the loans are concerned, and put under the direction of a special board. Those duties are well set out in our by-laws. One of the duties of the board of administration is to fix the interest to be paid, because leaving that very delicate question to the general meeting might result in having to meet very strong difficulties. For instance there might be a certain number of members who would like to see the interest very high, while those that expect to borrow would like the interest to be very low. So it was thought, as in these associations elsewhere, that it would be better to put that power in the hands of a board which would escape almost all the pressure that might be brought to bear with those ideas in view. Now, the other duties are of a supervising nature. In all matters where some difficulty is likely to arise, about the board of credit for instance, the board of administration is made a court of appeal almost, to decide. Very many of the particular by-laws of the association it is well to look after. Now the board of credit is one of the very useful boards because it has the management of the funds, so far as the loans are concerned. Those loans can be made only to members; that must be perfectly and clearly understood. The maximum amounts of the loans are fixed every year at the general meeting of the association—that is one member cannot borrow or cannot owe more than the sum so fixed at the general meeting. The members of the board of credit are not allowed to borrow themselves. None of them can borrow, either directly or indirectly, from the association.

By the Chairman:

Q. Even if they have funds?—A. Even if they have funds. We were afraid of the abuses that might arise, having to decide themselves what kind of credit should be theirs, and to what amount borrowing should be allowed. Unfortunately I could, if allowed, quote some instances that we have had in our banks where the directors have been permitted to borrow and very often, perhaps, a little more than would have been allowed in the case of somebody else. We thought it was the best way to absolutely prohibit borrowing on the part of those that would have the borrowing matter in their own hands. Members of the board of supervision are assimilated to those of the board of credit, so far as that is concerned, because the board of supervision if allowed to borrow might, in collusion with the members of the board of credit, say, 'Let me have that sum and anything that is going on in the matter of credit we will shut out eyes to.' In order to insure perfect independence we have assimilated their position to that of the board of credit, that is that they cannot borrow themselves. Let me repeat: the three supervisors of the society have no right to borrow and the five members belonging to the board of credit are debarred from the privilege of borrowing as well. That was done in order to insure a better administration of the funds and to remove any possible danger whatever that the members would show too much generosity towards themselves at the expense of the funds of the association. But of course the members of the board of administration, having nothing to do with the borrowing of money, are allowed to borrow.

By Mr. Bourassa:

Q. Those having nothing to do with the control of the funds?—A. Nothing to do with the control of the funds.

Q. Or with the decision as to the solvency of all borrowers?—A. Yes. Nothing whatever to do except in the case that I am going to mention. The board of credit

must be unanimous on all demands for loans, and if that unanimity is not forthcoming, then the applicant may go to the board of administration and expose his case. We have provided that safeguard because in a small community there may sometimes be a member of the board of credit who has something against a member of the association and will say, 'If ever he asks for credit I shall refuse,' without giving any reason. Well, we want to protect a member from any such contingency and give him the right of appeal to the board of administration. But that is the only case where the board of administration can have anything to do with the—

Q. The granting of loans?—A. Yes, the granting of loans. It is only in case of something unusual, in case of some great emergency.

Q. But in all other cases the board of credit must be unanimous?—A. The board must be unanimous.

Q. What about the board of supervision?—A. The board of supervision has only to control what has been done but has nothing to do with that.

Q. In case the board of supervision should think that the board of credit has made some loans that are not entirely recoverable, what is the action of the board of supervision? To whom do they report?—A. They report direct to the general meeting, or to the board of administration, as the importance of the case may require. It is set out in the by-laws?

Q. To the general meeting?—A. Yes, and the board of administration, as I have just said. The members of the board of supervision remain in office for one year. They are re-eligible. They watch over all the operations of the association, frequently check the cash, the investments and securities, see to the carrying out of the by-laws, regulations and decisions of the committee of credit and direction, especially as regards loans, renewals and advances. The board of supervision also has the right to examine and audit all the books of the association, and they are bound to call an emergency general meeting of the shareholders if they find anything serious in connection with the management of the association's affairs, or any violation of the statutory prescriptions relating to the administration of the moneys paid into the funds or of the securities exacted for the repayment of loans. They may, in the event of emergency or extraordinary cases, suspend the salaried officials and members of the committee of credit and management, but shall at once report their reasons to a general meeting of the shareholders, who shall decide on the same.

By the Chairman:

Q. The board of credit recommends all loans. Is any action taken by the board of supervisors to control the loan before it is assented to by the board of credit?—A. No, not directly, but they are to supervise everything.

Q. They can go at any time and see by themselves?—A. Exactly.

Q. And see what transactions have been made and arranged?—A. Yes. It must be admitted that in a small community these loans cannot be made without it being more or less known, and then if there is wrong done any member of the board of supervision can go to the manager and say: 'What have been the transactions up to this date?' Thus he can look into the matter, and he may call immediately a meeting of the whole board of supervision to go into it under all the rights and provisions that are set forth in the by-laws. I will not weary the committee with reading all the clauses of our by-laws—

Q. It is understood you will file them?—A. Yes, they have been filed.

At the last meeting of the committee it so happened that we did not touch upon the question of the appropriation of the profits realized every year; it shows how far we were from the question of greed. The association, making loans, of course, realizes profits, and those profits are appropriated. In our association we do not call that dividends, because it smells too much of commercialism; we call that *boni*. That is a peculiar name for these co-operative associations. For example, in our association at Lévis we have realized over \$5,000 of profits. That has been apportioned to the *boni*, to the payment of interest on small deposits besides the shares, and of expenses, and then to the

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reserve fund. We have a reserve fund of \$3,400 almost, and over \$2,400 have been paid as *boni* or dividends. The capital must be compensated, must be rewarded; in order to encourage thrift it is absolutely necessary that you should offer some premium and that premium is granted under the name of *boni*, as we call it.

By Mr. Smith (Nanaimo):

Q. How often do you distribute?—A. Every year.

Q. Once a year?—A. Yes, the accounts are drawn up every year.

By the Chairman:

Q. Did you state to the committee to what extent a member could deposit?—A. Yes. If you will allow me, Mr. Chairman, I would like to—

Q. How many shares?—A. I want to make that point very clear. The association must raise a capital; that is the object, in order to help the members by loans. Now, two ways were open to us to choose; either the one or the other; or both. We have adopted the two. One way was to create shares with the idea that the money so invested in the buying of shares would be there in the hands of the association for a much longer time than mere saving deposits which could be withdrawn almost every day. Whenever one is making a saving he has always in his mind one of these two ideas; either to put that money aside for a particular time, for a great emergency, sickness or something of that kind, or for some very close-at-hand expenses—the buying of daily necessaries or the paying of insurance premiums, taxes or things of that kind. We decided to create shares with that part of the capital to be put aside with the idea that it should not be taken back for a certain time, that is, for a pretty long time. At the same time, small deposits, which could be withdrawn whenever desired, could be made to the association as well, by the members thereof, but with a lower rate of interest. The idea being that those funds are liable to be withdrawn at any time, it follows, of course, that the association cannot loan them as freely as the share capital, the latter being created with the idea that it will be there for a pretty long time. Therefore, the share capital has and should have a higher reward than the mere deposit, on account of the length of time it is supposed to be in the hands of the association. I hope I have made myself clear upon the distinction that we draw between mere deposits and shares, although both are withdrawable.

By Mr. Bourassa:

Q. And what amount of deposit can any shareholder make?

The CHAIRMAN.—That is what I wanted to know on account of the control a man may have.

A. The amount of shares that any one member can possess is fixed by the general meeting by resolution. It is not fixed once and for all, but is liable to be changed whenever the wants of the association require it. For instance, just about four months ago my own association passed a resolution to increase the maximum to \$1,000, that is 200 shares of \$5. We started with a maximum of \$125, but the wants of the association have been so strong, so far as the loans are concerned, that we have increased it from \$125 to \$250 and then to \$500, and now we have \$1,000. That is, a member can have \$1,000 in 200 shares of \$5.

Mr. Smith (Nanaimo):

Q. Two hundred shares?—A. Of \$5 each. Now if the wants of the association were such that we would think proper to increase the amount to \$1,500 or \$2,000 there would be no inconvenience; on the contrary there would be advantages. Still, as a matter of principle, the general meeting must always keep the control in their own hands in order to prevent speculation or a rich man coming in—

By the Chairman:

Q. And controlling the whole?—A. Not controlling, but to exercise more or less

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influence by the mere prestige of a very large holding, although he would only have one vote. But such a prestige might destroy the perfect equality that should dominate.

By Mr. Bourassa:

Q. I intended to put that question. One of the points to be remembered is that whatever shares a man may have he has only one vote?—A. Oh, yes, he has only one vote, that is all.

Q. There cannot be any control on account of the number of shares held by any one member?—A. There cannot be any question but that of the mere prestige I have mentioned.

By Mr. Monk:

Q. Influence?—A. Influence. We have thought it better to keep that in the hands of the general meeting subject absolutely to the previous approval and recommendation of the board of administration, who, as part of their duties, have to study any possible change in the by-laws; the general meeting having no right to initiate such modification. We always study the circumstances and see whether it is advisable or not to increase or decrease the maximum number of shares to be possessed by one member. On the other hand it must be remembered that a member who wishes to increase his capital, as we are doing business with very small funds, is to be encouraged, because there is so much thrift, so much money put aside, and of course the shares are bringing a higher return than the mere deposits. So far as the deposits are concerned the amount is not limited; a member may deposit whatever sum he wishes.

By the Chairman:

Q. Ten thousand dollars?—A. Well, of course he may, but it is not likely.

By Mr. Gervais:

Q. You are explaining the organization simply as a company for the carrying on of a banking business. As I understand, under this Bill, any kind of business may be carried on by any co-operative company?

Mr. MONK.—Mr. Desjardins was just explaining the banking clauses.

A. We were just taking up that part of the general question of co-operation because the banking operations are to be carried on within the precincts of an electoral district only, a very small area.

By Mr. Gervais:

Q. Do I understand you to say that any kind of business which may be carried on by these companies will have a limited field of action?—A. No, not by the Bill—

Q. It will be merely local?—A. Not by the Bill as it is now. The other business—

Q. The other business will be local?—A. Not by the Bill as it is now.

Mr. SMITH (Nanaimo).—Only the banking.

By Mr. Gervais:

Q. Only the banking business? Do you mean to say a co-operative association can be started in Montreal and that it will be enabled to do business throughout Canada?—A. I think so by the Bill as it is now.

Q. Because I think that the whole Bill is unconstitutional?—A. I shall come, I hope, later on, to that point relating to the other forms of co-operative associations. I quite understand that the law will cover many other branches of economic activity, there should be no mistake about it. And as I will show later, I have found that insurance in small localities could be carried on, or should be allowed to be carried on, under co-operative systems with very great advantages to the members thereof.

Q. In the province of Quebec?—A. Yes.

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By the Chairman:

Q. We have, for instance, mutual insurance companies?—A. We have for fire and life, but we have not for cattle, for example. You have, I dare say, a wealth of over \$260,517,000 of cattle in the country—including only horses, milch cows, other horned cattle and pure-bred stock, exclusive of other farm animals—according to the last census and it must be much more than that now—yet there is no insurance to any appreciable extent that I know of carried on that wealth. Why should the cattle of the farmer not be considered as much wealth to be protected by insurance, as the boots and shoes of the manufacturer, for instance, in a store. Later on, I hope that that question will be taken up.

So far as the loans are concerned, I would like to draw the attention of the committee to these articles of our by-laws. The following qualities are required of each shareholder:—

'1. He must be punctual in his payments, sober, of good habits and be honourable above suspicion.'

Q. Where is that?—A. That is article 11, page 5.

'2. He must be industrious and laborious.

'3. He must be scrupulously honest.

'Article 12.—The following qualities are required of every shareholder who borrows from the association:—

'1. He must be in good standing with the association.

'2. He must have repayed all previous loans; not be in arrears in the repayment of a current loan or of the instalments due by him.

'3. His endorsers or sureties must not have been called upon to pay on his behalf.

'4. He must be scrupulously honest, industrious and punctual in his payments.'

You will see from these rules that we are not exactly in the presence of an ordinary loan association, who do not care but for the material sureties they have for their loans. We are almost a school of honesty. Under the system of co-operation this has always been so. Even in the co-operative stores bad characters have never been freely admitted that I know of. They have refused positively, in a great many cases to admit bad characters in a locality.

By Mr. Gervais:

Q. As a matter of fact, five or six co-operative societies have started in the last twenty years in the city of Montreal, and have always come to wreck?—A. Yes, because they were not genuine co-operative societies, if you would allow me to say so. They were so in name, but not in fact.

By Mr. Smith (Nanaimo):

Q. They were evidently badly advised?—A. Yes.

By Mr. Bourassa:

Q. Under the pretence of co-operation?—A. Yes. There is one in Chicago now that is doing a million dollars worth of business under the co-operative name. I had the advice of such an eminent authority as Henry W. Wolff, of England, upon it, and it was pronounced to be what it is in reality, a purely speculative or industrial concern, alluring the public with the mere word of co-operation.

By Mr. Gervais:

Q. You will have to teach the directors of your societies to be marvellously honest?—A. Of course, honesty is necessary, and I hope there are honest men in Montreal. The articles that I have just read show the qualities required of shareholders. I will now quote article 32, which gives the causes of expulsion of a member, which confirm the two other articles in a striking manner:—

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'Article 32.—A member may be expelled from the association for the following reasons:

'1. Because he is bankrupt or insolvent or because his property is liquidated judicially.

'2. Because he has undergone imprisonment for some offence or crime; or has been sentenced to the same.

'3. Because he has allowed himself to be sued for debt or because he neglects or refuses to pay what he owes to the association.

'4. Because he has endeavoured to injuriously affect the working of the association.

'5. Because he does not punctually fulfil the statutory obligations he has undertaken towards the association.

'6. Because he has disturbed or endeavoured to disturb the general meetings or those of the various committees or of the council of administration.

'7. Because he has endeavoured to have his own or accommodation notes accepted as security for advances or loans.

'8. Because he has deceived or endeavoured to deceive the association with regard to the use of borrowed moneys.'

By Mr. Smith (Nanaimo):

Q. These are the regulations?—A. These are the regulations, yes. I am just giving these articles to show the general idea of the organization.

By Mr. Gervais:

Q. All kinds of powers and any amount of authorization are left to the board of directors?—A. Not at all, the members can keep the authority they like.

Q. There is no limitation, as a matter of fact, in the Bill, as to the powers of the directors?—A. That seems impossible as far as the by-laws are concerned, unless you congregate a dozen of idiots together, or robbers of the public—stealers—who would form a society under that Bill for the purpose of stealing the funds of the general public, and then, I do not see how they could, because the Bill says they cannot do business outside of their own members.

By Mr. Smith (Nanaimo):

Q. There is no public liability, the thing is confined to the members?—A. Yes, confined to the members.

Mr. GERVAIS.—As a matter of fact, during the last twenty years, to my personal knowledge, every one of these co-operative societies in Montreal has gone under.

Mr. MONK.—There has been no co-operative society in Montreal.

The WITNESS.—Were the officers and managers selected by the members only, and were they selling to members only?

Mr. GERVAIS.—No, to the general public.

The WITNESS.—Well, I should say that that looks like a kind of a speculation upon the public.

By Mr. Gervais:

Q. Do you mean to say that the business, outside of the banking business, will be confined to the members of the society?—A. Of course, undoubtedly, it could.

Q. Then have you considered the co-operative grocery store?—A. Of course.

Q. The whole business will be confined?—A. Of course I would have no objection to let such a disposition be put in the law because it is the strict principle of co-operation to act so, but I must say that in England another rule has prevailed, because there is no harm done after all, neither to the society nor to the purchaser.

Mr. Smith (Nanaimo):

Q. Why should we not decide that people can go to your store and buy the

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goods? Does that interfere with the security?—A. Not in the slightest degree. I do not see that there can be any danger.

By the Chairman:

You do sell to your members at certain prices. There is a certain benefit accruing out of those prices and if you can make some profit out of the public legitimately I do not see any objection?—A. I do not see any objection myself. Still I would have no objection either to sell or not to sell to the public. If the committee will allow me I will complete, in a very few words, the statistics I gave at the last meeting about the municipal and school organizations in the province of Quebec. I quoted those two organizations as affording material for the future administrative personnel of those small associations, even banking associations.

By the Chairman:

Q. That applies to all the provinces?—A. Of course, the same argument will apply elsewhere ^{as} well. For instance, in the province of Quebec we have our small local municipal and school organizations and they have managed in the year 1904, \$2,199,371 and I do not think we have heard much of misappropriation.

Mr. MONK.—Not a cent lost.

By Mr. Bourassa:

Q. That is outside of the cities and towns?—A. Yes, of course. The receipts of rural municipalities in 1904, were \$1,359,571, and receipts for education in 1905, \$2,199,371, disbursements \$1,159,607, thus making a grand total for municipalities of \$2,519,179 or a grand total for both of \$4,718,550. Well, if our secretary-treasurers of schools and municipal organizations, and our councillors and school—

Mr. BOURASSA—School trustees.

A. School trustees could have managed almost \$5,000,000 in one year—

The CHAIRMAN.—And in one province?

A. And in one province without having produced any scandal, so far as those funds are concerned, I think it is a pretty good guarantee that we can rely upon the material that its personnel will offer for these future organizations. One of the objections raised is where are we to find the necessary officers to manage the affairs of such societies. I was told by the Finance Minister myself, 'Where will you find the people who will be able to manage these associations?' Of course I had to say that we were not at all face to face with anything like a bank, in the ordinary sense of the word. 'Yes,' he said, 'this is not of course a bank, it is a loan association, but where will you find the people to control and administer technically the funds of your institutions, however small they may be?' 'Well,' I said, 'I think we have the personnel already organized to a pretty good extent in our province, and I suppose that municipal organizations elsewhere, more or less, will offer in a like proportion the same material. Of course, for the rest it will be a question of education, and as in other countries no better off in this respect than us, that personnel was formed in due course. Even in India that objection did not seem to have created the least hesitation,' as shown by the following quotation taken from Mr. Nicholson's able report, where he says in a very affirmative way:—

'There are in every considerable village men fully equal in intelligence and status, of the men who in Europe locally administer the movement and direct the institutions.'

By the Chairman:

Q. That is to say that every bank, or insurance company, or loan company, where they receive the monies of the public, those funds are managed and manipulated by a few individuals who draw salaries?—A. Big salaries.

Q. Or by a board of directors whom the public hardly meets or sees, whilst in this case you compare it with a municipal organization where thousands and even

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millions of dollars are administered by the public under the eyes of the public?—A. Exactly so.

Q. Where everybody has a direct interest?—A. Exactly. And the same principle here has equal force. The public is there.

Q. Every one is his own guardian?—A. Exactly, his own supervisor. He looks after his own interest; of course, if he is negligent so much the worse for him. But is it likely that he will be negligent when his money is at stake? I do not believe it. So far the experience in Europe has been quite to the contrary and it has proved a very, very great educator indeed. I might here, perhaps, be allowed to quote one word from a much higher authority than my own. You have been good enough until now to hear only what I had to say.

Q. We understood your evidence was based on the best authority?—A. Yes, of course, but on the other hand, I would like to fortify and to strengthen my own testimony with much higher authorities. For instance, I have here a lecture delivered by Sir Horace Plunkett in Ireland. The book was sent to me a few days ago by direction of Sir Horace, and here is a sentence which bears on the institutions of which I have been speaking: 'Lastly—they come last—speaking of the village banks—but had I realized their enormous educational value, they should have preceded all other forms of association—come 87 agricultural banks.' These associations exist for the sole purpose of creating funds to be loaned to their members. I would not like to weary the committee with long quotations although I have now quite a large lot of them under my hand, which I will however, put at the disposal of the committee in another form, as understood, I believe.

By Mr. Bourassa:

Q. What book is that?—A. Ireland; Industrial and Agricultural.

By Mr. Smith (Nanaimo):

Q. By Plunkett?—A. Yes, by Sir Horace Plunkett.

By Mr. Monk:

Q. Is that a recent book?—A. Quite recent, 1902. So far as authorities are concerned, I am in the hands of the committee. I can furnish any amount of authorities if you wish to have them. In passing, I may be allowed to call attention to the result of an inquiry made in India in 1901. The committee was appointed under the orders of the Government of India to consider the question of the establishment of agricultural banks throughout that country and consisted of the following gentlemen: Sir E. F. G. Law, K.C.M.G., as president; the Hon. F. A. Nicholson, C.I.E., I.C.S., member of the Board of Revenue in Madras, and additional member of the Council of the Governor General of India; Mr. J. B. Fuller, C.I.E., I.C.S., Secretary to the government of India in the Department of Revenue and Agriculture; Mr. J. Wilson, I.C.S., Settlement Commissioner in the Punjab, and Member of the Punjab Legislative Council; Mr. Reginald Murray, manager of the Commercial Bank of India, Calcutta; and Mr. H. Dupernex, I.C.S., District Judge of Cawnpore. The committee assembled at Simla on June 1, 1901, and dissolved on July 10, after holding altogether sixteen meetings. I have all the evidence, but one of the main parts of the proceedings was the filing of that report by Hon. F. A. Nicholson (report produced) before the commission. It is one of the best works that I have seen upon that question.

By Mr. Smith (Nanaimo):

Q. When was this evidence taken, do you say?—A. In 1901.

Q. Has any legislation been enacted in India as the result?—A. They passed legislation in 1902, after the report was made.

Q. As the result of this?—A. Yes.

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By the Chairman:

Q. On similar lines?—A. On similar lines.

By Mr. Smith (Nanaimo):

Q. Have there been any banks established as the result?—A. Mr. Wolff, chairman of the International Co-operative Alliance, wrote me some months ago and told me that in India now they have over 200 banks; I could not give the exact figures. I received a letter some seven months ago promising me full statistics upon that point, but I have not yet received them.

By the Chairman:

Q. Are there not conclusions?—A. There are conclusions here. Those two large volumes are the report of Mr. Nicholson. Here are the conclusions of the Royal Commission (producing volume). Taken as the report of a Royal Commission, it is almost enthusiastic about the benefit that can be derived from these associations from a banking point of view, even amongst such a population as India has.

So far as other kinds of co-operation are concerned, of course I could give a good deal of data, a good deal of information. I would like, if I may be allowed, to quote just a few figures that I have found in a leading economic journal, *Le Journal des Economistes*, edited by Mr. Molinari.

Q. Is that Mr. Molinari of the Credit Foncier?—A. I suppose so. There is an article by Paul Bonnard. He gives statistics of co-operation in France, and he said that thanks to the law of 1884 there exist in France now 18,000 agricultural associations.

By Mr. Bourassa:

Q. That is only for banking purposes?—A. No, no; but those associations are created for various purposes, and there are thousands of village banks amongst them. Of course, as I said at the last meeting, it is far better to create as many associations as there are activities of different kinds.

Q. Those 18,000 associations are formed for the object of organizing the farmers for purchasing, selling, or for banking?—A. Exactly, and the membership was over 800,000. They even have co-operative associations for the insurance of cattle, for insurance of crops against hail—almost for all purposes imaginable, which purposes could not be approached at all with profit, I suppose, by the industrial insurance system. I mention that fact just to show the possibilities of co-operation.

By the Chairman:

Q. According to the Bill would we be authorized to enter into that business?—

A. Well, of course that is another matter.

Q. Is it, as stated in the report here, a permissive Bill?—A. Yes.

By Mr. Monk:

Q. In France, I think, the co-operative movement has probably taken the shape of agricultural associations for the purchase of agricultural implements, fertilizers, and for transportation?—A. Yes, and selling their produce, and certain kinds of insurance as well.

Q. But there are a large number of banking and co-operative stores?—A. Oh, yes, there are several hundreds. It is very queer but one will notice that banking or loaning co-operation has developed to a wonderful extent in Germany, while other kinds of co-operation have been more slow to develop. The distributive co-operation has been wonderfully developed in England while the other forms have been more or less neglected. In France up to a recent date, just about ten years ago, productive co-operation was developed more than in any other country in the world.

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By the Chairman:

Q. What do you mean by productive co-operation?—A. An association of workmen furnishing the capital themselves and working it.

Mr. Smith (Nanaimo):

Q. Developing operations?—A. The development of co-operative operations.

By Mr. Monk:

Q. The sale of agricultural produce?—A. Yes.

Q. There has been a revolution in the sale of agricultural produce on account of these agricultural associations?—A. If you will allow me to say so, another form of co-operation, what I might call a mixed one, for agricultural purposes has been developed to such a wonderful extent in Denmark, that it is almost unimaginable. It has made that country the first in the world, relatively speaking, so far as agricultural products are concerned. That was the productive and distributive system of co-operation amalgamated. Of course each country has its peculiar needs and those needs have to be satisfied by peculiar associations. That is the reason why—as shown by the latest report of the International Co-operative Congress held in Buda Pesth in 1904, where a special study has been made of the legislation in different countries, the laws in the countries in Europe have been very liberal and very generous, in order to let that kind of movement take its own shape; I mean that a hard and fast rule or a cast-iron rule should not be adopted, but that the association should be allowed to develop by itself gradually and take its intended shape according to the needs and the circumstances of the people—the prejudices even, because you have to reckon with them.

By Mr. Bourassa:

Q. It is a very important point which shows that the laws should be quite broad. In a country like this it might be that in one province the banking co-operation, for example, would be the most needed; in another province distributive co-operation might be desired; and in another province industrial co-operation. The Bill should be broad enough to allow all these powers to be exercised so that it will be made use of according to the special needs of the country at large and then according to the special needs of any section of the country?—A. You might find it necessary to amalgamate two or three kinds of co-operation, or they might evolve a new shape of co-operation which is not thought of now for the particular districts where colonization is going on, for instance. You see, the special needs of our country may be such that they may create that new shape. Of course if the law was cast-iron it would prevent development, like the means taken to stop the feet of Chinese women from growing.

Having made my exposé, perhaps too long, I would be very glad to answer any further questions that might be put.

The CHAIRMAN.—Are there any other points upon which you would like to hear Mr. Desjardins?

Mr. MONK.—I have no more questions to ask.

Mr. Smith (Nanaimo):

Q. Have you had any experience with regard to the distributive co-operation societies at all?—A. No, I have not, only a friend of mine, co-operatively speaking, wrote me some time ago from Hamilton, Mr. J. P. Whelan, president of the Canadian Co-operative Concern.

By the Chairman:

Q. In Ontario?—A. Yes. The society has an authorized capital of \$250,000.

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By Mr. Smith (Nanaimo):

Q. There is in Nanaimo a distributive co-operative society.—A. Yes?

By Mr. Monk:

Q. What does this gentleman say?—A. He was complaining of the local situation of co-operation in the province of Ontario, and of course, he says it is a great impediment to the development of their society. He was very anxious to have a copy of the Bill now under consideration.

By Mr. Smith (Nanaimo):

Q. Read his letter?—A. (Reads) 'I have just received a copy of Mr. Monk's Act, for which I sincerely thank you. We do not see any clause in the Act which limits the voting power of members and limits the number of proxies which a member may hold. Will you be so kind as to point out to me the clause which covers these points, also I do not notice any clause giving the company the power of credits. This, I think, is very important. Our company, when first organized, had a great deal of trouble in getting goods, as the Ontario co-operative law does not allow societies to either take or give credit, and as no person was liable for goods bought, manufacturers did not feel like sending goods to a co-operative society.'

Mr. Smith (Nanaimo):

Q. In England the system is to give credit?—A. Yes (reads). 'We pay cash for all our goods, but when we say this, we mean cash in thirty days, being the usual time allowed by manufacturers and wholesalers for cash payments, four months being the usual time for credits. Now, were we not permitted to take credit in this way, we simply could not do business. It would be impossible for us to pay the cash before the goods were received in the warehouse and properly checked. Will you kindly enlighten me regarding these points? I am sorry to trouble you so frequently, but it means a great deal to us. We feel that our charter is at present faulty and feel very anxious to get a new charter, if we can get a truly co-operative one, which will at the same time permit us to do business.'

Q. At the time the Ontario Act was passed, I studied the process of their legislation, and that clause preventing co-operative societies from purchasing on credit, on the same principle that ordinary business is carried on in this country, was put there owing to the agitation of the retail dealers of Ontario. They actually proposed to exclude the co-operative movement from the privilege of which they avail themselves every day. I remember at the time the legislation was passed thinking it was most unreasonable?—A. In practice it was killing the system. Of course, as I stated a moment ago, I have had no practical experience of distributive societies, having established none and having seen none in practice, but by what I have read and studied I do not see why we could not succeed in this country in other forms of co-operation. I took the worst, or most difficult form of it, the banking or loaning form, to make an experiment in order to see whether we could succeed with that particular form of co-operation which is admittedly the most difficult to make the people acquainted with, and I think the result is commendable.

By the Chairman:

Q. It is most useful because if you encourage thrift and economy, you have accomplished a great deal?—A. A great deal, indeed, and then you kill usury.

Q. Of course?—A. And you help a great many people who perhaps would never have been able to borrow without these small associations. Now, if I may be allowed—

Q. Did you say, Mr. Desjardins, at the last meeting, that although there was nothing in the law to prevent it, yet the banks as a general rule do not care to, and in fact do not, make small loans?—A. No, as a general rule they do not, you must have an en-

dorser. Of course, there may be some loans done in the country parts where there are branch banks, and having, perhaps, at certain times of the year some funds lying there idle, they may make such loans, but I do not think they go as far as five, ten or twenty dollars, unless it is to a regular customer who takes usually much larger sums.

By Mr. Monk:

Q. These country branches are principally for the purpose of getting deposits?—

A. Yes. I would not like to offer any opinion upon the danger of the multiplication of branches, but I think any one who has thought over the matter must realize that there may be some danger from a certain point of view.

Mr. BOURASSA.—That was the case with the defunct Ville Marie Bank, which multiplied its branches before it went out of existence.

By the Chairman:

Q. Still there are banks which open branches every day and refer to that in the newspapers with great satisfaction?—A. Yes.

By Mr. Smith (Nanaimo):

Q. Do you support the principle of co-operative distribution?—A. Of course I do, for I think that co-operation could be applied to almost anything, reasonably speaking, and with the greatest advantage. After all, it is the people doing their business through themselves. Instead of being governed, as two or three centuries ago, by a heaven-born king, we are governing ourselves now in the political world through our freely elected representatives in parliament.

Q. A democratic world?—A. Ours is not purely a democracy. Our political regime is a democratic regime, but when you come to the financial or economic world, it is a pure aristocracy or a plutocracy.

Q. We are just beginning in Canada to get away from that?—A. If you pass a co-operation law, then you will create a democracy in the economic world as you have one now in the political world; that is, you will leave the people at liberty to act for themselves just as they do in political, municipal, or school affairs, in matters of taxes, and so on, general administration, I mean.

Q. Just for the sake of information, is there anything in this Bill that creates a risk for any person or any government—any one outside of the actual members of the society?—A. Not at all.

Q. There is no liability for any one outside of the society.

Mr. BOURASSA.—There cannot be.—A. There cannot be.

The witness retired.

The committee then adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 30,

FRIDAY, February 22, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative societies, met at 10.30 o'clock a.m., the Chairman, Hon. Rodolphe Lemieux, presiding.

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Mr. FRANCOIS OCTAVE DUGAS, Member for Montcalm, was present by invitation for examination.

By Mr. Monk:

Q. Mr. Dugas, you represent the county of Montcalm?—A. Yes, sir.

Q. Will you tell the Committee if the cultivation and manufacture of tobacco is extensively practised in your county?—A. Yes. I may say that the average crop of tobacco grown in the county of Montcalm is between 3,000,000 and 4,000,000 pounds a year.

Q. Have you had occasion, Mr. Dugas, to look over the provisions of the Bill which is being examined by this committee?—A. Yes, I read the Bill and studied it.

Q. Do you think that the method of co-operation favoured by the provisions of the Bill would be of use to the people in your county in the cultivation of tobacco, and will you state in what respect it might be useful?—A. Yes, the provisions of the Bill will be of great use to the farmers in my county in this way: in Canada tobacco is put on the market without being properly prepared—

The CHAIRMAN.—Cured.

The WITNESS.—It is not cured. In the United States, where they grow tobacco, the farmers used to have their tobacco dried in their shed, and then it was sold to some parties who took charge of the tobacco and they had it, what they called redried, or cured, and sorted. In Canada there is no such thing as that. The tobacco is sold, put on the market without being redried as in the United States. I may say that the value of the tobacco does not reside in the culture or growing of the weed; but it resides in the preparation, in the handling of the tobacco after it is dried in the farmer's shed. In the United States the farmers, once their tobacco is dried, sell it to parties who are called re-handlers, or packers, and these people prepare the tobacco so as to give it its real value. Then the manufacturers buy the tobacco from these packers or re-handlers. No manufacturer buys tobacco direct from the farmer because it is not suitable for industry at that time. I find here in the *Journal d'Agriculture et d'Horticulture de Québec* a good illustration of what I am just stating. A paragraph in that journal says: 'Tobacco uncured, only dried and not having been fermented does not deserve the name of smoking tobacco any more than the juice of the grape unfermented, deserves to be called wine.' So there must be between tobacco growers and the industrial people an intermediate here in Canada just as the thing exists in the United States. In the county of Montcalm, two years ago, some farmers tried to form a kind of a partnership or company for the purpose of erecting a building and carrying on this rehandling or curing of tobacco. They thought the capital required would be over \$5,000. The more enthusiastic farmers subscribed up to the amount of very nearly \$2,000 and the scheme was well thought of by all the people there. Other parties, being less enthusiastic, being afraid that their money would not be properly managed, there being no regular corporation or firm, did not subscribe. I am quite sure, if this Bill becomes law, enabling a company to be very easily formed, that in my county there would not be one, but several societies of this kind formed amongst the farmers themselves.

By the Chairman:

Q. You believe that the individual effort will be a collective effort?—A. Yes.

By Mr. Monk:

Q. Would it be a saving to the farmers?—A. It would be a large saving to the farmers. You see in the county of Montcalm alone, where the crop is over 3,000,000 pounds a year, there are about twenty-five tobacco traders. These are farmers who

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became traders in the tobacco. They buy the tobacco from the other farmers and they sell it to the manufacturers. I am sure that each one of those twenty-five tobacco dealers make a gain of at least \$1,000 a year, so that it amounts to \$25,000 a year which is taken from the farmers of the county of Montcalm. These tobacco dealers sell the tobacco to the manufacturers without improving it; they are only agents between the farmers and the manufacturers. As I say, it is a loss in my county, I have no doubt, of \$25,000 to the farmers. If the farmers were organized into a co-operative society of this kind, they would save this amount.

By the Chairman:

Q. And more perhaps?—A. More perhaps. They would make this benefit for themselves at all events.

Q. They would save more, Mr. Dugas, because they would improve the quality of the tobacco by curing it?—A. Yes, they would improve the quality. I might say this also, that the government has sent some samples of our tobacco from the county of Montcalm to the European market, to London, to Liverpool, and also to Belgium and Holland, and had them tested there and the reports which have been brought before the House show that our tobacco is of good quality. But in those countries they say they cannot use the tobacco in the shape it was sent to them; it must be redried and cured properly. Well, the farmers amongst themselves could do this curing of their own tobacco under the provisions of this law.

Q. Have you had occasion, Mr. Dugas, to discuss the principle of this bill with any of your tobacco growers in Montcalm?—A. No.

Q. Have you ever had any communication with them regarding the feasibility of a co-operative system?—A. Yes.

Q. Established amongst them?—A. Yes. As I stated at first, they wanted two years ago to have this co-operation established in their own county.

Q. So it is a long-felt want in your county?—A. Sure, and I have no doubt the Minister of Agriculture would give some help to such an establishment.

The witness then retired.

Mr. J. A. RUDDICK, Dairy and Cold Storage Commissioner, was called and examined.

By Mr. Monk:

Q. Mr. Ruddick, what is your position in the Department of Agriculture?—A. My official title is Dairy and Cold Storage Commissioner at the present time.

Q. Since some time?—A. I have been Dairy Commissioner since the beginning of 1905. The other part, Cold Storage Commissioner, was added to my title only a few weeks ago.

Q. You have had much experience in matters concerning the department, have you not?—A. I have been engaged in it all my life.

Q. Have you had occasion to look over the provisions of this bill?—A. I am sorry to say only briefly. I never saw the bill until Wednesday afternoon, and I have been pretty busy with departmental matters ever since. However, I read the bill over twice.

Q. Will you state to the committee what advantage it would be to the agricultural classes, the system of co-operation which this bill purports to establish, particularly in regard to dairying and cold storage?—A. I think there is a great feeling in Canada, amongst the dairy farmers and fruit growers, for the growth of this co-operative movement. We have really very little true co-operative work amongst the farmers in Canada. There is a good deal said about co-operative dairying, but there is scarcely a purely

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co-operative dairy association in this country. They are more or less joint stock companies.

By the Chairman:

Q. Have we not in our province any established on the co-operative principle?—
A. The most of the cheese factories in the province of Quebec.

Q. But speaking generally?—A. They contain the germ of the co-operative idea in as much as the farmers consent to bring their milk to one point to have it manufactured.

Q. And they are entitled to so many pounds?—A. What it makes. There is a little difference in the plan followed in different localities. In some parts of the province of Quebec the man who owns the factory gets a percentage of the price for manufacturing it. In other parts of Canada, and that is the general rule, he gets a fixed price for manufacturing. That is the only co-operation there is in cases of that kind.

By Mr. Smith (Nanaimo):

Q. The capital of the institution is collected?—A. It is provided by the man who owns the factory.

By Mr. Monk:

Q. The farmers do not own the factories?—A. In some cases they do. There are some truly co-operative factories, but there are a great many that are purely joint stock companies. The share capital is held by men who do not send any milk to the factories, and they are not strictly co-operative. If the committee would like, I would be glad to give some information that I have concerning co-operation in Denmark and New Zealand where I have been and looked into these things to some extent. I suppose you have all heard it stated that co-operation is the basis of the success of agriculture in Denmark; there is no question about that, I think. Their progress dates almost from the time that co-operation was introduced into agriculture there. I am more familiar with the results than with the methods, but I think there are a few underlying principles in the co-operative societies of Denmark which are well worthy of being looked into. They started first with co-operative creameries in 1882, and now there are over 1,100 purely co-operative creameries in Denmark. In addition to that there are about 200 privately owned concerns. Then followed the co-operative bacon factory which has been a tremendous success; over half the bacon factories in Denmark are purely co-operative. The capital of some of these co-operative bacon factories amounts to nearly \$100,000, and there is one amounting to \$400,000. Now, the peculiar thing about this capital is that there has never been a dollar of share capital subscribed. There is no share capital in any of the co-operative institutions of Denmark. The members form an association—they bind themselves in the case of a dairy factory to supply all their milk to that factory, and they each and all become jointly responsible for a loan from the bank to start with.

By the Chairman:

Q. Is there any limit to the shares of any of the shareholders?—A. In some cases there are limits, I think, but the responsibility is distributed according to the amount of milk that a man furnishes to the dairy factory or according to the number of pigs that he supplies to the bacon factory. Of course the banks have great confidence in this method of carrying on work, or they would not give the money. The farmers can form a co-operative society in Denmark to carry on work, and the bank will furnish every dollar required to pay for the plant, and the working capital in addition.

Q. It has been a success?—A. A tremendous success. So much so that the agricultural exports of Denmark amount in round figures to about £20,000,000 sterling per year, and £14,000,000 sterling of this sum come from co-operative societies. When

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you think that Denmark only covers 15,000 square miles, two-thirds of the size of Nova Scotia, it shows you what a success they are making of agriculture.

Now, there is another feature of the Danish system of co-operation which is worth considering: they never undertake more than one line of work for each society. They will organize first a co-operative dairy company, and then some farmers will form a co-operative egg export society, using the premises probably of the dairy factory, but they have their separate organizations, so that every member of the association is interested in every part of the business done by that association. Their idea is that if the creamery company engaged in the egg business, some members would not have any interest in it, and then there would be dissatisfaction. Again, some farmers will organize a bacon factory. Then there is a great federation of all these societies. It is bewildering when you come to read and go into the number of organizations and co-operative societies that they have. They are all federated together in various ways, being more or less under the wing of the Rural Agriculture Society, which, of course, is not purely co-operative, but a sort of an affiliated society, and has the directing influence in all these other associations.

Q. Do you, Mr. Ruddick, assign to the existence of these co-operative societies the success that Denmark has obtained as a farming state in the markets of the world?—A. I am compelled to do so, not from my own actual knowledge, but every Dane that I have spoken to or discussed these questions with, does attribute their success to this co-operative work.

Q. In Europe it is certainly the banner state as regards—A. Agriculture; undoubtedly, I think.

Q. And dairy products?—A. Par excellence.

By Mr. Monk:

Q. They export a great deal to England?—A. Nearly all their export trade is to England. I think they export only about £2,000,000 sterling to other countries.

By Mr. Smith (Nanaimo):

Q. Do the co-operative wholesale societies buy from the Danish co-operative manufacturers?—A. The Wholesale Co-operative Society of Manchester have their depots in Denmark. In that country there is a regular gradation of co-operative societies from these dairy companies. They will have a society for the export of butter, then they will form another society for the purchase of supplies, another society for the breeding of cattle, and another society for the testing of cows; they never mix up different lines of work in these societies. They have all organizations for the simple matter of collecting statistics about creameries and the cost of operating such institutions. It may be interesting to the committee to show you how that works out. They collect statistics from every creamery in the association, and they have a regular form which is filled out. For instance, as to the cost of fuel, different members compare the figures and they find out that it costs them more for fuel in one creamery than in another. Then they call in and consult the engineer of the society to determine where the loss is, and they have reduced the cost of manufacture just by comparisons with neighbouring concerns.

By the Chairman:

Q. It is scientifically organized, from what I see?—A. It is scientifically organized. Then there is another thing about it. You may ask how it is possible that the Danes have carried this thing so far. They will tell you that it is their system of education.

By Mr. Monk:

Q. Do you mean by that, that they have been educated to the co-operative movement?—A. They have been educated to the co-operative movement. They may go

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further, and in time co-operation may be taught in conjunction with the work of the popular high school. I may tell the committee that I found it difficult to get information on this matter. The government issue information on agriculture, reports and proceedings of commission, and they hand you when you go there the printed literature, but they don't seem to have anything in English with regard to the educational system. There are the popular schools, private schools usually, where young men and women go for short courses. They don't teach agriculture, they teach literature and history.

By Mr. Monk:

Q. Do they teach any economics?—A. To some extent, but not very much. They teach geography and history and things of that kind.

By the Chairman:

Q. To sum up your evidence: You think that the establishment of co-operative societies on a like basis in Canada would in the long run have the same effect?—A. I think it would. Of course, I don't think our people would take up co-operation to the same extent.

Q. On similar lines?—A. Yes.

By Mr. Monk:

Q. It would take them some time?—A. It began in 1882 and has been growing rapidly all the time, and it seems to me that it is only a question of time until the whole business of the people becomes co-operative.

By the Chairman:

Q. You were speaking of cold storage and dairying. Would you explain how it is in Canada that you find co-operative societies identified with these two branches of your own department?—A. Well, the manufacture of butter and cheese is quite frequently carried on purely on a co-operative basis. That is to say, the actual cost of manufacture deducted from the value of the produce goes to the members who supply the milk. Then, in connection with the fruit industry there is very good chance for the improvement of the apple trade inasmuch as the great defect in the apple trade is the lack of organization. If there were organizations on the co-operative basis we could gain control of the packing of the apples whereby the grading could be kept up to a high standard, and we should be able to sell direct to the British buyer instead of through a commission agent. There are judged to be twenty-five associations already established in Canada, and they have worked very successfully during the last two or three years.

By Mr. Smith (Nanaimo):

Q. Are those societies co-operative?—A. Purely co-operative. I have here the names of the associations and their secretaries or managers:—

Name of Association and Secretary or Manager.

East Lambton Fruit Growers' Association, W. J. Seymour, Arkona.
 Belleville Apple Growers' Co-operative Association, F. S. Wallbridge, Belleville.
 Brant Packing Association, F. M. Lewis, Burford.
 Bruce Fruit Growers' Association, A. E. Sherrington, Walkerton.
 Burgessville Packing Company, S. R. Wallace, Burgessville.
 Burlington Fruit Growers' Association, A. W. Peart, Burlington.
 Canadian Apple Exporters, Limited, W. H. Dempsey, Trenton.
 Chatham Fruit Growers' Association, W. D. Ross, Chatham.

Dunwick Co-operative Association, R. Campbell, Cowal.
 Forest Fruit Growers' and Forwarding Association, D. Johnson, Forest.
 Georgetown Co-operative Association, F. J. Barber, Georgetown.
 Georgian Bay Fruit Growers' Association, J. G. Mitchell, Thornbury.
 Grafton Fruit Shippers' Association, M. J. Gillard, Grafton.
 Grimsby Fruit Growers, Limited, J. D. Biggar, Grimsby.
 Ilderton Fruit Growers' Association, E. T. Caverhill, Ivan.
 Newcastle Fruit Growers' Forwarding Association, W. H. Gibson, Newcastle.
 Meaford Fruit Growers' Association, Dr. J. G. Hamill, Meaford.
 Norfolk Fruit Growers' Association, Jas. E. Johnson, Simcoe.
 Oakville Fruit Growers, Limited, W. R. Davis, Oakville.
 Orillia Fruit Growers' Association, R. A. Lehmann, Orillia.
 Oshawa Fruit Growers, Limited, Elmer Lick, Oshawa.
 Owen Sound Co-operative Association, W. P. Telford, Owen Sound.
 Parkhill Farmers' Co-operative Association, Wm. Leary, Parkhill.
 Randolph Co-operative Association, J. G. Mitchell, Thornbury.
 Sparta Fruit Growers' Association, J. A. Webster, Sparta.
 St. Catharines Cold Storage and Forwarding Company, Limited, R. Thompson,
 St. Catharines.
 Ingersoll Co-operative Fruit Growers' Association, J. G. Harriss, Ingersoll.

WITNESS.—I have here the by-laws for Fruit Growers' Association:—

BY-LAWS OF THE.....FRUIT GROWERS, LIMITED,

Incorporated under the Act to Provide for the Incorporation of Cold Storage Associations of the Province of Ontario.

1. This association of fruit growers shall be known as the Fruit
 Growers, Limited.
2. The purpose of this organization is for the packing and selling of the fruit grown by its members; also buying and selling such other fruit during the season as opportunity presents.
3. The capital stock of the company shall be in shares of the sum of ten dollars. No member shall hold more than twenty shares.
4. The annual meeting of the company shall be held on the first Thursday in May each year.
5. Special meetings of the stockholders may be held at any time upon the call of the president by written notice mailed to each stockholder five days before the meeting. Special meetings shall also be called by the president whenever required to do so in writing by one-tenth part in value of the shareholders of the company.
6. At any meeting of the company, a one-half representation of the stock either in person or by written proxy shall constitute a quorum for the transaction of business.
7. At the annual meeting of the company five directors shall be elected of whom three shall constitute a quorum at any board meeting.
8. The offices of the company shall consist of a president, vice-president, secretary-treasurer, manager and two auditors.
9. The president and vice-president shall be chosen by the directors from among themselves at the first board meeting after the annual meeting. The other officers shall also be chosen at this time, but not necessarily from among the directors.
10. All elections of the company shall be by ballot, plurality electing, conducted by two scrutineers appointed by the chairman. Every shareholder shall be entitled to as many votes as he owns shares in the company.
11. The president shall preside at all meetings of the company. He shall call meetings of the board of directors and shareholders when necessary and shall advise

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with and render such assistance to the manager as may be in his power. In his absence the vice-president shall have and exercise all rights of the president.

12. The secretary-treasurer shall keep a record of the proceedings of all meetings and of all the receipts and disbursements, and report the conditions of the finances annually or as often as the directors desire.

13. The manager shall have charge of the business of the company in detail under the supervision of the president.

14. The manager and secretary-treasurer shall give bonds in such sums as shall be acceptable to the company.

15. The directors may select three of their number to act as an executive committee, (the president is to serve as chairman) to have general charge of the affairs of the corporation during the fruit season.

16. When a vacancy shall occur through any cause in any of the offices established by the by-laws of the company, it shall be filled at the next regular or special meeting.

17. Any fruit grower in _____ county or township shall be eligible to become a member by a two-thirds vote of the stockholders at the time the application is made.

18. Any member of this company may withdraw at any time between January 1 and April 1. Such notice of withdrawal must be given in writing to the president or director of the company.

19. All apples grown by the members of this company shall be delivered to the company's packing house in prime condition for grading, packing and shipping; other fruits may be delivered to the company for sale on commission.

20. The books of the company shall be audited before the date of the annual meeting each year. At this meeting a printed statement of the receipts and expenditure as audited shall be presented to each stockholder.

21. These by-laws may be amended at any regular or special meeting by a vote of the stockholders or stock present in the affirmative. Notice of such amendment must be given each shareholder by letter or otherwise at least five days previous to the meeting.

By Mr. Monk:

Q. What I wanted to ask is, do you not have the opinion that the federal legislature has jurisdiction as well as the local legislature in the matter?

By the CHAIRMAN.—I don't think that Mr. Ruddick will be an authority on that.

By Mr. Monk:

Q. I wanted to ask if in order to obtain the best possible results with regard to the idea of corporation and also in order to have uniformity in the matter of the organization of these societies, would it not be an advantage to have the government centralized?—A. I think I understand the question. I would like to answer it in this way, if I might be allowed to do so. I think there is an absolute necessity for some advisory, some central authority if you like, to assist in movements of this kind. I should like to refer to the co-operative movement in Ireland as an illustration. As I have already pointed out, in Denmark they have had that assistance with reference to agricultural societies. In Ireland a number of years ago as most of the committee, I am sure are aware, there was formed a voluntary association known as the Irish Agricultural Organization Society. It was a purely voluntary association. This association under Sir Horace Plunkett, then Mr. Plunkett, organized dairy societies, flax societies, for they have flax societies in Ireland, and agricultural societies. This organization also published a journal until recently called *The Irish Homestead*, which was the organ of the association and laid before the people explanations of the aims of the association and advice in regard to various things. This organization has been of great benefit no doubt in the movement of advance in agri-

culture in Ireland, and I may say it has organized 800 creameries which are very successful and organized a great many of these other societies. I don't think it possible for the movement to have made anything like the progress it has, but for the guidance given by this society which is purely voluntary and which is now more or less merged in the Department of Agriculture. All I can say upon the point is that I think there is a very great need of some simple source of advice and guidance, for in all movements of this kind, you can see that wherever they have been successful, there has been some guiding influence.

By Mr. Smith (Nanaimo):

Q. Is this voluntary society you speak of similar to the dairying societies which have been created on the co-operative wholesale system in England and Scotland?—A. Yes.

Q. Have you any knowledge of the actual working of those societies?—A. I have not.

By the Chairman:

Q. You have no particulars, but know the general effect?—A. I know that they have been a great success.

By the Chairman:

Q. So to sum up your evidence, you say that the adoption of a Bill on the lines of the one which is now being considered by the committee would be a great benefit and advantage to the rural classes?—A. I have not studied the Bill carefully enough, I am afraid, to give a carefully studied opinion, but I think the principle is right, and would be a great benefit to agriculture in this country where not organized.

(Co-operative dairying in Denmark was filed as Exhibit 5.)

Professor SHORTT, Queen's University, Kingston, called, and examined.

By the Chairman:

Q. You have made a special study of economics?—A. Yes, that is one of my special lines.

Q. Have you read the Bill which is now being considered by this committee, entitled, 'An Act respecting Industrial and Co-operative Societies'?—A. Yes, I have read the Bill.

Q. Without committing yourself to any special clauses of the Bill, would you state if, with the experience you have, and the study you have made, the general principle of the co-operative movement or of societies is a commendable one?—A. For a number of Canadian industries I think it is. If you wish me to state the general aspect, perhaps I might. The matter, of course, historically and in its chief working, is to be found in its most perfect shape in Europe. The conditions there are favourable to co-operation, and a great many different organizations have been developed and a great many industries taken in and so on. In the reports presented, for instance, at the periodical meetings of representatives of those co-operative organizations in Europe, we have most interesting results, bringing out, however, certain local and national peculiarities. Thus, for instance, in France we have a great many industries, both agricultural and manufacturing, carried on by co-operative societies. In southern Germany, Italy and so on you have a number of others. It is rather remarkable, however, that in Germany, with the modern development of German enterprise, those tend to be cut down and to be specialized in narrower grounds, larger industries

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taking them over. In Britain the manufacturing side or productive side of co-operation is not very extensively developed, for that very reason again that Britain is more completely developed on the other side. Distributive co-operation is very strongly developed in Britain. In Europe the banking side of co-operation is very strongly developed through people's banks.

Q. Where?—A. In Europe generally, but not in Britain. When we come to America we find, as I frequently put it to my students, we have a co-operative system in our business, which, I take it, is much more developed than anything we have in Europe. It applies to the whole system. America is peculiar in that there is a remarkable fluidity of capital and labour. There are rural sections, of course, where people are tied to their farms, and other sections in which they are more or less tied to localities. America is a region in which there is a great tendency to move wherever improvements and opportunities offer of bettering one's position; accordingly they are not tied as they are in Europe. The consequence is that that tendency to contribute labour and capital in the same locality is not so necessary nor so developed. But at the same time in America there are special lines in which co-operation in the form indicated in the Bill is very necessary to supplement our process, and I take it that in that way there is a field for co-operation in America which is more definite, more restricted, but not less necessary, than in Europe in supplementing those lines. I notice that Mr. Ruddick was speaking when I came in of the fruit industry. That is a line where our ordinary commercial processes do not work very well in a good many ways. We have out in western Ontario, to my personal knowledge, a number of co-operative efforts in the agricultural line which have failed, or perhaps it would be better to say, which have been taken over by larger organizations. Others again have eminently succeeded, and many of those actually taken over were successes at first and were passed over into the other line. There is a greater tendency in that way I think in America to pass from the co-operative stage over into what I call the more normal stage. The transition, however, is a highly desirable thing. The action taken by the provincial governments, and to a certain extent by the Dominion government, and the action being taken by the Department of Agriculture—those are all very desirable features, because they enable the transition to be made from a more or less helpless condition round to one in which the possibility of taking it over altogether comes out. So that in all these respects I think the general principles of the Bill are very commendable indeed. There is one aspect of it, however, which I must say does not commend itself to me—that is as a general feature—and that is the banking phase of it. That aspect of it I think is not specially called for. Moreover, when we look at the operation of people's banks in Europe we notice that they are fostering and discharging excellent service for two reasons, because they do not bind a man to the ordinary banking system of the country, and furnish an opportunity for investment. I may, perhaps, characterize it in this way. If you take the difference between banking in Canada or the United States and Britain or the European countries, you find that in Europe the note issue is the great feature. The deposit business is comparatively small, the discount business not on the same basis as ours, but the loaning of capital in the shape of bank notes a feature. The thing is that the people do their business on actual currency. That is the point of difference. They don't put their money into banks in deposits; they hoard it up, and consequently it is only the larger business men who have dealings with the banks; the smaller people have their money stored away. That is notorious in France and in southern Europe. Here, people of smaller economic outlook and opportunity take advantage of the banks both as regards deposits and opportunities of receiving discounts. In America we have carried this to the highest pitch, and except in certain rural districts and in out of the world places it is coming to be absolutely universal for even labouring men to have their bank account, and to get discounts if they have any particular business to carry on. In western Ontario—I hope I am following the right line—I notice that co-operative agriculture and to a certain extent dealing and all that, works very nicely, because

they have banks universally able to finance the products of the producer, and consequently there is no limitation to the co-operative system by lack of facility for discount. There may be certain sections of Quebec province or certain fishing villages in Nova Scotia that possibly I am not quite familiar enough with the details of these to know of that, but I should think the number would be few. On the other hand, I understand that the Bill is a proposal for the encouragement of deposits by very small earners, and the utilization of those deposits for the carrying on of co-operative work. Then we have to ask what kind of business it is your proposal to carry on. A lot depends on the character of the business. If it is farming, people would require in a co-operative business a considerable amount of capital to finance their shipping at a particular time of the year, but at other times of the year they would not require that. There would be a strain, therefore, put upon the accumulations of these banks at a particular time, and during the rest of the year you would have a lack locally for the investment. As co-operation I don't think is likely in this country to go in for manufacturing and that sort of thing to any considerable extent, any such accumulation when the disbursement of the funds in hand is limited is of particular consequence. We had the difficulty occurring in the early history of this country, and to-day the chief aspect of the American banking system is that individual lending banks lend again for larger rates, with the result that you have a stringency and a plethora of money. The immense advantage of our Canadian system, and where it is superior to the American, is by having a single bank with branches all over the country, and the administration concentrated so that relief can be given where it is required. And there is this phase of the process, that it prevents that tendency to stimulate speculation and a natural development at one time of the year and to make for stringency in another.

By Mr. Bourassa:

Q. Is it not your experience that the result of the multiplication of these branches of a bank is rather to drain the savings from the smaller territories and concentrate them in the centre where the bank has its chief business?—A. You mean the exchange?

Q. Yes?—A. I agree to this extent, the savings of a particular section will be scattered throughout the whole country so that, for instance, take the section like Perth, in Lennox county, where a great many deposits were made and in the corresponding time there was a small outgoing, what would be the result? The people in that district would get money at a much lower rate than anywhere else in Canada and, therefore, it is true that the people of the Perth district have to pay higher—that is the average rate of Canada—instead of a plethora of savings furnishing them with an unduly low rate. I think that is the advantage of the system and that it is the advantage of Canada as a whole.

By Mr. Monk:

Q. I would like to point out to you my experience as far as facility for poor people in rural districts or cities obtaining small loans leads me to the opposite conclusion. Our larger banks have branches in the rural districts and suburbs of large cities, principally for the purpose of obtaining the advantage of the deposits. It is impossible in Montreal for a labouring man or any person in the country, who may require a small loan to get tools to start him in his trade, to obtain credit from the banks. Don't you think the banking feature of this measure will enable these poor people, not only to get the advantage of discounts, but to get small loans which they cannot get now except through what exists to a very great extent all over the country, that is usually. That is one feature I want to call your attention to, and then banking is a very effective process for the poorer people coalesced together for the purpose of carrying on a credit and loan society, if properly carried out. It gives them facilities for getting money where it is needed, and their credit is good, and they are honest people, on favourable terms, and it enables them to learn thrift. Do you not think so yourself?—A. Yes, I fairly agree with all you have said, if the other conditions are favourable, which I take to be

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these: The savings of those people to furnish these loans are supposed to come from the people of that district, I take it.

The CHAIRMAN.—Yes?—A. Now is there anything in the experience of any part of Canada to indicate that the need for those loans in that section will be uniform? What I mean is throughout the year, so that the money will be used.

By Mr. Monk:

Q. If I understand your question, in the agricultural districts there is a period of the year where the farmer very often requires money and cannot get it except at exorbitant rates. The want of small loans is felt uniformly, I think?—A. In cities they must be for continuous industry, I suppose.

By Mr. Monk:

Q. For continuous industry or the setting up of a man in some new trade, the buying of tools and so on?—A. These are some points which I wish to raise in detail. I wish to know, because it is not stated in the bill, whether those deposits are demandable by the parties making them?

The CHAIRMAN.—Yes?—A. If the deposits are demandable and at the same time the money which is collected in that way can be utilized to set up a man in trade, where is the man to get the money when the deposits are asked for? The present system of banking has to look to that, as the core of the whole thing, namely, the necessity of having short loans, thirty days, sixty days, ninety days at the outside, in order that they may call in that money at any time. They must always have it coming back to them and consequently our Banking Act very properly prohibits the investing of the money in any line, such as mortgages, which will tie it up.

Mr. MONK.—Loans made from banks must be reimbursed with short delay. They may be renewed once or twice, but at the second time they are supposed to pay up. In most cases of labouring men, and sometimes in rural districts, they cannot reimburse except on long terms.

Mr. BOURASSA.—They want more frequent and smaller reimbursements.

WITNESS.—Well, then, how can the deposits be payable on demand?

Mr. MONK.—The deposits are deposited in the bank.

A. But I understand that it is out of those deposits that the loans are made.

Mr. MONK.—Not necessarily. Out of the clear capital, I suppose.

A. That is all right. With that side of it I thoroughly agree. It is the banking feature I find difficulty with.

The CHAIRMAN.—Might I suggest that Professor Short should be made acquainted with the organization of the institution we have at Lévis on that plan, and be called again before the committee to give his views on the banking features of the Act.

Mr. MONK.—I wish to call your attention to two recent works of Mr. Pratt on the agricultural development in England, in which he says what they really require in England are those loan and credit societies in conjunction with the societies for production and consumption.

A. Well, it is true that the English banking system in that respect is not nearly so flexible as our own. However, you understand that I approve of the co-operative aspect of the measure, and it was simply the question of details. Perhaps there are one or two points in that.

Mr. BOURASSA.—If I understand you right, what you stated about the banking feature was not so much that there was objection to the provision of the bill, but that the needs of the country were not similar to those in Europe.

A. I can conceive of it applying to particular sections of the country, and that probably the only people who would suffer by it would be the shareholders, the founders of the society, if it does not work to the extent of their hopes. The point is where the depositors can get their money.

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Mr. BOURASSA.—The depositors are the shareholders. They cannot be depositors unless they are shareholders.

WITNESS.—I understand that. It seemed to me that unless you had a very varied industry you are going virtually to convert his deposits into extra shares at particular times when he could not readily draw it out. However, that depends on particular conditions.

The committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 30,

FRIDAY, March 1, 1907.

The Special Committee to whom was referred Bill No. 2, An Act Respecting Industrial and Co-operative Societies, met at 11 a.m., the Chairman, Hon. Rodolphe Lemieux, presiding.

The examination of Professor Shortt continued.

By Mr. Monk:

Q. I have but a few questions more to ask you, and those in respect to the credit and loan, or banking, feature of the Bill. The Bill which is now under the consideration of the Committee has been framed very much upon the model of similar legislation in England, and in that Bill, as well as in ours, provision is made for that form of co-operation which consists in credit and loan associations, and special precautions surround that particular form of co-operative association. Speaking generally, would you not think it would be a pity if no provision at all were made in the Bill for such a form of co-operative association?—A. The agricultural form, do you mean?

Q. The banking, or credit and loan, form. I say that as the Bill provides generally for all forms of co-operative associations, and as the object is to encourage co-operation throughout the country, would you not say it would be a pity if no provision were made for a credit and loan, or banking association, provided those associations were properly cared for by special enactment?—A. Yes, I should probably assent to that.

Q. Now, Professor, I wish to call your attention to one or two authorities in respect to the credit and loan form of co-operation, and I will quote from a recent book by Mr. E. A. Pratt on 'The Organization of Agriculture' which was published in England. At page 310 of this work, Mr. Pratt says:—

'Another factor in the situation is the absolute need that agricultural credit should go hand in hand with agricultural organization. The necessity for this dual arrangement has been proved over and over again on the continent of Europe, and though the financial position of British agriculturists in general may be more favourable than that of the peasantry in various other countries where an easy agricultural credit was established years ago, the extreme desirability of such credit being available in Great Britain, also, is beyond any possible doubt.

'Happily, here again a good commencement has been made by the Co-operative Banks Associations, whose headquarters are at 29 Old Queen street, Westminster, S.W. The purpose of this association is to establish both town and country co-operative banks, the former being registered under the Industrial and Provident Societies Act, and issuing £1 shares, paid for in weekly instalments of 6d.; while the latter are registered under the Friendly Societies Act, and borrow money from the Central Banks Committee on the collective credit of the members (as the town banks do on the credit of their shares), for the purpose of making small advances for productive purposes.

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These country co-operative banks are, in fact, of that Raiffeisen type which has already conferred such inestimable benefits on so many countries abroad, and their adaptability to the requirements of the small cultivator, the village tradesman, and the labourer in the rural districts of England has been abundantly proved by the eleven village banks which have already been established, four of them being in Leicestershire, two in Worcestershire, two in Norfolk, and one each in Hampshire, Nottinghamshire and Leicestershire. Where these banks exist there is no need for individuals of the classes mentioned to resort to the professional money-lender, and loans of from £2 to £10 or £20 can be readily obtained by honest and deserving toilers for the purchase of live stock, fertilizers or implements, the repairing of glass houses and other purposes.'

In view of the opinion expressed there by Mr. Pratt, would it not, in your opinion, Professor, be useful that the Bill should authorize the establishment of these small loan associations in case the want of them should be felt in certain parts of Canada?—A. No doubt, provided adequate safe-guards were introduced adapted to the conditions of Canada.

Q. Further on at page 375 Mr. Pratt says:—

'But experience has already shown that no really effective scheme of agricultural organization on a wide-spread basis can be carried out even in Great Britain, unless supplemented by some practical system of co-operative agricultural credit banks, arranged on so comprehensive a scale as to meet the varying wants of all our agricultural classes. There may not be in England, Wales and Scotland so large a proportion as in Ireland and in various Continental countries of those very small cultivators to whom the loan of £5 or £6 from a co-operative village bank would be a great personal convenience. A certain demand for such facilities there undoubtedly is on the part of labourers and very small producers, and such demand the Co-operative Banks Association should, with adequate support, be well able to meet. But a wider basis of operations than this is required to answer the requirements of farmers who would want to borrow more substantial sums, and might find it an inestimable benefit if they could obtain them from a co-operative credit bank.'

Now, given that these small loan and credit societies only lend to members of the association themselves, that they do not issue any paper money as our regular large banks do, and that their operations, as contemplated by the Bill, are confined strictly to a very limited area, would you not think such institutions, being carefully supervised by the government, might meet a pressing want, and might have considerable educational value as an agent to teach thrift to our people?—A. In certain localities and under special conditions, yes. But it would depend on the details and the organization, bearing in mind, as I said at the last meeting, that conditions in Canada differ very greatly from those in Britain.

Mr. MONK.—Yes, I wish to come to that point. Conditions, as you say, are somewhat different.

By Mr. Sinclair:

Q. In what respect do they differ?—A. In Canada?

Q. Yes?—A. Well, in the first place the system of small cultivation of the land, of the relation of the land to the cultivator, of the economic and social structure, the fluidity of conditions—economic and social—all very greatly differ in Canada from Britain, and as I said, differ greatly in different districts of Canada.

Q. We all understand that, but how do they differ in regard to savings institutions?—A. Well, in the experience and knowledge they have of each other's conditions, of the methods by which they do their business, of the degree to which existing institutions serve these purposes in these two different countries, and so on.

Q. Do you mean that in Canada we understand the credit of each other better than they do in England?—A. No, the reverse. We understand it less, except in certain districts of the country, all depending upon the stability of the system, the fixity of social relations, and so on. I should say, for instance, that you might find two

extremes; one in the eastern provinces, certain districts of Nova Scotia, Quebec, and so on, and the other in some of our Northwest regions.

Q. I would be inclined to think, where I am acquainted with the people in small villages in Nova Scotia, that they understand a great deal about one another?—A. That is what I am saying, that is one extreme. The other extreme is the Northwest, where the people have flowed in in the last twelve months or two years and where they know very little about each other.

By the Chairman:

Q. That is to say, according to your views, institutions such as referred to by Mr. Monk would be quite in order in say Nova Scotia, Quebec, and Ontario, generally, whilst it would be perhaps a dangerous experiment to have them in some sections of the west, in those far-away districts, where the people have just been settling?—A. Yes, and then there are differences even in Ontario and Quebec, as between the more changeable sections of the province and the less. These are minor differences, but the difference you express is certainly a great one.

By Mr. Monk:

Q. I find, Professor, there is confirmation of the opinion you express in a work prepared under the direction of the United States Statistician, by Mr. Edward T. Peters, and published by the United States government at Washington in 1892. The work entitled 'Co-operative Credit Associations in certain European countries and their relation to Agricultural interests.' If you will allow me, I will quote one or two passages. At page 113, Mr. Peters says:

'For example, institutions that would be adapted to the coloured tenant cultivators of the south might not be suited to white agriculturist tenants in the north and west; while such as are adapted to the last might fail to meet the requirements of the poorer class of agricultural proprietors. In any attempt to organize an association in a particular district the prevailing need, the habits, characteristics, and circumstances of the people, and in a district of a large foreign population even the nationalities most largely represented would have to be duly considered.'

A. Undoubtedly.

Q. And Canada presenting such a wide field and so many varieties of social conditions, it is quite possible that the loan and credit feature of the Bill would be very well suited to certain localities, is it not?—A. Undoubtedly.

Q. Further on the same author says:

'There is, however, a vast field in our own country in which a sufficiently large part of the population has all the fixity necessary for co-operative purposes.'

And at page 114, the same author says:

'When a plan is presented which, in its adaptation to the wants and circumstances of those for whom it is intended, has within it the germs of a vigorous life, the people are not slow to adopt it and improve upon it in the light of their experience.'

Do you coincide with that view?—A. Yes.

Q. At page 115 the same author, speaking of co-operative credit associations says:

'From this it results that the members—especially in the smaller country towns—are to a great extent personally known to one another; while the managers are also well known to the members and have themselves the best opportunities to learn the character and circumstances of every applicant for a loan and the reputation of every new candidate for membership.'

This feature, pointed out by Mr. Peters, do you not think lessens the risk that these associations might offer in the matter of loans and taking deposits?—A. The primary conditions of safety being implied, yes.

Q. There is an expression of opinion at the end of this work by Mr. Peters in which he says, in his concluding remarks on page 117:

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'In fact, few things could do as much to guard the business world against the financial crises which so frequently paralyze its industries as the general existence of institutions which tend to retain within the neighbourhood of its origin all the capital for which there is a potential local demand, and thus to keep it as fully as possible under the continued oversight of its owners.'

Do you concur in that observation?—A. Only partially; it depends on circumstances.

Q. As a remedy or a palliative for usury, if these societies are properly organized, do you not think they would have a very potent effect in diminishing the ills resulting from usury by procuring small loans to parties who are in favourable conditions of credit, if properly watched?—A. For certain classes no doubt, but for certain other classes who are the usual, the extreme, victims of usury, I do not think it would lessen the difficulty at all, because their credit and their position are such that it is just because these are uncertain that they fall victims. For others of those classes whose credit is good and character is good it would, certainly.

Q. Well, now, Professor, in the locality where I live, in the city of Montreal, you see many people whose credit is probably not very good, and who are in the hands of the usurers, but my experience has taught me that there a great many people who are poor but who are deserving of credit under certain conditions who are also the victims of usurers?—A. Undoubtedly.

Q. For that deserving class do you not think these institutions would be of use?—A. Undoubtedly.

By the Chairman:

Q. What I would like you to make very clear, because your evidence carries weight, is this: You have read the Bill carefully, and I suppose you have also studied the by-laws of the institution which exists already in the province of Quebec, known as 'La Caisse Populaire de Lévis.' Because of the principle or the view just now enunciated by you that there is in this country a difference in the social conditions of eastern Canada and some sections of western Canada, and for the reasons given by you as to the cause of that difference, would you not conclude that the passing of this Bill, with whatever modifications should be made of it, would be at least to the advantage of those sections of the country to which you referred a minute ago? The question is a long one?—A. I think I grasp the point. The Bill is one on which one might pass particular criticisms on particular parts which might be improved, but the system indicated by it is one in which much the greater importance depends upon the by-laws introduced, and the supervision of the department. If those by-laws are carefully drawn with two objects in view—one to facilitate the benefits of the measure for those parts of the country for which it is suited, and the other to prevent adventurers from taking advantage of it in other parts of the country where they are less known and may be able to victimize people more readily on account of that—the measure might be safely allowed to find its own adjustment in practice. This would result, I should say, in it being taken advantage of in those parts of the country where it was actually needed, and those may be expanded in proportion as the needs of those sections develop and its not being taken advantage of in other sections. But, as I say again, everything depends on the care with which the by-laws of these organizations, to be approved by the department, are drawn, and also on the supervision of the department. And as referring to the first part of your question, having looked over the experiment made by 'La Caisse Populaire de Lévis,' I find it an exceedingly interesting one and very instructive. But if I may be permitted to note the conditions under which it seems to operate, I should say that the operation depends much more upon the conditions under which it has been organized and the specialist who has made a very particular study of that and who has organized it apparently without much dependence upon the by-laws. The by-laws of that organization seem to me to be very defective in the sense that they are so vague and overlap in the powers in such a way that if the institution came to be closely regu-

lated by these by-laws, or if any trouble occurred, it would be exceedingly difficult to apply them with that accuracy which is necessary to fix responsibility. I should say, therefore, taking these by-laws as a sample, that since the real outcome is to place a great responsibility upon the officers and upon the committees, that responsibility had better be recognized frankly and located definitely rather than that such a complicated listlist of rules should be introduced which are not definite, and which mix up philanthropy and economics, and so on, in such a way as to render it impossible, I think, to apportion responsibility. Hence in these respects, I think if those by-laws were taken as a model for framing the others they should be very carefully gone over with that object in view, and the department should be very careful in considering what its responsibilities would be and how much supervision would be laid upon it. These are the general terms in which I should answer that question.

By Mr. Smith (Nanaimo):

Q. There are just two points I would like to put to you in connection with a statement you have made. Of course you recognize that a further factor in the operation of business is the interest a member has in the society. You would be managing the business of a man who had his own interest in it. Would that not give the society a security that could not be had in any other business?—A. I would answer that by referring you to the relative experience of mutual organizations where all the responsibility is cast upon the individuals.

Q. What society would you particularly mention?—A. Your point, I take it, refers to the general principle of men being themselves individually interested.

Q. I am referring particularly to the co-operative movement generally?—A. I think co-operative insurance, co-operative banking, and co-operative organization of any kind on a mutual basis is the point, and my reading, both in Canada and outside it, leads me to the conviction that it is not a sufficient safe-guard. I have had occasion, I may say, to trace Canadian currency—banking and exchange, and other allied institutions—right down through the whole history of Canada, and I have come across many examples in which mutual interest was not a sufficient safeguard; not because the people were not interested, but because after they had been running it a while they ceased to look after their own interests.

Q. Well, it has been very successful in other countries, as the public security has not been interfered with any more than it would be in a private operation?—A. There again you come back on the training of the people. The people of Europe are accustomed to minute control on the one hand, and where they are allowed to have their own say, on the other they take more interest in it. The diffuseness of interest among our own institutions in America is the chief characteristic. I do not say it applies to these institutions alone, it applies to all the higher ones. We have far more of the director who doesn't direct in America than we find anywhere else in the world.

By Mr. Monk:

Q. These mutuals present this feature, however, do they not, that they are spread over an unlimited district whereas the co-operative societies mentioned by Mr. Smith—?—A. Some of them, and some of them not. That is, of course, one of the defects, where they extend over large areas, but unfortunately you find them within the same districts—that is where the members can travel and be at the meetings if they care to. It was this defect that overcame the Grange movement in Ontario; all the people could be present.

Mr. Smith (Nanaimo):

Q. But this is confined to these specified areas?—A. Quite so. That is an advantage in one way, and a disadvantage in some other ways, but it is a matter of detail of course.

Q. I would point out to the Committee the fact that in certain sections of the country this system operates successfully; and in other sections where you have a

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scattered and varied population it works to the disadvantage of the principle. Of course, you must remember that it is their own business, it is not an outsider undertaking to do something that the public would be glad to take advantage of. Where there is this personal interest do you not think this system could adjust itself in respect of the people in communities where it is suitable? Where it was not suitable it would not likely be originated?—A. I have said so, assuming adequate conditions and detailed regulations.

By Mr. Sinclair:

Q. You have said that you thought a great deal depended on the supervision and inspection of the department. In section 16 of the Bill it is provided:

'The Minister may, if he thinks fit, on the application of ten members of a society, each of whom has been a member of the society for not less than twelve months immediately preceding the date of the application, appoint a person to inspect the books of the society and to report thereon; provided that:

'(a) The applicants shall deposit with the Minister such sum as security for the costs of the proposed inspection as the Minister requires;

'(b) All expenses of such inspection shall be defrayed by the applicants or out of the funds of the society, or by the members or officers, or former members or officers, of the society in such proportions as the Minister directs.

'2. A person appointed under this section shall have power to examine and make copies of all books of the society, and have free access to the said books at all reasonable hours.'

Do you consider that a sufficiently stringent regulation to meet your views?—A. Not quite, for this reason, that the Bill generally, I take it, requires the close supervision of the department, and the fact that the department must pass on the by-laws introduced would require it to take a more immediate interest in seeing that things did not go wrong.

Q. Whether they apply or not?—A. Whether they apply or not. In other words, you are apt, under those conditions, after the thing has been running for some years and public interest and care may be blunted by the success of the first experiments—you are apt to find application for inspection being made when it is too late, and the government simply coming in under this inspection to confirm the fact that losses had been made or that some unfortunate state of affairs had resulted which might be partly laid to their door for the reason of their not being careful enough in supervising the by-laws.

Q. I have no doubt myself that is true. My own observation is that in any financial institution I have known anything about where they have been very successful the shareholders lose interest in the meetings. The Bank of Nova Scotia, for instance, is one of the most successful institutions in Canada, and the annual meetings are very sparsely attended. They get 12 per cent dividend and they expect to get it always. They allow the directors to manage everything, and the meetings are very small indeed?—A. That is the history of most institutions that have gone bad. In looking back over their history they have had an unusually good start, they have been very successful for a time, and have dulled both public interest and the control of their own members until the thing had gone too far.

By Mr. Monk:

Q. The section, Professor, pointed out by Mr. Sinclair, section 16, certainly affords some guarantees, and when you add to that that the company cannot exist until the Minister has approved of its by-laws and that the department has a right to make regulations to insure the existence in the by-laws of proper restrictions, would you not be prepared to say that gives great additional assurance?—A. Undoubtedly, everything again depending on the accuracy and knowledge with which the department supervises those by-laws, passes upon them, and so on.

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Q. There is another question which I think has been asked Mr. Ruddick. If we desire to encourage a co-operative movement in this country, is it your opinion that a uniform law, a uniform system of statistics, and a centralized movement in that direction is better than a movement heading from each province and being made separately in each province?—A. There are many advantages, certainly—there are a few corresponding disadvantages. It is difficult to have a general law which must apply to and authorize actions all over Canada, come down to and regulate, built upon those specific conditions which are chiefly prevalent in a province. Thus I can quite believe that features would be introduced into Nova Scotia or Prince Edward Island, or Quebec and work very admirably there which it might not be advisable to apply to the whole of Canada. But if those features are introduced into the by-laws of the institutions in those sections then the general features which might be applied to all Canada might safely be put into a general Act applying to the whole country, and so far might be much better than any provincial Act.

Q. I suppose a uniform law under which a man going from one part of Canada to another would find the same, and a uniform system of statistics would be a good thing?—A. A uniform system of statistics, of reports, and of information, is very desirable.

By the Chairman:

Q. The Labour Department, with a view of encouraging thrift and industry and stopping as much as possible the operations of usurers among the labouring classes, endeavours by means of the *Labour Gazette*, to encourage and educate the people to the advantage of such institutions, always accompanied by the proper safe-guards?—A. Yes. I find, in looking over the returns and methods of co-operative organizations in other countries, that the features which you have already introduced into the Agricultural Department, of giving special lectures by experts on the operations of agriculture, of diffusing information of that kind, might be admissible and desirable in connection with the co-operative system.

The CHAIRMAN.—No better lecturer could be had than the present witness.

Mr. MONK.—I wish we had such a lecturer throughout the country.

The CHAIRMAN.—I might, perhaps, suggest, with the leave of the Committee, this fact: Professor Shortt has examined the by-laws of 'La Caisse Populaire de Lévis,' and I see that he has blue-pencilled some of the clauses. Would any member have any objection to Professor Shortt placing his views on those by-laws in writing before us?

Professor SHORTT.—I think myself that any such consideration would be unnecessary at this stage. If it came to the stage of drawing up a model set of by-laws with the representatives of the interests concerned, it would be much more to the point and more effective to discuss the details with them, and I would be happy to meet with the Committee and discuss the details.

Mr. MONK.—I hope, Professor, that the Minister will then ask you to give him your valuable assistance as to the preparation of model by-laws, if he is still in office.

The witness retired.

Mr. A. MCNEIL, head of the fruit division, Department of Agriculture, was called and examined.

By Mr. Monk:

Q. You have had occasion to look over Bill No. 2, which is under consideration of the Committee?—A. Yes, sir.

Q. Will you please tell the Committee, in a general way, if you think the co-operative societies, which it is contemplated to organize under the provisions of this

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Bill, would be of use throughout the country? It is fruit culture you are in?—A. Fruit culture, yes. Without attempting any criticism of the Bill, I will say that in its general principle the measure appears to me—

Q. I did not ask you your occupation?—A. I am Chief of the Fruit Division in the Dairy Commissioner's Branch. I consider the principle embodied in the Bill is a very admirable one as applied to the fruit industry, and as that industry, particularly the apple trade, is carried on throughout Canada is almost essential to its continuance as a branch of mixed farming.

Q. You have had occasion, in your experience, to see that co-operation in regard to apple production has produced good results in Canada?—A. Splendid results. As you are aware, confining myself exclusively to the apple industry, apples are grown to a greater or less degree on almost every farm. In western Ontario small orchards from one to five acres are the rule through the counties. That is specifically so through the western and middle counties of Ontario. The same general rule hold in eastern townships of Quebec and the St. John valley, New Brunswick, portions of the Annapolis valley, Nova Scotia, and throughout the apple-growing portions of Prince Edward Island, which are ever increasing and likely to increase still faster. Now, these small orchards have too many varieties and have many difficulties to contend with, but most of these difficulties can be overcome by co-operating more particularly for the purpose of selling the fruit, but also for many of the operations of fruit-growing, such as spraying. Therefore I consider this principle of co-operation, as embodied in the Bill, exceedingly useful to the apple industry. I have numerous examples, if they are of any use to the Committee, of the usefulness of this method, because we have a sufficient number of these associations now in active operation in one form or another to enable us to pronounce upon the benefits which they have secured for the fruit-growers. Let me say that I am more or less familiar with the apple co-operative associations in the whole of Canada.

Q. There is a large production of apples on the island of Montreal, is there not?—A. A very large production of two or three varieties especially.

Q. And is it not a fact that up till lately much of these apples have been wasted?—A. I should say that not less than fifty per cent of the quantity have been wasted from one cause or another, and probably seventy-five per cent—note the percentage—of the possible revenue has not been obtained.

By Mr. Smith (Nanaimo):

Q. What is the basis of the organization of these movements?—A. They originated, and in one or two cases now consist, in simply eight, ten or more farmers without any organization beyond a mutual agreement to put their fruit into the hands of a manager for sale. A step beyond that is where they have organized under the Cold Storage Act in Ontario and under various other Acts, especially the Farmers' Institute Act in British Columbia, and a similar Act in Nova Scotia. It has been a good thing for the farmers in those provinces who have no help to expect from the government except in Ontario in cases where they built cold storage chambers. But that has never been done in connection with the apple business as the investment was not sufficient or the necessity sufficiently great.

By Mr. Monk:

Q. I quoted to Professor Shortt a few moments ago a passage taken from the recent book by Mr. E. A. Pratt, on "The Organization of Agriculture." Let me just quote the passage to you:—

'Another factor in the situation is the absolute need that agricultural credit should go hand in hand with agricultural organization. The necessity for this dual arrangement has been proved over and over again on the continent of Europe, and though the financial position of British agriculturists in general may be more favourable than that of the peasantry in various other countries where an easy agricultural credit was

established years ago, the extreme desirability of such credit being in Great Britain, also, is beyond any possible doubt.'

In connection with the apple industry, do you not think that the observation of Mr. Pratt applies to Canada as well as to Great Britain? That is to say, that in certain cases the existence of small credit associations in the rural districts may be of great use?—A. Might I answer the question in this way without passing upon the general principle? I have found in my actual experience with co-operative associations that where capital was introduced from outside parties, encouraging or necessitating dividends on stock it nearly always works disastrously. I myself was a member of a co-operative association and this feature of it caused its disruption. I would not for a moment set myself up as an authority on the general principle, nevertheless that has been my experience. There should be as little outside capital as possible and as great a utilization of local capital as possible.

By the Chairman:

Q. Local capital?—A. Local capital and the capital which is available just among themselves.

By Mr. Sinclair:

Q. In what way would you say that co-operation would prevent the waste of fruit?—A. Let me illustrate what I mean. The fruit growers in the neighbourhood of Walkerton have these smaller orchards of five acres to which I referred, composed of many different varieties. In the ordinary way of marketing the apples, the apple operators could not afford to send their packers into these orchards for the early varieties because they would not be able to get a sufficient quantity of individual varieties. Consequently many valuable varieties went to waste, especially those in the earlier part of the season, because the ordinary apple buyer could not afford to go round and gather them from farm to farm. Where there was a large quantity of fruit it would pay him to send a gang of men and a packing plant to put the apples up. Now in the co-operative association, the manager has a list of the varieties and the quantities that each patron has. Therefore he simply sends around a notice 'Bring your Colvert apples' (whatever the variety may be and whether they are five barrels or fifty barrels, 'to the packing house on Thursday next,' giving the growers sufficient time to pack the fruit. These apples would then be brought in and would be packed. These Colverts are in every respect a valuable apple except that they are early and not a good keeper, and there are not many of them on each farm. They were the least valuable apples that the Walkerton growers had until co-operation was introduced; now they count them among their most valuable varieties. Prior to the establishment of co-operation, fifty cents a barrel would have been gladly accepted for these Colvert apples. Now they get from \$1.25 to \$1.50 for the apples placed upon the same market as formerly—perhaps a slightly better market but not sufficiently so to account for this increase in price. Co-operation helps in the matter of packages. Under the old system the dealer, not knowing exactly how many apples he was going to buy, usually gave a small order for barrels—a comparatively small order. When he made his purchase later in the season, he was then forced to give a rush order for a larger number of barrels and consequently to pay a higher price for them. The co-operative associations, with their managers, know the number of members, with whom they constantly are in communication and from whom they can get full reports daily if necessary of the crop. Thus they can calculate how many packages they will need and can give their orders comparatively early in the season, which will be filled at the lowest prices. I have here a cutting that will explain what I mean. This is the report of a fruit-growers' meeting held on February 22 last.

By the Chairman:

Q. Where?—A. At Jordan station in the St. Catharines district. A report was

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there given of the results of co-operation in the case of the Fruit Growers' Association in Chatham. It was stated: 'Machinery, &c., were purchased and barrels were turned out at 28 cents each, while other farmers paid 45 cents for a cheaper grade.' You can see the saving there. Another and perhaps larger saving is in the moral effect of having a manager who is in charge of a definite number of men from year to year. Under the old system a man might buy the yield of an orchard this year, but might not purchase it again. He had no incentive to bring any pressure to bear upon that producer to induce him to grow a better variety of apples. But in the case of the co-operative association, the manager having the same patrons from year to year, and a reputation to maintain, naturally brings pressure to bear upon the poorer growers to improve the quality of their fruit. Consequently they find that the members of co-operative associations are now producing a much better quality of fruit than they did under the old system. Having been very familiar with the apple producing districts of Ontario, and especially those in the western part of the province, I know individual orchards—perhaps I could say by the score—where formerly they had produced seventy-five per cent of 'seconds' and only twenty-five per cent of 'firsts.' Now that they have become members of the co-operative association, that condition of things has been reversed; they are producing from seventy-five to eighty per cent of 'firsts' and only twenty per cent of 'culls.' That undoubtedly is the direct result of the co-operative movement. Another saving and a very great saving indeed is in the methods of making sales. A manager is presumably one of the most active and intelligent of the members of the association, so that they have the best selling skill in the entire group of fruit growers to dispose of their stock, and consequently better sales are made.

Q. How is the manager paid?—A. Usually by the amount of business that is done. The most satisfactory way appears to be in the apple selling associations, where a certain charge is made for each barrel handled. The manager will get say, five cents a barrel for each barrel of the output, and that can be re-arranged from year to year. In a small business a larger amount would be required in payment than in a large business, but this can be adjusted, of course, from year to year. Sometimes they give the manager a definite salary, as in the case of the Oakville Society, where the manager was getting \$1,500 a year. The salary has been changed and somewhat lowered this last year.

Q. And how is that salary provided?—A. By a charge upon the quantity of fruit handled, even if the manager receives a salary. In every case the funds of the association are produced by a charge upon the fruit handled of so much per package. Usually they have a separate charge for certain groups of operations. For instance, they make a special charge for the packing and grading of the fruit, and a special charge for the business management, so you see they keep these two things separate. One other advantage I would like to mention is the utilization of waste products in the orcharding. In this orchard business there must always be a large percentage of low-grade fruit. In the case of apples this waste product might be worked up into evaporated fruit. Under the old system of buying there was no inducement for private capital to go into many places and establish an evaporator because they were not sure, from year to year, of constant supplies of waste products. The growers sold to itinerant buyers who sometimes controlled the waste products and sometimes did not. A farmer could not guarantee a supply year by year of his waste products, and an evaporator could not, therefore, be established in a centre of that sort where there was no certainty of a constant supply. But under the co-operative system an association can confidently count upon a certain percentage of fruit that can be used for these by-products that formerly were of little or no use, but are now a very large source of revenue. These are some of the benefits, gentlemen, and I cannot speak too strongly upon the value of co-operating in orcharding. One other advantage I will mention before closing, and that is in connection with certain expensive orcharding operations such as spraying. To do this most effectively requires a somewhat expensive plant. A power sprayer will cost about \$250 or \$300. This is too large a sum for the farmer who has only two, three

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or four acres of orchard, but is of no particular importance so far as a co-operative association is concerned. They can put in one or more of these power sprayers, and the one power spraying outfit will spray for a whole association. In the case of the Chatham Association they have two of these expensive power outfits and in the case of the Forest Association they have two outfits. They do their spraying not only more cheaply but much more effectively, because it is done by men who become experts by performing this work every day. Thus their quality of fruit is much better than it formerly was. As chief of the fruit division, having the enforcement of the Fruit Marks Act in charge, I would like just here to bear my testimony to this fact: There can be no more effective way of enforcing the Fruit Marks Act than by organizing apple growing districts into co-operative associations. We could practically do with half the staff of inspectors if we had co-operative associations. We would still need a few, because even in co-operative associations there are always men who had better be looked after a little. But I can say confidently—getting dozens of reports from the whole of Canada every day—I can say confidently that the co-operative associations are a most efficient help in enforcing the Fruit Marks Act. They have every incentive to obey the law and to see that the law is observed. The present business methods of the apple operators are such that even if an operator were honest he cannot answer for his subordinates who are sometimes spread over the whole country, hundreds of miles apart. One operator employed seventy gangs in 1905. He knew the foremen of a few of the gangs, but he could not be personally acquainted with their work, because they were separated by hundreds of miles. Notwithstanding this, he had to put his name on thousands of barrels, and be responsible for them. You can thus see that no matter how honest a man might be, his name would appear as a delinquent under the Fruit Marks Act because of carelessness if not actual dishonesty on the part of some employee.

By the Chairman:

Q. What you say is that co-operation stimulates people to act honestly and to do the right thing?—A. It stimulates them and gives them a chance to act honestly and efficiently, so it is valuable in all these respects.

By Mr. Sinclair:

Q. About what number of these fruit associations are there now in Canada?

The CHAIRMAN.—I think the list was filed the other day.

Mr. RUDDICK.—You will notice there twenty-five associations in active operation in Ontario, but there probably are twenty more in British Columbia and Nova Scotia. There are more in British Columbia than in Nova Scotia.

Q. The Fruit Growers' Association in Nova Scotia is a provincial institution, is it not?—A. Yes, there is a provincial association, but it is not a co-operative association; it is purely educational in its objects. I might say that the co-operative movement among the apple growers of Nova Scotia is just in its infancy, and has not yet had time to develop sufficiently to look for results as we can in Ontario and British Columbia.

The witness retired and the Committee adjourned.

HOUSE OF COMMONS,

ROOM No 32,

OTTAWA, Thursday, March 7th, 1907.

The Special Committee to whom was referred Bill No. 2, respecting Industrial and Co-operative Societies, met at 10.30 a.m., the Chairman, Hon. R. Lemieux, presiding.

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MR. E. M. TROWERN, Toronto, attended and was examined.

By Mr. Monk:

Q. Mr. Trowern had perhaps better explain what the objection is to this bill?
—A. Yes. Well, Mr. Chairman and Gentlemen, I am Dominion Secretary to the Retail Merchants' Association of Canada.

By the Chairman:

Q. How many members are there in your Association?—A. Over 10,500. I have been properly delegated, along with the Dominion Treasurer, Mr. Beaudry, Montreal, to appear before you, and submit what information we have regarding this co-operative bill. The matter has received the attention of our Association, and a resolution was passed which I will read to you:

“That whereas a bill has been introduced at Ottawa by the Hon. Mr. Monk asking the government to endorse co-operative societies, and to give them special privileges to the detriment of the retail trade, that this Association do all in their power to defeat this measure.”

By the Chairman:

Q. By whom was that resolution adopted?—A. By the Dominion Board.

Q. Will you state briefly on what grounds that resolution was passed?—A. Well, as soon as the bill came up, Mr. Chairman, we submitted the pith of the bill to our various branches, getting their opinion on it, and then we called our Board together and laid the matter before them, and after it had been properly considered they passed that resolution.

Q. Yes, but will you state to the Committee what are the grounds of objection?—A. Certainly. Now, it is somewhat long, and, Mr. Chairman, if you will allow me to put my case in my own way probably we will come at the matter a little more rapidly. In the first place this legislation is asked, in our opinion, to supplement the Joint Stock Companies Act, or to give those people who are desirous of conducting business in this way an advantage that they could not follow out under the Joint Stock Companies Act. We take exception to the name. You call it, ‘An Act respecting Industrial and Co-operative Societies,’ and then your preamble says:—

‘Whereas it is desirable to provide for the creation and organization of industrial and co-operative societies among the farming and labouring classes of Canada;’

Now, the bill does not in our opinion attempt to form co-operative societies among the farmers and labouring people and does not provide for carrying out the co-operative idea amongst those classes. For instance, the bill does not ask the farmers to all join their farms together, to work together, to pool their money together and divide the profits. The bill does not ask the labouring people to get together and work for somebody, to pool all their profits or labour and divide it at the end of the year. It aims at giving the farmers and labouring people of the country an opportunity of combining together, getting anyone's capital that they may like to get, and, by combining, to destroy the retail and wholesale merchants of this country. That is our objection to the Bill. In the first place, it is a bill which is framed—

By Mr. Smith (Nanaimo):

Q. Just to understand your position, I want to ask you what privilege does the Bill give to these people more than you have? For instance, the privilege that you business people have. What special privileges does it give these communities, or what special rights more than you have?—A. Well, we are not asking for the Bill.

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Q. I am not asking you that, I want to understand your point. What I want to know is you say this Bill gives these people special privileges, and I am asking you what are the special privileges that this Bill will offer them?—A. If they want to do this business they can take out a charter in the regular way, that they have a right to do. Now this Bill gives them the right to form societies without taking out a charter.

Q. Without taking out a charter?—A. Without taking a charter.

Q. This Bill itself provides for incorporation of societies. How can they become societies unless they come under the authority of the Act?—A. We are objecting to the Act.

Q. Yes, I know, but I would like to get your reasons why.—A. I am going to give you the reasons why. In the next place, we say that the Bill is one that deals with trade and commerce and that the words 'Minister of Labour' should not be there, but it should be the Minister of Trade and Commerce. It is a matter of trade and commerce, not a matter of labour at all, and it should come under the Department of Trade and Commerce if the Bill is brought into effect. Then, you are limiting the shares of these companies to corporations.

'No member, other than a joint stock company, an agricultural association existing under the laws of Canada, or some province thereof, or a municipal body shall have, or claim any interest in the shares of the society to an amount exceeding \$500.' You are giving a municipality the right to put in any of its money into these societies and that money is largely taken from the merchants, who pay the largest portion of the capital of the cities and towns.

By the Chairman:

Q. What is that?—A. This is clause (a) of section 3. We will just take up these clauses. In the first clause, I object to the name, and I say that instead of the Minister of Labour it should be the Minister of Trade and Commerce. In the next clause I object that municipalities are allowed to invest their money in these societies.

Q. Cannot you state more definitely what are the grounds for the objection which your association entertains against this measure? I do not wish to interrupt you. You started by stating some objections?—A. I was starting to take up the Bill and discuss the few clauses that we think are objectionable, and I was going to give the reasons why we thought so. I will give you our reasons in a few words. It is a scheme for the purpose of getting people to come in, for the purpose of forming these associations, and then giving the dividends back to the buying public and the dividends are the bait. It is a trap laid for the uneducated people, who know nothing about trade and commerce, and that is the reason why you are offering them a dividend.

By Mr. Smith (Nanaimo):

Q. Who is offering?—A. Whoever goes into the company. Who is offering? I will read you something I have got right now. (Reads.) 'Midland Branch of the Canadian Co-operative Concern, Limited. Head Office, Hamilton, Canada.'

By the Chairman:

Q. They do not operate under this Bill?—A. This is a limited company, you understand, Mr. Chairman?

Q. Yes?—A. This thing has been in operation in Scotland for a number of years, and I have here evidence right from Scotland showing that the scheme, the co-operative scheme, has destroyed the retail business, has destroyed the wholesale business, and the manner in which they have done it is by offering dividends to the public to buy in these stores, and it has congested trade, centralized trade in these municipalities. The *Weekly Scotsman* opened its columns for a discussion of both sides of the subject, allowing its pages to be opened to those in favour of co-operative stores and those against co-operative stores. The report that I have from it, and there are any number of other

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reports which I can submit to you, is as late as January 12, 1907. I would like, Mr. Chairman, if you will allow me, to read one of these letters, and it will open up all the objections which we have to the Bill.

By Mr. Smith (Nanaimo):

Q. Is that in Scotland?—A. In Scotland. They are in operation there under the same system that this Bill asks for now.

Q. Is there any Bill like this in England?—A. The principles of the Bill are the same.

Q. Is there any legislation in England like this?—A. In Scotland it comes under the same class of legislation as that.

Q. Then you say there is legislation like this in England?—A. Yes, similar to this. Now this letter is—

By the Chairman:

Q. Let us be practical. You represent a large association of retail merchants?—A. Yes.

Q. I understand your association is against the Bill?—A. Yes.

Q. Why borrow any opinions from any paper in Scotland? State briefly the objection which you have to this Bill?—A. Do you not see, Mr. Chairman, it would be better to go where they have had experience of this Bill. We have only the experience of companies here in Canada, and they are in operation under the Joint Stock Companies Act. This is the prospectus that one of them puts out:—

‘What is Co-operation?’

‘Co-operation is the banding together of any number of persons in order to work out together that which one person cannot accomplish alone. The Canadian Co-operative Concern was organized by people who have an eye to the future. They have broken away from the competitors’ system with its high prices, and are banded together in purchasing from first hands the things they eat, wear and use. We not only save the profits of the middleman but share in the profits of those doing business with us who are not shareholders. Join us by helping us, help yourself.

‘OUR METHOD OF DOING BUSINESS.

‘All merchandise is sold to shareholders and others at the regular retail price which is as low as the lowest. The profits of this immense business are divided among the shareholders in proportion to their purchases and not according to the number of shares held by them. We expect, in the near future, to give you a rebate (or dividend), of 15 cents or 20 cents on every dollar’s worth of goods purchased through us.’

By Mr. Monk:

Q. What society is this?—A. This is the Canadian Co-operative Concern. The head office is in Hamilton and they are putting this advertisement in one of the Midland papers. They are to open a branch in Midland and they are asking the consumers who live in the town and the district surrounding it to invest their money in this co-operative concern. This is the class of advertisement they are putting into the papers, inducing people to put their money into the company by offering to give 15 or 20 cents on every dollar’s worth of goods purchased from them.

Q. How is this organized?—A. Under the Ontario Joint Stock Companies Act.

By Mr. Smith (Nanaimo):

Q. What relation has that to this Bill?—A. The clauses you put into the Bill will carry out in effect just the same method that is in operation with this company and also with the companies I referred to in Scotland.

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Mr. MONK—Oh, no, sir. You must remember that under the Joint Stock Companies Act under which that company is organized, they take capital from everywhere and they sell to anybody. The object of this Bill is to limit the dealings to members of the association themselves.

The WITNESS.—That makes it all the worse, Mr. Monk, because it is not co-operative. If a man has got no money and cannot buy stock in one of your proposed co-operative companies he cannot get any goods in that store on credit. We as retail merchants are giving credit where credit is required. If a poor man comes into a town and that man has got no money but an honest reputation and he goes to any grocer, butcher, or baker and explains his position, we are not asking that that man should go before a committee, a co-operative committee. We don't say, 'Have you got any money invested here?' No, we open up our stores and our shops and we say to that man: 'If you are an honest man we will carry you for a week, two weeks, three weeks or four weeks.' If it had not been for the retail merchants of this country, 10 per cent of the population would starve. You are introducing a Bill under which nobody can get credit. You are going to destroy the retail interest of this country by the creation of a system which has been in operation in Scotland. I do not care whether the technicalities of the Scottish Bill are precisely similar to the technicalities of this Bill; I claim these co-operative stores have been destroying the retail stores of Scotland.

By Mr. Smith (Nanaimo):

Q. Have the stores in Scotland increased or decreased?—A. Decreased—certainly they have decreased. We have got the evidence here with the names of the people, merchants and consumers—people who never had any interest in the co-operative stores but they have simply been there and made their purchases. I can bring before you practical evidence of people who have been operating in these stores who have had their money invested in them, as well as shopkeepers all objecting to this method of conducting business.

Q. In the old country?—A. In Edinburgh, in Scotland. It is under the British flag and we have a right to refer to these places.

Mr. MONK.—This Bill will not prevent working men from going to the retail stores.

The WITNESS.—But you are going to destroy us and then these people will say: 'You can take all the credit if you like; we will take all the cash.' This is simply a selfish scheme, you will excuse me putting it so strong, of a few promoters who want to get at the head of the company and the objection I have to the whole business is this: they are inducing the common people who know nothing about trade and commerce to invest their money in these societies, claiming they are going to get advantages that cannot be got in the retail trade and they are putting people at the head who do not understand at all what they are doing.

By Mr. Smith (Nanaimo):

Q. Who are these people, distinct and separate from others that you are talking about? You are talking about two classes of people. You are talking about a class of poor people and then of some other people who are compelling those poor people to put their money in?—A. The promoters of the co-operative companies.

Q. There are no promoters?—A. We have got one right here, there is a promoter in Canada.

Q. There is no promoter.—A. There must be a promoter in that company. This is an incorporated company and I can give you the names of the directors.

Mr. SMITH (Nanaimo).—Is this gentleman here to make speeches or to give evidence and answer questions?

The CHAIRMAN—Confine yourself to answering questions.

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By Mr. Smith (Nanaimo):

Q. You have objections to this Bill, why not state them. We are not here to listen to speeches and lectures. State your objections and give us an opportunity to question you when you are through.—A. I think I am doing that. I started out by stating the objections we had to the Bill.

Q. But you are making speeches?—A. I will not if you do not shut off the evidence I have secured from the places where the co-operative stores are in operation. I cannot give you any evidence of the operation of these stores in Canada, because I am thankful to say we have not had them here yet.

Q. Have you been in Scotland?—A. I have not.

Q. Have you seen these stores in operation?—A. No.

Q. Just what I thought. It would be better if you would tell us what you would know about these societies from your own knowledge.—A. I have got letters and other information that has been sent to me.

Mr. SMITH (Nanaimo).—Go ahead and give your evidence.

The CHAIRMAN.—You are under a misapprehension as regards anybody promoting this Bill. This is a public Bill, not a private Bill.

The WITNESS.—I mean the promoters of the co-operative societies. I am not referring to any particular individual. Please understand that I was referring to the promoters of those societies. Supposing there are, say nine or twelve of us in this room and we put our money into a society of this kind. There must be a head to it.

Mr. SMITH (Nanaimo).—We are the heads according to the Bill.

The WITNESS.—There are a number of men selected to direct it out of the hundreds of members. Those are the men that are going to get some benefit.

Mr. SMITH (Nanaimo).—Those are the men that are going to do the business.

The WITNESS.—Well, those are the men that are going to do the promoting.

Mr. SMITH (Nanaimo).—They are all in one body, there is no specific class that is getting a benefit.

The WITNESS.—The promoters would be getting salaries.

By Mr. Verville :

Q. You, as merchants employ managers?—A. Yes.

Q. Of course you pay them to do your work?—A. Yes.

Q. You would not call your manager a promoter, would you?—A. You could hardly call such men proprietors of a co-operative store; they would be the directors of it. I call them promoters, but probably that is not the right word; directors might be better or managers.

Q. The members would have as much right, under this Bill, against those that are at the head as you would have against your employees?—A. The only difference would be that the managers would be paid a salary.

Q. You are paid a salary also as a merchant?—A. Yes.

Q. You take a salary out of your business?—A. Yes.

Q. And do you not claim that that is any crime?—A. No, I do not say it is a crime, only if I were manager or director of a joint stock company and getting a salary, I would be more anxious to see that concern go on than if I were simply an ordinary shareholder.

Q. In other words you do not like to see other people taking care of their own business, that is as far as the consumers are concerned? As I understand, the retail dealers would like to get all the advantage among themselves?—A. No, we do not quite do that.

Mr. VERVILLE.—The labouring people under this Act want to do their own business if they can. There is no harm in that.

Mr. MONK.—I think much of your objection to this Bill arises from a misapprehension. You are under the impression that this Bill creates a great co-operative

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store stretching all over the country and injuring legitimate retail traders. It is, on the contrary, a permissive Bill that permits in localities only and locally only labouring men—poor people and the agricultural classes—to organize for the purpose of buying agricultural produce or selling it, or in the case of poorer men organizing together to buy the necessities of life, only locally?

The WITNESS.—That is how I understand it.

Mr. MONK.—It is not the gigantic concern you seem to think.

The WITNESS.—The difficulty is, you have no control of the size that this thing may get to.

Mr. MONK.—It cannot go beyond the limits assigned in the Bill, which probably will be an electoral division only. It cannot have branches anywhere. I really think your objection addresses itself to a large concern, probably to large departmental stores or something of that kind. This is quite a different thing.

The WITNESS.—Would it make any difference in its results? Supposing you take a small town and you open a co-operative store in that town. There are say a dozen merchants there now giving credit and serving the people—as they ought to serve them—because if they did not they would never get any customers. You open your little co-operative store within the electoral district. Then the consumers are offered,—if they put their money into it,—a rebate which will be coming to them at the end of six months or at the end of a year.

Mr. MONK.—I do not think that is contemplated by the Bill at all. The object of the measure is to enable people to get things at a moderate rate, but there is nothing as to a rebate or profits in the Bill.

The WITNESS.—Would the Bill prevent them from giving profits? I do not see anything in the Bill that would do so.

Mr. MONK.—It would not prevent them.

By Mr. Smith (Nanaimo):

Q. Would it be a source of objection if they do their own business to get profits?—A. Yes.

Q. Why?—A. For example, we people sitting at this table, unite together and say: 'Now, we are going to buy our goods from the manufacturer and divide up. We will buy them at wholesale prices and in half a dozen lots. We will each one of us take these goods, and we will get these middlemen out altogether,' because that is the object of the Bill; to destroy the middleman.

Q. Is that objectionable to the parties?—A. To those who are in business now?

Q. No, no. Let us get at the rights of these individuals. How long have you been in business in Quebec? You are in business in Quebec, are you not?—A. I live in Toronto, I have been 30 years in the retail business.

Q. Was there anybody else in the retail business when you began?—A. Yes.

Q. Did you think that by beginning business in Toronto you interfered at all with those that were in business before you?—A. I will just answer that in this way—

Q. I would like you to answer my question?—A. Under the present system, no.

Q. You had a perfect right to commence business in Toronto?—A. Yes.

Q. Nobody could have any objection to that?—A. No.

Q. Well, supposing twelve men in Toronto wanted to do what you thought you had a right to do? Would you not say they had a right?—A. Not if they went to the legislature and asked to be given special legislation.

Q. But they are not.—A. This Bill is special legislation.

Q. This is simply permissive legislation which permits these people to go and engage voluntarily in business?—A. This is special legislation.

Q. I am asking you.—A. They have the right to do that now.

Q. I am asking you if you think they have a right?—A. If they are going to buy

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those goods in quantities and buy them so as to destroy the retail man, I say they have no right.

Q. Then, what you mean to say is that twelve men have no right in this country to combine to purchase goods to supply their own necessities? • Is that what you say?—A. If they are going to injure the retail man I say they have not that right.

Q. Did you think you were injuring the retail man when you commenced to do business?—A. No, because I did my business in the same way that everybody else was doing it. I was not offering my goods at cost price.

Q. Let us look at this thing as a business proposition. There are people doing business in Toronto?—A. Yes.

Q. You go there and commence to do business also. There is then one more dealer who has to divide up the retail capital of that city. You do not think that there is any objection to your having a share of that capital?—A. No.

Q. Twelve months after, twelve other men come in, join together and say: 'We want to do exactly what Mr. Trowern is doing, exactly the same thing. That is, we want to operate a store and purchase and sell goods to the community. We are not going to compel anybody to come in and purchase our goods. We are going to place goods on the shelves and the people that pass by will be at liberty to come in and purchase.' Now if one man can do that, I want you to tell me why twelve men cannot do so? There is no compulsory legislation that compels people to buy from them as against you. There is no legislation that forces them out of your store into somebody else's?—A. The objection is that the people get together for the purpose of buying the goods at wholesale prices and selling to themselves at wholesale prices.

Q. Well?—A. Under your system, or rather under the proposed Bill, there must be only two ways of doing it. One is that the twelve men meet together and buy their goods at wholesale prices and then sell the goods back again to themselves at the same prices or sell them at the retail prices. If they sell at the regular retail prices the profit must go to the twelve men and be divided among them. If that profit is handed to them again in the form of a dividend there is the objection that has been raised to the whole system in Scotland; you are giving that dividend to those men as a bait.

Q. Excuse me, I am not giving them anything. They are giving it to themselves, my friend?—A. They are giving it to themselves as a bait, and they are asking people on the outside who are not of the twelve, to take shares. I do not see anything in the Bill which is going to confine the scope to a certain number of people; it will include anyone who takes shares.

Mr. MONK.—You may be one of the twelve.

The WITNESS.—How are you going to get these people to take shares in the company? They say to them: 'If you will take shares in this company we will give you back, at the end of six months or a year, so much money. People have been induced to take shares in such a company on the understanding that they are to get this dividend or a trading stamp, for it is the same thing.

By Mr. Verville:

Q. Do you not give trading stamps now?—A. No, sir, we do not. The government very wisely wiped the thing out.

Q. You do not give trading stamps but in stores you offer inducements at the present time for people to go and purchase; you give them crockeryware or rocking chairs?—A. We object to the whole thing.

Q. You may object to the whole thing, but it is done just the same.—A. It is a premium, it is a bribe, and our association is on record against this practice; we refuse to deal with the manufacturers who offer those bribes.

Q. Nevertheless it is done?—A. Unfortunately when the Bill came into the House—and it is a wise thing on the part of the government, one of the best things the Liberal Government ever did was to put that Trading Stamp Bill on the statute book—they left out a clause, which they could not help themselves in doing, regarding the manu-

facturer. Now, that Act ought to cover the manufacturer the same as the retailer. If the retailer cannot give premiums why should the manufacturer? I may say, however, that the manufacturers have passed a resolution condemning the whole thing and they will ask the government to apply to them the same clause that is applied to the retailers. Therefore, when you speak of premiums and all that sort of thing you must look upon the respectable retail trade of this country as positively opposed to it from start to finish. The thing is wrong in principle.

By Mr. Smith (Nanaimo):

Q. What I was referring to is the right of twelve men to do what you think you have a right to do. Is that wrong in your opinion?—A. I think if those twelve men—I may be all wrong in this thing and you may be all wrong, but we are here for the purpose of getting information, some sort of evidence on the Bill—

Q. We are to hear to listen to your objections on this legislation.—A. If those twelve men started out with the object of creating a business and offering as an inducement to customers that if they put their money into it they will get some of it back, that I claim is a strong objection to the Bill.

Q. You think that for twelve men to come together in Toronto, put their capital there, and purchase goods and sell them to each other, is a wrong thing?—A. If they to induce others—

Q. What do you mean by inducing others?—A. We are not confined to your scheme of twelve men.

Q. You think that is a reasonable thing?—A. I think if they want to they can do it.

Q. Wait a moment now. Supposing another man comes along to-morrow and says: 'I want to join with you twelve men, and I will put up my share to purchase goods to supply my wants.' Will you give me any reason why certain men should not do that?—A. He has come in on the understanding that he is going to buy the goods they buy below retail prices and get something back at the end of six months. He has come in with the idea that he is going to buy these goods at a lower rate than they are sold for in the retail stores?

Q. Certainly, if he likes. He came in with the idea of joining the twelve to do his own business. You say that twelve men have the right to do that. Now I ask you if another twelve men came along and said: 'We think the principle is a correct one, we want to subscribe to the conducting of this association, and we will join with you to supply our wants;' do you think that is wrong?—A. I say if those men are getting back a certain dividend at the end of six months and that dividend is the inducement for taking them in—

Q. That is wrong?—A. That is injuring the retail trade, destroying the retail trade. I am here on behalf of the retail trade, and if they want to do that business let them go and do it and not ask the government to give them special legislation.

Q. They are not doing it?—A. Another argument is this: The twelve men you are speaking of now may not know anything of the various lines of trade; they may be operating in all classes of merchandise with no knowledge whatever of the business in which they are engaged. One of these men is called a treasurer and another a secretary, for they have various officers. If this Bill passes these men will do business in that way, and one of them may sell an article that is not as it is represented to be, through lack of knowledge, because it requires skill to run a retail business. He sells an article he has bought from some manufacturer that has been misrepresented to him. He has not the intelligence, not having devoted his time to business and having no knowledge of trading, to know whether the article he sells is right or wrong, and that is where we stand between the public and the manufacturers as a safeguard. Our reputation is at stake, our sign is over our doors, we have often dealt in the same article, and we know if it is not as it is represented to be. If we sell an article which is not such as represented you can put us in the police court. Under your Bill, if the

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president should sell an article that is not as it is represented, or if I am one of the shareholders and you have misrepresented the goods to me, I have got to take you to the Court of General Sessions and to the various courts of the land before I can convict you of having defrauded me. And then the government say: 'We cannot do anything with this concern, we cannot put them in gaol.' Here is an article that was sold in Toronto by a concern that doubtless consider they are very clever people. These are two fountain pens that are advertised and guaranteed to be fourteen carat, but they are only four carat. I had a case in the police court against a large firm in Toronto, the T. Eaton Company, and ultimately carried it to the Supreme Court at Ottawa, but only a small fine was imposed, whereas if I did that as a retail merchant I would be put in gaol.

Mr. MONK.—You are mistaken. This Bill does not change the criminal law; the same liability applies to everybody.—A. The criminal law is as I am explaining it and if that Bill goes through, you will require a specific clause inserted that the president and secretary of these co-operative societies should be held as responsible for the deeds of these societies as we are as retail merchants. Then if they sell goods that are not as represented we shall have a chance to put them in the police court.

By Mr. Smith (Nanaimo):

Q. The difference is this: As retail men you might have a proprietary interest in trying to deceive people.—A. Oh, no.

Q. Just let me finish. Retail merchants might have a proprietary interest in trying to give people less weight or trying to get some benefit. In a co-operative movement there is no such reason; they are selling to each other. The co-operative movement among our people eliminates the possibility of the very thing you spoke of. They have no interest, they are selling to each other, they are not making a profit out of it.—A. The evidence in the scheme is that the men are paid—if you will allow me to put that evidence in, I think it is material—the man in the co-operative concern who does the buying from the manufacturer has had paid over to him without the full knowledge of his confrères certain moneys for himself to divert trade into the co-operative channel, and if you desire letters on the subject I can show you any number where considerable discussion has taken place—in fact the question is up now before the directors and the shareholders of the society in Scotland—where these men have been charged with taking money from manufacturers.

Mr. SMITH (Nanaimo).—Perhaps so.

The WITNESS.—You are not going to bring peace on earth and good will towards all men through your scheme. You cannot make angels out of thieves through a co-operative Bill; but the individual merchant who puts his name over his door and keeps it there expecting that his son is going to take it over after him, who has got a stake in the community, he is the one who is injured by this Bill. I would like to have this thing changed in Canada. To-day you cannot touch the president and secretary of a corporation. They can commit all the frauds they like and you cannot do anything but just fine them.

Mr. MONK.—You are casting a grave slur on our law.

The WITNESS.—I have had the case in court and the then Attorney General of the province of Ontario, Hon. Mr. Gibson, when I approached him on this subject said, after turning up the statutes: 'I am quite surprised; we have not got that power.' I want to mention this to you, Mr. Monk, because we have had it up before the police magistrate in Toronto and we are going to ask the Government to have the Act amended so as to make the president and secretary of a corporation absolutely as responsible as an individual merchant.

Mr. MONK.—As Mr. Smith has pointed out, there would not be much inducement to co-operative societies to do as you fear because they are selling to themselves. But

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under our criminal law whoever commits a criminal offence, whether the president of a society or a retail merchant, is equally liable; you know that. Nobody is exempt from the provisions of the criminal law.

The WITNESS.—Well, it is not so according to practical experience, because it cost our association \$4,000 to find it out. We took the Eaton Company of Toronto, who advertised silver-ware at \$12 which cost them \$3, with 5 per cent off, and guaranteed it was quadruple plate, before the police magistrate, and he said he had no jurisdiction. We brought the case to the other courts and travelled from one court to the other until finally it was heard down here at Ottawa. They were found guilty and finally the case came back again to Toronto and the firm was fined \$50; that was all.

Mr. MONK.—It could not happen under this law.

The WITNESS.—You have no provision under this Bill to stop it as far as selling to one another is concerned. Legislation is wanted to protect those who are going to put their money into these societies. Supposing I felt justified in joining such a society and I have no knowledge of clothing, jewellery, or any of the other lines of goods which are being sold, and I go into your store and buy one of your articles and you deceive me, have I any right under the Act to come back at you through the police court?

Mr. MONK.—You have the civil and criminal courts.

The WITNESS.—We have not that right now and we want it.

By Mr. Verville:

Q. Do you think that in the large stores the manager knows everything about the goods that he buys?—A. It is one of the weaknesses of the whole scheme that it gets away from the individual man. We found in our investigation in one of the stores in Toronto that they had an engine wiper from the Grand Trunk at the head of one of the silk departments, and we found that the jewellery department was managed by a man who had never served twenty-four hours in the jewellery business in his life. There they were selling goods that were marked for them to sell at a certain price or the manufacturer told them was a certain quality. These men might not think they were deceiving the public, but they were all the same, because they had no right to be there unless they possessed the necessary knowledge.

By Mr. Smith (Nanaimo):

Q. What institution is that?—A. The Eaton Company.

Q. Well, Eaton would be responsible for that?—A. You could do nothing in such a case. We had Mr. Eaton in the courts and placed a charge of fraud against him, and all he was fined was \$50, and none of the papers published it except the *Telegram*, which had a little skit explaining that the Eaton Company had been found guilty of a misdemeanour.

Q. What was Mr. Eaton's object in putting an engine wiper in that position?—A. The business was so very large that it had got beyond his personal control, and unskilled men are, under this system of co-operative stores and departmental stores, chasing out the trained men, killing the trained men, and they have got to get any class of men they can pick up to take charge of these various departments.

Q. Whatever officials there are in the co-operative business are placed there by the members and subscribers of the society. If a co-operative society thought fit to take a carpenter and place him as manager of a grocery business, what objection have you, supposing they were prepared to put up the cost of management?—A. We should have a law so that we could put our fingers on that man and put him where he would not be likely to injure the public.

Q. There is nobody in this society wants to put their finger on anybody. Understand, they are all friends. It is a mutual society composed of people that have joined

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for the purpose of helping each other. You are speaking as a merchant who has a pecuniary interest in the operation of the business. In this case, everybody has the same interest. It is a mutual institution consisting of members who have voluntarily united with each other to purchase goods to supply their own wants. Where is the injustice?—A. The argument you are putting forth is in favour of inducing a man who knows nothing about the scheme to go and put his money into it. We want to save that man. We want to save the public from being swindled. Because they are all friends, and they are going to be partners together is no reason or justification why they should be swindled.

Q. Do you not think the public whom you are trying to defend have some intelligence? Is there any principle operating under this Bill which will interfere with the liberty of these people to make inquiries?—A. You have here an offer to give 15 or 20 cents on the dollar.

Q. That is the very best reason why a poor man should join with another poor man, if he can get 15 or 20 cents on the dollar?—A. It is a deceptive thing. We do not make 15 or 20 cents on the dollar in the retail business.

Mr. VERVILLE.—You had better form a co-operative society then, if you don't make that much.

The WITNESS.—We are a co-operative society in the real sense of the word. All retail merchants are really a co-operative society.

Q. You offer an inducement to people to buy in your store by advertising through the paper or otherwise, goods that are sometimes lower than the market prices?—A. Yes, that is done.

Q. You want to induce people to go into your store and buy goods that may be lower, with the expectation of selling other goods at higher prices. That is a business proposition, and that is done every day. It so happens that poor people who have read your advertisement will go to the store to buy the advertised goods, and be told when they reach there: 'You are about fifteen minutes too late, there are no more of those goods to be sold this morning.' I suppose there were probably a dozen or half a dozen, as the case may be. There, you see, was the inducement. This is a business proposition, and it is done in Toronto or Montreal?—A. It is done by the large concerns.

The CHAIRMAN.—The more they advertise the more they get the people.

Mr. VERVILLE.—They draw people there by a certain inducement in order to try and sell them as much as possible, and not goods at reduced prices, but at high prices. This Bill would not operate like that. It would give a chance to the people interested to buy not at one man's prices, but at any prices they saw fit.

The WITNESS.—It looks that way on the surface, but it won't work out that way. The experience of consumers who have been in these co-operative societies, working exactly on the lines you have laid out, has been that they have not had the same assortment of goods, and not the same attention. Even though a dividend was given back to them, their experience has been that they could do better by taking advantage of the market price wherever it was offered in competition. Suppose I belong to a co-operative store and have my money sunk there and get a dividend back at the end of a certain time, if I did not have my money invested in that store I could go around and buy wherever I liked on the open market. I could go around and take advantage of all these advertisements you speak of; I would not be confined to a co-operative store. If you close out all the other stores the people will only have one place to go to, and the co-operative societies can put on any price they like.

Mr. VERVILLE.—I can trade through that association wherever I please.

The WITNESS.—If everybody who had money invested would draw their shares out, the society would simply go to pieces.

By Mr. Verville:

Q. Well, what then?—A. That wants to be safe-guarded against. You say you

are confining your Bill just to certain limits. Well, if a man belonging to a co-operative society gets a job in another place he has to sell those shares out.

By Mr. Smith (Nanaimo):

Q. He is not compelled to enter the store; it is a voluntary act on his part?—A. Of course it is, but we want to look after the man who goes in, and we want to see that he can get out again.

Q. You are acting in the interest of members of a co-operative society?—A. In the interest of the general public, because they are the people about whom we are most concerned, and they are our customers.

Q. If the general public you speak of can co-operate to do their own business instead of doing it with the retail merchant, can you see any objection to that?—A. I think, Mr. Smith, your scheme is a little narrower than mine is. We are working under a co-operative system now—manufacturers, wholesalers and retailers.

Q. You say you are working on a co-operative basis now?—A. The proper co-operative basis; the only co-operative basis.

Q. Has the general public that enters your store anything to say about the management of your business?—A. Well, as to that—

Q. Answer the question. Have they anything to say about the management of your business? Can they go in and say to you, 'I think that John Brown is a very incapable man; you ought to discharge him and put somebody else in his place?'—A. They are better off than that.

Q. Answer the question. Have they that power?—A. Certainly they have not.

Q. Have they anything to do with the management at all?—A. All they have to do is if they don't want to deal with us they are perfectly at liberty to deal with whom they like. All society is based naturally on the natural and true co-operative plan, and the co-operation and other schemes brought forward by socialists and others are simply schemes that are not following out the natural laws.

By Mr. Verville:

Q. What do you say in regard to socialism? Is there any socialism in this Bill; you had better read it?—A. I have read it. It tends in that direction.

Q. Do you mean to say if you give these people the right to buy where they please it is tending towards socialism?—A. We are selling, as retail merchants, to people who cannot buy goods in the co-operative stores. The co-operative stores will not sell them, but they come to us for credit and we give it.

Mr. SMITH (Nanaimo).—If the co-operative people have to come to you, I do not see what you are breaking your heart about.

The WITNESS.—Your scheme is only going to re-act on the farmer and the labouring man if you follow it out to its radical conclusion. This will mean that when other stores are crowded out in a community, there will be only one left for the farmer to sell his products to, and that the co-operative store. They can then give him any price they like. That has been the experience in Scotland.

By Mr. Smith (Nanaimo):

Q. That is all due to the voluntary action of the people of Scotland. Nobody forced that condition of things. That is all due absolutely to the voluntary action of the people themselves. Surely if the people themselves have no objection to the system how are you going to help it?—A. You are passing special legislation to permit these people to do it. That is what we are objecting to—the destroying of us.

Q. I asked you before if you had a right to go into Toronto and do a retail business at a time when others are engaged in it?—A. Yes.

Q. You admitted you had a right?—A. Oh, yes.

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Q. Have twelve men not got the right to do the same business? You said yes?—

A. I did not ask for special legislation. I went there and opened up my store. You are asking special legislation and we are objecting to it.

Q. You went in under the authority of the municipal by-laws?—A. Yes.

Q. So do these twelve people?—A. You are asking for more than that.

Q. Excuse me, this legislation simply provides for the voluntary incorporation of people?—A. Without having to buy a charter, without having to come under the Joint Stock Companies Act. Why don't they get a charter and come under the Joint Stock Companies Act?

Q. I understood you were objecting to the operation of the Joint Stock Companies Act; I thought your strong objection was to that?—A. Oh no, we don't object. If your twelve people want to get a charter out and do business the same as other people, we don't object. I don't think it would be wise. You are asking for special legislation other than that which comes under the Joint Stock Companies Act, and we don't think the government should give it to you.

Mr. VERVILLE.—Under this Bill the societies are all placed under the same rules and regulations, while on the other hand you can run your business to suit yourself. Each and every one will have to conform to the rules and regulations and be under the supervision of the Labour Department; that is better.

The WITNESS.—And they are going to offer that as an inducement. See what they publish in this advertisement of the Canadian Co-operative Concern: 'Endorsed by Prof. H. H. Dean, Professor of Dairying, Ontario Agricultural College, Guelph; Hon. A. Desjardins, President Co-operative Bank, Lévis, Quebec, and 2,000 prominent shareholders in Wentworth.' They advertise that, and they will advertise that this thing is under government supervision, and the people will put their money into it. We have had co-operative schemes in Toronto and the experience has been a failure right along.

By Mr. Smith (Nanaimo):

Q. What are you afraid of, if that is so?—A. We are not afraid if you will do business in the ordinary way, but when you come along and ask for special legislation—

Q. There is no special privilege?—A. The whole Bill is a special privilege.

Q. It simply allows them to co-operate in order to do business as they want to?—A. Let them get a joint stock company's charter, and that will make the president and secretary responsible in the police court. I do not see why you should incorporate such a society at all, why it should be relieved from liability.

Mr. MONK.—Your objection is to the big departmental stores?

The WITNESS.—I am simply stating that you want people to buy your goods and then divide up your profits among yourselves, and that by so doing you are going to injure the man who has invested his money in shops, invested in buildings, invested in industries—a man who is living there at all times for the convenience of the public. You are going to destroy that man, and you are going to induce people to come into your societies on the ground that they are going to get something back, which is a premium or bribe.

Mr. MONK.—They have this co-operative system in England and on the continent, and the stores do not suffer.

The WITNESS.—I would like to read the letters to which I have referred. These letters all through show that the co-operative system is injuring the trade of Scotland, and they have been publicly reported in the *Weekly Scotsman*, in January, 1907.

Mr. SMITH (Nanaimo).—Those are retail dealers' letters?

The WITNESS.—The letters were published in the *Scotsman*. That paper opened its columns to both sides of the story; we have those that are favourable to the system and those against.

Mr. SMITH (Nanaimo).—I have been in Scotland and I lived in England for over thirty years, and I have been connected with the co-operative societies movement all my life; I never spent a single sovereign, until I came to this country, outside of the co-operative movement. So I ought to know something about it?

The WITNESS.—Yes.

By Mr. Smith (Nanaimo):

Q. If this thing is injurious, as you say it is in Scotland, how do you explain that the movement is increasing by thousands every year all over the British Isles?—A. I understand that they are decreasing in Scotland now.

Q. You understand that because you do not know anything about it. Have you read the records?—A. That newspaper goes into it and takes up the evidence, and that evidence is presented in proper form, and under its own name, and I had that evidence submitted to me.

Mr. SMITH (Nanaimo).—It is very simple: there are people in Scotland that object, as you are objecting, to the co-operative movement. Columns of that newspaper are open to them, and those people write exactly what you are saying to the committee. They take exactly the same position as you take in reference to this Bill.

The WITNESS.—There must be something in it that makes those people write these letters. It is either right or wrong, and if it is wrong, the principle of this Bill is wrong.

By Mr. Smith (Nanaimo):

Q. The people in England, Scotland, Ireland and Wales who are operating on this principle are increasing year after year. This is a voluntary movement, there is nothing compulsory, and they realize that by a combination of individuals they can do business cheaper and better. Under the circumstances, the people in England do not think that they have any right to step in and stop a process like that. If such is the case over there, why should we not have that same voluntary privilege in Canada?—A. If they get a charter, but they should not have special privileges, as this Bill will give them.

Q. These twelve men come together, they register and they get a certificate of registration, and they obtain the right to come together and sell goods, just as you would get a municipal privilege in Toronto?—A. They can do that here now, can they not? But you want to legalize them.

Mr. MONK.—Continuing what Mr. Smith says, the only object of this Bill is to make that privilege inexpensive to the people and not require them to go to Parliament and expend large sums of money, which would be unjust in view of their limited means. I really think your objection is addressed to the large departmental stores.

The WITNESS.—No, Mr. Monk, I am addressing myself right to this system, and I have all the evidence in front of me to show that in Scotland these stores have injured the retail trade. In consequence, hundreds of respectable men are compelled to come out to Canada. Instead of it being a scheme for the poor man, as you talk about, those that have money put their money into it, and they are reaping the reward, and the poor man, who is forced to get credit has to come and do business with the single-line merchant.

By Mr. Smith (Nanaimo):

Q. Do you mean to say the members of co-operative societies in Scotland are not poor men?—A. Yes.

Mr. SMITH (Nanaimo).—That is an extraordinary statement.

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Mr. W. C. ELLIS (Ottawa).—Mr. Monk has just mentioned what, to my mind, is the whole point of the objection I would take to this Bill: if the retail merchant, or any other merchant, wholesaler, or anybody else, wants to form a company, he has to pay for a charter in order to do so. These people are asking for the privilege without paying for it. That is where the unfair competition comes in. The poor retailer in the city has been living here and paying his taxes in order to do business. He has been paying clerks and paying taxes, and he has been an advantage to the city. And now the people themselves, who have been the retailer's customers, we will say, want to reap the little profits that he has been making. They want to get together, but they don't want to pay the couple of hundred dollars necessary to get a charter. But if that merchant wanted to start a company, he would have to get a charter. That is the whole thing; that is unfair to the retailer.

By Mr. Monk:

Q. That is your objection?—A. That is my objection; it is unfair to the retailer. Surely he has some standing in the community. He has never made any fortune. To-day the retail trade is making as little money as any class. Under your proposed Bill you grant them the powers of a company, you enable them to get rebates for the money they put in, and they can turn out so many retailers. You grant them everything, but the retailer is thrown down.

By the Chairman:

Q. Is that your chief objection to the Bill?—A. That is my chief objection.

Mr. TROWERN.—A point has been stated here which I think ought to be met. Mr. Smith has made the statement about these stores being of so much good to the people and doing so well. Now, I have here the evidence, obtained from reliable merchants, where there has been a comparison of goods that have been purchased in these stores on the one hand, and goods purchased in the ordinary stores on the other hand. The customers who have done that have found that they get better prices in single line stores than in co-operative stores.

By the Chairman:

Q. In other words you claim that the retail merchants sell better and cheaper goods than do the co-operative stores?—A. Just as cheap and cheaper, for the co-operative stores have to give their dividend.

The CHAIRMAN.—Mr. Beaudry, will you state briefly your objections to the Bill?

Mr. BEAUDRY (Montreal).—I do not want to take up too much of your time, which is valuable, but I desire to state two or three facts. The economical problem of to-day is going to be affected by this Bill, and that is why we object to it. The great problem in business to-day is this: quality, quantity and price have to be considered. No man in any transaction can ignore these considerations. We sell so much goods of such a quality at such a price. Under this Bill you say to the consumer: 'You are going to have the right to form a co-operative society, to buy your goods direct from the source of supply, and distribute those goods among yourselves and do away with the middleman's profit.' This is the whole purpose of this Bill, as I understand it. It also goes a little further. You give them at the same time the right to establish their own banking

system. This is another feature of the Bill to enable to do their own banking among themselves. Now, in the preamble, in the main argument we might say, it is stated that this Bill is for the poor man. Well, if this Bill is really for the improvement of the conditions of the poor man he is out of it, because in the first place the poor man has to put money into the society. To-day the man who wants to go into business must have some capital, and to go into this society he must have capital. So the statement that the Bill is for the poor man must be put to one side until it is proved to be really the case. To get any benefit from the society one must be a member, and to be a member one must invest capital in it, and, therefore, this Bill is not for the poor.

Mr. SMITH (Nanaimo).—It is a very small amount.

The WITNESS.—I quite agree with you, but the principle is there. What you want to do is to reverse the system of distribution of goods which is in existence to-day, under which system we have the manufacturer who is working in building up the country, and we have also the wholesaler and the retailer. Well, if you can produce any evidence that goods can be distributed to-day in Canada at less cost than through the wholesaler and the retailer, I will be in favour of the Bill. This has been tried before, and there is no way to distribute goods cheaper than through the wholesaler and retailer.

By Mr. Verville:

Q. What would be the effect of the banking feature on the retail stores?—A. I am speaking on behalf of the retailer, and I wish to make this statement: that the retailer has never done, and I hope never will do, anything that will be against the interests of the public. In the first place he cannot do it, even if he wanted to. Therefore, I do not say that the banking privilege granted by this Act will hurt the retail men. I simply say this: The present Canadian banks have a good reputation throughout Canada and foreign countries, and if you allow small men in these societies who have had no experience in banking business to carry on such business, and if they are not successful and if they fail, such a result will discredit the good banking organization that Canada now has.

By Mr. Smith (Nanaimo):

Q. Whose loss is that?—A. It would be the people's loss. It would be said that the Banking Act is not good in Canada, and this would reflect on the whole country.

Q. It has nothing to do with the general practice?—A. That is why it should not be permitted.

Q. If people want to put their money in a bank what objection can there be? If twenty men come with \$50 of savings and say: 'We do not want to put this into an ordinary bank but into the bank of this society,' what objection can there be?—A. Because these societies are not regulated according to the Banking Act. There are no securities, no inspection. Why, in the preamble of this Bill it is stated that the purpose is to promote the interest of the labouring and farming classes. Now, we ought to be on a position of equality in this country, and what is good for one man ought to be good for another. If it is good for the farming and labouring classes to organize in this way, it ought to be good for the retail merchant.

Mr. SMITH (Nanaimo).—If other retail merchants want to come together and co-operate under this Bill, they can do just the same as any other class.

The WITNESS.—Yes: for distribution of goods, but not for farming purposes or anything else. As to the statements which have been made by Mr. Trowern, I have had experience of them and know them to be true.

By Mr. Smith (Nanaimo):

Q. What is true?—A. That the officers of a corporation are not at present criminally responsible for the action of a company. That has been tested in the courts.

Q. But this is not a company?—A. It will be a company when it is organized.

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Mr. MONK.—If it were a company its president and its other officers are subject to the same liabilities as the president and other officers of every other incorporated company, criminally and civilly; there are no exceptions.

The WITNESS.—Those who are incorporated have special privileges already. They have more privileges than individuals. Those who will organize under the provisions of this Bill will have the same special privileges.

Mr. MONK.—That applies to all incorporated companies, but there are no exemptions.

The WITNESS.—There is no difference between the liabilities of the officers of incorporated companies and that of the officers of these societies. That is why we must object to any further rights being granted to these organizations. Because we have one bad thing in existence at present we should not encourage it; all should be equal in this country. That is the stand the retail merchants have always taken; we want to be treated all alike.

By Mr. Smith (Nanaimo):

Q. If the retail merchants have the right to sell goods and the public themselves are granted the same rights, is that not putting them in a position of equality?—A. Certainly. But that is not the effect of this Bill.

Q. That is the whole question. You say you want everybody to be treated alike. Well now, if the retail merchants have the right to come together and sell goods to the public and the public, or a section of the public, say, 'We want to be allowed to purchase goods and sell them,' have they not the right to do so?—A. Yes; but according to this Bill they want that right by means of special legislation, by avoiding personal responsibility.

Mr. MONK.—It is simply permissive. They are permitted to form themselves into a corporation.

The WITNESS.—Well, it is permissive legislation to obtain special privileges.

Mr. SMITH (Nanaimo).—All the retail merchants can do the same thing.

The WITNESS.—It takes a company of men to do it.

The CHAIRMAN.—It is a co-operative movement, not an individual co-operation.

The WITNESS.—One man cannot make a co-operation.

The CHAIRMAN.—If there are only two they can co-operate under the Bill.

The WITNESS.—No, it takes twelve men. There are no twelve men who can go and buy from the manufacturers all they need. Therefore, when you say you want to give that right to twelve men, you are placing them in an exceptional position. Others who form companies have to pay from \$200 to \$600, whereas the twelve men who have been spoken of by way of illustration escaped that payment.

Mr. VERVILLE.—Supposing you have a country village, there may be only twelve farmers there, and they could all form themselves into a co-operative society.

The WITNESS.—They could have their own store to-day if they wanted to, but their individual responsibility would not be limited. Then it was stated that this co-operative organization when it is formed would have the right to sell only to its own members. Is that right?

Mr. MONK.—That is right; otherwise your objection would have no force. It would have more force if these co-operative societies could go out and sell over the whole country. The real question, as put by Mr. Smith, is whether they have that right to act among themselves.

Mr. TROWERN.—It is one of the weaknesses of the scheme.

Mr. MONK.—I think your objection is a formidable one against the big departmental stores.

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Mr. TROWERN.—We have got that trouble now, and we do not want any more. This is going to give us more trouble; one trouble is enough.

Mr. BEAUDRY.—If you want to refer to other countries, I am ready to give you information. Evidently it is not the intention of this committee that we should bring evidence from other countries.

Mr. SMITH (Nanaimo).—The movement in other countries has been a great success, and the members are increasing by thousands and tens of thousands.

Mr. TROWERN.—We claim it is not a success. I thought the committee would give us an opportunity of placing that evidence before them before they took any action.

Mr. BEAUDRY.—If a provision were inserted in the Bill that no misrepresentation of merchandise could be indulged in, that would have a far-reaching effect. It would build up this country more than anything else.

Mr. TROWERN.—And we should also make corporations responsible under the law, the same as individuals are now held responsible.

Mr. BEAUDRY.—Quality, price and quantity, these are the three principles to be considered. There should be an enactment making misrepresentation in regard to these things a criminal offence. You will not build this country up much by co-operative societies.

Mr. SMITH (Nanaimo).—You cannot do it by law.

Mr. TROWERN.—You should do it by good laws; it is done in other countries.

Mr. W. L. MACKENZIE KING, C.M.G., called and examined.

By Mr. Monk:

Q. Mr. King, you have been for several years Deputy Minister of the Department of Labour, have you not?—A. Yes.

Q. Previous to your assuming that position, had you made a special study of economics?—A. Yes.

Q. Have you had occasion to examine the Bill which is now under the consideration of the committee?—A. Yes.

Q. Will you give the committee your opinion in regard to the advantages that might result from the operations of this Bill?—A. Perhaps I can give that information best, Mr. Monk, by referring to some experience I have had in connection with co-operation, and to the study I have given the subject.

Q. Yes, sir?—A. I might say that the first time I took up this question of co-operation was at the University of Toronto, as an under-graduate, in connection with the work of political economy at the University. We were obliged to study the co-operative movement in the different countries. Subsequently I spent some time in post-graduate study at the University of Chicago and also at Harvard University, and particularly at Harvard, I gave additional study to the subject of co-operation. Then I spent a year in Europe studying industrial conditions and at that time went rather carefully into the question of the co-operative movement in England and slightly on the Continent. As far as economic studies go, I would say, I gathered distinctly the impression that most of the best known economists have strongly favoured the co-operative movement. Men like John Stuart Mill, who are known to be strong individualists, and men not given to favouring schemes that are not thoroughly well understood have endorsed it most strongly and heartily; in fact, I think John Stuart Mill looked more to the co-operative movement for the great betterment of the working classes than any other single movement he could see at the time. Some reference was made in evidence given this morning to Mr. Ruskin and Mr. Carlyle as to what they would think of a movement of this sort. I think probably the co-operative movement has had no stronger supporters than it has found in both those gentlemen. I think careful perusal of their books will show that. Leading economists of to-day, both in England

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and the United States, men who have not at heart the interests of one class of society as against the other, but who look impartially upon economic affairs, are, I think, pretty well one in the favour with which they view co-operative movement as a movement exceptionally beneficial from the point of view of educating the mass of people, from the point of view of enabling the mass of people to improve their own condition, and from the point of view of the general betterment and welfare of the people of a country.

I spoke of Harvard University. At that University, I was a member of two co-operative societies. There are a great many students who attend Harvard who have not any considerable means. They are anxious to get a college education and they are obliged to save and economize in as many ways as possible. One method which has been adopted by the students in their endeavours to economize, in their efforts to take the full advantage of the University with such means as they have at their disposal, has been to form co-operative societies for the purpose of purchasing supplies necessary for them at college, and also for the purpose of providing themselves with meals, for they have a co-operative dining association as well. I will speak first of what is known as the Harvard Co-operative Association. It was formed some twenty years ago, I think, and the arrangement is this: the student pays \$2.50 to become a member of this co-operative society. He then goes to the offices of the society and purchases such commodities as he may require. If he furnishes his own room, he will purchase the furniture required, also blankets, fuel, and other necessary articles. Books and stationery required for the class room he will purchase from the co-operative society. The students elect their officers to manage these societies. The society conducts its business just as any retail store would. The only difference is this: As I have said the student pays \$2.50 to become a member; that is simply to help to meet expenses. Then the profits of the society at the end of the year instead of going to one man are divided up among the students in accordance with the purchases they have made. If a man has bought so many dollars' worth of books and other articles, he receives back a certain percentage in accordance with the amount he has purchased.

In connection with the dining association, the students get together and arrange with one or two of their number to act as managers or a board of directors. These men are paid for their services, this payment helps them to go on with their college work. Then some of the students act even as waiters and they are also paid for their services as waiters. At the end of the year the profits of the concern are divided among the men who have been members of the club. A record is kept of every purchase that is made. A man pays a cent for butter, five cents for meat, and three cents for potatoes and so on. Each day, at the end of the meal his order slips are signed by the waiter—handed in at the office, and retained there, and at the end of the year the total amount of his purchases are added up and the profits instead of going to some landlady in the community are returned in part to himself.

It is perfectly natural to expect there will be objections to the co-operative movement by middlemen. Perhaps I might say at this point, after listening to the evidence given this morning by Mr. Trowern, that it seems to me perfectly natural to expect that anybody who is representing what is virtually a combine of retail merchants should be opposed to any movement that might have a tendency to check the possible effects of such a combine. Mr. Trowern's argument, it seems to me, reduced to its logical conclusion would prevent any man from having a kitchen garden or from keeping a cow, and would prevent a woman from doing her own house-work. Because his statement is simply one strong argument in favour of retaining the middleman at any cost. The co-operative movement aims at doing away with the middleman. It might as well be stated frankly that it has this as an aim or rather the substitution for him wherever possible of a co-operative society in which men who are contributing towards the purchase of commodities may also share in the profits. I know in my own experience at Harvard that having the opportunity of being a member of the co-

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perative association and of getting all books and other necessaries from the co-operative stores, I was enabled to save a considerable sum and to this extent to take an advantage of opportunities there which I might not otherwise have been able to do. And I know that what has been my experience has been the experience of a great number of men at the University. What is true of the co-operative movement as applied to a body of students at a University, is equally true of co-operation as applied to a group of working men or to the people in any community.

By Mr. Monk:

Q. Did that custom obtain at the University of Toronto?—A. No, I think not. I think they have not such a club. I might say that I think a similar society started here in Ottawa would be a god-send to the members of the civil service. I think if every man in the civil service became a member of a co-operative society and purchased his coal and clothing and other necessaries through that society, he would find that his income, the purchasing value of his income, would be increased by 10 or 15 per cent. And men living on limited incomes, I think, could look for a good deal in the way of improving their condition by becoming members of such a society and helping to further a movement of this kind. I have here a volume, one of the publications of the American Economic Association, dealing with co-operation in New England. It is by Edward W. Bemis. I think it well to mention it as it has a reference to the Harvard Co-operative Society, and to a similar society at Yale; it states that the students have also similar societies at the University of Michigan and at the Massachusetts Institute of Technology.

By the Chairman:

Q. Those universities have a very large number of students?—A. Yes, some of them have. Harvard has 4,000, I think. The Massachusetts Institute of Technology has not that number. I do not think it is as large an institution as either McGill or the University of Toronto. The publication to which I referred a moment ago has also a reference to other co-operative undertakings—co-operative stores, productive co-operation and credit co-operation—in New England. That state being the most conservative in the American Union, I think the experience of the movement there would be of value to this committee.

By Mr. Monk:

Q. Will you leave that publication with the committee?—A. Yes, with pleasure. (Book filed as *exhibit No. 6.*)

The WITNESS.—I stated that when in England I looked into this movement off and on at different times, and this morning before coming to this committee it occurred to me that I might have in the journal, or diary, which I kept during my trip in Europe, some reference to the co-operative movement. I did not have much time to look through it, but I came across this reference, dated London, February 6, 1900:

‘Went at eleven to the Wholesale Co-operative Society’s establishment and was shown over their buildings. First went through the tea factory—about 300 employees. The conditions were splendid; lots of light and air space, clean, regulated hours and good wages.’

Then I have a reference to the use of machinery:

‘Next went through the coffee and chocolate factory, then the ham, bacon and groceries, and finally the tailoring. Here the work is kept up all the year round. Good rooms, bright and clean and not too crowded. No work given out except in pressing season.

‘Had dinner in the hall, along with buyers from the southern section. Talked with Deans and Benjamin Jones. The former stated co-operation did not succeed in London because of the too great competition of the cheap sellers; the latter because of the nature of the people, who preferred cheap goods and poor articles.

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'I think the co-operative movement an excellent thing, very beneficial to the working people who join it.'

By Mr. Smith (Nanaimo):

Q. That was the Productive Wholesale Society?—A. That was the Productive Wholesale Society. I was going to say a word or two in this connection of the system of co-operation in England. I think it has been pretty well explained that the movement there had its beginning with these distributive societies, which were of the nature of the Harvard Co-operative Association. Afterward the movement extended to the wholesale productive co-operative associations. The banking feature came last in England as a means of furthering the large wholesale work. The point that I would like to direct attention to, however, in view of what has been said this morning, is the objection, or rather the reason alleged by two of the great co-operators in England as to the failure of the productive movement to make great headway in London—the great competition of the cheap sellers. Now, undoubtedly the movement has this feature about it: that inasmuch as it is conducted by persons who are interested in all stages of it, the quality of the goods and the welfare of the workers is likely to be a first consideration, and the result is that men purchasing from co-operative societies are likely to get a class of goods and a kind of commodity which will be better in quality than what may be obtained at other shops under the ordinary competitive system. The danger, therefore, of the co-operative movement really injuring the retail trade is very much minimized in view of this fact. The retail trade has the opportunity always of putting any class of commodities before the people, while under the co-operative movement, particularly where productive co-operation prevails, the method of manufacture is on the best scale, having reference to the welfare of employees from the point of view of health, wages and such like, and it is, therefore, probable that in a good many cases the price of an article may be a little bit higher than it would be in the case of commodities made up indiscriminately under the competitive system.

When I was in the old country last fall in connection with some work of the Department of Labour, I had in mind the possibility of this Bill coming up before the committee of the House, and it occurred to me, in passing one of these co-operative society stores, that it might be well, to drop in and find out the working conditions of the store on the spot. I was going along one of the streets in Glasgow, and noticed the St. Rollox Co-operative Society store. It was a store where one could purchase groceries or meats of any kind. I went in and asked the man in charge if he would give me a little information with regard to the store and its workings. He gave me, after some verbal explanations, this statement, which is short. I will read it, as it explains the working of a co-operative distributive store. This will illustrate, in regard to the distributive side anyway, the benefit which the people can get from a society of this kind. These are the instructions to new members joining the society:—

'St. Rollox Co-operative Society, Limited.

'Instructions to New Members joining Society.

'Persons wishing to join the society can call at any of our grocery shops and obtain an application form, and sign same, declaring his (or her) willingness to conform to the rules of the society, and to take up at least five shares, value £1 each share.

'Entry money of 6d. is charged to cover cost of rule book, share book, &c., after which he (or she) is entitled to all the privileges of membership.

'Pass book is supplied to each member for the purposes of keeping a record of their purchases. This pass book must be handed in at each quarterly stock-taking, to be added up, and total credited to the member.

'Share capital can either be paid in full or in part, or made up by deduction of 5s. from dividend earned each quarter.

'At the end of each quarter (notice of which will be published in each shop), the stocks are taken, the books balanced, the accounts audited by a chartered accountant;

and whatever amount of net profit has been made is apportioned as dividends, at so much per £ on each member's purchases.

'The dividend thus apportioned is added to the member's capital, and may be withdrawn, unless (as before stated) where the capital is not paid up, 5s. per quarter is retained.

'New members, not having lodged any share capital, must pay cash for all goods. Members lodging share capital can get credit to the extent of 75 per cent on amount lodged, and which is apportioned as follows: 50 per cent to grocery and coal; 20 per cent to fleshing, and 5 per cent to dairy.

'Members desiring further information may drop a note to Registered Office, 121 Kennedy street, when our general manager will be very pleased to wait on them at your residence.

'All applications for share or loan capital to be made in writing, and addressed to the committee, giving full name and address, as well as share book number, and must be lodged at the Registered Office, 121 Kennedy street, not later than 6 p.m. on Mondays; and, if approved of and in accordance with rule 29, payment will be made at 10 a.m. on the Wednesday following. Applications received after Monday will not be considered until the following week.

'By Order of Committee.'

The manager informed me that the dividend which the members of this society had received on their purchases at the end of the year had amounted to 2s. 1d. on their purchases per £. To begin with, any person can become a member of the society upon paying 6d. and taking some shares. At the end of the year when the dividends were made up for every £, the purchase prices being practically the same as they would be elsewhere, a dividend was returned to the members of 2s. 1d. Then in addition to that there was a dividend of 5 per cent paid on the shares, and on loans a dividend of 4½ per cent. The form of application for admission to membership is as follows:—

'St. Rollox Co-operative Society, Limited.

'Form for Admission to Membership.'

'Gentlemen,—I hereby make application to become a member of the above society, and I agree to conform to the rules and regulations thereof. Given under my hand this the.....day of.....190 .

'Branch..... Name in full.....

'Shares..... Residing at.....

'Loans..... Occupation.....

'Salesman's signature.....

'Note.—Full christian name must be given. In the case of widows their own christian name should be given and not the name of deceased husband, such as Mrs. John. &c., &c.'

Each member is given a little card of membership, which he is obliged to present every time he makes a purchase, and when the purchase is made a record is kept just as I have stated was done at Harvard. The membership card is in the following form:—

'ST. ROLLOX CO-OPERATIVE SOCIETY, LTD.

Registered Address, 8 NORTH OSWALD STREET.

Climax Check Office.

Member's Name.....

Address.....

Ledger No.....

INSTRUCTIONS.

'This Card or Purchase Book, must be produced and put into the Counter Box at each time of making a purchase at any of our shops. The member must see that the

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number *written on* the Check they get from the Salesman agrees exactly with the Letter Number as above. File your Checks carefully, add them weekly; and at the end of the Quarter see that the total amount corresponds with the amount on Coupon you get from the Office. If there is any difference, bring the Coupon and the Checks to the Office to have them compared. Do not destroy your Checks until the dividend has been drawn. Any member withdrawing their Shares in full must return this Card along with their Ledger to the Office.'

Now in this country, in Canada, reference has been made to some co-operative experiments, and perhaps for the convenience of the Committee, I might put on record the following references in the *Labour Gazette* to 'Co-operation in Canada':

Among Fishermen, vol. I., p. 350.

Among Dairymen, vol. II., p. 28.

Among Atlantic Fishermen, vol. III., p. 680.

Co-operative Association at Guelph, vol. IV., p. 908.

Among Coal Miners at Fernie, Michel and Morissey, vol. IV., p. 1000.

Co-operative Savings and Credit Societies in Canada, vol. V., p. 980.

Co-operative Stores in Cape Breton, vol. V., p. 1300.

Victoria Board of Trade, resolution *re* co-operative storing of fish, vol. V., p. 714.

Co-operative Bakery at Vancouver, vol. V., p. 602.

Co-operative Apple Packing, vol. VI., p. 654.

See also, vol. V., p. 933, and vol. VII. (July), p. 9.

Guelph Co-operative Association, 1906 Report, vol. VII., p. 834.

Legislation *re* Co-operation, vol. VII., p. 508 (Nov.)

By Mr. Monk:

Q. Are all those references contained in one number of the *Labour Gazette*?—A. No, sir, they are scattered through six years. We have at different times as the co-operative societies came to our notice, made a reference to them, and this is a list of the pages of the *Gazette* where the references are to be found should there be a desire on the part of any member of the Committee to refer to them.

Mr. TROWERN.—As Mr. King has placed on the records one side of the story with reference to the St. Rollox Co-operative Society, Ltd., I have letters from a customer of that Society, who gives his name and address, giving his experience in dealing with that store, and I would like to have permission to put those in order to give the other side of the story. Will the Committee permit me to do so?

The CHAIRMAN.—Yes.

(Subsequently Mr. Trowern put in two documents which were marked as Exhibits No. 9 and No. 10.)

The Committee adjourned.

HOUSE OF COMMONS, ROOM 30,

Tuesday, March 12, 1907.

The Special Committee to whom was referred Bill No. 2, an Act respecting Industrial and Co-operative Societies, met here this day at 10.30 a.m., Hon. Rodolphe Lemieux, chairman, presiding.

The examination of Mr. W. L. Mackenzie King resumed.

By the Chairman:

Q. Mr. King, will you please resume your evidence?—A. When we concluded the

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other day I was speaking about co-operation in Canada, and I was about to draw the attention of the committee to this little publication 'The Canadian Co-operator' (publication produced and marked Exhibit No. 7). It has been published during the last two years in Canada, but I was not aware whether it had come to the notice of the committee. There are references in it to the co-operative movement throughout the Dominion, and to the advantages of co-operation. We have, in the Department of Labour, a complete file of this publication.

Q. Is it still being published?—A. Yes, it is being issued monthly. If the committee wish to have the file I shall be pleased to place it where it may be available. We would like to have it back in the department later on. There is an opinion in this work 'The Empire and the Century,' by Prof. Robertson, the head of the Macdonald Agricultural College, that I think would be of interest to the committee as to what the co-operative movement has done in the case of one or two industries in Canada. I have marked the statement to which I refer, at page 388, and will read it. Prof. Robertson, in speaking of Canadian agriculture, says:—

'The province of Prince Edward Island is adapted for dairying through butter and cheese factories, but that business was going backward for want of information and education. In the year 1892, with the assistance of money given by the Dominion government, one co-operative cheese factory was started at New Perth, in Prince Edward Island. The machinery was lent by the government. An instructor was sent to organize the business and to arrange the locality into routes for the convenience of those supplying milk. The factory was managed as a government dairy station, as an object-lesson for the education of the people in co-operative dairying. In the autumn of 1892 I took the liberty of exporting to London \$3,600 worth of cheese manufactured at that station, and I can recall the remonstrances of some of the people against risking their cheese in any steamer. I got fault-finding letters asking me why I did not sell the cheese at home, or in Halifax, Nova Scotia. The cheese was delivered in England and was sold there for the top market price. Some of it, indeed, sold for sixpence per hundred weight more. I angled for that sixpence, and I got it. Then, when the Island people knew that they had got sixpence per hundredweight more for their cheese than was paid for any other Canadian cheese sold that day in London, it put new faith, hope, and courage into them. That was the beginning of the export of cheese from Prince Edward Island, to the value of \$3,600. At the taking of the census in 1891, the four cheese factories in Prince Edward Island were put in the returns as having an output valued at \$566,824. There is an instance of the result of organization and education. There had been no increase in the number of acres of land occupied, and but little increase in the number of cows kept. The change had been in the quality of the intelligent labour applied to the conditions. The people now run their own factories, and have repaid to the government every dollar that was lent to them. There is no part of agriculture that is not susceptible to the same kind of improvement.'

Elsewhere Professor Robertson says:

'The people of the province of Quebec were generally supposed to be far behind those of Ontario in education and co-operation as applied to dairying and agriculture generally. The returns in the census of 1901 revealed some of the results of the educational campaign. Ontario made great progress, but Quebec made much more. The following table is indicative in part of what was accomplished:—

'Value of product from co-operative butter and cheese factories as returned in the two census years 1901 and 1891.

	Ontario.	Quebec.
Value in 1900.	\$14,706,303	\$12,261,898
Value in 1890.	7,569,338	2,918,527
Increase.	\$7,136,965	\$9,343,371

'The development of this industry, which has increased the desire and capacity of the rural populations to co-operate in other ways, is traceable directly to education

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and guidance towards organization. I believe that similar means would be equally effective in the whole range of agriculture, from the cultivation of the soil to the preparation and shipping of products to ultimate markets.

Now, from an authority like Prof. Robertson, that opinion it seems to me is of special value. It would go to indicate that as the co-operative movement has made headway the general business of the community has been increased; instead, therefore, of the co-operative movement coming into competition and rivalry with some other method of trade it would appear that if successful, as it has been in these cases, the probability is that trade generally would receive such a stimulus that business in other directions would be greatly assisted thereby.

I have here a letter from Mr. A. McMullan of Old Bridgeport, C.B. This has to do with the co-operative movement among the miners in Cape Breton. We have in the Department of Labour been gathering information for some time from different points and Mr. McMullan seems to understand the movement in Cape Breton better than anyone there. He has very kindly, in answer to the department, given some detailed statements of the movement among the miners; the reasons of its failures in the past and the probable success of the movement in the future. As throwing light upon what has been the cause of failures of the movement in some cases and what may be hoped from it if carried on carefully, I think his letter would be of interest to the committee (reads):

OLD BRIDGEPORT, C.B., December 5, 1906.

W. L. MACKENZIE KING,
Deputy Minister of Labour,
Ottawa.

DEAR SIR,—Your favour of 17th ultimo was duly received, but pressure of work prevented me from giving it the careful reply it demands with the promptness I would like.

In tracing the history of the co-operative movement in Cape Breton, it will first be necessary to note the complete failure of this movement as first organized here. I admit that to one who is struggling to revive it, this is not a pleasant task. But as these failures have their important lessons, we must look them in the face, and if possible avoid the mistakes of the past. I shall first then give you a list of the past failures.

1st. The Sydney Mines Provident Society, Ltd., Sydney Mines, C.B., was started in 1863, (not 1873 as I must have stated in my last in mistake) failed 1905. This is a contemporary of the Union Store at Stellarton, N.S., Jas. Mitchell, manager. The knowledge of the workings of these societies was brought from England to Stellarton and Sydney Mines by miners from England. The Sydney Mines Society did for many years a flourishing and profitable business, as the Stellarton Store is still doing. The omission of making provision out of their profits for a reserve fund, the withdrawal of capital from the business, and inability to adapt themselves to changing conditions, brought them into difficulties and on the top of these difficulties their stock and their store was burnt.

2nd. The Britannic Co-operative Society, Sydney Mines, started about 1873. This was in opposition to the older society. The mine officials were the chief movers in this undertaking. They failed to take the patronage of the workmen from the other store and in about three years their business went to the wall.

3rd. The International Co-operative Store Lt., Bridgeport, C.B., was organized in 1885, dissolved in 1898. The influence of the P.W.A. in bringing the workmen of the International Colliery together, and the sympathy of the company's agent, together with the help and enthusiasm of the Colliery manager, Mr. John Johnston, now of Sydney Mines, gave the first impetus to this society. But for the reasons I stated in my last, no reserve fund, withdrawal of capital, necessitated by the removal of members to other localities, and changing conditions in connection with the collieries, forced them to mortgage the property, pay the liabilities and dissolve. A. Johnston, M.P. for Cape Breton, was manager at the time of dissolution.

4th. The Reserve Co-operative Store Co. Ltd., Reserve Mines, C.B., commenced business 1887, failed 1898. Did a good and profitable business. Benefited many of the workmen. No reserve fund, slackness of work for two successive winters, and continued rumours of the closing of the colliery, the withdrawal of capital by members removing to other localities, and a change in the management of the store necessitated by the death of the former manager, can be cited as the cause of this failure.

6th. The Morien Mutual, Port Morien, started 1888. Failed, 1895. Organized in opposition to the Cow Boy Co-operative Store Co., was from the first but an ordinary joint stock company. Reckless credit and reckless buying ruined them. Finally the manager disappeared and the business went into the hands of the sheriff. No reserve fund.

7th. The Victoria Co-operative Store Co., Victoria Mines C.B., started 1889 ; failed 1895. Failed because the colliery was closed by the D. C. Co.

8th. The Little Glace Bay Co-operative Store Co. started 1887, failed 1894. This business got beyond its depth at the very outset through imprudent buying, and although they struggled through seven years, mutual confidence, so indispensable to co-operation, was never restored. No reserve fund, withdrawal of capital, indiscreet credit and lack of ability to adopt themselves to fast changing conditions, brought them under.

9. The Old Bridgeport Co-operative Store Co., started 1895, was burnt out a few months after and never re-organized. No reserve fund.

10. The Workman's Store Co. Reserve Mines, started 1902 ; failed 1904. Lack of business capacity on the part of the manager, made this business impossible from the very start.

Now, sir, I think you can appreciate the faith and courage of the 36 men who undertook to undo this record failure by venturing upon a demonstration of the fact that co-operation can be made a success. Indeed all of them were connected with one or other of the previous stores. Our president, M. J. Haley, can show by his pass-book that his connection with the International Co-operative Store in ten years from an investment of \$28.63 was worth to him in cash, \$556.99.

You have already in brief the story of our business. I may now add that for the three months ending November 30, our business was \$13,830.87.

The Sydney Co-operative Society, Ltd., E. M. Wherry, manager, started 1904, was one of the outcomes of the Sydney strike. It is doing a business of about \$1,600 a month, has 76 members, is greatly handicapped for lack of capital and the constant removal of members to other localities ; reserve found 10 per cent of profit.

The Glace Bay Co-operative Society, Ltd., was organized the present year strictly on British lines. Their business for November was \$5,300. They absorbed The Mechanics' Store Co., H. A. McMullan, manager. Reserve 10 per cent of profits and all admission fees.

The British Canadian Co-operative Society, Ltd., of Sydney Mines, started the present year. This society is composed nearly altogether of old country co-operatives. Very few of the members of the old store have so far identified themselves with them. They are adopting old country methods altogether. While all the other societies allow credit to the amount of $\frac{1}{2}$ of the capital, this society gives absolutely no credit even to their members. They now have a membership of 78, and are doing a good business. M. Bell is manager.

The Broughton Co-operative Society, Ltd., never started business. About the time they thought of organizing, work at the new colliery was suspended.

At Stewiack, N.S., the farmers have a union for the distributing of farm produce. This union has existed for a number of years, but I have not the names of any of its officials.

About five years ago the farmers of Elmsdale, Hants county, N.S., organized a similar business, together with a consumers' store. This business, I understand, is doing well. Write James Kenty, Elmsdale.

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I have had considerable correspondence with the Rev. Samuel F. Wilson, North-east Morgan, C.B., regarding the organization of business along the lines of the Elmsdale business, there. In his last letter he informed me they were about taking steps in that direction. I have endeavoured to give Mr. Wilson some knowledge of the Denmark Agricultural Co-operation, and I have no doubt but if they get started he will give the business that direction.

I am glad to furnish the department with the foregoing information. If there are any points I have overlooked or failed to make clear, kindly consider me still at your service

Yours truly,

(Sgd.) A. M. McMULLAN.

P.S.—The Amherst Co-operative Store is in its initial stage. Its membership is 70. It is run on the principle of the British co-operative stores. The store is well patronized. H. R. Keith, manager.

I think that letter is instructive as containing points that should be noted in any legislation furthering the co-operative movement. Reference frequently occurring to the failure to provide reserve funds and such like is a matter which shows, of course, the necessity of watching that point in connection with any society starting business under a Dominion Act.

Mr. McMullan refers to the Sydney Co-operative Store having been started as an outcome of the Sydney strike. Perhaps the committee will permit me to say just a word or two in regard to that store, as it indicates wherein the co-operative movement has a bearing upon the labour question in reference to the possible conflicts between labour and capital. I was looking into the cause of the trouble between the Steel Company and its employees at Sydney prior to the time at which this store was started. Mr. Wherry, who is referred to there, was a leader of the men on strike. It was perfectly apparent from the conditions, that the men could not hope to get any great increase in wages. The strike, it seems, was brought on at a time when the cost of living there was high and when the men, from the wages they were receiving, could not enjoy comforts to any extent. I made a suggestion to them—to the company and to the men—that the difficulty might in part be met were an effort made in a co-operative direction; the company assisting the men in getting coal at a reduced rate, the men starting a store whereby they could purchase some necessaries themselves, and instead of all the profits going to dealers, they would be able to make a small saving on their purchases. They seemed to think that the idea was a good one and wrote for information. The department sent some books on co-operation, and Mr. Wherry has since written me that the society has been doing, although on a limited scale, good work and has been really the means of helping the workingmen to appreciate the difficulties of the capitalist, as well as a means of enabling them to meet some of the difficulties with which they had to contend themselves. There is that great feature, it seems to me, in connection with co-operation which makes it specially important in considering the relations of labour and capital. It teaches the working classes something of the responsibilities of capital, the risks that capital has to take; it familiarizes them with matters of trade, the kind of management that is required, the kind of skill that is necessary to enable business to be carried on profitably and satisfactorily; it teaches them the possibility of the losses of stock through fire, and the like, and also the difficulty of retaining customers. In every way it is as educational as it is possible for a movement to be, and naturally, when workingmen come subsequently to deal with an employer and he begins to explain matters of this kind to them, they have an intelligent appreciation of what he is endeavouring to convey.

I think in that way the movement is decidedly helpful as a means of solving industrial conflicts, and of course, where the movement is carried out on any great scale and the men themselves are shareholders in the industry, the reason for striking is entirely removed: they have to face the question of profits, and they look at the

two things in relation to each other. In that way the co-operative movement certainly is a strong factor towards solving the vexed problem of industrial strife.

I have here two or three reports. I will not read them, but I will turn them in to the committee, with the request that when the committee is through with them, they may be returned to the Department of Labour, so that we may have them for future reference. They are: the Report of the Workmen's Co-operative Store Company, Limited—evidently that is at Cape Breton—and the Glace Bay Co-operative Society, Limited. I will just read this one sentence from the report of the Workmen's Co-operative Store Company, Limited. (Reads):

'Brother Co-operators: We again submit for your approval the usual abstract and balance sheet for the half-year ending August 22nd, 1906. The sales for the term amount to \$24,356.57, an increase on the sales of the corresponding half of the past year of \$3,014.55. The net devisible profit, after paying all necessary expenses, amounts to \$282.33 to go to the reserve fund; \$244.21 to go to pay interest on members' capital; and \$2,262.53 to pay 10 per cent dividend on members' payments; leaving a balance of \$34.27 to be carried forward.'

By Mr. Monk:

Q. Is the 10 per cent paid upon the purchases of the parties?—A. That would mean payments on purchases. My object in reading it was to illustrate the many points of view workingmen would get in regard to business through having an association of this kind which they would probably never have had, had they not been brought into this direct relation with the employer's side of the question. Then here is the report of the British-Canadian Co-operative Society, Limited; also the Workingmen's Store Company, Limited, Dominion, Cape Breton—a small statement from them.

I have here some correspondence from Mr. O. R. Wallace, the correspondent of the *Labour Gazette* at Guelph, Ontario, in regard to a co-operative association which was formed there among workingmen, with a view to meeting what they thought were excessive prices being charged for bread. I think this correspondence is most interesting, as it shows particularly where workingmen can better their condition industrially through the co-operative movement, perhaps by taking up only one small phase of the question. On February 15, 1904, Mr. Wallace sent the following statement to the Department of Labour. (Reads):

'There is in process of formation in the city of Guelph a co-operative association of workingmen known as the Guelph Co-operative Association, Limited, which has been formed under chap. 202 of the Revised Statutes of Ontario.'

Just in this connection I may point out that the objections which Mr. Trowern was urging the other day to this particular Bill might be urged with equal force to the co-operative legislation of all the provinces which have enacted such legislation because his objections were to co-operation generally. Of course the governments of the different provinces have shown sympathy with the movement by enacting laws under which the members of some of the existing societies are working. Unfortunately, however, the laws are not of a nature which permit the phase of the co-operative movement which possibly this committee is particularly interested in—namely the banking or credit aspect. 'The Association is formed with the license to carry on by wholesale or retail different labours, trades, and businesses on a co-operative basis, but for the present it is only intended to run a bakery business. The intention of the promoters is to follow the lines of similar bodies in the Old Country. The capital stock is being sold in an unlimited number of \$2 shares in small lots to persons who will, it is expected, be the chief customers of the Association and an effort is being made to have as large a number of shareholders as possible. Up to the present the incorporating of the Association, the election of the first board of trustees and a canvass by the board of trustees for stock has consisted of the work accomplished.

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'The causes that have led to the formation of this Association have been the dissatisfaction of the workmen at the rate and business dealings of the master bakers with the public. This dissatisfaction took the form in 1902 of a motion at a meeting of the Guelph H. L. Council to appoint a committee of inquiry into the local prices of bread and meat. The complaint was made that bread was sold at a higher price in Guelph than the same bread was sold at when shipped by stage and sold in surrounding country towns and villages. The committee in their report stated that this was a fact but suggested no remedy. In the spring of 1903 a further motion was carried drawing the attention of the Chief of Police to the fact that a by-law of the city of Guelph was being violated in that much bread was being sold under the regulation weight of 4 lbs. for a large loaf. The police had previous to this motion confiscated bread at different times for being short in weight. The master bakers at this stage went before the City Council and at their request the bread by-law was amended in that while the regulation weight of bread remained at 4 lbs. fancy bread could be sold in a 3 lb. loaf provided it was stamped with the weight. In the meantime the price had gone up from 10 cents to 12 cents for a 4 lb. loaf. An agreement for a trial of day work instead of night work made with the local Journeymen Bakers' Union was broken by the master bakers before its expiration. In the fall of 1903 a further motion on the bread question was introduced in the T. & L. Council which called for the appointment of a special investigating committee, on the claim that 12 cents was being charged for a 3 lb. loaf of bread which was in some cases little different from the regular bread except in shape and name. This committee reported that they could see no way of remedying these different grievances except by the starting of a bakery on the co-operative plan. The committee were given authority to consult a solicitor and on the question being asked as to what support could be got a vote was taken on how many would subscribe \$10 of capital stock, 31 of those present agreed to do so. This committee after consulting a solicitor asked for the appointment of additional members to make the strength of the committee seven, which seven men on the assurances of the support that they believed would come to them, were the original incorporators and the first Board of Trustees of the Guelph Co-operative Association Limited.'

Now, that explains the origin of the Guelph Co-operative Association. I have here, and will give to the committee, a statement of their rules and regulations, also a quarterly report and balance sheet, dated December 31, 1906. I will just read this statement from the report. The committee will remember the circumstance which brought the society into being, and in that connection the report, I think, will be interesting. (Reads):—

'It is with pleasure that we submit the 10th quarterly report of your society, being the last quarter of the current year. In so doing, we are pleased to report the largest profit of any quarter in the year by nearly \$200, the profits being \$767.57.

'In presenting the balance sheet, we would draw your attention to the assets of the association—invested in property, \$3,246; assets, realized value, \$3,723, making a total value of \$6,969.

'The trustees feel justified in writing off 2 per cent depreciation on property amounting to \$128.93, and 5 per cent off fixtures and equipment, amounting to \$88.35 making a total depreciation of \$217.28.

'The fixtures and equipment have been kept in good repair on expense account. We wish to draw your attention to your liabilities to shareholders, which amount to \$2,265.56, being less than a third of your assets.

'We would recommend, after paying 5 per cent interest on capital, which amounts to \$112.25, paying a dividend on purchases to shareholders of 10 per cent and non-shareholders 5 per cent on the \$1, which amounts to \$677.75; this, you will see, makes the price of bread to shareholders 10 cents per 3-pound loaf.

'We have carried out the shareholders' resolution, passed at the last quarterly meeting, by opening a grocery department in our new store, and would urge the shareholders to the necessity of purchasing their goods at their own store, as it will greatly

reduce the expense of selling; and we have no doubt we shall be able to give as large a dividend from the groceries as the bakery.'

That report simply means that a certain number of the workmen of Guelph, whose incomes are, in the nature of things, comparatively small, purchase bread at a store they themselves have started. They pay the same price at that store they would pay to another baker in the city, but they receive back 10 per cent at the end of the year on all the purchases of bread which they have made. They have invested a certain amount of money, and as a result they have the experience of understanding the difficulties with which a management have to contend in the carrying on of business, and they have the advantage of being drawn more intimately into association the one with the other, a feeling of brotherhood is developed in that way, and a more sympathetic understanding of the whole industrial business arrangement of the community. I have already taken up a great deal of the committee's time with these statements, but as they relate to little experiments that have been made in our own country, it seemed to me they were of particular interest.

Before concluding my evidence I would like to bring to the attention of the committee the work of Dr. Wilfred T. Grenfell among the deep-sea fishermen on the Labrador coast. If there is a place anywhere in this world where it would be difficult to help people, it would certainly be on the Labrador coast. If there is a place in the world where help is very greatly needed, it is there. The people are uneducated, they are removed from association with men in other parts of the country, they are in extreme poverty, and a large number of them are continually in debt. When Dr. Grenfell went among them as a medical missionary he very soon realized that before he would be of any service at all to them, either as a missionary or as a doctor, he would have to try and get them at least on a self-supporting basis, so that they would have something on which they could support their families. He told me that his great difficulty was combating the evil intentions of some of the traders. It was the policy of the traders who were getting fish from these men to keep them in debt perpetually, and it was Dr. Grenfell's policy to keep them out of debt if he possibly could and let them become self-supporting. Now, the means that he adopted towards that end was the introduction of co-operation among the fishermen, and I would read this statement from the 'Labour Gazette' of March, 1903, which illustrates how he went about that work. (Reads):

'When in Ottawa, Dr. Grenfell was a visitor at the Department of Labour, and while there consented to be interviewed in regard to the work which he has personally undertaken among the fishermen with a view to bettering their economic condition. This work, in its simplest form, has consisted in the establishment of four distributive co-operative stores, and an attempted productive co-operative mill. Three of these stores were established some three years ago, and the fourth one during the present winter. With regard to the origin of the plan, Dr. Grenfell stated that he advanced \$1,200 with which to start the system of co-operative stores as a measure on the whole best adapted to the alleviation of the more pressing difficulties of their situation. The intention was that this amount should subsequently be refunded and that so far as possible there should be substituted in its stead shares derived from the earnings of individual fishermen. The value of the shares was fixed at five dollars each, no limit being put upon the number of shares which any one individual might hold. At first only one dollar per share was paid, but interest was only allowed when the full amount had been subscribed. The men were also permitted to draw against their five dollars, and it sometimes happened that they would take it out and consequently have no share in the profits.

'The \$1,200 advanced by Dr. Grenfell was on the understanding that the fishermen would also subscribe a certain amount. At one meeting \$80 were thus obtained. As soon as the required sum was raised a bank account was opened with the Bank of Montreal, three of the men being required to sign a cheque when any money was to be paid out. The goods were sold for cash, the selling price being fixed generally by adding about ten per cent to the cost, though occasionally a little more was added on

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articles, such as tobacco, which were not considered necessities. Some losses were incurred at first, largely through lack of experience, but this has been corrected with time. One store began with \$800, and in six months had done \$4,000 worth of business. About one hundred families in all buy from these stores, and the system is one which commends itself generally. The manager of a store was at first paid 2½ per cent, and afterwards 5 per cent on the turn over. The store is only opened when the manager comes in from fishing, which constitutes his main occupation, or at certain times, when the people tell him what they are in need of.

‘The inducement that first led to the establishment of these stores was the fact that exorbitant charges were being made against the fishermen for the ordinary necessities of life, flour, for instance, being sold to them at \$7.50 per barrel, when it could be obtained at \$3.50 in larger commercial centres. The co-operative stores have accordingly brought about great reductions in prices, the saving effected in some cases being as much as 50 per cent. Salt, for instance, which before their establishment was sold for \$2.50 per barrel, is now sold for \$1.60, and on the French shore for \$1.50. The stores purchase all such commodities as are usually demanded by fishermen and their families, viz., salt, flour, molasses, pork, oilskin clothes and other similar necessities. The commodities are sold to the community generally, and at the end of the year the profits are divided in proportion to the number of shares held.

‘An important auxiliary in connection with the work of the stores is a co-operative schooner, known as the *Co-operator*, of seventy-five tons, which carries the goods required for distribution. The vessel was built in Labrador. Dr. Grenfell providing the nails, hardware and sails, and the fishermen of the locality giving their labour during the winter season. Shares in the schooner were subsequently issued to Dr. Grenfell and to those who built it according to a previously arranged agreement. The profits of the ship are derived from freight charges paid by the various stores supplied, the five sailors who man the schooner being paid ordinary board and wages as regular employees. \$4,000 were spent for equipment repairing, wages and running expenses, and in the two years that have lapsed since the schooner was built, \$2,700 have been earned. In a couple more years it is expected the whole amount expended will have been returned. A schooner is being built this winter for the same service.

‘In order to keep the men occupied during the winter, when there was no fishing, a lumber mill had been erected, Dr. Grenfell having obtained from the Newfoundland government permission to cut timber on certain lands. The venture so far has not been very successful financially, owing to the inexperience of the men in the industry, and the use of English instead of American machinery. About 10,000 logs, however, were sawn last year, and, after certain improvements which are contemplated are made, the mill will probably do much better in the future.

The co-operative stores have, on the whole, been productive of much good. They have relieved the people from dependence on merchants who were accustomed to charge extravagant prices for their goods, and they have been the means of training the minds of those interested in their success by teaching them how to conduct small business undertakings. With cheaper goods the standard of living among the fishermen has also naturally been raised, as they are now enabled to buy more out of their earnings. The stores have thus been the means of helping the people to make a considerable advance in their mode of living, and the future progress and development of the movement will accordingly be watched with very general interest.’

The article with reference to Dr. Grenfell's work was written in March, 1903. Since then I have had letters from Dr. Grenfell dealing with this subject. I may read the committee parts of one or two I have here. This is a letter dated St. Anthony, Newfoundland, May 15, 1906, which would be three years later.

‘I remember now, I waited to answer one of your letters as you asked for Co-operative news, and I had not any on hand just then. I started three stores on this side of the Straits of Belle Isle, as you know. The balance sheet of No. 1, the Breha store, I inclose you with their circular. I also inclose you the balance sheet of the

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Flower's Cove store. The store at Englee, No. 3, I had to close, as the people were not making a living, and could not support any store; depending on Government relief and charity very largely. The mill, which affords them winter work, and a good fishery last year, has allowed them to get ahead a bit. I held a meeting there the other day, offering to make the store attached to the mill a co-operative store on the profit-sharing principle, viz., giving tickets for all purchases made, and sharing profits in proportion to business done. This, I hope, will become co-operative soon again. The two Labrador stores, I cannot tell you very much about. One is very small, there being no one of ability in the place to co-operate the others. The other is the first I started, and has done exceedingly well. They are building a new store of their own, ordering it all down from our mill. And it will go down in our schooner, which goes every year for their fish. I can't get their balance sheet till the ice lets me across.'

Then he says: 'I think of these things as sermons in stores (not stones).' Dr. Grenfell's idea is that these stores are sermons to the people. They teach them what association one with another, sharing each other's burdens, will do, and he looks upon that as the best possible means of conveying to them the Gospel, which it has been his main purpose to preach. (Continues reading):

'Their influence is far greater than the amount of business they do. They have reduced prices. You have only to go to them and you will hear, not so much that they are far below the traders now, but that the traders are far below what they used to be.

'I do not want to boast of the stores. If any business man had the interest I have in them in his heart, and was methodical in his work for them, they would be ten times better. I am ashamed to think what they might be, compared with what they are, if I had been as keen about them and had been able to give as much time to them as I might, perhaps, have done.

'We are building another schooner, two motor launches and a large barge on the mill this winter. Our method is, perhaps, unique. We wait until we find out how the people are off individually, and we first of all give a contract for so many logs to each in proportion to his needs. That is, enough to enable him at least not to want common food and the necessaries of life. Then we give the balance of it (25,000 this winter) to those who wish to work.'

That is all he says in that letter on the subject of co-operation. I will now hand in a report of the co-operative store at Breha. There is just this statement which I would like to read. (Reads):

'At the annual meeting, 1906, Dr. Grenfell was voted into the chair. Shareholders representing the majority of shares were present.

'The store has had a very prosperous year, and is in a position to pay 10 per cent to its shareholders.

'The accompanying statement will show the figures.

'It was agreed at the meeting that 10 per cent was too much to pay merely for borrowing money for capital for the store. The store can get all the money that it needs at 5 per cent. And it does not intend, in future, ever to pay more than that on money borrowed. A five-dollar share, placed in the store when it commenced in 1900, is now worth \$7.37, and the store proposes to pay in future at a regular rate of 5 per cent compound interest on the capital it has borrowed. It proposes in future to divide the balance of its profits in proportion to the purchases made among the shareholders that deal with it. Any man holding one share in the store will receive back on every dollar he spends in the store as much as the profits made by the store, after paying the interest on the capital, will permit. In this way the store encourages men to become members. It also gives advantages to members, and it also saves the members being obliged to pay the absurd interest of 10 per cent to those who do not deal with the store, but only lend it money. The store would point out that the members who deal with the store are at present obliged to pay more for their goods, so as to pay a 10

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per cent interest to those who do not deal at all. This is unfair, and those who now deal with the store are determined to adopt this method, which is the one in use everywhere in England, so as to encourage the shareholders to deal with the store as well as to hold shares in it.

‘Signed on behalf of the shareholders present,

‘WILFRED GRENFELL,
‘HENRY DEANE, *Manager.*’

BREHA CO-OPERATIVE STORE.

Year ending 1906, April 23, 1906.

Liabilities.

Cash capital, including accrued profits for year.	\$1,393 36	
Accounts unpaid,—none.		
Old debt to agent	80 40	
Manager’s percentage	101 57	
Carried to reserve	35 07	
		\$1,610 40

Assets.

Stock in hand	\$400 00	
Cash in hand	230 00	
Paid off old debt to agent	80 40	
Cash in St. Johns.	900 00	
		\$1,610 40

Business done for the year, \$4,063.75.

These figures were revised and audited by us.

WILFRID T. GRENFELL,
GEORGE A. A. JONES.

FLOWER’S COVE CO-OPERATIVE STORE.

Year ending 1905, Dec. 31.

Liabilities.

Cash capital.	\$1,515 00	
Balance Interest due shareholders, 1904	48 02	
Reserve	54 72	
Accounts unpaid	767 14	
		\$2,384 88
Profits accrued		245 94
		\$2,630 82

Assets.

Stock on hand.	\$2,191 53	
Good accounts not collected.	439 29	
		\$2,630 82
Business done for the year.		7,484 38
10 per cent on investment	153 90	
Landing goods	72 23	
Room hire 1½	113 25	
Manager’s percentage	449 04	

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		Due.
1902 Debt accrued.		1,952 43
1903 Paid on debt.	366 30	1,586 13
1904 do	755 70	830 43
1905 do	753 76	76 07

Dr. Grenfell will be in Ottawa this week. He is to speak to the Canadian Club on Friday night and at a general open meeting in the Russell Theatre on Sunday night. I should think, if I might be permitted to make the suggestion, it would be of interest to the committee to hear him on Monday morning. He can speak, I think, with zeal on the movement and its effect among the men whom he has been dealing with and his evidence in that connection will be of special value.

By Mr. Monk:

Q. Speaking generally, that phase of co-operation which has reference to credit and loan, or banking as it has been called—I think a little pompously—if safeguarded by proper legislative restrictions is it not a necessary complement to other forms of co-operation? That is, given what we have heard before in the committee as to the utility from every point of view of co-operation, do you not think that might be applied equally to that form of co-operation which is provided in the Bill and by which credit and loan is established, surrounded by the legislative safe-guards that the Bill gives?—A. I certainly do, Mr. Monk. I hesitated, in replying, because of the words ‘necessary complement,’ not understanding whether you meant by necessary that the one for of necessity must accompany the other, but if you mean by ‘necessary complement’ that it is of equal importance with the others as educative, and helpful and uplifting, I should certainly say it is.

By Mr. Verville:

Q. From your knowledge of the organized labour movement in different cities, for instance—I know you have good knowledge of the movement throughout Canada—and also your knowledge of the membership and the funds that might be raised from time to time, do you not think if such a scheme as is provided for by the Bill were passed, 500 of the labouring people in the city could start a bank for themselves?—A. That they could start a bank?

Q. Do you not think they could start a co-operative bank in any city?—A. They could start a co-operative society for the purpose of obtaining credits. I think the use of the word banking is a misnomer; it is rather a system of mutual credit based on knowledge and confidence.

Q. Take a large city of 300,000 population and more, do you not think they could establish that credit system, as you style it, in such a way as to help out their members?—A. I think unquestionably. A workingman—take, for example, in the building trades—may have an opportunity to do a particular piece of work, but he might find for the time being that he had not the necessary equipment, has not the tools, the trowels or whatever is required, the being able to get a loan sufficient for him to purchase the tools necessary for his occupation would be of very great service to him. I think it would be of service also in other ways. Opportunities come to men to purchase houses. The chance may come to-day and may never come again, and if a man is not able to get credit in some form he misses it altogether. The large banks will hardly recognize individuals who have not the very best kind of security to give them. On the other hand, one workingman may be known to other workingmen in the community, and they may have confidence in him and may be prepared to, and would gladly, assist him by a loan through the operation of one of these credit societies.

Q. That is a labour association, for instance, can as a body have a certain amount of money on the credit basis?—A. I think what would probably happen in a good many cities is that the men who had formed themselves together into trade unions, would very likely form similar associations for the purpose of mutual credit.

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By Mr. Smith (Nanaimo):

Q. What do you think is the sentiment among organized labour with regard to the question of co-operation in Canada?—A. I do not think organized labour in Canada has given a great deal of thought to the matter. I think the co-operative movement in certain parts of Canada—for example, in Cape Breton and out in your part of the country, Nanaimo, where there are men from the old country who have seen the movement in the country from which they came—might receive the endorsement of organized labour. In other centres, I think, where the labouring men are not familiar with co-operation, they have not really taken up the subject to any extent. The letter I read to the committee this morning in connection with the Guelph bakery shows that the Trades and Labour Council of Guelph, to whom the whole co-operative movement was something new, have become familiar with one of its phases, and, having adopted it, are pleased to carry it on.

Q. You know that in England and Scotland, where there are both trades organizations and co-operative societies, the latter movement has been very closely allied with trades unionism?—A. Quite so.

Q. Men in the trades union movement are leading in the co-operative movement?—A. That is what I meant when I said a moment ago, you would have the same body of men who had formed the trades and labour associations organizing into one of these credit associations for the purpose of assisting each other in that way. I think the trade union movement and the co-operative movement have been the two great movements of the past century for benefiting and bettering the condition of the working classes. I do not give that as an individual opinion merely; I base it on the authority of men who have given the subject the most careful consideration. Prof. Alfred Marshall for example, who has written perhaps the best book on political economy which has been published in the last ten years, speaks in the strongest terms of the co-operative and trade union movement as being a great movement for the betterment of the conditions of the working people.

By Mr. Verville:

Q. The credit and loan feature of the Bill could easily be established in cities?—A. Certainly. The Bill, I think, as I have read it, would permit of credit societies being formed.

Q. In all our large cities it is impossible for the working people to live in the central parts, because this place is required for manufacturing purposes; they have to go out into suburban districts. They would like to have their own dwellings, but the trouble is they cannot realize sufficient money. Under the Bill it will be possible for them to get money for this purpose, and it would be money loaned by their own fellow-workingmen. I live in a part of the city where the residents are all working people; there is nobody poor and nobody rich. They are often handicapped for the want of a little capital, and when they need money they have probably to rap at the door of some shaver. Once they get into the hands of the note shaver they have to stay there. This Bill would prevent all that?—A. I think the Bill would deal a blow at the usurer. I think it would cut into the heart of his practice, where he has been gaining his profits through taking advantage of the necessities of individuals who want to carry on legitimate work. I have no doubt, however, the usurer would still have a field for men who wanted to raise funds for improper purposes; but where money was required for legitimate business, particularly of the kind that you have mentioned, Mr. Verville, men wishing to build houses for themselves, they would be able to obtain credit from one another, simply because they were known.

Q. Taking a city like Montreal, one of the largest cities in Canada, you understand the strength of trade unionism in a country and the amount of money which labour men could put aside every year—they could easily raise annually \$25,000 if they desired—you must acknowledge that by co-operation they could put large sums aside

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annually, and in a couple of years have a pretty good credit?—A. I am glad you mentioned that point, Mr. Verville, because it has always seemed to me that the solution of the industrial question in regard to strikes was going to be helped most by the working classes having their attention focussed on something other than a perpetual demand for an increase of wages. While this country is growing wages may continue to rise, but the time will be reached when we cannot hope to increase wages any more without putting the industries of this country at a disadvantage as compared with the industries of other countries. Now, if for a time the working classes can begin to focus their attention on the problem of how, with the wages they have, they can get more commodities, there will be less agitation, it seems to me, of a kind which leads to strikes, and at the same time there will be the possibility of their bettering their condition in an effective and genuine way. I think, just as you say, that the trade unions formed for the purpose of regulating the relations of the men with their employers would be a good nucleus for the purpose of getting the men together and of seeing what could be done by means of saving funds. The same body, formed into a credit society, would begin to direct its energies to this question of bettering the condition of the cost of living, and I am inclined to think that as the co-operative movement makes headway we will find industrial strife begin to diminish in proportion.

Q. Of course, if I receive \$1 a day, and it costs me 90 cents a day to live, or if I have \$5 a day and living costs me \$4.95, I am not any better off with the larger than with the smaller sum?—A. Quite so.

Q. Such a thing as you speak of would permit of the focussing of effort and means?—A. What the workmen must strive for is to maintain, with the incomes which they have been able to get, as high a standard of comfort as possible. Now, it seems to me they can hope to improve that standard through a movement like the co-operative movement. They cannot hope to improve it in many cases through a continual agitation for higher wages, resulting in strikes and causing them to lose, in some individual cases, whatever little they have saved.

Mr. MONK—I would like to say, before Mr. King is discharged from further attendance, that I think the committee is very much indebted to him for his evidence. It was his duty to come here, but he has gone to the trouble of collecting some very valuable data as to the prospects of co-operation in our own country, and the result of the services, I think, will be of great use to us all. I feel confident, Mr. Chairman, that if this Bill becomes law, we have a very able and competent man to help to carry out its provisions.

Mr. KING—I thank you very much for your kind words, Mr. Monk. I would like to say I feel very much like apologizing to the committee for the hasty nature of my evidence, but I have been so busy of late that I had simply to pick up these few things, running through the department, as it were, and have not had time either to frame my thoughts or gather the material in the way I would like to have had it in presenting it to the committee.

Mr. VERVILLE—You do not need to apologize. I think the committee have found it very useful.

The committee adjourned.

HOUSE OF COMMONS,

COMMITTEE ROOM No. 62,

TUESDAY, March 26, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met at twelve o'clock noon, the Chairman, Hon. Rodolphe Lemieux, presiding.

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Mr. CHAIRMAN.—We have the good fortune this morning of having with us His Excellency the Governor General, who has been for so many years one of the apostles of co-operation in Europe. His Excellency is the president of the International Co-operative Alliance. We are gathering as much information as possible in order to provide for prudent and wise legislation on co-operation in this country, and it was the unanimous desire of the committee that having heard some of the best authorities in Canada on economics, and on the co-operative movement, His Excellency should be invited to give us his views on that question with which he is so familiar. The newspapers have stated that His Excellency was appearing before the committee to give evidence. That is a wrong impression; His Excellency is doing us the honour of giving us the benefit and advantage of his views on a question with which he is most familiar.

I will proceed with a few questions that I have prepared. Your Excellency is the president of the International Co-operative Alliance?

The GOVERNOR GENERAL.—Yes.

Q. Would your Excellency explain to the committee the nature and purpose of the International Co-operative Alliance?

The GOVERNOR GENERAL.—The object of the International Co-operative Alliance is to make known to the civilized peoples of the world what are the methods and aims of co-operation; to explain the principle and to point out the methods by which that principle can be applied to the industrial life of the people.

I have come here at your request, Mr. Lemieux, not in my capacity as Governor General of Canada, but as President of the International Co-operative Alliance, to give you the expression of my views for what they may be worth as to the advantage likely to accrue to the people of Canada from the legalization of co-operative associations for banking, industrial and agricultural purposes.

I do not propose to refer to the provisions of the Bill which is the subject of your consideration. The possibility that they contain matter which may prove to be of a controversial character when under discussion by parliament, makes it undesirable that I should do so, but having been informed that under the existing law in Canada co-operative associations of workmen have no legal status, I have come here in order to state that I am heartily in sympathy with the object of the Bill now before parliament, which I understand is to give to co-operative associations of workmen that legal status which is now wanting, and which it is most desirable should be secured in order to help workmen in their endeavours to help themselves.

When it was suggested that I might be able to give assistance to your committee, if I accepted your invitation, I visited Quebec for the purpose of inspecting the Caisse Populaire which Monsieur Desjardins has started at Lévis. I paid a visit in the early part of this month to Monsieur Desjardins' bank, and I have no hesitation in saying that if a new Act is required to facilitate the multiplication of banks like that which Monsieur Desjardins, to his great credit, has established, the sooner that Act is passed the better.

I formed the opinion, after careful examination of its work that the Lévis bank has already proved to be a great assistance to many, and it appeared to me to have this distinctive feature, that while it did much good it did no harm. The most that can be said of institutions, even the best, as a rule, is that the good resulting from them more than counterbalances the evil. In this case the influence which radiated from the institution seemed wholly good.

Let me refer to some of the advantages which appeared to me to result from it to the community of Lévis:

It supplies those persons who are known by the people among whom they live to be good, thrifty and honourable men, with opportunities for helping each other and themselves in a manner conducive to the growth of those qualities of mutual trust and helpfulness which lie at the very root of good citizenship.

I examined carefully the books of the association and I satisfied myself that the bank was being conducted on safe business lines. I traced the dealings with the bank of individuals whose names I selected at random from its list of shareholders. I ascertained that the first payment was a small contribution to the funds of the bank of 10 cents, and then followed in several cases small payments of about 25 cents at a time, until the sum of \$5 stood to the credit of the subscriber, when he became a qualified member or a shareholder in the bank to that amount.

In several instances I noticed that the members of the bank had borrowed small sums of \$25, \$20 and \$15, and that these advances had been repaid sometimes in small instalments, sometimes by single payment. The punctuality with which these small loans had been repaid proved that the existence of this bank had been of real use to the people of Lévis who were its members.

Further, the usefulness of the bank was demonstrated by the fact that over \$200,000 had been loaned in small amounts since it was established six years ago, and I was not surprised to learn that this bank, like the co-operative and agricultural banks in Germany, Austria, Hungary, Italy, France, Ireland and India, notwithstanding the large number of its transactions had not lost a single cent.

The soundness of these credit banks may appear strange at first sight to business men, but those who realize the golden truth that the average man would rather die than fail to loyally respond to a trust imposed in him, will not be surprised, and it must be remembered that the members of a co-operative bank like Monsieur Desjardins' bank at Lévis, are something higher than the average man. No man is allowed to borrow from the Lévis Bank unless he is a member, and no man can be a member unless he is voted unanimously by ballot to be a man worthy of being associated with the existing members of the bank. Thus, only men and women who are known by the common consent of the people among whom they live, to be straight, thrifty and honourable persons can hope for admission to the membership of Monsieur Desjardins' bank. Then, as an additional security against improper loss, after the members of the bank have secured by the fact of their membership this mark of popular confidence and esteem, it is impossible for anyone to obtain a loan unless the management is satisfied that in view of all the circumstances the loan is one which should be made.

Now, nobody who has any acquaintance with the life of the people can doubt that the establishment of a bank, formed on the basis of mutual knowledge and confidence for the mutual assistance of each other, must be of service not only to the members, but to the whole district in which they live. To those who are engaged in business come opportunities from time to time of making a cheap purchase if only the money with which to make the purchase is forthcoming, and the poorer they are the more important it is that they should have the power of seizing profitable opportunities.

The farmer, for instance, while he is waiting for his crop to ripen, wants money in order to make a cheap purchase which will help the farm, or it may frequently happen to those members who are not farmers that the ability to make a cash payment in the middle of the month will enable them to secure an advantage which will benefit the whole family, but which they would not be able to make without a loan, in view of the fact that their salary is not paid until the end of the month. Here comes in Monsieur Desjardins' bank. The member goes to the bank, explains the circumstances, obtains the loan, secures the advantage, and when he has sold his crop or received his salary he repays to the bank the loan he has borrowed from it. The bank has received in the interval a good interest, and the member has been able to secure the advantage of a good bargain.

The remarkable and most encouraging success which has followed the establishment of agricultural banks in continental Europe and in Ireland and in India, is attributed not only to the care with which the bank refuses to admit into its membership anyone whose honesty, thrift and general good character are not a matter of common repute, and to the rule which requires that every applicant for a loan must state what he proposes to do with the money, and the term for which it is required, and to

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the further rule which prohibits the making of a loan except for some profitable or productive purpose, or to effect some economy, but also to the security offered by the joint unlimited engagement of members of the bank to be responsible for its debts. This joint unlimited collective guarantee has been found to be an asset on which joint stock banks can safely loan.

A joint stock bank as a rule will not lend to an individual who has no security but his character to offer, but when a group of men known to be honest and thrifty and of good character, give their collective guarantee for the repayment of an advance, then experience has proved conclusively that a security is provided on which a bank can safely lend. The character of this security is shown by the fact that on the advances made to 2,169 Raiffeisen banks not one single cent has been lost.

Now, it is hardly for me to express an opinion upon the details of your Bill, but I would ask you to consider whether the provisions of the Bill as drafted are not, on this question of liability, undesirably narrow. Your Bill, by making a limited liability an essential condition, will prevent the establishment of banks of the Raiffeisen type, which have proved, as I have already stated, to be of the greatest benefit to the rural districts of Germany, Austria, Hungary, Italy, France, Ireland and India.

This is also the opinion of Mr. Henry Wolff, author of 'Peoples Banks,' 'Co-operative Banking,' &c., and chairman of the International Co-operative Alliance, to whom I forwarded last year a copy of the Bill. He has forwarded his criticisms of the Bill in the shape of a letter, which I understand he has communicated to the Canadian press. I have great pleasure in handing in a copy of that letter:

THE PROPOSED CO-OPERATIVE ACT.

SIR,—Will you kindly allow me, as one very familiar with the matter and very much interested in the introduction of co-operation, and specifically co-operative banking, into Canada, to pass a few criticisms on Bill No. 144, 1906, which is, I understand, to be brought once more before the Dominion parliament in the impending session with a view to its adoption. It would be a pity if you were, for want of having them pointed out to you, to fall into avoidable errors, when legislating on this subject.

There is nothing to be said against the general cast of the Bill. In some respects, it is an improvement upon our British Industrial and Provident Societies Act. But in others, it deviates from it to its prejudice.

Like all European states having legislation on the subject, which is in every instance to some extent borrowed from ourselves, we fix the minimum number of members permitted to form a society at seven, and the maximum holding of any one member not a society at £200. Why should you alter the figures severally to twelve and to £100 (\$500)? Most societies necessarily begin small, and it is desirable that even small beginnings should be encouraged. On the other hand, the object of such societies is to induce members to accumulate capital, and you seem to go very near defeating your own object in bidding them: be not saving overmuch. The category of bodies entitled to hold more ought, moreover, plainly to include co-operative societies, which the Bill excludes.

Next, the limitations of the area permissible to a society to an 'electoral division' appears to me, at a distance, of questionable expediency. I do not know what your electoral divisions are, but at any rate in the future their boundaries may conceivably very well cut through districts which are economically one. Why set up such unnecessary barrier? We have none in the United Kingdom. We have societies whose district penetrates into different counties. We have others which can be well conducted only in districts very much smaller than an electoral division, namely a parish. But then it is left to the rules to lay this down. Our Act leaves us free.

There is another point on which your Bill seems undesirably narrow. It appears particularly designed to facilitate the formation of co-operative banks. Nevertheless by its provisions making limited liability a *sine qua non*, and fixing the value of

shares at at least one dollar, it directly bars out one most useful and promising class of co-operative societies of this sort, namely, societies of the Raiffeisen system, which have proved an unmistakable benefit to rural districts in Germany, Austria, Hungary, Italy, France and other countries; in fact, all over the continent, where they exist by the thousand, as well as already in Ireland and in India, showing themselves perfectly safe and great promoters of thrift, and in which unlimited liability is indispensable and shares are often altogether dispensed with. We now have to form such societies under the Friendly Societies Act, because that alone permits unlimited liability. The Industrial and Provident Societies Act excludes it. But we find the inconvenience very great, because the Friendly Societies Act was really intended for a very different purpose. Why will you nevertheless place yourselves in the same embarrassment as ourselves? There is absolutely no reason why a co-operative Act should not permit both limited and unlimited liability, just as the Companies Act has a Table A and a Table B. The late Chief Registrar of Friendly Societies in this country, Sir E. Brabrook, is at one with us on this point.

I have nothing to say against the power which your Bill claims for inspection of societies, except that clause 15 (1) appears to withhold the right which clause 15 (3) explicitly confers upon the society, to appoint its own inspectors, and that nothing is said about the general inspector being pledged to secrecy with regard to deposits, which must necessarily be kept secret, or there will be no thrift. A passage providing for this might easily be inserted, and in clause 15 (1) the words 'or the rules' might be added after 'except as provided by this Act.'

There seems a contradiction also in the provisions of clauses 16 and 26 relating to general inspection, to be carried out on the application of members. Clause 16 gives the right of calling for such inspection to 'ten members.' Clause 26 to 'one-tenth of the whole number of members.'

There is much more to be said about the provision proposed in respect of compulsory winding up and the retirement of members. The Bill, in my opinion, quite unnecessarily introduces the subject of 'capital of the society,' and requires that upon such capital being reduced, for any reason, below the original amount (as well as upon the number of members dwindling below 12) the society is *ipso facto* to cease to exist. *Prima facie* this seems reasonable. But, in truth, it is not so, especially in view of the right given to members to retire, and—provided that there is a certain minimum amount of reserve fund accumulated—thereby instantly to wash their hands of all liabilities incurred at any moment. Even if there should be no reserve fund present of the amount specified, retiring members become liable for one year back (that is right enough) only in the event of the society being wound up. I do not see what business the mention of capital has at all in the registration of an industrial and provident society. It is in place in the registration of a joint stock company, which is a union of capitals. A co-operative society is a union of persons. Its capital necessarily must vary. As French legislation explicitly recognizes in dubbing it a 'société à capital variable.' If accordingly a declaration is deemed absolutely necessary under schedule D, it ought to say not 'capital,' but 'present capital.' It is perfectly conceivable that a co-operative society may form with a comparatively large capital. I know societies that have done so, which might by retirements occasioned by a difference of opinion or from some other cause, come to be reduced, though still remaining sufficient for the society's purpose. Why compel such society to be wound up?

The persons above all others to be considered in this connection are those who have trusted the society with money. You have no right to reduce their security. It may well be that secessions—to which your Bill gives an absolute right—may to such an extent weaken a society as to place an excessive burden upon the instaying members and render it unable to face its creditors, even though it linger on for more than the year stipulated for in your Bill. You must in fairness, at any rate, allow co-operative banks to do what well-conducted co-operative banks in Europe, as a mat-

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ter of fact, do in cases of numerous retirements, that is, before sanctioning such retirements, to call all members together and decide by vote at a general meeting whether the society is to continue its existence with reduced numbers, or whether it is to wind up there and then with the collective liability of all still to answer for its engagements. You may do this by giving each society power to lay down its rules with regard to the time when resignation given notice of is to take effect. The best rule probably is to fix such time at the close of the financial year, in order that all may be straightforward and above board and no one left in the dark. Resignations will then figure in the report and creditors will know where they are.

I am, sir, your obedient servant,

(Sgd.) HENRY W. WOLFF,

*Author of 'People's Banks,' 'Co-operative Banking,' &c.,
and Chairman of the International Co-operative
Alliance.*

October 10.

HIS EXCELLENCY.—Now I have prepared a few remarks on one or two countries. I do not know whether the committee would like to hear them.

The CHAIRMAN.—We are most anxious, Your Excellency, to hear your views on the subject. (To the committee.) It must not be forgotten that His Excellency is probably the best expert on the co-operative movement in Europe.

HIS EXCELLENCY.—Well, gentlemen, the evidence I am going to give you is gleaned from co-operative publications, and to all who are interested in the subject of co-operation it will, I think, be most welcome and encouraging. I will begin with Denmark. The figures relating to Denmark, which I am about to give you, are taken from an article by Erik Groskov, contributed to the Annual Report of the English Co-operative Wholesale for 1905.

AGRICULTURAL CO-OPERATION IN DENMARK.

After the loss of territory sustained by Denmark from the unfortunate war with Germany, in 1864, her people rallied their broken strength, calling to their aid the assistance of the principles of association and education; and by means of these two plumes the people of Denmark have winged their nation to greater heights than they ever reached in their unmutilated state.

The people of Denmark by educating themselves and by co-operating together, soon reached a degree of efficiency which has enabled them to secure the first place for their products in the markets of England.

The story of the co-operative developments in Denmark during the last 40 years has many lessons for Canada. It was shortly after the war of 1864, that a clergyman, Mr. Sonne, was repulsed in his efforts to put his flock in the way of obtaining eternal happiness in the world to come, with the remark that it would help them still more if he would only teach them how to obtain bread and butter in this world. He took the hint and set to work to study the methods of the Co-operative Movement in England, and in 1866, he established the first Co-operative Society in Denmark, on the English plan.

An enthusiast like Monsieur Desjardins, he worked and worked to make other people follow his example, and now in rural Denmark there are nearly 1,000 Societies with a membership of nearly 200,000 families, and yearly turnover of £2,800,000.

Now it must be remembered that the whole population of Denmark is under 2,500,000 souls or 500,000 families, very little more than the population of Ontario, and that the extent of Denmark is about 14,000 square miles, which would go almost twenty times into the province referred to.

Of the 915 societies in 1904, only 10 were in the towns, the rest in the country districts—thus showing that the energy of the private storekeepers enabled them to

secure their hold of the town custom. Connected with these rural co-operative societies, a wholesale society was established again through Mr. Sonne. The first attempt was a failure, but undeterred by failure, two wholesale societies were started in 1884 and 1887, which were amalgamated in 1896, from which time the wholesale society has been an unqualified success and is doing the largest business of any corporation in Denmark.

The wholesale society has its own manufactories for the production of chocolate, confectionery, tobacco, coffee roasting: its own experimental farm with fields for the cultivation of plants for seed. Every one of these undertakings has been started and is being carried on by and for peasant farmers. The farmers co-operate together for the purchase of feeding stuffs, for the purchase of the manures their land requires and for the articles required in dairy industry. They are thus enabled through their co-operative societies to purchase practically every article they require in their homes as well as on their farms. They have applied the principle of co-operation to every side of their life.

It is less than 25 years since they started the co-operative dairy. The farmers realized that when each of them had to treat the milk of his own few cows in his own badly arranged dairy, the profit from butter-making was much too low, and the idea occurred to them that by some method of co-operation their profits might be greatly increased. They therefore called to their assistance Mr. Stilling Andersen, at that time a dairyman, who devised the plan in accordance with which co-operative dairies are now working not only all over Denmark, but over Canada as well.

The export of butter from the Danish Co-operative Society to England has reached a very high figure.

The English Co-operators are their best customers, taking as much as \$12,000,000 to \$13,000,000 a year. The high reputation of Danish butter is due to the high degree of cleanliness scrupulously observed in every stage of its manufacture.

In the first place, the peasant farmers of Denmark, by co-operating, have been able to secure the use of the best bulls: and further, by a process of careful selection of their calves kept for breeding purposes, the average yield of milk of each cow has been greatly increased. The breed of cows has steadily improved year by year.

Again, the influence of their co-operative creameries continually spurs them to new efforts. Every year sees some improvements which either increase the production or effect a saving.

To stimulate good business methods the co-operative societies give prizes to those housewives who succeed in producing the best milk. The milk which is supplied to the creameries is frequently tested with regard to its purity and percentage of butter fat.

By the adoption of these methods, the co-operative societies have secured a steadily increasing quantity in the average yield of milk per cow, as well as an improvement in its quality.

In 1900, annual yield per cow, 4,328 pounds; average quantity milk for each pound of butter, 26·3 pounds.

In 1901, annual yield per cow, 4,439 pounds; average quantity milk for each pound of butter, 26 pounds.

In 1902, average yield per cow, 4,678 pounds; average quantity milk for each pound of butter, 25·9 pounds.

Thus, while the yield of each cow increases from year to year, the quantity of milk required for the same amount of butter is decreasing.

These double improvements are attributed to the following causes:—

- To the improvement in breeds of cows;
- To the improvement in methods of milking;
- To the improvement in separators;
- To the improvement in feeding,

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and to the greater care taken of the cows, the result of the steadily increasing number of peasant farmers, who naturally bestow more care and attention on their cows than the big farmers are able to secure by means of hired help. And while the value of the output per cow is thus increased, the working expenses have decreased. The working expenses of the big dairies is much less per hundred gallons than those of the smaller dairies:

In 1900	milking expenses	were	73	cents	per	100	gals.
In 1901	"	"	69	"	"	"	"
In 1902	"	"	66	"	"	"	"

The closing of a number of smaller dairies during the above three years accounts for much of the reduction in the average cost of milking: *e.g.* the small dairy will spend 34 cents on coal for each 100 gallons of milk treated, while bigger dairies will spend 8 cents.

The co-operative farmers of Denmark have used similar methods for improving the quality of their bacon; also the quality of their eggs, every egg being stamped with the number of the farmer from whom it is collected, a high fine imposed for every bad egg found, and it is claimed, as a result of this care, that in 1903 the price paid in England for Danish eggs exceeded the average of the eggs from other countries by 9 cents per 20 eggs.

Another illustration of the way in which the co-operative principle has enabled the peasant farmers of Denmark to improve their national life is to be found in the fact that the co-operative societies have raised large sums in order to build and equip two sanatoria to fight the scourge of consumption.

Now, it should be noted that the education given to their schools has been of great assistance to the Danish farmers in helping them to apply successfully to their farms the methods of co-operation. It is now well known that co-operation brings within the reach of the small peasant farmer all the advantages, in regard to production, buying and selling, which were formerly enjoyed by the big farmer only, and that by practising the methods of co-operation they are securing for themselves the best chance that is available to them of enjoying a rich and full development of individual life, and consequently of social life.

I do not think it is disputed by any one that the success with which the farmers have applied co-operative methods to their farms is responsible for the prominent position which Danish agriculture occupies to-day.

The Danish Minister of Agriculture was able to boast, a few years ago, that the four preceding years, in spite of a world-wide depression, had been the most prosperous Danish agriculturists had ever known.

The CHAIRMAN.—Would your Excellency pardon me? Are we to understand that in the schools of Denmark the children are taught to practice the principle of co-operation?

HIS EXCELLENCY.—In the High Schools, certainly. I do not know whether it extends to the Primary Schools. In the rural parts of Denmark, the population realize that their prosperity depends upon the degree in which the co-operative principle is applied.

Let me now pass on to Ireland:

IRELAND.

The co-operative movement is a growth of recent date. Just as Mr. Sonne was the father of Danish co-operation, so Sir Horace Plunkett and Father Finley are the principal promoters of Irish co-operation. The first co-operative society was established in 1889.

There are now in Ireland 300 creameries, 150 agricultural societies and 230 credit societies, and in addition there are poultry associations, flax societies, bee-keepers'

societies and various home industries' societies, making altogether at the end of 1906, 891 co-operative societies affiliated with the Irish Agricultural Organization Society, with a total membership of 90,000 members and with a trade turnover for 1905 of \$10,000,000.

'The registration of 32 new banks during 1905 is sufficient evidence that this form of co-operative society still appeals to the Irish farmer.'

The I.A.O.S. was started by Sir Horace Plunkett 18 years ago on the basis of self-help, and on the foundation of self-help has been gradually built up an edifice of government assistance.

The government are co-operating with the I.A.O.S. in its endeavour to help the Irish farmers to help themselves. The report of the I.A.O.S. for the year ending June 30, 1906, shows that the government granted the I.A.O.S. \$10,000 to help them to meet the expenses of organizing and supervising credit societies, and the subsidies contributed by the government to the I.A.O.S. to help it in its general work during the year ending February 28, 1907, were \$18,500.

Now, I also learned from the report of this society most recently issued, that in Cape Colony one of their own men trained in Ireland has been appointed agricultural co-operation commissioner, with power to spend \$43,000 on agricultural organizations and \$750,000 in co-operative loans.

It has been recognized in South Africa that the chief want in that country was the impossibility of borrowing money required for profitable agricultural operations, and that the best way of meeting this want was through co-operative credit.

In the same way it has been found in Ireland that the money placed at the disposal of selected credit societies for loan at 3 per cent, by the Department of Agriculture, has been a great boon to the credit societies, which had difficulty in raising sufficient capital either from deposits or from the joint stock banks on overdraft.

At the same time it should be stated that the joint stock banks have shown a very friendly spirit in their treatment of co-operative credit societies, several bank managers having put themselves to personal inconvenience to attend meetings, and having shown a willing readiness to facilitate credit societies in various ways.

The society reports that there is a constantly increasing confidence in the safety of the banks.

It has been found—I am quoting from the society's report—in many districts where no other form of agricultural co-operation can otherwise obtain a foothold, co-operative credit is frequently welcome. This is partly due to the simplicity of the system and the effective aid which it gives to farmers in a comparatively short time, and it is due also to the fact that local prejudice amongst dealers is not so often directed against this form of co-operative enterprise as against poultry societies or agricultural societies. Indeed, some of the banks have been assisted in their formation by local merchants, who would have resisted any other type of co-operative society.

It is satisfactory to be able to state that wherever investigations have been made, as to the utility of the loans to the individual borrowers, the results have fully realized the most sanguine expectations, and profits of 20 to 50 per cent, or even more, have been proved to accrue to the farmers adopting this form of credit. Another advantage, which might be called a by-product arising from the working of the banks, is the increased interest taken, not only in the system itself, but in agricultural co-operation generally, by the committees. Men who hardly know each other except by name, and virtually never met, who were sundered by religious or political differences, meeting on bank committees, have helped each other in their work as farmers, and by discussing practical questions of local or general interest, have helped themselves and their parish by the diffusion of useful knowledge, the increase of practical improvements and the spirit and practice of good fellowship.

Co-operative societies are being formed in Ireland for the fattening of poultry, for the sale of eggs, for bacon curing, tobacco curing and for the handling of flax, with the result that the improvement effected in the co-operative handling of flax and

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the improved marketing facilities, have undoubtedly been the means of considerably increasing the area under flax, 1905-06.

The dairy societies have been, as in Denmark, of the greatest help to the Irish farmers. Dairy societies which had not hitherto engaged in agricultural trade are now recognizing the advantages derivable from the co-operative purchase of manures, seeds, &c., and are evincing quite a keen interest in the consolidation of business and federation for that purpose with the I.A.O.S.

In districts where co-operative credit societies have been established in contiguity, if not in actual connection, with agricultural societies, it has been found that the bearing which one has on the other, undoubtedly tends to the usefulness and prosperity of both societies.

Further it is interesting to note that the Irish Agricultural Wholesale Society was the first body in Ireland to guarantee the percentage of purity and germination of farm seeds, and has thus been able to raise the standard of seeds to the great advantage of the farmers : and by reducing the cost of artificial manures has increased their use enormously, while the action of the Department of Agriculture has led to a more intelligent application of fertilisers.

It may also be of interest to mention that the I.A.O.S. have arranged a scheme which enables members to obtain compensation for workmen's accidents by small premium of 3 per servant : and to insure their live stock from death by accident or disease for 4 per cent annum.

I should like to quote one sentence from the speech of Sir Horace Plunkett at the last Annual Meeting of the I. A. O. S. :—

'The provision of funds from public sources must be regarded as temporary. I make two exceptions. Co-operative credit—a matter of vital concern to all farmers who intend to improve their system of agriculture, as they will have to adopt more tillage, with its corollary of winter dairying, and also live stock insurance, both of which at a later stage, I think, might be directly organized by a Government department, with a view to the gradual development of a scheme which will justify the financing of farmers' credit associations with public moneys on the lines followed in Germany and elsewhere, abroad.'

FRANCE.

I now quote a few extracts from an article on agricultural credit in France in the New Zealand Farmers' Stock and Station Journal, which was reproduced in a Rhodesian agricultural journal, which I read here in Ottawa. The paper in question points out that the earliest attempt at the establishment of a co-operative credit bank was made in 1884, when a society was formed at Poligny with a capital of \$4,000, of which one-half was paid up. Notwithstanding its small capital, this society was very successful, but its example was followed in only a very few instances. In 1893, rural banks on the Raiffeisen system began to be introduced, and in 1901 there were 543 of these associations federated in a central society. Based on the principle of the unlimited liability of the members for the debts of the society, it was found that bankers would grant advances to societies of this kind without any guarantee, so that little capital was required. The safety of the money lent to members was ensured by confining each society within very small limits, usually a parish, where the circumstances and character of the members are easily known.

In order to encourage agricultural credit, a law was passed in March, 1899, which provides for advances from state funds, free of interest, to direct or regional banks (Caisses regionales). These banks are unions or federations of local banks affiliated banks, their capital being derived from the State grants and from shares subscribed by the local banks. The total sum available for this purpose was \$8,000,000 with an annual addition of not less than \$400,000. The advances are now regulated by a committee, according to a decree dated 11th April 1905.

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As a result of this law there existed at the end of 1903, 41 district banks to which the State had advanced about \$1,750,000 and the paid-up capital of which was \$615,000.

The local co-operative banks affiliated to them numbered 616, with a paid up capital of about \$300,000. By the beginning of 1905 the advances by the State had advanced to \$3,220,000.

The growth of these banks during the three years will be seen from the following table :—

AFFILIATED Local Banks.

Year.	District Banks.	Number.	Members.	Loans Granted.
				\$
1901.....	21	300	7,998	1,085,000
1902.....	37	456	22,467	2,860,000
1903.....	41	616	28,204	4,500,000

There is considerable variation in the constitution of these local societies, very few restrictions being made by law on the form a local society must take, but the system favoured by the Department of Agriculture is based, not on the Raiffeisen principle of unlimited liability but on co-operation with limited liability, such as is proposed by your Bill, the subscriptions of persons interested, together with the assistance afforded by the State, enabling loans to be made by the district bank either directly out of capital, or by re-discounting bills through the Bank of France. The following is a summary of the scheme recommended by the department.

The members of a local co-operative bank must be drawn from the members of an agricultural association, but the number required for its foundation need not exceed seven. It is not, indeed, desired that these local banks should embrace a large number of members, as it is important that the character and financial condition of the members should be well known. They, therefore, usually confine their operations to one parish, but are affiliated to a district bank which may include the whole of a department. Each of the members must subscribe for one share varying from \$3 to \$6. The local bank devotes an important part of its resources to taking shares in a district bank; indeed, commonly, the whole amount subscribed by members is used in this way. The capital of a district bank, however, need not be very large; for instance, if it amounted to \$10,000 that sum would enable it to obtain at the commencement an advance from the state of \$20,000, which might afterwards be increased to \$40,000, as the law permits the state to advance four times the paid-up capital.

CO-OPERATION IN THE UNITED KINGDOM.

Mr. Smith is no doubt wondering when I am going to come to England. He is an old co-operator and knows all about the system there. Well, at the end of 1905 there were 2,215,873 registered co-operators in the United Kingdom. If you multiply this figure by three and a half, which is a fair multiplier, as, though all the members are not heads of families the majority are, you get a total number of nearly eight millions, which is more than one-sixth of the population of the United Kingdom.

The present turnover of the co-operative societies of the United Kingdom is over \$500,000,000 a year, on which they realize a ten per cent profit of over \$50,000,000 and of which they devote to education nearly \$500,000 a year. These high figures are steadily increasing year by year. These figures are hardly appreciated by people in

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England. The co-operative movement there is far and away the biggest industrial enterprise. It started on the basis of associations such as you propose to make legal in this Bill.

The total sales in the forty-two years, 1862 to 1904, £1,432,776,536, over \$7,000,000,000.

The total profits in the forty-two years, 1862 to 1903, £134,381,205, over \$670,000,000.

Now this vast organization which is destined to exercise a greater influence on the life of England year by year, is the practical result of the enjoyment by the people of England of the rights which the Bill now before your parliament wishes to confer on the people of Canada. When this Bill becomes an Act the example of co-operation in the United Kingdom and on the continent of Europe will be of great assistance to Canada. You must not, however, expect to be able to avoid all mistakes, and you must not be discouraged by failures. Failures confronted with spirit become the steps to success. It is well to remember that the great and successful co-operative movement of England has been founded on failures.

Robert Owen is the father of co-operation and every one of the 700 societies which owed their birth to the enthusiasm which he created for the principle of co-operation, have one after another disappeared. Various reasons have been assigned for their failure—incompetent managers, dishonest managers, the abandonment of the ready-money system, dependence on the rich for assistance instead of on self-support; but the real cause of the failure is to be found in the want of character and education among the people that Owen hoped to benefit. He wished to thrust improvement on them from the top, instead of allowing it to grow up from below. The failure of his societies was owing to the fact that the movement originated with him and not with the men themselves.

The movement, which grew out of the Rochdale store started in 1844, by the self-denial of a few workmen who resolved to do for themselves what Owen had tried 50 years before to do for them, on the other hand, has shown astonishing results.

Distributive societies exist to-day in various parts of Great Britain. After paying all expenses and interests at the rate of from 4 to 5 per cent, on invested capital, the profits are usually divided among the members in proportion to their purchases at the store. In a few societies where an enlightened view is taken of the relation between capital and labour, the employees are allowed to participate in the profits with the consumers at the store, £1 of wage ranking for as much in the division as £1 of purchases.

The organization is essentially democratic, all members being equal. The store is essentially the business of the people themselves. It belongs to them, and is managed by them. The object of its existence is to serve them and to promote their well being. The Store Committee becomes in those communities, where enlightened opinions prevail, a centre of social effort, a sort of civic church, the organized communion of the best men in each locality for the promotion of comfortable living and right and justice. The degree of the committee's influence necessarily depends on the education and ideals of the members of the society. Owen, recognizing that progress is largely a matter of education, appropriated a large proportion of his profits to educational work. I have not the sum which the co-operative societies voted last year; they amounted to, I believe, a charge of about 3d. in the pound upon the profits distributed. The question is now being debated whether they should not tax themselves a little higher through their societies for the promotion of the common good.

The chief advantages secured to England by this co-operative organization of trade and industry, which the legalised establishment of similar organizations in Canada, in accordance with the provisions of this Bill, will bring within reach of Canada are:

1. \$50,000,000 saved annually by the co-operators of the United Kingdom, and this amount steadily growing year by year.

2. Training in business habits of the committee men who are entrusted with the administration of the local societies, through which this saving is effected—in 1900 the number of committee men amounted to 20,000.

3. Effect on character of the 8,000,000 population influenced by their association with this huge organization and the responsibilities attaching to it.

4. Security provided against trusts run in the interests of a few capitalists.

I would have you reflect on the security which the development of co-operative methods offers against the tyranny of trusts and combines. There is no guarantee that the power of a trust, or a combine, will not be used against the general wellbeing of both producers and consumers. The co-operative movement provides a safeguard against this danger of a value proportionate to its strength. The Co-operative Consumers' Organization, which is in itself a trust in the interests of consumers, is prevented by law from becoming a close co-operation with limited membership.

It therefore cannot be captured by a capitalist trust. Further, no man may own more than 200 shares. Every member has an equal vote. Its command of millions of capital enables it to make large purchases in every part of the world. This power and their possession of a market gives the great Co-operative Consumers' Organization a unique position.

Mr. Verville, in one of his questions, referred to his hope that co-operation might make it easier for working men to build their own homes.

Perhaps one of the most interesting features in the co-operation movement in England at the present time is the work which is being done by Co-partnership Tenant Societies in London and elsewhere. I would refer you to a prospectus of the Ealing Tenants, Limited, of which the chairman is Mr. Henry Vivian, M.P. for Birkenhead, and who has all his life been a strenuous and effective worker in the cause of co-operation. His object has been to promote the co-operative ownership and administration of suitable building estates in the suburbs of London, by methods which, while avoiding the dangers that too frequently accompany the individual ownerships of houses and speculative building devoid of public spirit, harmonize the interest of tenant and investor by an equitable use of the profit arising from the increase of values and the careful use of the property.

The methods are briefly as follows:—

'To acquire, or erect, substantially-built houses, provided with good sanitary and other arrangements for the convenience of tenants.

'To let the society's houses at ordinary rents; to pay a moderate rate of interest on capital; and to divide the surplus profits, after providing for expenses, repairs, depreciation, &c., among the tenant members, in proportion to the rents paid by them.

'Each tenant member's share of profits is credited to him in shares instead of being paid in cash.

'The advantage to the tenant member is obvious; in that he is entitled out of the profits to receive a dividend on the rent paid by him during that period. The investing shareholder, it is admitted, does not receive an excessive return on his capital.

But the system also operates to the advantage of the capitalist.—

'A. The greater the surplus profits the greater the security for the regular payment of interest on capital. Now, it is in the interest of the tenant members, who receive the surplus profits, to make those profits as large as possible, *e.g.*, by taking care of the property and thus lessening the expenditure on repairs; by helping to find tenants for empty houses; by the punctual payment of rent. Experience confirms this.

'B. The share capital of the tenant member affords a fund upon which the society can, if necessary, draw in order to pay any arrears of rent. Loss by arrears of rent is therefore practically impossible.

'It is contended that while the system confers great benefit on the tenant shareholders, it affords by that very fact an exceptional security to the capitalist shareholder.

'This system must not be confounded with that of an ordinary building society

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which has advantages of its own. In the latter the occupying member makes himself liable to the society for the purchase money. If he leaves the neighbourhood the house may be a burden on his hands.

' A tenant member of this society may remain a tenant member only, however large his holding in the society. If he leaves the neighbourhood, he can sell his shares probably more readily than a house, or perhaps continue to hold them and receive the interest regularly.

' It is further claimed for this system that, in principle, it solves the question of the "unearned increment"; for all the gain under this head does not go to the shareholders as such, or to the individual tenants in the improving locality, but by swelling the surplus profits, it necessarily benefits all the tenant members of the society, as tenant members, in the shape of increased dividends on their rentals.'

That in these societies a workman can obtain practically all the economic advantages which would arise from the ownership of his own house, will be gathered from the following:

' Capital for the society is obtained at a rate below which the individual could not possibly borrow to buy his own home; he would almost certainly pay interest higher by half per cent to one per cent. After interest on capital has been paid, and the usual fixed charges have been met, any surplus profit is placed to the credit of the tenant shareholders as shares in the society, in proportion to the rents they have paid, until the value of the house is acquired in shares, after which the profit may be withdrawn in cash. It seems clear that if the preliminary expenses, such as legal and survey fees, and the interest on capital to be paid out of the revenue from rent, are less under this system, and if the tenant shareholder pays as rent what under the other system would go as repayment in instalments, then the margin or surplus which can go towards building up the capital fund must be greater. By taking as his security, scrip for shares in an association of tenant owners, instead of a deed of a particular site and house, the tenant averages the risk of removal with his co-partners in the tenancy of the estate. The value of his accumulated savings is therefore kept up, and can be transferred, if desired, without the waste that accompanies the transfer of a deed. The results of a workman's thrift are in this way made mobile as well as his labour; and this is important if he is to get the maximum economic result from his knowledge and industry.

Further, tenants having a substantial share in the capital of the society administering the property, are interested not only in securing good results whilst they are tenants, but also, after they cease to be tenants, in keeping up the permanent value of their capital.

The tenant of a house belonging to an association of tenant owners such as I have described enjoys advantages which individual house owners do not; for instance:

On the Ealing estate a small institute has been built; there is a library, a choral society, cricket and other clubs, and a discussion class, and debates are organized by the tenant shareholders, and lectures are arranged from time to time. This society, after meeting all fixed charges and paying 5 per cent on shares and 4 per cent on loan stock, realized a fair profit on the working of the last half-year; but it has been decided to carry this to the reserve fund for the present. The society has purchased an adjoining estate, which will enable a much larger number of houses to be erected, bringing the total up to about three hundred.

The tenant's position in such a society is as follows:—

1. He gets a house at a rental which, if accommodation and other things are compared, is not higher and is probably less than he would have to pay elsewhere.
2. He can invest in the society of which he is a tenant any savings he finds it possible to make out of his earnings, at 5 per cent.
3. Should values go up, the tenant gets the benefit either by way of a dividend on his rent or by paying a rental which is below the market value.
4. He secures practically all surplus profit after the fixed charges have been met.

5. The tenants, as a whole, can relieve themselves of dependence on outside capital altogether, by acquiring through investment or by accumulated capital, the value of the property.

6. The capital for building his house is provided at a cheaper rate than it could be obtained on any system that is commercially sound.

By gradual process, therefore, it lies with the tenants to transfer the ownership from non-tenant shareholders, who take the main risk to begin with, to the tenant shareholders who, it is hoped, may become the ultimate owners. This follows the policy adopted by Godin with his employees in the co-partnership iron foundry at Guise.

It will be seen that the division of risks is a varying one as between the non-tenant shareholders and the tenant shareholders. The proportion of non-tenants' capital is large to begin with, declining as the tenant shareholders' proportion grows.

The following figures show the progress of this movement up to date:—

	Estab- lished.	Number of Members.	Capital at Start.	Present Share Capital.	Present Amount of Loans, Stocks and Loans.	Amount of Mortgages	Present Cost Value of Mortgages	Reserve Fund.
			£	£	£	£	£	£
Tenant Co-operators, Ltd.	1888	320	500	5,286	9,030	11,893	28,680	3,600
Ealing Tenants, Ltd. . . .	1901	166	300	8,653	22,658	21,523	52,451	510
Sevenoaks Tenants, Ltd.	1903	46	700	939	3,164	6,600	10,950	.....
Anchor Tenants Lei- cester, Ltd.	1903	.....	300	.....	.....	.....	.....	.....
Garden City Tenants, Ltd	1905	93	600	5,114	24,922	3,410	33,000	.....
Beacon Hill Builders. . . .	.....	.....	.....	.....	.....	.....	.....	.....
Hindhead, Ltd.	1905	.....	300	.....	.....	.....	.....	.....
Promley Tenants.	1906	.....	.....	.....	.....	.....	.....	.....
Bournville Tenants, Ltd.	1906	.....	.....	.....	.....	.....	.....	.....
Oldham Garden Suburb Tenants, Ltd.	1906	.....	.....	.....	.....	.....	.....	.....
Manchester Tenants, Ltd.	1906	.....	.....	.....	.....	.....	.....	.....

As will be seen from the above illustration, a tenant owners' society, to administer a garden village, can make a start with very small resources. Why should they not multiply rapidly? Cheap transit is now enabling the people to travel quickly from the centre of our towns into the suburbs; tenant societies might well be started to share in the development of these suburbs, buy land or lease the same from municipalities, and thus raise the whole tone of speculative building. The system upon which such societies are worked is a comparatively simple one, and, with a central organization to mould societies and guide them in their infancy, their number should rapidly increase.

Those desiring to establish societies in their own districts can obtain information as to the best way to do so from Miss Gurney, 22 Red Lion Square, London, W.C. I have put this information before this committee owing to a remark of Mr. Verville leading me to suppose that the problem of how to house the workmen of the rising towns of Canada is one which is very naturally engaging his attention.

Mr. MONK.—Your Excellency, Mr. Chairman and Gentlemen: I am sure I am voicing the feelings of members of this committee and of the House who are here present in stating that we are extremely grateful to His Excellency for the very valuable information he has laid before the committee this morning. The members of the committee have brought to the consideration of this important measure a great deal of industry and have sought to procure all the information available by hearing from competent experts who have made a life study of the subject. Could we expect to get the testimony, if I may use that expression, of His Excellency, it would be most valuable to us, because we knew that long before Earl Grey came to Canada he had

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made of this subject a special study, and had done a great deal in England to promote the co-operative movement there. Through the good offices of our chairman, we succeeded in obtaining the presence of His Excellency, and I venture to say that the enlightenment he has given the committee will be most useful to its members in preparing their report and also to the House of Commons itself when it comes to study the measure. I am glad to avail myself of this opportunity to state that this is not the first occasion upon which His Excellency, since he has come to Canada, has manifested the warmest interest in everything that could in any way further and advance the welfare of the people and the progress of the country. Of this he has given manifest evidence this morning again. It is indeed an admirable illustration of the grandeur and elasticity of our political institutions that we should thus have the advantage of seeing one occupying such a high position lay aside for a moment his official character and come as a private citizen to give us the benefit of his great experience of the advantages of the co-operative movement which he acquired while in England. I would like to say, Mr. Chairman, that I listened with particular interest to the suggestion made by His Excellency concerning the unlimited liability character of the Raiffeisen banks and the opinion he brought to us of Mr. Wolff, one of the most eminent experts in England, on this subject that unlimited liability is desirable. Of course, as we all know, and as His Excellency knows, there is an objection amongst Anglo-Saxon people and those whose institutions are modelled after the Anglo-Saxon plan, to unlimited liability. Nevertheless, we will, when we come to study the details of the Bill, put in practice as far as possible, the suggestion which, upon that point, has been made to us by His Excellency. Without wishing to detain any longer His Excellency or this committee, I beg to move, Sir, seconded by my hon. friend Mr. Smith:—

‘That this committee desires to place on record its indebtedness to Earl Grey, and tenders His Excellency its thanks for his attendance this morning, and for the valuable information he has given this committee, as well as for his deep interest in the cause of co-operation.’

Mr. SMITH.—As a member of the select committee appointed to consider this Bill, I have very much pleasure in seconding the motion of my honourable friend, Mr. Monk. His Excellency has been kind enough to make a personal reference to myself, as having experience of the operation of the principle of co-operation in England. I desire to say that that is so; and one of the most important influences, as I consider, in my training and experience, has emanated almost absolutely and entirely from the operation of that principle in the Motherland. I regard the principle of the co-operative movement in Canada as important from one standpoint principally, and that is in its disposal of the present condition of credit in this country. I came to Canada fifteen years ago—this may be a personal reference, but I desire to illustrate the point I am making—a poor man, having brought up a family without the expenditure of single pound on the credit system. I never once in my life purchased an article that I did not pay the money for, but when I came to Canada, I found, in British Columbia, in Vancouver Island, that the credit system was prevalent everywhere. Under this system of credit the miners of Vancouver Island had their monthly payments mortgaged before they would get them. In my opinion, Mr. Chairman, the operation of the credit system, as a business principle, in any country to such an extent is a serious detriment to the mental and moral improvement, and the elevation of its citizens. If there is one thing more than another which the co-operative principle teaches, it is that a man should be thrifty; it teaches him to economize even with his small earnings, and the importance of paying for everything he purchases. I am surprised to find that, seventy years after the enactment of a law providing for the incorporation of co-operative societies in England, we are discussing the importance of the same principle in Canada. Perhaps in the consideration of this subject by the committee I have been a little impatient, because I thought that

after seventy years of experience in England it ought to be easy enough for us to adopt the principle in this country right away. The principle of the legislation is that of purely voluntary action. There is nothing compulsory about the principle at all: it simply provides that the individual members of the State shall have the right to co-operate for 'their own interests, to minister to their own wants, and to economize their own finances. I am very much pleased that His Excellency, with so many years of experience, has favoured the committee with an address this morning, and I have no doubt that what he has said to us will help the members of this committee and of the House of Commons to further the passage of this wise and necessary legislation. Doubtless, His Excellency's address will have far-reaching effects on the country.

THE CHAIRMAN—YOUR EXCELLENCY AND GENTLEMEN.—I wish once again to thank you for your attendance this morning. This committee has sat exactly one hour. We began the proceedings within a very few minutes after twelve and it is now five minutes past one. I think it will be the concensus of opinion that this has been one of the most, if not the most, interesting sittings that this committee or this parliament has had since the beginning of the session. We have had the first citizen of the land, His Majesty's representative, coming before us to give us the benefit of his advice on a system which he has himself promoted on the other side of the water. It is a pleasure for us to see that the work which has been accomplished in England by the Owens, the Wolffs', the Greys', and in Italy by the Luzzatis, has been taken up in Canada by the humble Hansard reporter of the House of Commons, Mr. Desjardins. Your Excellency, Mr. Desjardins has taken up your work in Canada. He has been an enthusiast and to-day he is probably the proudest man in Canada, because after years and years of perseverance and effort, his work, so humble at the beginning, is now commended by the highest authority in this Canada of ours. Let me thank you, in Mr. Desjardins' name for the kind words you have used in speaking of his work. To show the interest of His Excellency in the work of co-operation, I hold in my hand a book which His Excellency got the other day at La Caisse Populaire de Lévis, which he visited as a subscriber on the occasion described by him. I thank you again, on behalf of Mr. Desjardins who cannot speak, on behalf of this committee, and I can assure Your Excellency that by your address this morning and by the facts which you have submitted to this committee, you have helped considerably to promote the passage of the desired legislation.

The resolution was then put and carried by acclamation.

In reply His Excellency said: I can assure you that if I have been of the slightest use to you in your deliberations upon the Bill which is now before the House of Commons, it will afford me the greatest possible pleasure. I am glad to have had the opportunity of meeting you and I heartily wish you success in your efforts to enact this measure. I hope if it does pass it will be conducive to the prosperity and the well-being of all parts of the Dominion.

The committee adjourned.

HOUSE OF COMMONS,

Room 62,

FRIDAY, April 5, 1907.

The Special Committee to whom was referred Bill No. 2, An Act respecting Industrial and Co-operative Societies, met here at 4 p.m., Hon. Rodolphe Lemieux, chairman, presiding.

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Mr. G. H. PERLEY, M.P., called by consent, and examined.

By the Chairman:

Q. You are in the lumber business?—A. Yes.

Q. And you are a bank director?—A. I am a director of the Bank of Ottawa.

Q. And you are a director in more than one bank?—A. Only in one.

Q. Have you examined this proposed legislation, and if so, will you state to the committee whether, in your opinion, it will be beneficial to the people at large, and if the provisions of the Bill meet with your approval?—A. I may say, Mr. Chairman, that I am here as an individual to give my own personal views on the matter, as the mover of this Bill, Mr. Monk spoke to me several times about it. I read the Bill over carefully for the purpose of seeing whether I could make any suggestions to better it. I may say that I have no experience myself of the co-operative movement, but it is quite apparent from the evidence which has been given before this committee that it has been productive of great good in many countries. I listened the other day very carefully to what His Excellency had to say, and there seems to be no doubt that this movement would be for the benefit of the people of this country. I simply wish to criticise a few details of the Bill and more particularly that part which has reference to the carrying on of a banking business.

Q. What part of the Bill is that?—A. The clauses with reference to the banking business.

By Mr. Sinclair:

Q. What clauses?—A. I will refer to them later on in detail. First let me say that I notice subsection *a* of section 3 provides: (Reads): 'No member other than a joint stock company, an agricultural association existing under the laws of Canada or some province thereof, or a municipal body, shall have or claim any interest in the shares of the society to an amount exceeding five hundred dollars.' Now, I certainly think it would be a great mistake to draw a distinction between an individual and a company in connection with the amount of stock that they are free to hold. If the amount is to be limited to five hundred dollars it should apply to everybody. On looking over the Bill I see no provision that there shall be only one vote for each shareholder. I understand that is one of the basic principles of co-operation and I certainly think it ought to be put in the Bill that each shareholder should have one vote, irrespective of the amount of his holding of shares. If that were provided for, the limit as to the number of dollars which a person could put in might be struck out and it would be permitted that a person or corporation should have as many shares as they wished. There are provisions for the winding up of the society in subsection *e* of section 33. It seems to me that this clause ought to be more carefully drawn. Under it, if the society has a certain reserve, any shareholder can withdraw at any time and he shall not be at all liable in connection with the company from the moment of his withdrawal. Now, under this clause the directors of a society which was in trouble, even although it nominally showed a reserve to the legal amount provided for, could withdraw at one moment's notice and thereby relieve themselves from every possible liability in connection with their shares. Now, that certainly is not fair or proper and might lead to great abuses. Another thing I notice is that the Companies' Act, as I understand it, would not apply to a society of this kind. Now, supposing the directors were to declare dividends that had not been earned. Are they to be punished for that under this Bill?

Mr. MONK.—It is the general meeting, in the case of co-operative societies, that declares the dividend.

Mr. PERLEY.—It is declared at the general meeting?

Mr. MONK.—Yes, sir.

The CHAIRMAN.—Is there a clause to that effect?

Mr. DESJARDINS.—It may be incorporated in the by-laws and in the law as well. The board has only the right to make recommendations to do this or do that, but they have no power at all to declare a dividend. For instance, I have no power at all as a director or as a member of the board of administration of La Caisse Populaire to declare a dividend. Our people at Lévis were calling upon me for a dividend, but the board had no power to declare one. I said to them, 'You must wait, I cannot, as manager, pay one cent because I am not authorized by the general meeting.'

Mr. PERLEY.—I see no provision about dividends at all. From that I infer that the board would have power to declare them.

Mr. DESJARDINS.—No.

Mr. PERLEY.—There should be some clause providing as to how the dividends are to be declared.

Mr. SINCLAIR.—Look at subsection *a* of section 33, 'No person, society or company who, or which, has ceased to be a member for one year or upwards, prior to the commencement of the winding up shall be liable to contribute.'

Mr. PERLEY.—Yes, that is perfectly plain. But subsection *e* provides that in case the society has a certain reserve—the amount of which is not stated here—then any one can withdraw at a moment's notice and be no longer liable. Now, the directors knowing the state of affairs of the society, may withdraw at a moment's notice under that clause, although the society is really bankrupt.

Mr. MONK.—They would be liable, if the society was bankrupt under section 33?

Mr. PERLEY.—Not under subsection *e*. It says that any member who has withdrawn shall be free from any liability whatever from the moment of his withdrawal. Those are very strong words.

Mr. SINCLAIR.—Providing there is a reserve sufficient to meet all liabilities, I suppose.

Mr. PERLEY.—That is not the way the subsection reads.

By the Chairman :

Q. That section might be made clearer?—A. The Ontario Bank nominally had a big reserve, and yet it failed.

Mr. DESJARDINS.—In the case of banks, there are a number of other provisions which makes it a little different.

The CHAIRMAN.—That is not as clear as it might be, and it would be quite right that we should provide that if an institution turns out afterwards to be insolvent, then the shareholders within a year should be liable.

Mr. SINCLAIR.—If there is no reserve you make everybody liable for any debt that occurs within a year. But if there is a reserve then they are let out, you relieve them from all liability. As Mr. Perley puts it, in a case where there is a fictitious reserve, and where the concern is really insolvent, although there is a reserve, should not every shareholder be liable in that case?

Mr. PERLEY.—A trading society would buy large amounts of goods from people and they might be liable for large sums of money, they might, if they became prosperous, do a large amount of business, and they might have very heavy debts to outsiders.

Mr. DESJARDINS.—They are supposed to pay cash. I suppose that a good many things can be looked after in the by-laws, but the general law, if I understand well, deals with the general principles and then the by-laws complete the law. Of course, the by-laws are often very exacting and for a good purpose, but it is pretty difficult to put in a law, in a general law, all the restrictions that can be put in the by-laws which cover many of those points.

Mr. MONK.—That will have to be attended to in the amendments that are made to the Bill.

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Mr. PERLEY.—Section 29 provides for the amalgamation of more than one society by resolution. Now, the intention of this Act is that a society shall only do business in one electoral division, and in clause 29 you provide for the amalgamation of any two or more societies incorporated under the Act which may be effected by special resolution of each of the societies interested. The clause certainly ought to say, 'Two or more societies within the same electoral division,' because otherwise, under clause 29 you might have the joining of these societies all over the province into one very large society, which is distinctly opposed to the spirit of this Bill.

Mr. MONK.—You referred a moment ago to the case of the declaration of dividends?

Mr. PERLEY.—Yes.

Mr. MONK.—I would like to have your opinion on schedule B of the Bill, Article 10; that is a matter which has to be determined by the rules of the society, 'Mode of application of profits,' and not by any decision of the directors.

Mr. PERLEY.—Well, the society might decide under section 10 to leave it to the directors, that is possible under that section.

Mr. MONK.—No, not as I read the Bill, because they have to make their own rules, and not leave it to any other outside authority to decide on their by-laws. The law does not give them power to leave that to the board of directors.

Mr. PERLEY.—Do I understand you to say that under this wording the society could not make the by-law to read that the directors may declare dividends as they see fit?

Mr. MONK.—I should not think so, because the Bill says that must be determined by the rules of the society.

Mr. PERLEY.—Well, that is a technical point I may not understand.

Mr. MONK.—They cannot relieve themselves from that obligation by referring it to the directors?

Mr. PERLEY.—That is a technical point, and it seems to me that under subsection 10 they could make a by-law in that way and leave it to the directors, but possibly they could not.

With regard to the banking business which is provided for in this Bill, I see no objection to it whatever. It seems to me that it is a very wise thing if properly guarded and carried out, and that there should be no objection to societies of that kind. But I think that they ought to be absolutely and entirely distinct from any trading society. I do not think there should be any provision made for joining the two together. I certainly feel that any society which deals in lands, mines, sawmills, and things of that kind should not have the power to do a banking business of any kind whatsoever. It is all right for people to carry on a hazardous business with their own money, but they should not take the deposits of others and use those deposits in a dangerous and hazardous business.

Mr. MONK.—I might say, it is intended by amendment to confine the credit loan and banking business exclusively to banking societies.

Mr. PERLEY.—If that is the case, it will do away with a good many objections I would have to the Bill. Before I go further, I might say that the word 'banking' ought not to be used in connection with this matter. There should be another name, and I have suggested that they should be called Credit Societies.

The CHAIRMAN.—I am of your opinion. Since the last meeting I have consulted the Minister of Finance, who is unable to give all the time to the consideration of the Bill he would desire, and he stated he would not offer any objection provided we did not use the word 'bank.' The word bank has a magic in it to the people, and we can amend the Bill so as to avoid the use of that word.

Mr. DESJARDINS.—I think it would be very wrong to use that word 'bank,' because the society does no banking whatever; it is a misnomer.

Mr. SINCLAIR.—Would you call it Savings and Credit Society?

Mr. PERLEY.—That exactly explains what it is for, Credit and Savings Society.

The CHAIRMAN.—It exactly explains the object of the Bill.

Mr. DESJARDINS.—I always objected to the word 'banking' because to our English-speaking fellow countrymen it gives another meaning altogether to that which is intended. In French we have the word 'caisse' which gives us the right meaning, a diminutive attenuated expression in French of the word 'bank'; while in the English the word 'caisse' has unfortunately no translation, where you use the word 'bank' for everything and it carries a magic with it which carries the people away. They have no conception of what the word is when it is applied to a society such as this.

Mr. PERLEY.—I would suggest there ought to be two Bills if you are not going to have the credit society do any ordinary business. Have the banking part of it in a separate Bill, there are a great many provisions which apply to one and are not required for the other.

Mr. MONK.—That would be very inconvenient to have two separate Bills; we want to make it as simple as possible.

The CHAIRMAN.—You will have enough trouble in passing this one.

Mr. PERLEY.—I notice that there is a provision for certain reserves, the amount of which is left open in the Bill as now printed, after which the shareholders can withdraw and get their money back and I am told that it is proposed to make that 100 per cent. Well, I consider that if you are going to have that kind of provision 100 per cent is perfectly reasonable and satisfactory, but I certainly do not believe in the provision for allowing the capital to be withdrawn. I have talked this matter over with Mr. Desjardins several times and he does not agree with me. Of course he has had more experience than I have had, but it seems to me that it would be far and away the wiser to provide that the capital could be transferred to a person who is satisfactory—of course he must be elected to the society in the usual way—rather than to allow the person to withdraw his capital. It seems a very extraordinary thing that persons should be allowed to withdraw and thereby perhaps impair the usefulness of the society. The money is in and they ought to be satisfied to leave it there.

Mr. MONK.—Does it not occur to you that if the party who becomes associated with the enterprise has to be approved of by the society, it would be very awkward to deal with shares in a co-operative credit and loan society, or a co-operative society, as you deal with the ordinary transferable shares of other companies. You do not require in ordinary cases the approval of the companies to acquire shares.

Mr. PERLEY.—No, not if the shares are paid up. In other directions we have something very difficult and still quite similar. For instance, take one of our fishing clubs, that is the way it is managed. The shares are transferable and saleable, but the new purchaser has to be approved of by the rest of the company before the transfer is accepted by the directors.

Mr. MONK.—That is not very much the same idea, because that is a sporting club, and co-operation applies principally to the poor people as a rule.

Mr. PERLEY.—Yes.

Mr. MONK.—And a man who invests a little money in a co-operative society likes to know that when he wishes he will be able to withdraw that—to pay it up by instalments and to withdraw it. Otherwise it is very difficult to get labouring men or men engaged in agricultural pursuits to go into one of these societies. Do you appreciate that point?

Mr. PERLEY.—I quite appreciate that point and this is a matter I do not feel very strongly about. It seems to me it would be better without the power of withdrawal, but I do not feel very strongly about it. Of course I am referring now entirely to the Credit Societies.

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Mr. SINCLAIR.—You are afraid there will be a run on the bank some day and they will all withdraw?

Mr. PERLEY.—Well, it might happen quite easily.

Mr. SINCLAIR.—How do you provide for that case?

Mr. DESJARDINS.—We have the right by the by-law to exact a notice of thirty days. If we were confronted by a run we would say 'Now, gentlemen, you will just wait until the money is in. We will give you the money. The money is all right, but it has been loaned out.'

Mr. SINCLAIR.—But they might not wait.

Mr. DESJARDINS.—Of course we have the right to make them wait thirty days under the by-laws.

Mr. MONK.—And you refer to the by-laws because every depositor must be himself a sharer.

Mr. DESJARDINS.—He has approved of the by-laws and been a party to them. Besides you must not forget that this society will be a people's society. It will not be a society composed of Mr. So-and-So or shareholder So-and-So, from Toronto, Kingston, Halifax, or somewhere else, but it will be the whole people's society in a small area, all the members knowing each other. Under the circumstances there is no more fear of a run on the society than there is for a run on the moon, excepting that in large cities it might happen. In small towns, what I might call rural towns, there would be no fear of it. In large cities like Montreal or Toronto it might happen, but I hardly have any fear of it. You have, for instance, the experience in Milan, Italy, with a population of 500,000 souls. The Banche Popolare, of Milan, has been over forty-five years in existence and has never had a run, although it controls over \$100,000,000.

The CHAIRMAN.—Belonging to very excitable people.

Mr. DESJARDINS.—And they are very excitable people, the Italians.

Mr. PERLEY.—Is the amount that each one can hold in shares limited there?

Mr. DESJARDINS.—No, it is not practically.

Mr. PERLEY.—If you are going to have the right to withdraw, don't you think you ought to limit the maximum holdings of companies and persons, because if any one person or company held a large enough number of shares he might ruin the society in a morning.

Mr. DESJARDINS.—That is just what I was going to point out. I would suggest humbly that it should be said in the Act that the by-laws should fix from time to time the maximum that the society will allow members to take as shares. For instance, let us take a practical case. Take the case of the 'caisse' at Lévis, with which I have been connected for the last six years. We started with twenty-five shares allowable to one member at \$5 a share, making \$125.00. That was the whole amount that member could have.

Mr. PERLEY.—Could a company take any more than that, a joint stock company?

Mr. DESJARDINS.—Not at the start.

Mr. MONK.—Mr. Perley asks if a joint stock company could take more than a member?

Mr. DESJARDINS.—There was no distinction between incorporated bodies and individuals. Later on, the business having expanded, we doubled the number of shares at a general meeting by resolution. It was resolved that in the future the number of shares to be held should be fifty. Now we have two hundred shares, that is \$1,000, because the business has increased. The college at Lévis and two or three public institutions—they have no fear that the society will be bankrupt—have taken the maximum amount. There is this advantage, that a man or a public institution in a locality who desires to promote the good of such a society will take the full amount of shares allowable in order to help the society along. For instance this very morning I received a letter asking for quite a loan. We have in our hands

only \$4,000.00, although our total assets amount to about \$51,000. The rest is loaned out in good loans. I received a telegram this morning saying, 'I am asked for a loan of \$2,500, and we have only \$4,000. How shall I manage?' I had to answer, 'Refuse.' We had to refuse a good loan for about fifteen months, that would have paid us well, because we have not money enough. Leaving it in the hands of the society to fix the amount of shares to be held; then it grows as the business grows. But I always take this view of it: That the limit shall be fixed by the general meeting.

Mr. PERLEY.—It should apply to all incorporated companies as well as individuals.

Mr. DESJARDINS.—There should be no distinction, but the limit should be fixed from time to time by the general meeting.

Mr. PERLEY.—Are you allowed to loan money on land?

Mr. DESJARDINS.—Well, of course we could.

Mr. PERLEY.—Do you?

Mr. DESJARDINS.—We have not done it yet.

Mr. PERLEY.—It would be very dangerous if even a society of this kind should get into the habit of loaning money on land.

The CHAIRMAN.—Of course you lend money that could be recovered as soon as possible.

Mr. DESJARDINS.—On demand always. It might be in a mortgage, but the money is always payable on demand.

Mr. PERLEY.—There should be a provision that these credit societies should not be allowed to lend their money on land and things like that, where they cannot get it out.

Mr. MONK.—But if it is on demand?

Mr. PERLEY.—If it is payable on demand it is all right, provided it can be actually collected promptly.

Mr. SINCLAIR.—If it is on demand, you cannot get it out of land if it is not saleable; you have to foreclose, and that takes time.

Mr. DESJARDINS.—The way we have done that, is that we say only a certain proportion of the general assets is to be loaned on mortgage. I think it might be fixed at a safe percentage.

Mr. PERLEY.—The clauses with regard to the banking societies, for instance, and the lending of their money should be drafted by some one from the Finance Department. We have the best system of banking in the world to-day, and if we are to have these societies incorporated we should have have them started on a basis equally good.

Mr. MONK.—Notwithstanding the good banking system that we have, a great many people have suffered from the failure of banks.

Mr. PERLEY.—Comparatively few.

The CHAIRMAN.—And when the law was ignored by the parties from whom you expected protection the best bank in the world could fail. Take the case of the Ville Marie Bank where you have a conspiracy from the president of the bank down to the clerk, and in fact you will remember when the startling discoveries were made, we had Bousquet arrested in Montreal, and who goes first to the court house to bail him out but the president? We had to discover the whole thing, the conspiracy between the president, the cashier, the tellers and the clerks and arrests had to be made.

Mr. MONK.—It has been the case in almost every instance where the bank failed.

The CHAIRMAN.—In the case of the Banque du Peuple, which is from the other side of the case. You had a president, a very honest and straightforward man, but

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the old gentleman did not take any care. He went there and smoked his cigar every morning, and you had the inspectors and the auditor, a gentleman whom you and I knew well, but they were practically prevented by the board of directors from examining some of the transactions and the books. The moment somebody in the bank machinery ignores the law the whole system may be wrecked.

Well, we thank you very much, Mr. Perley, and I hope you will assist us in framing the Bill and in putting it through the House.

Mr. PERLEY.—I shall be very glad to look it over when you have changed it.

The committee adjourned.

ADDENDUM

General Statement by Alphonse Desjardins, President
of 'La Caisse Populaire de Lévis.'

ADDENDUM

GENERAL STATEMENT

BY

ALPHONSE DESJARDINS, PRESIDENT OF 'LA CAISSE POPULAIRE DE LÉVIS.'

The following copious extracts are designed to show the opinions of the leading authorities who have attentively studied the beneficial system of people's banks and thereby to give an adequate idea of the exact nature of these popular institutions, popular in the widest sense of the word, as conclusively shown by the description herein given of their organization and working.

Before going further, it is, I feel, necessary to assert positively and unmistakably that these associations are not designed to work in the field now occupied by the ordinary banks, or to become competitors in any way, shape or form with the existing and larger financial institutions. Nothing can be more erroneous or more remote from the nature, economically speaking, of these societies. They are called for and will be most beneficial because their very existence will meet a want existing in our economic regime as it existed in other countries before they came into being there. This is their sole object and mission, nothing more, nothing less. Considered from this point of view, their existence would help largely to expand the flow of business reaching our large banks, and would increase the economic activities of our progress, by increasing their power, by giving to the humblest people the all-powerful weapon of capital, however small it may be, necessitated by their calling and energies. It will also help the poorest classes by offering them the credit which they deserve when hard-pressed by adverse circumstances, which help they can now have only at ruinous cost from the pawn-brokers whose business flourishes in every province, or from the usurers whose dealings have aroused the public sentiment to such an extent that the Federal Parliament, as well as some provincial legislatures, have deemed it their duty to legislate against them. These anti-usury laws may reach their object to the extent of punishing here and there some usurers called before our courts, but none provide the real remedy of offering to the unwilling victims the money needed, and it is this very remedy that is given by the credit associations so numerous in Europe, and which tend to spread all over the world in every civilized nation.

Moreover, for reasons too obvious to be mentioned in detail, these organizations would largely promote thrift and would attract on all sides the best attention of our scattered and isolated groups of population. They would offer a ready-at-hand reservoir to receive the cents of the poor. The very proximity of the credit association would be the strongest incentive to thrift that could be devised, to instil this social and economic virtue so precious everywhere, and much more so in a young country like Canada, where every cent can be turned to such good account by reason of our immense natural resources. It is when we compare our savings results with those of other countries that we realize how far behind we are, both in amount saved and in the number of savers. But what is still more attractive in these societies, is that they inculcate the habits of saving by receiving the copper, literally speaking. Thousands and tens of thousands never save because they have never the spare dollar to open an account. The village society will convert these spendthrifts by making them savers of cents to start with.

The above-mentioned features have been well understood by the leading and most powerful banks of Continental Europe, beginning with the Bank of France down, in-

cluding the large savings banks of Italy, which come so cheerfully and so readily to the help of these village or local institutions, lending them large sums whenever necessary, on the security of their assets and their splendid reputation. This substantial assistance shows that these societies are regarded by these banks as a very valuable connecting link in the economic fabric of a people, and should be fostered instead of being looked upon as undesirable competitors. They are, in fact, true feeders to the large banks, as experience has shown them to be in every country where both work advantageously side by side and with perfect harmony.

The educative features both in credit and thrift need not be mentioned here; they are self-evident, and they will be shown in a very satisfactory way by the appreciations quoted below.

The word 'bank' is a misnomer, as it carries a meaning quite opposite to the nature of these institutions, and creates a prejudice which is most unwarranted in every respect. A bank is an institution which issues paper-money, receives deposits from the public and lends money to its customers. None of these leading features is to be found in the associations spoken of here. They do not ask the privilege of issuing paper-money, nor even of receiving deposits from the public generally, although this right is cheerfully granted them in all other countries where they exist, nor do they lend to the public. All their transactions are confined to their own members, and the sphere of action of each separate society would here be confined to a well defined and small area. These characteristics prove the co-operative and strictly local nature of the societies whose formation I advocate. They leave no room for misunderstanding as to the present and ultimate aims of these societies. If anything incidentally mentioned in the following extracts bears a somewhat different construction, it must be considered as out of meaning here, and so interwoven with the subject matter for which the quotation has been chosen, as to make it impracticable to leave it aside. What is to be taken into account is, first, the leading principles of associated action, and, second, the purely co-operative working of those principles.

Nor is a co-operative savings and credit association a loan society, of which there are so many in Canada. Loan societies are capitalized either by men of wealth seeking an investment for their funds, or by instalment shares sold to the public, and they do business with anyone looking for a loan and offering a good real estate security in the form of a mortgage or other equally good pledge, not to be found at every door, above all among the working classes. These societies do not educate their clients, they do not care for their clients' well-being, they do not care for the use of the money borrowed as long as they have their real security in good shape; that is all they look for. They are carrying on business transactions, and nothing else. Their interest and success are not bound up with the interest and success and prosperity of their borrowers, their object being to make money at their clients' expense and to enlarge thereby their yearly dividends. It is the very contrary in the co-operative association, since both the borrowing and lending are done by the members, and the members only. Again, the loan society does business all over either Canada or the province where it has been incorporated, while the genuine co-operative association is limited to a small area and could not go outside without violating the law, and thereby being liable of losing its very existence through the withdrawal of its charter.

I cannot summarize in a better way the essence of this form of association, than by giving here the object of such an organization, for which purpose I quote at length the following article of the constitution of 'La Caisse Populaire de Lévis,' a co-operative savings and credit association, which I established in Lévis, and of which I have been president since its formation:—

Object.

'Article 2.—The objects of the association are:

'1. To protect its members against reverses of fortune, the results of enforced idleness, sickness and want, by teaching them the inappreciable benefits of wise providential measures based on mutual assistance and co-operation, and, in particular,

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by instilling and developing in them the taste for and the constant and energetic practice of economy even on the most modest scale;

'2. To aid them by a wise and prudent system of credit in the shape of loans and advances, the proposed employment whereof must be communicated to the association, be approved by it, and be in accordance with the spirit in which it is founded;

'3. To enable persons devoid of fortune but who are industrious, honest and laborious, to form part of the association by granting them facilities for paying up their shares in the capital stock by means of very small weekly instalments;

'4. To secure the practice of the Christian and social virtues that mark the good citizen, the honest, laborious and honourable workers, by exacting above all moral warranties of the highest order from the shareholders who borrow from the association;

'5. To combat usury by means of co-operation and mutual assistance by providing all who are deserving of the same, through their fondness for work, their skill and the integrity of their conduct, with the moneys they require for carrying on their business or occupation, and which they cannot obtain from existing financial institutions owing to the insufficiency of the present system; thereby making them independent of lenders who levy exorbitant commission or interest, or of those who impose too onerous conditions in connection with credit;

'6. To foster the spirit of enterprise and promote local works, whether of an industrial or agricultural character, by the prudent use of the savings effected within the district covered by the association's operations;

'7. To spread amongst its members a practical knowledge of the elementary principles of economic science, and to teach them respect for their written engagements; as also the advantages inevitably derived by those who faithfully fulfil the obligations they have undertaken.

'8. To create and foster mutual confidence between shareholders by means of economic relations based on the security of warranties of a high character, inasmuch as they are founded, in a very great measure, on morality, honesty, order, love of work and prudence;

'9. To gradually procure for them—by persevering efforts towards securing economy and consequently a just measure of credit—that economic independence which inspires and fosters a feeling of personal dignity, and convinces one of the need of relying above all upon himself to improve his position and elevate himself in the social scale.'

Here you have the spirit, aim and essence of these associations which are advocated for the benefit of the humbler classes, in whose hands they should always be and who would absolutely control them, direct them and minister them for their own advantage. A large proportion of the following extracts have a direct bearing upon what one would call the banking aspect of the question. But it does not follow by any means, that the co-operative association sought to be legalized in Canada is to be confined to that feature, or that co-operative associations cannot produce splendid results in all other branches of economic activity. To think so would be to shut our eyes to all the wonderful benefits conferred upon the working classes, be they urban or rural, in most of the civilized countries of the world. The saving and credit aspect of co-operation is, to our mind, the very starting point, the basic foundation of the co-operative movement, educating and elevating the workingmen and farmers in their respective callings, and making effective their efforts and labours. As experience has repeatedly shown, co-operation in agriculture, for example, has conferred immense benefits upon all, without damage to anyone. It seems to me, for instance, that colonization in eastern Canada would receive a great impetus and be helped to an incalculable extent by co-operative societies organized under a liberal law that would offer freedom of action combined with the safeguards established by prolonged experience and the special circumstances of this country.

In our agricultural communities this form of association would be a great boon,
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as it would afford a sure safeguard against the evils that drive so many of our rural people to our cities and even away from their own country. Improvidence as well as want of economic education have caused the ruin of thousands of agriculturists. Usurious loans, abuses of or unproductive credit, as well as greedy lenders, have driven hundreds, if not thousands, of our unfortunate farmers from their homesteads and forced them to seek a poor living in our cities and towns, while thousands upon thousands have crossed the frontier, settled there and are lost to their native land.

It might be asked if this particular kind of association would adapt itself to our habits and social as well as economic conditions, and meet out known wants. There cannot be any doubt as to this point, considering our situation and our needs, which are so numerous in every direction. Again, more than one decisive experiment has been made here, and the success achieved in each case has already proven how readily our people will adapt themselves to this special form of association, and learn to gain every possible advantage that can be derived from it.

AUTHORITIES QUOTED.

In order to give more weight to the quotations hereafter made and to save time and space, it is desirable, I think, to mention here in a very summary way the information that will convince of the importance to be attached to those views and why they are taken as authorities of the highest character. The following quotations from eminent publicists of various countries form a consensus of international opinion, the force of which is obvious:—

The standing in political economy of the writers quoted, and above all, their very close study of this particular matter, under conditions and circumstances of a very special and favourable character, are such as to give to their opinions the greatest possible weight in considering the question involved.

Mr. Henry W. Wolff, chairman of the 'International Co-operative Alliance,' of which Earl Grey, Governor General of Canada, is honorary president, is known as an economist, and above all, as one, if not the best, of the leading exponents of co-operation in matters of thrift and credit. His works on that question are quoted everywhere, and his most valuable book 'People's Banks,' a record of social and economic success, is considered classic on this question. For almost twenty years he has studied this subject all through Europe, and has had the best opportunities of acquainting himself with the working and economic results of these co-operative societies. This appreciation is borne out by the following mention contained in the report of the committee appointed by the government of India in 1901, to which reference will be made later on.

'We are also specially indebted to Mr. Henry W. Wolff, whose extensive knowledge of the principles and practice of co-operative village banking are well known, and whose valuable suggestions, communicated through the Secretary of State, have received our most careful consideration.'

Moreover, in 1898, Mr. H. W. Wolff was called as an expert witness on co-operative banking by the committee of the Imperial House of Commons appointed to make an inquiry on money lending.

In 1901 the government of India appointed a committee to consider the question of organizing co-operative credit in that country, by passing a law authorizing the formation of such societies among the native as well as the British population. Lord Curzon, Governor General, and his advisors did not seem terrorized by the awful dangers of giving to Hindoos the right to form co-operative banks among themselves even, according to the recommendations of the committee, without the restriction of not receiving deposits or accepting loans from outsiders and from anywhere. And be it not forgotten that this terrible right is considered safe in the hands of the native inhabitants of India, who are, however, not educated enough to enjoy the free political institutions of representative government that Canada has for more than two long generations. One would be disposed to think that under the circumstances Canadians

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should be as safe as the people of the dependency of India to be entrusted with the same freedom on economic grounds and be as reliable to use this right for their own benefit. The education of our farmers and artisans should be as good at least—a great many would rightly believe—far better than that of the poorer classes of India to whom this committee recommended to give by law the privilege to help themselves by co-operative credit associations. And the law so recommended was indeed passed, thanks to Lord Curzon, who took the matter in hand and pushed it vigorously.

The following quotation explains the personnel of this committee:—

‘The committee appointed under the orders of the government of India to consider the question of the establishment of agricultural banks to India, consisted of the Honourable Sir E. F. G. Law, K.C.M.G., as president; the Honourable Mr. F. A. Nicholson, C.I.E., I.C.S., member of the Board of Revenue in Madras, and additional member of the Council of the Governor General of India; Mr. J. B. Fuller, C.I.E., I.S.C., secretary to the government of India in the Department of Revenue and Agriculture; the Honourable Mr. J. Wilson, I.C.S., Settlement Commissioner in the Punjab and member of the Punjab Legislative Council; Mr. Reginald Murray, manager of the Commercial Bank of India, Calcutta, and Mr. H. Dupernex, I.C.S., District Judge, Cawnpore. The committee assembled at Simla, on June 1, 1901, and dissolved on July 10, after holding altogether sixteen meetings.’

Mr. R. E. V. Arbuthnot, under secretary to the government of India, in the Department of Revenue and Agriculture, was secretary to the committee.

This shows what authority must be attached to the findings of this committee so far as the basic principles involved are concerned, and what respect the conclusions arrived at deserve. Later on reference will be made to the work of this committee, by another quotation of great importance.

In 1892 the Governor in Council, desiring to investigate the possibility of introducing into the Presidency of Madras, a system of agricultural or other land banks, appointed Mr. Frederick Augustus Nicholson, for the purpose of carrying on this most important inquiry. In the preface to this most interesting and complete report covering many hundred pages, in two large volumes, the significant words here quoted are to be found:—

‘The following report has been written to the order of the Madras government as conveyed in G.O. dated 15th March, 1892. His Excellency Lord Wenlock being desirous of assisting the organization of rural credit through land and agricultural banks in this presidency, in view to the replacement of the individual money-lender and to the development of the economic condition of the country.’

This shows the importance of the mission entrusted to Mr. Nicholson, and the confidence reposed in him by the government of Madras, which confidence he has fully proved to be well founded by his very able and exhaustive report, the best and most extensive ever published on the subject of co-operation in such a field.

The governments of India are not the only ones that have thought proper and desirable, in the public interest, to use the immense resources at their disposal to inquire into this matter with a view to benefit their people by a thorough knowledge of all the details of the working of these institutions of thrift and credit. The Washington government as far back as 1892, the same year as the government of the Madras Presidency, took up the matter and through the authority of the Department of Agriculture, instituted an inquiry. Mr. Edward F. Peters, of the Office of the Statistician, prepared the report, extensively quoted elsewhere, after having, as the Statistician, J. R. Dodge, says in his letter of transmittal addressed to the Secretary of Agriculture, then the Hon. J. M. Rusk, ‘given an exhaustive study to the methods and results of these institutions.’

Resolutions passed by the ‘Congrès International du Crédit Populaire’ (International Congress), held in Paris in 1900, are also quoted upon questions of principle. This congress was presided over by Eugène Rostand, an eminent economist and

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banker, having been president of the large Savings Bank of Marseilles, France, for over twenty years, and in which sat the leaders of this co-operative movement on credit in the different countries of Europe.

Messrs. Alphonse Courtois and A. Batbie are authorities on political economy, as well as J. E. Horn, whose book on banks is considered one of the most valuable contributions on banking, being accepted as a standard work on the subject.

M. Charles Rayneri, whose name appears, is an eminent co-operator in France, manager for over twenty years of such an institution called 'La Banque Populaire de Menton.' M. Rayneri is known throughout continental Europe as a reliable authority on all questions of co-operative credit.

The name of Luigi Luzzatti is also often mentioned in connection with the co-operative banking movement in Italy. Mr. Wolff considers him to be one of the highest, if not the highest, authority on co-operative credit, and his great ability on financial questions is so appreciated by his countrymen that twice he has had the honour of being called upon to assume the responsible position of Finance Minister of Italy, which position he has filled with much distinction to himself and advantage to that kingdom. He is called the father of the Italian co-operative credit associations, and his wonderful mastering of this question as well as his arduous labours for years have well earned for him this most flattering title. His authority on such a matter is universally recognized in Europe and appreciated on all sides as coming from a great master on questions of this character.

NECESSITY OF CO-OPERATIVE CREDIT IN CANADA.

Having thus made known the sources from which the following numerous extracts have been taken, the first question to be examined is whether or not this new form of association would be advantageous to our people generally in conferring, for instance, on the very large classes of workingmen and tillers of the soil, benefits that are denied them now. But to answer intelligently this question, it is necessary to examine in a very rapid survey, our credit organization and see whether it is as complete as it should be. On the top, so to speak, we have our banking system which ministers to the needs of our industries and trade on a large and medium scale. In another aspect and for other needs we have our loan companies, doing business on real estate mortgages, or other securities of a like substantial character; but there are still other needs for which we have now in Canada no organized credit. These needs are supposed to be provided for to a more or less extent by the worst sort of system, if it is at all a system, that of the broker, pawn-broker and private money-lender, generally known as the usurer for most of those people exact usurious rates for their services. The abuses under that system have grown to such a degree that laws have been passed to repress those abuses, but as experience has repeatedly shown elsewhere, will these laws prove of some avail in the majority of the cases, or even to any extent at all? Unfortunately one is bound to answer in the negative, as history shows that in every country usurers have always succeeded in violating every restriction put upon their nefarious trade. The same experience that teaches the comparatively uselessness of such measures shows conclusively that the real remedy, the only practical one after all, is the offering of money at reasonable rates, and the creation of a system whereby this can be effectually done.

No one can doubt that the evil referred to above exists in Canada, and that we have not what can be called organized credit in the same sense and to as perfect an extent as we possess in the two other branches here mentioned, viz.: those of banking and mortgage credits. The societies here advocated provide the practical machinery for the organization of the desired credit in the third branch. That such credit is needed is proven by the very existence of usurers, private money-lenders, brokers, so-called private bankers and pawn-brokers; these latter would not operate if the former were a mere fancy. Why are these brokers prospering in our cities alongside our numerous banks, if the joint stock banks can care for all these needs of credit? Is it not a striking evidence that there is a vacuum in our credit system?

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Co-operative credit is no imaginary scheme; it has already a history of half a century, and its record is one of wonderful success, everywhere it has taken a foothold. A glance at the statistics will convince anyone of its potentialities for good among the poor people, the artisans and small farmers. This need not be demonstrated here, as the quotations following contain proofs of this truth.

Being, therefore, in a position more or less similar to that in which were other countries before they adopted organized co-operative credit, why should we not follow their example to the extent of and in conformity with our wants?

Let us see now whether or not the arguments used in these countries to induce them to adopt this system of co-operative credit do apply to a considerable extent, or in a good many particular cases, wholly to our situation.

In his pamphlet intituled 'Co-operative Credit Banks,' a help alike economic and educational for the labouring and cultivating classes, Mr. Henry W. Wolff says for England:—

Are Co-operative Banks Wanted in this Country?

'There is one more point to consider, in conclusion. We have here a powerful instrument shown us for good which has worked results abroad, the record of which reads almost like a fairy tale. Is the employment of the same instrument practicable among ourselves, and is it desirable? I believe that it is. I believe, even, that it is distinctly called for—called for more particularly by evidence which shows that our public is instinctively feeling and groping for something of the same sort, realizing that it is wanted, vaguely grasping the merit of the principle, and seeking to apply it in an empiric way which has thus far led to significant but not very perfect results. We have need, insufficient employment, insufficiently cultivated land, insufficiently used opportunities. To find money, poor people go to the pawnbroker and the usurer.'

Imperfect Organizations of the same kind Existing Prove the Want.

'But they have advanced beyond that, as has been already shown. They form slate clubs, loan societies, funding clubs, self-help societies—in Edinburgh they have a "People's Bank," which, established mainly to enable workingmen to purchase their own houses, engages largely in real People's Bank business, mere lending, in a way rather different from that here indicated, but with very good results, never thus far, as Mr. Lochhead stated at the last co-operative congress, losing a penny, though the sum lent out both in building and personal loans amounted at New Year to £34,485. In none of these societies, which are, in point of fact, embryo co-operative credit banks, is any difficulty experienced in applying the methods necessary for co-operative banking, such as the provision of personal security by sureties. Sureties are readily forthcoming. Also, the experience of such institutions shows that here, as elsewhere, what are called "the poor," are in truth the best repayers. In the best organized of these societies the losses are practically nil, though the members be recruited from the poorest sections of the working classes, liable to frequent want of employment.'

The possibilities of Co-operative Banking in this Country.

'Here is a producing factor of the greatest power, the most beneficent action, the most educating effect, placed within our reach, the banking of that "greatest banker of the world," as Jules Simon has called him. "who trades with the mite of the poor." The upper strata of our social fabric may, as has been stated, be "over-banked." However, thus far no banking shaft has yet been sent down into the lower levels to tap the inexhaustible deposits of gold mingled with productive labour which lie hidden there. Into that depth, where possibly lie concealed materials for wealth, greater and more enduring by far than those which surface digging has yielded us, only co-operative banks can penetrate, to bring up their treasures and make them available to be utilized for the public good. That would undoubtedly be a great public benefit. Probably the time will come when we shall wonder how we ever managed to maintain our social well-being, to carry on our national economy without co-

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operative banks, just as we are inclined to wonder now how we ever could do without railways, without tramways, without those many modern inventions which make available for "the million" the benefits of civilization, the use of which was long hopelessly barred to them, at a time when travelling, study, comfort, were the monopolies of the rich, as banking still is their monopoly to-day. Give "the million" that productive power which is to be found in the command of working capital, and though the millenium cannot be expected to arrive at once in consequence, there can be no doubt that many of our social and economic troubles will be mitigated, if not wholly relieved, that employment is likely to become more steady, and more remunerative, comforts are likely to become more attainable, therefore contentment may be expected to become more general and pauperism more circumscribed than they are now.'

In confirmation of the views here expressed by Mr. Wolff, we have a much higher authority in the opinion of a committee of the British House of Commons. After an inquiry of a minute character upon money lending in the United Kingdom, held in 1897 and 1898, and after having heard the evidence of several experts on co-operative credit societies, the committee said in their report upon this point:—

'Your committee are impressed with the extreme usefulness of these institutions, and they are of opinion that they meet a real want, especially in agricultural districts.'

Mr. J. R. Dodge, Statistician of the United States Department of Agriculture, testifies as follows in a letter written in 1892, to the Hon. J. M. Rusk, Secretary of Agriculture:—

'These people's banks have a success that justifies their existence, as they fill a virtual vacuum in banking opportunities for the agricultural and industrial classes. Perhaps equally needed in this country are such facilities for self-help, through small savings which are the basis of small loans to those who are by their circumstances practically excluded from the ordinary credits of the banks. Possibly such facilities here may lead to self-reliance, financial co-operation and thrift, and thus improve the condition of large numbers of men of limited means and isolated position who are now beyond the present stimulus to enterprise and economy of existing savings banks, national banks, trust companies, and other financial institutions.'

In his very valuable book, 'People's Banks,' Mr. Henry W. Wolff, speaking of England, writes on page 368:—

'Else, what keeps our pawnshops and our usurers busy? What has called our slate clubs, and funding clubs, and money clubs, and loan societies, and self-help societies, and civil service share and purchase societies into being? What has led so many of our friendly societies to avail themselves of the power given them of lending to members? What has prompted the Irish to set up their "loan boards," which in their elementary way are doing not a little good? Here we have the proof of a need and a demand actually evidenced in the existence of rudimentary institutions which supply it in a more or less inefficient way. For the most part these institutions are very insecure, often avowedly temporary institutions, which minister to need in a hand-to-mouth fashion. As a rule they have no funds of their own. They deal out the money which comes in by subscriptions, and which may be withdrawn to the last farthing any day. Hence their instability. They can grant no long loans, which are the most useful loans for men who, let us say, wish to set up in business, to purchase articles for agricultural use, or to pay off an old debt.

'The slate clubs are, of course, very insignificant, and merely temporary concerns, but widely diffused. The loan societies, I am glad to say, are going altogether out of favour, and their number is rapidly dwindling. Last year only six new societies of this order were registered. The Act under which they are formed is a very inconvenient Act, and deservedly unpopular alike with the Treasury and with the magistrates, whose assistance is appealed to call in bad debts. They are so organized as to create no touch or mutual control among members. No borrower wishes it to be known that he has borrowed. As a matter of fact, nearly the entire management is committed to the secretary, who in many cases draws a substantial salary. Rates of

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interest are high, though disguised in the shape of commissions and special contributions tacked on to the usual 5 per cent for forty weeks, equal to $6\frac{1}{4}$ per cent per annum, payable in advance. There are still about 350 of these societies in the kingdom, and it ought to be pointed out that they are composed of just the class of men who abroad group themselves together to much better purpose in people's banks. As they die out, their places are taken by "specially authorized" societies formed under the Friendly Societies Act, which are at any rate rather better organized, and by "lending societies" constituted under the Industrial and Provident Societies Act. There are about 245 of the former, and a very much smaller number—but doing a comparatively larger business—of the latter. The number of both is increasing. At best, these institutions are imperfect. Their prototypes, the original loan societies, formed under the Act of 1840, were authorized as "Friend of Labour Loan Societies." However, since their rules do not, like the rules of people's banks, prescribe a supervision over the employment of the loan, and money is accordingly generally borrowed for improvident purposes, which leads the borrower into enduring mischief, they richly deserve the nickname by which in fact they have become known, as "Enemy of labour loan societies." Under their faulty organization very much money has to be called in by legal proceedings. In 1890 there were no fewer than 3,052 summonses issued. On page 28, he says:—

'That hits a weak point in our economic system. We pride ourselves, on both sides of the political boundary line, upon our "popular" institutions, which make us, as we think, the most "democratic" nation in Europe. Nevertheless, in respect of the main supports of the two great divisions of our economic fabric we are distinctly anti-democratic. As the basis of agriculture we have land laws which, for good or for evil, are, from a democratic point of view, a century at least behind those of other countries. And as the basis of commerce we have credit still almost the monopoly of the rich. We do not, accordingly, know that which, thanks to their people's banks, the Germans and Italians have well learnt, namely, what an ample and practically inexhaustible resource of productive power there lies hidden in the labour, the frugality, the honesty of the nation's workers, as material for what Commendatore Luzzatti calls "capitalization"—just as people who have not seen rivers like the Danube or the Rhine, could not possibly estimate from the little rills and driblets which go to make them up, what a vast volume of water may be collected from those insignificant sources. It is the object of the founders of "people's banks" to bring those scattered streamlets together, to give them aid and force, and by doing so to make the very atoms which compose them more fruitful, more productive—by the sense of responsibility awakened, the principles of business instilled, the knowledge of dealing with money and an appreciation of its productive power diffused. It is quite true, as Dr. Johnson unkindly reminded Goldsmith, that it takes 240 poor men's pence to make one capitalist's sovereign. But once the sovereign is so put together, it is a totally different sovereign from that taken out of the rich man's safe. It has behind it 240 wills, 240 pairs of watchful eyes, 240 thinking brains. It has, so to speak, become an animate sovereign, with prudence, energy, vigilance, diffused through all its parts. Every spring, every wire of the composite machine takes a personal interest in the collective doings, watching the other parts, guarding against loss and waste, correcting the slightest irregularity. And the more completely the distribution is carried out, the lower the "democratising" organism descends, so as to gather up from the lowest strata all available and useful elements, the more fully, so we see in the practical application of the principle abroad, does it realize its beneficent aim. Not without reason, accordingly, did Commendatore Luzzatti inscribe upon his banner, when he started on what proved to be a triumphal progress of economic success, the apt motto: *Aspirare a discendere.*'

And on page 137:—

'Let me quote upon this point the report of the Lords and Commons Committee of 1826 on Scotch banking. "Any person," so says the report, "who applies to the bank for a cash credit is called upon to produce two or more competent securities, who are

jointly bound, and after a full inquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities he is allowed to open a credit." "This system," so the report goes on, "has a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over their conduct; and if they find that they are misconducting themselves, they withdraw the security." Here are two important elements of security indicated—establishment by inquiry of the borrower's trustworthiness, and control of his action of employment. There were at the time spoken of about 11,000 cash credits outstanding collectively for about six millions of money. In addition to the 11,000 borrowers, there were, as the evidence points out, between 30,000 and 40,000 persons liable for the loans, acting as checks and controllers; 30,000 or 40,000 pairs of eyes, directly interested in the case, watching the borrowers on behalf of the bank; 30,000 or 40,000 tongues to remind them of their duty, and warn them if they threatened to go wrong. That explains the whole satisfactory working of the system. Here are the two main pillars of co-operative credit recognized—joint liability and individual checking. The sureties become an intermediate body between capital and want, helping the latter, but also effectually safeguarding the former.

'Now, this is co-operative banking applied in a very halting and middle class sort of way, among people who possess property and also some commercial education. Our object is to dive deeper—in the words of Commendatore Luzzatti, *aspiriamo a discendere*—so we must proceed upon very much broader and more popular lines.'

On page 370 he gives the success of one such co-operative society as an evidence that that system answers the purpose for which it is advocated:—

'The Self-help Society of Ealing lent out in six years £5,028, and did not lose a penny. It is true that in respect of not quite £11 the sureties had to be called upon to make good their principals' default. But of that sum six was guaranteed by the vicar, who is considered fair game for robbing and who has in consequence very properly been disqualified for serving as surety again. I take it that these are very satisfactory results. And even in this elementary form the resort to self-government and quickened responsibility is found to have a directly educating effect. One member borrowed £2 from the Vicar, which he apparently never thought of repaying. He joined the Self-help Society, borrowed from it, and paid punctually. "How is it that you don't think of repaying me?" one day asked the Vicar. "Ah, you're the Vicar, you don't want it," was the reply. That shows the difference between private lending and co-operative lending, as it were, in a nutshell. And here, in this society, obviously, we have all the elements of a people's bank in germ, and a people's bank, I hope the Self-help Society will one day become.'

Speaking of share purchase and advance societies, a peculiar kind of association in existence in England among certain classes, he adds on page 371:—

'Scotland possesses a far more democratic co-operative credit institution in its "People's Bank" of Edinburgh, a very useful society, formed to enable working folk to purchase their own "flats." Hence the security which is pledged, generally speaking, consists of realty—though the society has taken power to lend on personal security also, and to a very small extent avails itself of that power. It raises its money by £1 shares, payable at the holder's option by half-crown instalments. Beginning its work in a very modest way in 1889, it has in six years crept up to a share capital subscribed of £2,604 (only £1,348 paid up) with a reserve fund of £150. On December 31 last it had £12,598.8½s. outstanding in advances to members, besides £886.19s.11d. outstanding on overdrafts, and £71 1s. 10d. advanced on bills, therefore £13,536 13s. 5½d. lent out in all. Its lending is done at varying rates, ranging now from 3½ to 5 per cent, according to the quality of the security given. The business has proved steady and safe, and unquestionably a convenience to the members who apply for loans. A fact particularly deserving of notice in this, that, according to the testimony of the secretary, the whole of the money advanced was lent out to people "who would not

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have approached the larger banks, which are generally looked upon as aristocratic institutions." This makes thoroughly good what *Chamber's Journal* wrote in 1883:—

'There is a great blank or want of intermediate banks between the large joint-stock banks and the savings banks. We have no banks to correspond with the People's Bank of Germany, or the moderate sized national banks of the United States. There is a large, industrious and respectable class of small farmers, tradesmen, shopkeepers, and others who are left out in the cold. There should be popular banks and banking facilities provided for the numerous class of small customers who require a bank to deposit their savings in, and at the same time to turn their little money to the best account; also, on the other hand, to accommodate those who may want to borrow small sums occasionally for stocking their farms or their shops.'

'There should be such banks. The instances quoted conclusively prove the want of them, and they also show that nature, making its bidding heard through the unerring voice of instinct, leads those among us, who are in want of money, to seek relief, in principle, by precisely the same methods by which foreigners have found it. Every one of the societies described may be considered a people's bank in embryo—a people's bank in the rough, hewn out of the same material, but not yet properly squared and put together, answering its purpose as does a log-hut as compared with a well-constructed building—in a partial, elementary and temporary way.'

Hon. Mr. F. A. Nicholson, in his exhaustive report prepared with a view to introduce this form of credit in India, comes to the same conclusion, as shown by these lines:—

'It is, then, essential to discover methods of credit which, while supplying capital at half of present rates, will equally tend to keep the borrowing down; it is believed and urged that co-operative credit societies or village banks will not only achieve or tend to achieve these objects, but will equally develop many desirable and even essential characteristics such as those of thrift, prudence, self and mutual help, will initiate those forms of co-operation which tend to assure to each man the full value of his labour, and those stimulating ideas of progress so greatly needed by a conservative and isolated peasantry. Such societies will, as in Germany and Italy, everywhere form centres of economic and moral progress (De Laveleye).'

Mr. E. A. Pratt, in his able book 'On Organization of Agriculture,' published in 1904, does not hesitate to affirm that co-operative credit is a necessity for agricultural England. On page 310 he says:—

'Another factor in the situation is the absolute need that agricultural credit should go hand in hand with agricultural organization. The necessity for this dual arrangement has been proved over and over again on the continent of Europe, and though the financial position of British agriculturists in general may be more favourable than that of the peasantry in various other countries where an easy agricultural credit was established years ago, the extreme desirability of such credit being available in Great Britain, also, is beyond any possible doubt.

'Happily, here again a good commencement has been made by the Co-operative Banks Association, whose headquarters are at 29, Old Queen street, Westminster S.W. The purpose of this association is to establish both town and country co-operative banks, the former being registered under the Industrial and Provident Societies Acts, and issuing £1 shares, paid for in weekly instalments of 6d.; while the latter are registered under the Friendly Societies Act, and borrow money from the Central Banks Committee on the collective credit of the members as the town banks do on the credit of their shares for the purpose of making small advances for productive purposes. These country co-operative banks are, in fact, of that Raiffeisen type which has already conferred such inestimable benefits on so many countries abroad, and their adaptability to the requirements of the small cultivator, the village tradesman, and the labourer in the rural districts of England has been abundantly proved by the eleven village banks which have already been established, four of them being in Leicestershire, two in Worcestershire, two in Norfolk, and one each in Hampshire, Not-

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tinghamshire and Leicestershire. Where these banks exist there is no need for individuals of the classes mentioned to resort to the professional money-lender, and loans of from £2 to £10 or £20 can be readily obtained by honest and deserving toilers for the purchase of live stock, fertilizers, or implements, the repairing of glass-houses and other purposes. The little timely help thus granted has, in many instances, been of practical service, while in every case the instalments have been punctually repaid. There is room for hundreds more of such village banks in England, and until they have been established no complete system of agricultural organization can be hoped for. While, however, village banks of this type are calculated to fully meet the requirements of the "small" agriculturists, they are not likely, on their present basis, to answer the purposes of farmers who conduct operations on a large or a fairly large scale, and it is foreseen that for them a different kind of agricultural credit will have to be created. To this point I shall revert in the concluding chapter.'

And on page 375:—

'So I place in the forefront my recommendations that every encouragement should be given to the efforts already being made to promote combination among the British farmers. But experience has already shown that no really effective scheme of agricultural organization on a widespread basis can be carried out, even in Great Britain, unless supplemented by some practical system of co-operative agricultural credit banks, arranged on so comprehensive a scale as to meet the varying wants of all our agricultural classes. There may not be in England, Wales, and Scotland so large a proportion as in Ireland and in various continental countries of those very small cultivators to whom the loan of £5 or £6 from a co-operative village bank would be a great personal convenience. A certain demand for such facilities there undoubtedly is on the part of labourers and very small producers, and such demand the Co-operative Banks Association should, with adequate support, be well able to meet. But a wider basis of operations than this is required to answer the requirements of farmers who would want to borrow more substantial sums, and might find it an inestimable benefit if they could obtain them from a co-operative credit bank.

'Still more effectually would such a bank facilitate the operations of an agricultural association, which would secure loans on the individual and collective credit of its members for the purchase of the necessaries required by them, and receive payment in such convenient instalments as might be arranged. Especially could costly agricultural machinery be thus obtained by an association of farmers without their being required to advance any capital of their own, and without, in fact, their paying anything except the stipulated sums for hire, by means of which the sum expended would be eventually repaid. While, therefore, agricultural science and the economic situation of to-day have rendered essential a greater resort to agricultural machinery, if only as a means of reducing the cost of production, agricultural combination has brought the use of even the costliest machines within the reach of the humblest cultivator, placing him in practically the same position, in this regard, as the most prosperous of his neighbours.

'Whether the British farmer acts individually or collectively, the financial question calls, indeed, for serious consideration. It might even be argued that until the financial problems which arise have been satisfactorily disposed of, no great progress at all will be made. In almost every agricultural district in Great Britain farmers or cultivators of the smaller class are practically in the hands of commission men or brokers who advance money to them before their crops are ready, and afterwards get the produce at substantially less than its legitimate value, because of the financial obligations which the growers incurred towards them at a time when they were pressed for money. Not only does the individual farmer suffer, but the market price of the commodity in question is affected. Illustrations of these practices could especially be drawn from the hop-producing districts of Surrey and Hampshire, where it is no unusual thing for the hop growers who begin with obtaining advances from the dealers to finish by realizing about three-fourths of the actual value of their crops. An agricultural co-operative association, backed up by an agricultural credit bank, could meet this evil by itself under-

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taking the sale of the produce, advancing to the farmer the greater part of the amount which the crop might be expected to realize, and paying the balance to him—less a moderate charge for expenses—when the transaction had been completed. In this way the grower would no longer be at the mercy of the dealers, better results would be obtained for the sale of individual lots, and there would, also, be a greater prospect of the market prices being maintained, in which case the larger class of growers would benefit as well as the small ones. Reference to the chapter on “Hungary” will show how effectively the system here described has been carried out in that country in regard to the production and sale of wheat.

‘There is no need for me to enter now upon any detailed statement concerning the precise lines to be followed in the formation of those co-operative credit banks which would provide the good financial resources needed by the Agricultural Co-operative Associations to carry out the above-mentioned policy of defence, in addition to the other arrangements in respect to purchase, &c. But on the question of ways and means I would commend to those who are interested in this branch of the subject a perusal, or even re-perusal, of the chapter on the position in Italy, where, as I have explained, the savings effected by the artisans in the towns are rendered available for the purpose of loans to agriculturists in the district in which they have been obtained, instead of being sent away to be invested in government securities, or to be put into, perhaps, dubious foreign speculations. The financial position of Italy is, of course, altogether different from that of Great Britain; but if, for instance, the deposits made in the Post Office Savings Bank by the working classes in one of our great industrial centres could, under some absolutely secure system, be utilized to encourage the starting of co-operative credit banks in the surrounding agricultural districts, the result would be only to confer a great advantage on the farmers, and not only to improve the general position of agriculture, but also to produce an increased demand for agricultural machinery, &c., the supply of which would mean that the artisans who had saved the money would get not only as good a rate of interest as they do at present, but a bonus thereon in the form of more employment.’

Mr. E. T. Peters writes as follows, on page 15 of his book ‘Co-operative Credit Associations in certain European Countries’ :—

‘The success of the German credit unions and other co-operative institutions of credit in the performance of the particular function here under consideration—that of supplying credit on reasonable terms in the smaller industries, rural as well as urban—indicates that the enormous rates of interest from which these associations are affording relief did not arise from any exceptional risks to capital necessarily inherent in its employment in the smaller industries, but from the want of that organization of credit which existed elsewhere. Placed on an equality with the larger industries in this particular, the smaller ones could at any rate stand on their intrinsic economic merits, and would only be driven to the wall in cases where the methods of production which they used were on the whole economically inferior. The fact that in agriculture and horticulture there is still a pretty wide field in which production on a small or moderate scale appears to be at least as well adapted to success as that carried on in the larger class of enterprises, may perhaps explain the circumstance that rural industry has profited by co-operative banking to an extent not foreseen in the inception of that system.’

And on page 25 :—

‘In short, by such institutions as the people’s banks credit is organized among the poorer classes, borrower and lender being provided with facilities for the mutual supply of each other’s wants analogous to those provided by the larger financial institutions for the convenience of merchants, manufacturers, and the larger capitalists generally. In his report for 1872, on the German industrial and economic associations founded on self-help, Schulze Delitzsch observes, and in doing so keeps far within the truth, that, if traffic conducted on a large scale had been limited to the individual means of those by whom it is carried on, it would not have developed one-half of its

actual power; and he shows how the people's banks opened to the smaller lines of business, similar sources of credit to those which had theretofore been almost monopolized by the larger ones.'

M. Charles Rayneri, a gentleman standing high in the co-operative credit world of France, one who has very attentively studied this question, could assert in a speech delivered before such a distinguished audience as the one assembled in Paris in 1900, to hold an International Congress for the special purposes of studying and of specially comparing notes on the movement of co-operation in all countries:—

'It is wrong to pretend that ordinary financial institutions can satisfy the needs of the interesting class of customers that exact reports of a special character, almost of a private nature, and dare not enter those imposing establishments. In the end only two recourses are open: usury or pawn-shops. The former is making enormous inroads; it wears out and exhausts the humble labourers. The latter supply statistics that are more and more painful and their customers consist, for the greater part, of the elements that form the large profits of the co-operative societies. In Paris, itself, the four-fifths of the borrowers belong to the category of traders, workmen, and employees. The pawn-shop is the sole lending establishment accessible to the labouring classes in a time which, very justly, boasts of having achieved important progress in the art of lending. These establishments no longer exist to-day, and it is full time to oppose them with vigorous co-operative organizations which, giving credit to the man and to his qualities, will constitute shrines of moral and economic redemption for the people.

'It may, perhaps, be said that popular banks are useless, since the other banks serve the same purposes. Still, the countries of which we have just spoken are, as well as we, and perhaps better than we are, supplied with ordinary banks, performing, often on a larger scale than with us, the services that our banks render.

'We must, therefore, suppose that the popular banks have a special sphere of action to which our French institutions of credit do not correspond.

'Before going further, here are a few preliminary explanations regarding the words "popular" and "co-operative."

'We need not dwell too long on the consideration that if, in a democracy, all persons form part of the people, from the highest in social rank, in talents or in wealth, to the most lowly, custom, however, applies the adjective popular to matters that specially interest the greater number, especially those less favoured by fortune; that in this sense we say: "a popular theatre, a popular meeting." But let us explain in a less off-hand way the meaning of the words:—Why say "popular bank," "co-operative association"? Why not simply "bank," or "association"? Do different principles apply to the one or the other? Would you pretend, might we not ask you, that for the use of the labourers there is one political economic policy and for that of the employers there is another one? No. The laws of economy are universal, both as to time and space. They do not change, neither with the colour of the skin, nor on account of religious creeds, nor because of political systems, nor even—without offence to Montesquieu—in consequence of climate. They are one, as is their sister, physical law. But if the principles never vary, the methods of applying them may, according to the sphere in which they act, differ. It is thus that the justices of the peace, popular courts created for small cases and humble people, avoiding costs and, what is often more important, travel and loss of time, decide nevertheless as do all other courts, by referring to the same codes and applying the same laws. It is only the form that changes.

'From the expression let us turn to the matter. "A co-operative association" is one each member of which, being of moderate means, is at once a customer and a partner. It is mutual, each one giving and taking—at least in law, if not always in practice. Its aim is not benevolent but, with previous compensation, the enjoyment of advantages fixed by law.'

And further on; pages 4 and 5:—

'The object of the credit is to cause a useful circulation of capital, making it pass

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through the most experienced hands. I cannot, let us suppose, get more than 4 per cent on my capital, while my neighbour, being more clever, but having no capital, could, with like risk (*a sine qua non* condition), get 6 per cent on it. I lend to him, he gives me 5 per cent. Each one of us gains 1 per cent, and the association (or partnership) gains 2 per cent on the capital.

'The credit thus serves to better classify the capital; it does no more, but it does no less, and if free it contributes largely to the increase of public prosperity. It should, moreover, aid only production. All credits of non-productive results are fatal, since, without compensation they draw on the future and help the association to grow poorer.

'But what about pity, commiseration? Here is a good workman, with wife and children and a good record. He has no work and his funds are exhausted. He knocks at the door of the popular bank and asks for an advance on the future, to get bread for his care and himself, until he finds work. Will you reject his petition? Why, great heavens, yes! As a popular bank, should we pass for people with sentiment? Why, great not to the bank he should apply in this case, no more than he would, when well, apply to the hospital; it is to a mutual association, if he had any forethought; if none such exists, he should apply to a benevolent society. We cannot too often repeat it, a popular bank, to have life, must be an interested business. Charitable societies, and above all, benevolent institutions, are disinterested in the division of their resources; such is their principle. A popular bank cannot prosper, nor even live, and cannot, therefore, render the services that belong to its sphere, except if it be managed strictly and with all the rigour of its principles. The past failures of these institutions are due, in great part, to a forgetfulness of this saving spirit of direction.

'For example, a workwoman wants to buy a sewing-machine to facilitate her work. If the amount needed for the purchase would be loaned her she would be sure to return it in a year at most. In view of the short delay in the loan there would be no difficulty in giving her the advance, provided, however, that the total amount used for that kind of transaction be limited to a figure both provided for and reasonable.

'Mr. Léon d'Andrimont tells of a baker, who rented, to carry his bread from house to house, a small cart for 30 cents per day. He went to the popular bank at Liège; the latter advanced him 100 francs which he used to buy a cart. He economized the cost of the rent of his vehicle; he carefully laid that saving aside, and every three months he came and deposited in the bank, to diminish his loan; at the end of a year he had completely settled his debt, and besides the cart had become his property.'

Mr. Courtois adds that these instances show conclusively the necessity of such organized co-operative credit for the working classes.

BENEFITS OF CO-OPERATIVE SAVINGS AND CREDIT ASSOCIATIONS.

The benefits to be derived from co-operation of this form are numerous and undeniable. They are singled out in terms that admit of no possible doubt by all those who have studied this question and have given to it a fair and unprejudiced consideration. The results have convinced all those who have taken the trouble to examine them that co-operation does confer the greatest possible benefits upon the poorer classes without doing any injury to any one outside these classes; nay, more, in doing good to all the community in which such associations are working. Here are the evidence of the leading authorities on the subject, either individuals or public bodies:—

On page 47 of the pamphlet already quoted, 'Co-operative Credit Banks,' Mr. Henry W. Wolff says:

'Credit representing a volume of possibly £200,000,000 a year.—But where they exist they have set flowing a current of new working capital, capital drawn from the resources of the money market, the accumulated wealth of the nation, available for fructifying uses, watering the deserts of insufficient economy with streams of treasure, which, seeing that in Germany 1,055 of the largest co-operative banks lend out annually about £80,000,000, I do not believe that I have over-estimated at about £200,000,000 a year. That is not money realized, but money working in people's hands, at points of the economic and social fabric where it is most wanted.

and where, while doing socially greatest good, it produces economically the largest effect. Wherever there is a people's bank or a village bank established, sufficiently strong, even if it be not of the best of its kind, the small shopkeeper, the artisan, the workingman, the small cultivator, need not miss an opportunity of earning or saving for want of ready money. Should an artisan want to buy materials for his trade, or a new set of tools, or should he have to tide over a period before he can realize the reward due for his work; should a working woman wish to buy a sewing machine to work with, or to purchase furniture or groceries cheaply for cash, instead of at an extravagant price for credit; should a peasant desire to purchase a pig, or fertilizers; should a poor man have the ambition to acquire a house of his own—provided that these people can show that they are in a position to take the liability involved upon themselves, all these wishes, all these ambitions, may be easily gratified. The money is available for them; and it is available in the easiest as well as the cheapest way. If their case be a good one, they may make the purchase repay its cost out of its own production or economy, and so are freed of all care with regard to providing the money. There are thousands of examples of this—of articles bought, remaining the purchaser's own, valuable acquisitions, without the purchaser ever having been required to put his hand into his pocket. What an enormous boon this has proved and is proving in a constantly increasing volume to the large mass of people who have to support their life by working and earning, need not be told.

And on page 48:—

'Before the village banks became a power, agricultural co-operation was absolutely unknown in Germany and in Italy. The same might almost be said of France—for although agricultural co-operation generally was begun concurrently in respect of most of its branches, the supply of co-operative credit, rightly regarded as the driving-wheel of the entire machinery, was, as a rule, incorporated in it from the outset as the most essential feature. In Germany and Italy, co-operation in agriculture was not until co-operative banks grew strong. Now, in Germany, it has by a long way outstripped our own. It may be seen stirring and bustling everywhere. Co-operative credit raises up co-operative dairies, not by the score but by the hundred, increasing the yield credited to each producing member considerably, providing the money for starting, which is gradually paid off at easy rates. Co-operative credit raises up co-operative wine-presses, which return the cultivator twice the price for his grapes that he could obtain by private pressing, and return it him in cash. Co-operative credit raises up and sustains co-operative workshops, in which workmen grouping themselves together, turn their labour to considerably better account than they could do by employment, each by himself under a master, and secures them in addition the invaluable boon of independence. It helps the navvies and stonemasons of Italy to form strong associations which practically regulate the labour market, improve wages, repress the employment of children in unhealthy occupations, as in the weeding of the pestiferous rice-swamps. Co-operative credit helps people to establish co-operative insurance. There are other similar uses to which it readily lends itself. The supply of money is economically what the supply of water and sunshine is in agriculture. It lends itself to the production of practically anything.'

In his book on 'People's Banks,' Mr. Wolff writes as follows:—

'In 1874 the late Emperor William appointed a Royal Commission to inquire into its work, presided over by the late Professor Nasse, and having Dr. Siemens for a member. The report, published in 1875, proved so favourable, that the banks have from that time forward counted the Imperial family among their warmest patrons, including the Empress Frederick, who has more than once given proof of her interest. The late Emperor William testified his approbation by a gift of £1,500 from his privy purse, to which his grandson has recently added another £1,000. Among the evidence collected by the commission mentioned occur the statement already referred to of the Rhenish parson, who confessed that the Raiffeisen bank in his parish had done far more to raise the moral tone among his parishioners than all his ministrations, and

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the deposition of the presiding judge of the Court of Neuwied, which shows how materially litigation has diminished in his district; owing to the conveniences afforded, and the good principles instilled, by the local Raiffeisen Loan Bank. Those good effects have been sustained. In 1886 the Diet of Lower Austria sent two experts to inquire into the system, who expressed themselves so entirely satisfied of its merits, that that diet and other diets of the Austrian Empire following in its footsteps, at once resolved to encourage the formation of Raiffeisen associations in their several provinces, and backed that resolution with grants of money. In Saxony, in Baden, in Hesse, in most provinces of Prussia, governments are giving proof of their desire to have these banks multiplied.'

Again, on page 357:—

'That is not the result in the creative work accomplished upon which I should wish to lay greatest stress. I should be disposed to set an even higher value upon the quality, than upon the mere quantity of the work done upon the reaching down to the very humblest and necessitous, whom nothing else would help, and raising him by education and by training to business ways, in addition to providing him with means for turning such ways to account. To the application of this power it appears, moreover, in truth impossible to set any limits. Its raw material abounds wherever there is opportunity for work. Its opportunity for converting that material into money's worth, by the specific expedient of making it men's interest to be business-like and honest, exists wherever there is need. To my mind there has never been a more prolific source of potential temporal good placed at the disposal of those who are dependent upon labour. For to them co-operative banking means, if they choose to profit by its gifts, not democratisation of credit only, but, by the help of democratised credit, the democratisation of production also, the securing to the toiler of the full reward for his labour and emancipation.'

And on page 358:—

'Do not let us quarrel over the legitimacy of such a change. It will never do away with capitalist enterprise. It will never bring about the establishment of an economic ochlocracy. But it may open a fair field for capacity and industry, and the proverbial "career" to "talent" in the very poorest. It would unbuckle the knapsack of the soldier in the great industrial army, in which, according to tradition, lies concealed the marshal's bâton. To a nation it must mean much more. It means—or at any rate, it may mean—concurrently with democratisation, an indefinite increase of production, a wholesale mobilisation of productive forces, fuller satisfaction to the toiler without additional taxation of any one, diminution of want, a diffusion of prosperity, to a very great extent, the disappearance of economic strife, education, elevation, the making the entire community richer, happier, better.'

On page 288:—

'Belgium had its struggling small tradesman, its moneyless cultivator of a small holding, its artisan, its itinerant dealer in cheap wares. M. d'Andrimont tells of a hawking baker whom he found in Liège, hiring his barrows at the rate of three pence a day. A people's bank afterwards enabled the man to purchase the barrow out and out, by instalments of the very amount which he had been paying in hire, in less than a year, and to find himself afterwards every year £4. 10s. in pocket. Of course, there are thousands of similar cases. Fortunately for the classes spoken of, M. Léon d'Andrimont, a member of an influential family, had an opportunity of witnessing in Germany the marvels which co-operative banking was there bringing forth for equally necessitous folk, under the inspiring leadership of Schulze-Delitzsch.'

On page 388:—

'A little time after, when its advantages came to be understood, and loans were rather freely applied for, its embarrassment proved the other way. The borrowers' promissory notes, which abroad are employed as a means of raising cash by being discounted, could not be so passed on, because they were made repayable by instalments.

Eventually money came in in the shape of deposits, and then a local bank accorded an overdraft. By the end of the year, April to December, the number of members had risen to a hundred, holding collectively 425 shares. Four non-members had deposited £295 10s. The bank had advanced in all £624 17s. in twenty-eight loans, ranging from £1 10s. to £70.'

And again, on page 391:—

'Your bank,' so writes the public auditor, Mr. Thomas Scott, in his report, 'has made its way amongst the people without solicitation or advertisement. It was an experiment. Your proceedings were of necessity of a tentative character, and I am bound to say they have been conducted with marked intelligence. You pioneer bank can now be taken as an example over the country. It illustrates clearly the unspeakable benefit which may be conferred on the honest poor by co-operative banks. Without them co-operation is to hundreds of thousands of the people an impossible thing. It is, therefore, not extravagant to say that the modest and unpretentious co-operative village bank ought to be regarded as the mainspring of the whole movement.'

Here is now the weighty evidence of the committee appointed by the Governor General of India in 1901. After having thoroughly studied the question and having given to it all possible attention and care, so convinced were they of the immense benefits to be derived from the working of this form of co-operation, that the members of that committee unanimously concluded, on page 8, their very favourable, almost enthusiastic report, by the following words that show how far they were ready to go to insure to India the advantages of credit co-operation:—

'Some long time must yet elapse before any societies of the kind which we have indicated can be considered as having passed out of the experimental stage. Any opinion as to the ultimate thrift and alleviating the burden of agricultural debt can be little more than a matter of conjecture. Lengthened experience alone can show whether the natives of India are prepared to follow the example of their western brethren in their appreciation of the advantages of co-operation. We are, however, convinced that the experiment is worthy of every encouragement and of a prolonged trial, and we believe that the lines which we have indicated are those which offer the most reasonable hopes of success.'

I will show later on, by a very recent information, that this expectation is to-day fully borne out by the facts.

On page 18, Mr. Peters, of the United States Department of Agriculture, says:—

'It is by no means intended to present the system here considered, or any form of co-operative action, as a social panacea; but whatever other agencies may need to be invoked for the promotion of economic equity or general social well-being, it is within safe bounds to say that the practical results which co-operation has already yielded prove it to be one of the active, growing and beneficent forces of modern economic life; and this is, perhaps, nowhere more clearly manifest than in the working of those associations of credit of which a brief account will be found in the following pages.'

And on page 116:—

'That there should, on the whole, be a larger overflow of capital from one district, one region, or even one country to another is no doubt inevitable, and so far as it occurs under normal conditions there is nothing in it to deprecate; but it is a thing to be deprecated when capital sorely wanted for the supply of local needs is sent half the world's circumference away in search of an investment merely for the want of a channel of communication between its owners and their near neighbours. Such a channel is to a great extent supplied by institutions like the people's banks of Europe and the building and loan associations of the United States, and the more these institutions are perfected, adapted to varying wants, and disseminated among the people the more will the present top-heavy fabric of modern credit be broadened in its foundation and narrowed in its overhanging superstructure. In fact, few things could

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do as much to guard the business world against the financial crises which so frequently paralyze its industries as the general existence of institutions which tend to retain within the neighbourhood of its origin all the capital for which there is a potential local demand, and thus to keep it as fully as possible under the continued oversight of its owners.'

Under the title of 'Advantages of these banks over money-lenders,' Hon. Mr. Nicholson, in his very exhaustive report on this subject, sets forth in detail the benefits spoken of here. The following quotations are selected from a great number that could be given with equal force:—

On page 16, he says:

'The main advantages of a bank over a money-lender are not that it will, in itself, eliminate indebtedness, but that (1) it encourages thrift and productivity by the gathering of large and small savings otherwise idle; (2) that its principles are fixed, its methods public, and the results of borrowing from it calculable; (3) that it will ordinarily lend on such terms that, when distress comes, as it must frequently come, to small farmers, they can borrow from it with the hope of extrication at no great interval, whereas with the money-lender there is little hope, so that debt means continuous debt. While, then, the idea that the establishment of agricultural banks is to prove a panacea for indebtedness is a delusion, it is perfectly true that they are essential factors in national progress; it is, however, equally true that the amount and character of indebtedness and the results to national character depend largely upon the foundation principles and methods of the bank.

'Credit, to be safe and sanative, must be preceded by thrift; not merely in the sense that the capital to be lent first must be saved, but that it is the man who saves who is the man that ought to get and can use credit. One great cause of individual unthrift is the absence of facilities for thrift, of places for the due and productive custody of savings; if these are provided at *each man's door*, saving will take the place of expenditure, productive deposits that of idle hoarding. Hence the village savings bank is the primary desideratum of Indian rural banking, and every effort must be made to place facilities for saving in every village.'

On page 34:—

'Free and unrestricted credit to agriculturists in isolation, is a positive danger; credit in association, guided and influenced in its use by the wiser counsels, by the increased self-respect and self-restraint, which association with the wiser and more prudent in mutual self-developed, self-managed association, produces, is a powerful restorative, an educative and disciplinary agent, a national necessity.

'Hence it is not merely cheap and facile credit that is needed; it is not money lent on easy terms without regard to the use made of the money; it is guarded, guided and productive credit that is the necessity of the times; the form which organized credit must take must in itself be a safeguard, a guide and a restraint, so that credit may be used not for mere extravagance or even without intelligent foresight, but only in such manner as will conduce to prosperity and production. Credit which takes no heed of the borrower, no care for his well-being, is not the credit that this study contemplates; only that credit is sought which develops the man and the nation; it is the development of men, not of banks, of banks only as developing men, that this study desires to facilitate the promotion of thrift, the utilization of petty and idle hoards in productive industry, the necessity for drawing from larger sources of capital, the ability to grant long-term loans and to receive loans back in small instalments; the public and open methods of business; the general absence of fraud and chicanery in dealing with borrowers; the absence of desire to possess themselves of the lands of their debtors, or to acquire undue influence over them for selfish ends; the tendency to grant loans chiefly for productive purposes for the sake, however, not of the borrower, but of their own security; such are advantages common to all institutions of organized credit. But the greatest of all advantages is found in that class of banks

called co-operative, where the advancement of the members, the borrowers, is the principal object of the bank and not the mere earning of dividends on capital, still less the exploitation of the borrower. The moral and material effect of association in a really co-operative bank is marvellous; the new power obtained by the members, the educative influence exerted by the bank in promoting improvements and discouraging extravagance, the continuous impulse towards further developments, not merely in credit, but in all manner of social and industrial improvements, which the principle of association develops, proclaim the co-operative societies of Europe and America as factors of incalculable value in social development. It is this reason above all others that is of weight in determining whether credit should remain a monopoly of the private lender, or should develop by organized association. It is not every organized credit that has all these merits; joint stock credit is good, but it lacks the weightiest of all reasons, that of the effect of mutual help in co-operative associations. Joint stock credit has the interests of lender and borrower in a manner opposed while in many such organizations, it is the special interests and often object of a body of men to exploit borrowers and depositors for the sake of private gain. Joint stock credit attains its real development only when its own interests are absolutely bound up with the interests of the community, when the community is at the same time the promoting body and the clientèle; in other words, when it is co-operative.

'It is assumed, then, as axiomatic, that the establishment of an organized system of banking, especially co-operative, is desirable and even necessary, to promote the useful accumulation of capital, to develop the qualities of thrift and prudence, to assist industries and especially agriculture by long term loans, to turn credit into productive channels, and to stimulate into activity the great virtues of self and mutual help.'

On page 35:—

'That which is required jointly by both lender and borrower may be summed up in the word "proximity." The great lesson of European credit is that without absolute proximity there is no such thing as credit on any reasonable terms for the small folk; hardly, indeed, is there credit at all. Until of late only one form of credit satisfied this postulate, viz.: that of the private money-lender; his credit satisfies the postulate of proximity, but not necessarily any other postulate.

'The borrowers contemplated by this study are the men of the villages, and the loans those required by small and obscure folk; no bank of any ordinary type can get down to the village, ascertain the status of the small farmer and the security he can offer; the expenses of the inquiry and the risks of the loan would render the necessary cost of any loan far higher than that of the local and proximate money-lender, who, probably a villager himself, certainly with a life-long connection with the village clientèle, knows his men and their position better than they themselves.

'Proximity involving knowledge, mutual confidence, ease and cheapness of inquiry is an essential; without proximity no credit.'

And on page 37:—

'Still more is this the case when the bank is of the co-operative class, in which men and not money are the objects of association; the interest of the individual borrower is the interest of the bank, since the mass of the borrowers is also the mass of members, while the main principle of co-operative association is the promotion of production, thrift and mutual help among members. Hence it is clear that the safety of the borrower is promoted by banks of all classes, but chiefly by those of the co-operative type.

'This is still more the case with the co-operative form of bank for since the increasing welfare of its members is its particular *raison d'être*, the productive use of its loans is in all cases urged upon members, who are deliberately dissuaded by precept, by example, by the occult as well as by the direct influence of associations of mutual help formed by the better and more prudent class of industrials, from borrowings which tend to embarrassment instead of development.'

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The International Congress of Paris, held in 1900, passed the following resolutions:—

‘Co-operative credit plays a beneficent part in the public economy of a country, by developing savings the smallest particles whereof it gathers up, by imparting to it usefulness both for the locality and for the working people, by contributing to lower the cost of money, by assisting the ordinary banks through its more accessible branches, by satisfying the most moderate needs of personal credit, by creating economic strength by a union of the weaker elements.’

Again:—

‘The co-operative credit association can place personal credit within reach of the humblest workmen. The congress recommends, as a means of application, the following order: current account advances to productive co-operative societies, notably for the purchase or sale in common of goods, and to professional syndicates the discounting of clerks’ notes by accepted drafts, the discounting of small workmen’s utensils with guarantee, the sale at cost price and on monthly payments of workmen’s tools, small advances at favoured rates and payable from funds specially raised on the profits, and for the benefit of the poorer people a gratuitous loan on honour or at a low interest, with repayments in small sums, on condition that such loan be prudently carried on, in preference to the intervention of mutual aid societies or of syndicates, and, if possible, administered by commissions wherein the working element prevails.’

Revd. Mr. Müller, president of l’Union des Caisses Raiffeisen de credit rural de la Basse-Alsace, one of the members of this congress, expressed himself as follows:—

‘The local savings banks (caisses) of Alsace-Lorraine are very prosperous; the loans and deposits are very numerous; there exist many local savings banks in villages of from 1,000 to 2,000 inhabitants that since their foundation have 1, 2, 3, 4 and even 5 millions of francs taken in and given out. The transactions of the Guebuiller savings bank (Haute-Alsace), for example, exceed one million francs per year. The money derived from the work of the people is thus used to establish the necessary credit for small or medium cultivation (farmers).’

Mr. J. Blondel, professor at ‘l’Ecole des Hautes Etudes Commerciales de France,’ said at this congress:—

‘It had the result not only of supplying a cure for the crying evils from which the rural populations of Germany suffered, but it has been a powerful educative means in regard to saving, in creating an initiative spirit, a feeling of responsibility and co-operation, and has set up a barrier against the progress of collectivism. The idea of a moral amelioration is apparent in all the details of the organization of rural savings banks, in the gratuitous operations, in the specifying of the use made of the sums advanced, which prevents squandering and leaves the directors of the banks with considerable authority over their debtors.’

In his preface to the book of Mr. A. Batbie, ‘Le Crédit Populaire,’ such an eminent authority as J. E. Horn says:—

‘The vast field of modern industry admits of many combinations. Amongst these, the co-operative association, within the humble limits and with the rational tendencies that we have just sketched, is one of the most legitimate. It promises to be fruitful; wisely inspired and ably directed, it cannot fail to produce good results both for the working classes and for the economic community. Why should we refuse to the group of beneficiary workmen their share of the sun side by side with the aggregate of salaries workmen? Why should not an association of the working element be established just as well as an association of capitalists? Why should the labour association be inevitably condemned to failure when, on all sides and in all forms, the association flourishes and advances?’

‘On this last point facts have already given the reply. They refute the skeptics in a most positive manner. In England we know of over three hundred co-operative

associations; we find as many in Germany; nearly all of them are prosperous. The associations of production in common supply a large contingent of these figures. It was designedly that, in the preceding pages, we specially dwelt on this category of labour associations. All agree that associations for production in common give the most room for objections of principles and for apprehensions regarding their practicability. We have, therefore, sought to show the lack of foundation for such objections and apprehensions; we have tried to show that the association for production clashes with no moral or economic law, injures no legitimate interest, has no unsurmountable difficulty to meet; that, on the other hand, it presents appreciable advantages of more than one kind. These remarks—it can be easily perceived—apply *a fortiori* to co-operative associations, of much easier organization and operation, that have other aims: supplying in common, the necessities of life, the purchase of primarily-needed materials and of implements for work, the common disposal of the industrial products of the associates. Gladly would we pause before the fine results obtained in different branches of the co-operative movement; they speak most eloquently.

And Mr. Batbie adds:—

‘When, as we said in the ‘Journal des Debats’ of the 15th October, 1863, we think that the 89 million francs, that in one year, out of the coffers of 243 popular banks, were loaned to persons who could not otherwise find any credit or obtain loans even on most onerous conditions; that the establishments which distribute among the working classes this fine credit of 89 millions (francs) have all been created and are all managed by associated labourers themselves, without any pecuniary or other help, either from the state or from the higher classes; that the 28 millions of francs constituting the active funds of these 243 leading banks belong for the greater part to the associates, who yesterday perhaps owned nothing on the collective credit of persons to whom, individually, nothing would be loaned; it can be easily seen that the lending banks have already done wonders that formerly would have been deemed impossible, and that they are destined to exercise a most happy and fruitful influence on the material well-being of the labouring classes.

‘But according to our view, therein is not the most important side of this work; its moral influence must also be taken into account. The loan association accustoms the workman to economize, to have order in his business, to be exact in his engagements, because otherwise he could not become or remain a customer-member of the association; it develops in him a sentiment of fraternity and of intelligent co-operation; it gradually makes him become a capitalist by means of the fund it obliges him to create, by the dividends he receives. Hence, what better means of causing the antagonism between capital and labour to disappear than by transforming the labourer, himself, into a capitalist, than by supplying him, in the meantime, with the means of making his credit fill in the void created by his lack of means? Above all, do we, in fine, set this practical lesson, one of incalculable import: The leading banks teach the labourer in the most efficacious manner—through success—that the amelioration of his condition is in his own hands and nowhere else; that he must seek it in his assiduity at work, in his spirit of forethought, in the advancement of his moral and intellectual life, in the respect he must thus win and preserve. Wheresoever this conviction shall have penetrated the masses and shall have become the guide of their conduct, the so-called lower classes will infallibly rise, without that this upward tendency can create the slightest apprehension in the other classes of society.

‘To applaud and admire no longer suffice. “Study and imitate” would we now say to the French workingmen. But already are they so doing.’

EDUCATIVE POWER OF CO-OPERATION.

Among the benefits to be derived from co-operation, there is one which is so important that it deserves to be singled out in a special way, namely, its educative power. This power is referred to almost constantly in the books upon this question, and it

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will be found mentioned very often in the quotations here given, but a particular reference by extracts will impress more forcibly as it should be, by its considerable importance, this precious feature upon the mind.

M. Courtois wrote a good many years ago, when the system was, so to speak, in its infancy, the following lines on page 76 of his book :—

‘Let no one be mistaken about it, the practice of credit is the best school to teach each one to have his rights respected as well as to respect those of others, which are conditions essential to liberty. Without being utilitarian, we cannot deny that, here below, self-interest is a great lever for good, and that to oblige the individual, in his own interest, to respect himself, to keep up his dignity, to keep his word, to watch over his outward appearance, to deserve by his conduct the esteem and the praise of those around him, is a powerful engine of civilization. Thus it is that, through the popular banks—based on mutual and joint interests—we can succeed in forming good citizens, devoted patriots; sincere and militant republicans, and that we can contribute to the consolidation, in a definitive manner, of our young democratic institutions.’

And in confirmation of this, after more than twenty-five years of unbroken success, Mr. Nicholson states on page 11:—

‘It follows, then, that if the principles of rural banking are made widely known, and are accepted by the more intelligent classes, and if the law and the executive will assist the development of societies by suggestion, by the removal of disabilities and obstacles, and by the grant of various privileges, there is every hope of a rapid and wide development of small local societies, chiefly co-operative, thoroughly in touch with their clintèle, independent of state aid, gathering in idle hoards and petty savings, providing facile, cheap, and above all safe and educative credit to their members, secure in the repayment of their loans, and exciting in a high degree, those great national qualities of thrift, prudence, self and mutual help not merely in credit but in other directions, without which no nation can obtain a healthy and vigorous development.’

And later on still, in 1900, M. Rayneri could with absolute truth say to the Paris Congress:—

‘From an educative and social point of view the utility of the co-operative credit system is also great and striking. The co-operative (associations) of credit impart habits of regularity and punctuality; they create respect for the falling due of credits; their members learn to know each other better and to appreciate each other the more; they frequently play the part of instruments of commercial conciliation; they help in fighting the fatal practice of making accommodation notes. Through them the feelings of mutual support and understanding revive and develop; to the social evils that egotism engenders succeed those benefits the dew of which is sprinkled over life by altruism; the struggle between capital and labour weakens; the weakness natural to the isolated labourer vanishes; co-operation transforms the latter into a material and moral force; it brings together and upon the same ground instruction, education, experience, and it teaches men that they are dependent on each other, that they owe advice and support to each other; in fine, it engenders and strengthens the cultivation of higher ideals; help for those who enter upon life not fully equipped, the demonstration of credit, the capitalization of intelligence and honesty.’

THRIFT AND CO-OPERATION.

Now, in the matter of thrift, which is of such importance to the progress and welfare of a people that all governments of civilized nations have deemed it their duty to intervene in order to encourage its spread at a time when private initiative was not so active as it is to-day, and when the systems that are known now were ignored, co-operation is very valuable, as shown by the following extracts:—

On page 2 of the report of the India committee, we find these lines :—

‘Further, we consider that the efforts of government should not be limited to

encouraging the establishment of purely agricultural societies. The Italian co-operative banks were first started in towns, and, taking into consideration the results achieved by them, we consider that endeavours should be made to encourage the formation of urban societies working on co-operative lines. The object which these societies would serve would be two-fold. In the first place, we consider that they would meet an existing want in providing a medium somewhat more profitable than the Post Office Savings Bank for the accumulation of savings by clerks and artisans, and would thus serve as a useful and much needed incentive to thrift. The Madras funds, which are described by Mr. Nicholson in the note appended to this report, indicate what may be achieved in this direction. Further, one of the main functions of such banks in Italy is the loaning of capital to rural banks, and we see no reason why urban societies in India should not similarly provide funds for village societies. If this result could be obtained, the necessity for government aid to rural societies would be diminished, while the village societies on their side would play the part of agents of the urban society, and would so meet the difficulty of acquiring local knowledge which is at present the main obstacle to the spread of mufassil banking, and would furnish a secure and profitable investment for the surplus funds of urban societies. We consider, therefore, that the establishment of urban co-operative associations for the collection and loaning of capital either to their members or to village associations within the district in which they are situated would be desirable and should be encouraged.'

In his 'Co-operative Credit Banks,' Mr. Wolff states on page 52:—

'Co-operative banks have also proved powerful incentives to thrift. They have taught people the value of money, even of mere dribbles of cash. And they have offered to them a money-box which has proved remarkably safe, and has consequently, in consideration of its other attractions, become their favourite savings bank.

'Here are effects which certainly appear to make co-operative credit worth cultivating. It does not come to the community with empty hands. It brings it something whereby to profit. Thanks to it, there are thousands of arms employed, thousands of modest fortunes raised up, myriads of acres increased in fertility and yield, which without its assistance might be drags on the community instead of being a help to it.'

On page 31 of 'People's Banks,' Mr. Wolff says:—

'Savings banks were few and far between, and situated mainly in great centres, where they were accessible only to comparatively few. People accordingly required above all things to be taught to save. And while being taught to save, they must also be provided with suitable receptacles for their savings, and means for keeping those savings in their own districts, available for their own use, instead of allowing them to be drained away into large towns.'

Further on, page 384:—

'Here is an opening into which it appears to me that People's Banks are peculiarly well fitted to step in. Experience shows them to be safe; experience shows them to be popular. As I have been able to state, in Prussia law courts allow trust moneys to be deposited into their keeping. As I have likewise explained, in the words of M. Rostand and other witnesses, in Italy the counters of the Post Office Savings Banks stand decidedly second in public favour to those of People's and Village Banks, officered by men of the *depositor's own choice*, and therefore trusted by them—local popular institutions, in which each inhabitant knows that he has a direct interest, and of which he is jealous and proud. It might be the same thing among ourselves. And in all probability People's Banks would be able to allow a higher interest than the Post Office, and, under its dictation, the Trustee Banks.'

And Mr. J. R. Dodge, U.S. Statistician, in his letter on Mr. Peters' report, sets out:—

'It is, however, distinctly represented that it is no part of the purpose of these institutions to enable the man who is always "a little behind-hand" to get further

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behind—to give opportunity to one inclined to spend his income in advance a longer reach and readier appropriation of his future gains—to enable him to mortgage more of his future for reckless present use. They are intended to encourage thrift rather than prodigality.’

Mr. Peters comments upon the same advantage on page 17:—

‘Let the point here be emphasized that while co-operative banks were devised with the idea of obtaining outside of their own membership the larger part of the capital with which they were to operate, and while this idea has on the whole been realized in practice, the strong point in the system has not been the power of diverting pre-existing capital into different fields of employment from those which it would otherwise have found, but that of stimulating the creation of new capital by presenting new opportunities and incentives for saving. And this remark applies in a great measure even to the borrowed capital handled by the banks, which consists increasingly of savings, including in many cases those of their members, deposited with them at interest. In short, it cannot reasonably be doubted that the capital with which these banks operate, amounting in the aggregate to hundreds of millions of dollars, consists in large part of sums which but for the opportunities afforded and the influence exerted by these institutions would never have been saved, but would have disappeared in unproductive, sometimes even in wasteful or injurious consumption.’

And on page 94, commencing on savings banks, he adds the following:—

‘It must not be forgotten that the co-operative credit associations operate most efficiently as saving institutions in connection with the weekly or monthly payments received from their members on their shares.’

At the Paris Congress of 1900, Dr. Alberti, directeur de l’Union des Associations Co-operatives de la région du Rhin, did not hesitate after a long and practical experience, to assert:—

‘Doubtless the market for capital is not within easy reach of the associates, especially as long as the association has not attained a certain degree of prosperity, which attainment exacts heavy economic sacrifices and abnegation. But if the associates see that they can get money without saving and without imposing any privations on themselves, such must be detrimental to the spirit of saving and of economy: that fountain of energy becomes tainted and in its place springs up a desire to draw the most possible out of the coffers of the state; the association would make no further efforts to create for itself a patrimony based on associate shares and reserves.’

USURY.

This monstrous evil that brings disaster wherever it is rife can be effectively stamped out by co-operative credit.

All the authorities unanimously concur in that view and assert that it is the only real remedy, for nobody would care to pay 20 or 50 or even 100 per cent if he can get money at 7 or 8 per cent per annum.

Mr. Nicholson is positive on that point:—

‘The real method, however, of bridling the money-lender is by stimulating competition with him; in Switzerland thirty years ago the complaints against the usurer were as elsewhere; banks sprang up in obedience to the demand and in consonance with favourable laws of mortgage, registration and other stimulating circumstances; the result now is that the money-lender is authoritatively declared to be of no account as a factor in general credit, there being about 900 credit banks of various classes to less than 3,000,000 people.’ (p. 24.)

Mr. Peters is of the same opinion:—

‘There may be others with some capital lying idle who would be glad to have it earning a little profit and who might feel as much favoured in having some industrious and honest man take it and turn it to use as the latter would feel in receiving it

for that purpose; but as they have not become known as money-lenders, they are not applied to. The usurer is thus protected from their competition, while the competition of the borrowers continues and enables him to impose almost any terms he pleases. All this changes as soon as an association is organized in the community on some such plan as that of the 'People's Banks' of Germany. Every one now knows where he can carry his little surplus of cash and let it earn him a moderate interest during the time for which he can spare it; and if the institution commands confidence, as the 'People's Banks' so generally have done, many a little hoard is drawn from its hiding place and thrown into the channels of circulation. Then, too, as has been pointed out in the introductory remarks, these banks promote an actual increase in the amount of capital available, since both through the payments on members' shares and through the deposit of savings by both members and others, much money is received which, in the absence of such facilities for saving it, would have disappeared in unproductive consumption. (p. 24).'

And further on, speaking of what has taken place in Russia about usury, he adds:—

'Mr. Hitrovo, after a careful consideration of the facts, reaches the conclusion that the banks actually benefited their members during the decade in question to the amount of 22,000,000 rubles, or over \$13,000,000, this having been mainly done by saving them from the necessity of borrowing from the usurers or selling their products at a disadvantage, furnishing them the means of getting on their feet again after unforeseen accidents or losses, and enabling them to improve their industrial processes and methods.'

After an exhaustive inquiry began in 1897 and completed in 1898 on money lending, a committee of the British House of Commons reported as follows with reference to the very question of co-operative banks. The importance of this finding of the committee is still greater when one thinks that the object of their labours was the prevalence of usury in England and the best means to correct that evil. The opinion here quoted is, therefore, a very valuable one:—

'Your committee have received important evidence as to the operation of co-operative banks on the continent, and in some parts of the United Kingdom. It appears that the establishment of such banks has been of great use in abolishing, or largely diminishing, the trade of lending money at exorbitant rates of interest to the poorer classes.

'Your committee are impressed with the extreme usefulness of these institutions, and they are of opinion that they meet a real want, especially in agricultural districts.'

And Mr. Wolff is as positive as any authority upon the point, and many extracts could be adduced here from his writings, besides those incidentally already quoted.

SELF-HELP.—As a means to teach self-help, so important for one to succeed in the struggle for life, co-operation is the best educator known.

On page 10 of 'Co-operative Credit Banks,' Mr. Wolff says:—

'That being the object to be kept in view, it follows as a matter of course that people's banks must be co-operative banks. The people—so we know from abundant experience—are to be helped only by being made to help themselves. A rich man coming to their assistance with gifts and doles could not accomplish that which is wanted. His 'good fairy' gold would evaporate in little time, leaving its recipients in a worse case than before, more dependent upon others, less nerved for independent exertion. The gold which is to provide real and enduring help must be dug by the people themselves and represent the fruits of their own conscious efforts. To put the matter in the apt words of Dr. Liebrecht, a foreign philanthropist of experience, whatever is to be done for the workingmen ought to be done by the workingmen. Therefore the workingmen and those in similar economic circumstances will absolutely have to create their banking machinery for themselves. And that it is which compels them to walk in the paths of co-operation. For being themselves individually feeble, the work-

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ingman, the small trader, the small cultivator, can effect substantial and abiding good only by combination. Hence the necessity of co-operation.'

And in 'People's Banks,' he emphasizes this point:—

'The record of our benefactions designed to help and raise the working classes is a record, to a great extent, of desires and efforts which do our philanthropists credit, but to the same extent it is also a record of practical failures. Millions upon millions have been thrown away, as uselessly as if they had been cast into the sea, in kindly intended but injudiciously executed attempts to do good to others according, not to their own, but to our ideas, to give them ruffles when they wanted a shirt, and to give that luxury in a way calculated rather to make the receivers careless, than to make them thrifty. Only a few years ago we had proofs of a fresh instance of this given us in the complaint publicly expressed by a nobleman who had liberally purchased at his own cost "a large tract" of land beyond the sea, on which he had purposed, likewise at his own expense, to settle English emigrants.' (p. 19.)

And further on, page 398:—

'Master the principle, adopt it loyally, and you may allow the rules to take care of themselves. That principle is—that the institution should be absolutely based upon self-help, that its government should be democratic, that the quality of its work should be assured by a quickening of the sense of responsibility by checking, and union, and control. No gift from "honorary members" such as I have had to refer to, no patronage can have a place in these banks. Every dallying with greed, every yielding to the spirit of patronage, foreign experience has shown, adds a toe of clay to the huge brazen Colossus, and thereby threaten to overthrow it in spite of its size. And the thing must grow up from out of its own self, from the bottom to the top. None of the systems which have succeeded abroad have been organized from above. They have all risen from below. Nowhere, moreover, has this work been "good fairy" work. Every shilling's worth of success has been purchased by unremitting application, by economy, gratuitous labour (so far as gratuitous labour was possible), zeal and caution. And experience has shown that it is not otherwise to be obtained. There may be hindrances, and progress may at first appear slow, but in the end the work is bound to succeed wherever there is call for it.'

Mr. Nicholson asserts with the strongest possible conviction:—

'In fact the great principle which seems to underlie success in the credit associations of "small folk" is that of self-help; credit cannot be successfully given to such folk by large institutions, and credit, which is the result of philanthropic or state effort, is apt to be either abused or abortive; it is abused for it comes in the guise of charity, and is received as a mere surplus of the wealth of others which they can easily spare, with similar subsequent grants beside; it comes from a general and indeterminate fund, which is popularly supposed to be inexhaustible. Similarly, when it is supplied by government it is not only supposed by the borrower to be from an inexhaustible source, so that no one will be harmed if it is not repaid, but it is necessarily surrounded by the lender with so many rules and formalities, that it cannot reach those whom it would benefit. Above all, such credit does not educate; it does not teach the borrower that all capital comes from saving; yet without this lesson credit is dangerous, credit is only safe when it brings with it the lesson that there is no royal road to wealth; the mortgage of the unearned increment, the cheap loan from the philanthropist, the government takkavi at charity rates, teach the ryot nothing, while tending to beget carelessness and improvidence; it is the painfully saved surplus from laboriously won earnings that is the true educator. "If he is to value a gift he must be his own benefactor, if he is to deal scrupulously with it he must be its guardian."—(Wolf.) "The only true secret of assisting the poor is to make them agents in bettering their own condition."—(Archbishop Sumner.)' (p. 136.)

SAFETY AND ITS RESULTS.

The question of safety is one of such paramount importance that it never fails from the first to challenge the closest attention. And it is only right that it should be so. But upon this point a great many labour under strange delusions. One thinks that a certain set of rules or restrictions are the only proper safeguard and would inconsiderately apply them to each and every case without discrimination. Because they may have proved beneficial in a particular instance, it should be so everywhere and always.

The nature and working of a system should always be taken into account, as it will be seen stated by Mr. Nicholson. Does co-operative credit as generally known to-day offer reasonable safeguards in its present form of organization? The experience of more than half a century of continuous success proves the affirmative, and it is upon this result that the following opinions are based.

After having enumerated the safeguards evolved by practice, and that have proved most effective, namely, the election of members, credit confined to members, indication of the intended outlay, borrowers bound under the severest penalty to invest as indicated, borrower to find securities, limitation by the general assembly of members of the amount that can be borrowed by an individual, the supervision of the board of credit and the board of control, and many others that could be mentioned, chief among them being the fact that the general meeting of the members is supreme, and can be called easily in a day's notice, constituting the co-operative credit association the most democratic body that can be found, whilst in the speculative companies the directors are everything and the shareholders mere figureheads, after having quoted the very significant words of M. M. Ferraris, late Italian Minister of Posts and Telegraphs, and himself a very active founder and leader of co-operative banks, 'it is inconceivable how a co-operative bank, properly managed, can go wrong,' that is according to the common-sense rules known by everybody and that everybody can see that they are complied with, M. Wolff says:—

'By such means as those described, a system of giving credit has been built up which has in practice approved itself absolutely safe, while at the same time making borrowing practically easy, though, so to call it, theoretically difficult. As good as no money has been lost by this way of lending.'—(Co-operative Credit Banks, page 30).

And further on, page 40:—

'This council of supervision is a most essential feature of the bank, as indeed a controlling body has been found to be indispensable and most useful in all forms of co-operative organization. Wherever one of these village banks has been led into bad practice or loss, the fault has generally, if not invariably, been found to have lain in insufficient control. Therefore it may confidently be said that a good council makes a good bank. The council, which ought to meet at least once every three months, has a good deal more to do than merely audit the half-yearly or annual balance sheet. It is to constitute a real and effective check upon the committee of management, to review all that the committee does, inquire whether it has granted loans without proper investigation or without proper security, whether it has been careless in any investment, or otherwise remiss in its duty. The council, like the committee, is expected to present a report to the general meeting every year or half-year, and if the committee has in its opinion acted in opposition to the interests of the bank, and not paid proper regard to its remonstrance, it will as a matter of course have to report the case to the general meeting for adjudication.'

And on page 399 of 'People's Banks':—

'But, generally speaking, if we address ourselves to the work in the right spirit, it is bound to succeed among ourselves as it has succeeded among Teutons, Slavs, Latins and Turanians, under every variety of European sky, under the most diverse conditions, bringing good wherever it has taken root, raising the poor where other

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educating methods have failed, teaching habits of business, thrift, sobriety—making the drunkard sober, the spendthrift saving, the never-do-well well-conducted, turning the illiterate into a penman—and at the same time stimulating, with its magic wand, as M. Léon Say has put it, commerce, industry, and small husbandry, substituting plenty for want and happiness for misery, raising, enriching, emancipating the working classes, and flooding the whole country, economically speaking, like the waters of the Nile, with fertilizing influences. Here is a work, in view of the magnificent results attainable by it, for the benefit of millions of fellow-countrymen, which ought to have attractions for statesmen, philanthropists, and ministers of religion. Please God we shall some day see a rich crop growing up from the seed now being sown, and our country the richer, the happier, and the more contented for its growth. For applying the words of M. Ernest Brelay, we may truly say—I think my narratives must have shown that—that the resources of this beneficent creative power are ‘illimitable.’

Mr. Nicholson very aptly says, on page 47, after having referred to the above enumerated safeguards:—

‘Restrictions, however, must not, in general, be either legal or executive, but social; they must proceed from the people themselves through associations, which, imbued with a true economic and mutually helpful spirit by their best members, will gradually develop not only throughout the associations but in their individual members, the habits of prudence, foresight, thrift and productive outlay. It is because banks have hitherto been regarded merely from the point of view of capitalists and shareholders seeking for profitable placement of their capital, that the security of the loans advanced and the stability of the bank have been the points primarily aimed at; the present proposals aim at establishing and safeguarding the security of the ryot first and of the loans afterwards; men are of more account than money, and, after all, loans are safe just in proportion as the borrowers are prudent. Hence in the proposals to be made, the action and influence of the banks on men, and the controlled use of credit, will be discussed along with the usual consideration of cheap and facile credit to the borrowers and of the security possible to the lender.’

But apart from these safeguards, there are others of quite a special nature, safeguards that are to be found in the very nature of the institutions under review, and which it would be most unjust to ignore because they do not belong to the class just above referred to, or because they are not included in the alleged infallible set of rules spoken of and which are always present in the mind of unreflecting prejudiced individuals, and these additional sureties are to be found in the honesty, good conduct, industrious spirit of members, which qualities can always be easily ascertained, because the society operates in a very small territory. This safeguard has been found reliable in almost all, if not all cases during sixty years of experience in various countries and different peoples. And Mr. Wolff was justified in saying, speaking on this subject, page 27, ‘People’s Banks’:—

‘For we find the commissioners appointed by the United States government to inquire into their practice and success reporting that they have demonstrated beyond doubt that, with equal prudence and intelligence on the part of the lender, loans to the industrious and economical poor are as safe as those made to any class whatever of the rich.’

Again, on page 18:—

Sir Robert Morier says: ‘The skilled artisans of a community are as good a subject for a mortgage as the steam mill which supplies it with flour, or the broad acres which furnish the corn for the mill. All that is wanted is some equally safe means of assigning to the creditors a lien on the former as on the latter.’ That is the very point. In practice, or course, the problem did not in every case take this extreme shape; for, as in the case of the Iberian peasants, there was often something, at any rate, in the borrower’s possession, which might serve as security—a holding or a house, or some chattels.’

On page 204, referring to this point again in connection with the limited resources of the Italian people's banks, and how they were to procure the necessary funds, Mr. Wolff states:—

‘With their limited means, how were they to accomplish this? M. Luzzatti had his answer ready, but it staggered his countrymen by its “Utopian” boldness—the bank were to “pledge their honour” to “capitalize their honesty.” The great source of their credit was to be their “high reputation for honesty and solvency—la grande riputazione di onestà e di solidità.” Put into ordinary economic language, of course, M. Luzzatti's rather high-flown phrase does not mean that by the touch of some thaumaturgic power the members of the banche popolari were miraculously to be turned into saints or angels, but merely, that it was to be made their direct interest to be honest and punctual, and to see that their fellow-members were the same.’

And the success of these credit associations for forty years now is a striking evidence that Luzzatti was right in his view. The same argument applies with equal force to the individual members. It is a question of prudence and of education.

The same safeguards and rules of prudence, which I will explain fully later on, have been applied everywhere in the management of these co-operative institutions, and what has been the results? Taking Germany for example, M. Peters writes that in 1891, for his book was published in 1892:—

‘The deposits of the people's banks in Germany amounted to 534,000,000 francs (\$103,062,000); the deposits of the Bank of France were only 852,570,000 francs (\$164,546,010); of the Bank of England, 718,375,000 francs (\$138,646,375); of the Bank of Germany, 525,000,000 francs (\$101,325,000); so that, of the popular banks of Germany, 886 out of 2,200 deposited more money than the Bank of the Empire. Making a fair allowance on the average of the banks not reporting, the total popular bank deposits would exceed those of the Bank of England, and without such allowance they would be greater than those made in the Bank of France, if the 365,000,000 francs (\$70,445,000) of state funds are deducted.’

And all those figures could safely be doubled for 1906. Equally striking results could be shown for Italy, Austria, Hungary, &c., for there the system is worked on the same basic principles.

CREDIT AND THE POOR.

Having examined the economic situation in England, and having made a survey of the results so far obtained, the unfavourable condition under which the poorer classes are labouring, Mr. Wolff does not hesitate to express the following views on this subject:—

‘Credit is now the Monopoly of the Rich.’

‘However, all this profitable and useful banking, all this fructifying dealing in credit which, to the benefit of the community, multiplies the producing faculty of money ten, twenty and fifty-fold, has thus far remained restricted to only one-half of the nation—the richer, it may be, but certainly the smaller half, the half which contributes less directly to material production, the half to which the productive employment of its powers, the turning to account of its opportunities really are of least importance. Credit and banking are still—so capitalist an authority as the *Times* has on this point fully endorsed my own statement—“entirely the monopoly of the rich.” People sometimes talk of our being “over-banked,”—so remarked the same newspaper on a subsequent occasion; we are “over-banked,” so in effect it goes on, in some quarter; banking and banking credit do not exist.

‘Why are the Poor Denied it?’

‘Why are the poor, who, to quote the words of “the father of Italian co-operation,” Signor Vigano, need credit most, and in whose hands, inasmuch as they are directly productive hands, it is certain to fructify most, so sternly denied its use? A little credit would to them often be a real Godsend-temporal salvation. With its help idle

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arms might be procured employment; with its help that absolute and often abject dependence of working folk, which compels them sometimes to accept terms to which only "their poverty and not their will consents," would disappear; with its help that burden, now often crushing to the poor, and shutting off all hope of a rise in life, the burden of obtaining by dribblets, the necessaries of life, at exorbitant prices, would be materially lightened. For, as regards, more in particular, the last-named point, Sir E. Chadwick has shown that the possession of ready money would materially reduce it—in not a few cases, by as much as 50 per cent. The surplus energy of the working classes, the producing power of the feebler members of their families, which are now almost wasted, might, in a garden, in a poultry yard, or else in a supplementary little workshop, be converted into a direct source of profit. To a judicious, industrious and skilful person the ladder which leads up to the higher position in life would by such means be made considerably easier of ascent. It is unnecessary, surely, to quote specific instances—as of the petty tradesman, who, at the price of only ten weeks' hire, may purchase his barrow, his donkey, or his horse and cart, out and out, which he now hires all the year round; as of the workingman who with the help of a little capital is enabled to set up successfully as a tradesman; as of the poor woman, who, becoming possessed of a sewing-machine, may earn back in little time its purchase price out of its own work; of the small peasant, who makes his cow, bought with borrowed money, repay its cost in a year, and leave the calf, the valuable manure, and itself, in calf once more, over as a free gift. Instances of the sort will no doubt occur in plenty to anyone who chooses to take the trouble to think about the matter. How would the use of a little money borrowed at a moderate rate of interest help those poor East End working-women, who, as one of their leaders told me only the other day, are too destitute even to practice co-operative supply? How would a little borrowed capital have helped those poor "sweated" cabinet-makers, who, as the Royal Commission Inquiry showed, were sometimes on Saturday nights paid with cheques which were, on Saturday night, to be converted into money only at a heavy sacrifice? How is it that that "little borrowed capital" is in such cases not forthcoming—otherwise than coupled with conditions which may take away all its utility, be it in the shape of usurious interest charged, be it in that of an embarrassing obligation incurred, with labour and begging often absolutely thrown away, if the answer be a refusal?

'They have no recognized security to offer.—The answer is simple. The poor folk of whom I am speaking obtain no credit because they have no security to offer, such as a bank would accept. There are people who appear to consider this to be a wise dispensation of Providence, who hold that poor folk ought not to be able to bank or to borrow, and in support of this kind contention quote the proverb which they never apply to their own case: "Who goes a-borrowing goes a-sorrowing."

'Credit is not necessarily demoralising to the poor.—Now I would ask: Is this really a straightforward argument worthy of the nineteenth century? Was it Providence, by the way, which first suggested the machinery of credit for the rich? And who is it that is justified in making a distinction between those who are entitled to the use of credit and those who are not? Certainly not those who now make it—the very people who enjoy a monopoly of credit, to the prejudice of those who do not. As for the demoralising influence supposed to be concealed in credit, do we not, all of us, know that, as Léon Say has again and again insisted, there are two kinds of credit, essentially different—one demoralising, the other educating; one dangerous and leading into mischief, the other largely creative and purely beneficial. To withhold business-like credit from the poor on the ground that it might prove dangerous to them, and yet drive them perforce into the usury of shop-credit, which often sucks the life-blood out of them is, surely, the height of hypocrisy.

'The time for invidious distinctions has gone by...Credit must be "Democratised" like everything else.—The time has assuredly gone by for making a distinction in such matters between rich and poor. All our institutions, all our habits, all our conditions of life, have become democratised. It is nonsense to pretend that working

and small trading folk are not competent to discriminate between legitimate credit and illegitimate, to practise the one and avoid the other, just like the rich—seeing that in their friendly societies, their trade unions, their co-operative stores and workshops, they give proof of business capacity and administrative ability of the very highest order, such as no large manufacturer or merchant could surpass. Let the “superior persons” who deny to working folk the skill required for doing business for themselves, have a look at the two co-operative wholesale societies, turning over their millions of money, maintaining a flotilla of steamers of their own to carry their goods to and from all quarters of the globe, and constituting two of the largest business concerns in the United Kingdom! Let them have a look at the Board of the Co-operative Union which administers the affairs of a community so large and so wealthy that Lord Rosebery has not without good reason called it, ‘a state within the state.’ Management could not be more perfect or more business-like in the best conducted capitalist establishment, or the best ruled government department. And yet the managing committee consists in all these cases entirely of bona fide workingmen, whom the management of co-operative stores has educated to business and to administration, as the practice of banking would infallibly educate their class-mates to banking.

‘There can be no question that the working classes, like the employing, need credit. Loan societies, self-help societies, friendly societies with lending powers already actually provide for it on a very small scale, in a very temporary, makeshift, and inadequate way—just enough to indicate incontestably the existence of a want. But that is, unfortunately, only for the few. For the mass of the working population the pawnshop and the petty usurer’s office still constitute the only available credit banks—necessary, in the opinion recently expressed by a county court judge, under present conditions even beneficial, but cruelly unfair, and economically unsound and duinous.

‘*Juxtaposition of excessive abundance and need.*—In this year of grace 1898, surely we may put aside the obsolete argument that poor folks’ credit is not wanted. However, that does not help us over our difficulty that such credit does not, as a matter of fact, exist. Our present banking machinery, cast in a purely capitalist mould, is absolutely not to be adapted to the acknowledged need. Oddly enough, in respect of this matter, we find ourselves placed between two striking extremes equally embarrassing. There is need on one side, and there is excessive abundance on the other—money ‘overflowing in the coffers of the bankers,’ money so plentiful that you cannot get money for it.’ These are Lord Salisbury’s words, and no one will dispute their truth. Here, one would think, are the elements for striking a balance ready to hand. However, our economic machinery is still evidently so imperfect that two opposites, which might usefully correct one another, cannot be brought into salutary contact. There is no touch between them, no common ground on which they could meet, no exchange in which they might bargain for one another’s services—they constitute practically two worlds separated by an untraversable abyss.

‘*Co-operative Credit Banks as a remedy.*—It is this abyss which people’s banks are designed to fill—this gulf, the “dark stream of distrust,” of which Lord Salisbury speaks, “across which they are intended to cast a bridge, placing need in communication with abundance, and at the same time devising safeguards, sure and effective safeguards, against improvident credit, and making credit at once productively and educationally useful.” To quote the apt words used both by Léon Say and by M. Léon d’Andrimont, the originator of people’s banks in Belgium, people’s banks were created to “democratise credit,” to make credit and all other banking facilities readily accessible to small folk, to whom the ordinary avenues leading up to such benefits are at present closed. That is their distinctive object. They are specially called upon to take up and practise the small business which, just because it is small and therefore little remunerative and very troublesome, other banks excusably elect not to carry on. They are, in other words, to provide banking “for the million”—for poor people, down to the very humblest, so long as these can show themselves to be deserving of credit, not as a matter of favour, but as a matter of business. To this end,

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to do this successfully, freely and safely all their efforts must be bent. And, together with facilities for banking, they must at the same time seek to provide a banking education for those who are at present unskilled in the matter, coupled with self-regulating restraints, the intended office of which is, while encouraging legitimate, to shut out improvident borrowing, to supplement the useful instrument provided with an effective protective guard.'

THE NATURE OF THIS CREDIT.

And to show that it is true, 'that credit is not necessarily demoralizing to the poor,' as Mr. Wolff has just put it, it is well to quote here the opinion so ably expressed by Mr. Nicholson: 'Thrift, not charity, base of credit,' and this authority explains his meaning as follows on page III. of his report:—

'But in this and in the following chapter on "indebtedness," it is especially sought to bring out the fact that the establishment of banks, great or small, is, *per se*, no remedy at all for rural indebtedness, and may indeed, seriously aggravate the difficulty; it is not mere facility or cheapness of credit that is desirable, but a safeguarded, educative credit; a credit, moreover, based not upon subventions from the State or upon any system not thoroughly business-like in its principles, but based upon the thrift and prudence of associated members, whose savings and character attract in the ordinary way of business, abundant deposits from the saving public; it is thrift and prudence, not charity or state aid, which must be the basis of all true credit, such as will benefit it and develop, and not enervate and paralyze a nation.. This credit is that which is being sought, and to a great extent successfully, in Europe.'

Further on, he defines the nature of the credit desirable:—

'But the present study is expressly confined to the remedy found in the organization of credit, a remedy, however, of almost unbounded potentialities provided that it is so prepared as to contain the alterative and tonic elements of national vigour. The mere supply of cheap capital *ab extra* is no sufficient remedy; it would probably intensify the difficulty by increasing the load of debt; even the supply of such capital by the organization of credit, by the establishment of banks, is inadequate as a radical means of relief.

'It is not merely cheap and facile credit that is required; it is a credit which must indeed be cheap, and facile in that it shall be ever at hand, but it must be credit which shall only be so obtainable that the act and effort of obtaining it shall educate, discipline and guide the borrower; it should be granted only to those who have learned to think, to plan, to save; the method of providing it must teach the lessons of self and mutual help, and suggest the extension of those lessons to matters outside of mere credit; it must be safe not merely in eliminating the dangers of usury, but in being controlled, heedful, and productive. Hence, while studying credit and preparing for its organization, the object to be borne in mind is not the introduction merely of cheap capital or of banking credit, but of that system which shall most readily and thoroughly develop essential national qualities; those systems of banking are to be preferred which tend in themselves to this result, and the efforts of the state whether in its legislative or in its executive capacity, should be directed towards the promotion of such systems. Not joint stock banks merely, still less state banks, or banks financed by the state for the mere issue of capital, but mutual credit unions, are the desideratum; co-operative societies where the isolated learn the value and powers of association, where the ignorant are taught the lessons of business, the reckless learn heedfulness, thrift and prudence, the idle and intemperate return to industry and sobriety; where the prudent, the sober, the skilful; the well-to-do unite with the poorer and weaker brethren in an association of mutual help and insensible self-development.' (Page 4.)

ARE CO-OPERATIVE CREDIT ASSOCIATIONS RIVALS TO BANKS?

This question, sometimes asked, looks so ridiculous to me who knows the essential differences between both, that it seems almost useless to take the trouble to answer it.

It is a question which will never arise after experience has proven here as elsewhere, to everybody, that these associations are not rivals but helpers of banks. Their very nature forbids such a query. Their dissimilarities are so striking, their functions in the economic world are so removed one from the other that one who has examined even superficially the subject cannot have the least hesitation in answering negatively. It may, however, be desirable to show by opinions and facts that there can be any doubt upon this point.

In his 'Co-operative Credit Banks,' Mr. Wolff states:—

'Co-operative are no Rivals to Ordinary Banks.—From what has been said it must have become clear beyond a doubt that people's banks cannot in any wise be taken to be entering the lists as opponents or competitors to other banks. All apprehension on that score should at once be dismissed. In their own interest, indeed, people's banks should abstain from attempting to compete with other banks. Such competition would spoil them. And they will have need of other banks, with whom, accordingly, they ought to study friendship rather than rivalry. In truth, people's banks are not only not rivals to other banks, but directly benefactors and feeders, schoolmasters for the poor, carefully training to banking habits those who at present do not bank, and, therefore, do not know how to bank; guides who lead small folk through a humble avenue into the great banking market, in which the great banks are the dealers, and from which in the end all money must be drawn. Thus in point of fact they provide new business for other banks which without their assistance would be entirely lost to them.' (Page 12.)

And on page 22:—

'In Italy, when people's banks were first formed, the capitalist banks and the savings banks had the good sense to recognize that here was a powerful and useful ally, an auxiliary, brought into the field, whom it would be to their interest to support and second, because he would in his turn help them.'

Moreover, in his 'People's Banks,' Mr. Wolff writes:—

'They resolved to trust him. In M. Luzzatti's words, they actually "vied with one another," in their efforts to take the new people's banks under their "maternal guardianship." "In doing so," M. Luzzatti frankly insists, in his annual address of 1889 "they have only consulted their own interest." But all the same he gratefully acknowledges the most opportune assistance received.

'The Banco di Napoli offered to discount bills at 1 per cent, under the ordinary bank rate. The Banco di Sicilia was ready to find four-fifths of the capital required for starting even a considerable number of banche popolari within its own district. Under the law as it stood that proved impracticable. But the good-will from which the offer proceeded remained available for other methods. On the face of it, if the popular banks wanted to exist any length of time, they must be honest. And M. Luzzatti and his friends had too much at stake in their reputation to play recklessly with their new instrument of credit.' (Page 209.)

On page 94 Mr. Peters comments thus upon this very point:—

'Monsieur Luzzatti, the present Minister of Finance, has introduced into his country the system of small co-operative share banks which receive deposits, grant loans, and discount bills solely on behalf of their members. There are in Italy more than 700 co-operative credit societies, possessing a capital of 66,000,000 lire (\$12,738,000), and having deposits to the amount of 300,000,000 lire (\$57,900,000). There is scarcely an agricultural centre of any importance without a popular bank or a branch of such an institution. Their action is powerfully seconded by the aid lent them by the savings banks in the great cities, which have been developed more rapidly than in any other country. Though seeking to place their funds where they will be safe, easily collectible, and sufficiently productive, these banks make it an object to pour back into the economic circulation the capital collected by saving. A part of it is invested in government bonds and in provincial and communal securities, while another

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part serves to support the small lines of trade and agricultural industry by discounting bills and notes running for long terms. Thus the one savings bank of Milan, which has a capital of 60,000,000 lire (\$11,580,000) and deposits exceeding 300,000,000 lire (\$57,900,000) comes to the aid of petty trade by accepting the paper of the popular bank (of the same city) which makes loans to agriculture and the small industries. The notes of this (popular) bank, once indorsed by the savings bank, are readily accepted by the national bank of Italy. The same course is pursued in the rural districts where agricultural credit and commercial credit interact in the same manner. Thanks to the rapid extension of these popular banks, all solvent cultivators find similar facilities of credit to those enjoyed by the merchants in the cities, and that without being held to a three months' term.'

And it may be added that this help on the part of the large banks to these associations has yearly increased since, showing therefore that experience has confirmed the opinion entertained at the start, and that bankers have had the proof that these co-operative societies were beneficial rather than hurtful to their business. The 'Banque de France,' the largest financial institution in the world with the Bank of England, is and has long been a powerful help to these small associations by discounting their bills.

Mr. Reginald Murray, manager of the 'Commercial Bank' of Calcutta, in an article contributed to the *London Bankers' Magazine* upon the inquiry and report of a royal commission appointed in 1901 by the Governor General of India, Lord Curzon, for the purpose of investigating the desirability of introducing these people's banks in that country, concludes by writing the following very significant lines: 'The proposals now under consideration will not for some time directly affect the operations of the ordinary joint-stock banks, but in proportion as co-operative societies accumulate wealth by means of extended credit they will tend to increase the volume of interchangeable commodities, and when that happens the ordinary joint-stock banks are bound to derive benefit, both in the form of deposits and custom.' Surely a banker of such eminence as Mr. Murray would not have expressed such a strong conviction if any doubt to the contrary had ever arisen in his mind.

THE DUTY OF THE STATE.

A very important question is the one relating to the duty of the state or government in connection with this system of organized credit.

Without going as far as advocating direct aid towards these associations—for I do believe that such grant would be a fatal mistake, and would in Canada, paralyze the energy necessary to the success of co-operative credit—the duty of the government is very well defined by Mr. Nicholson in the following lines:—

'But the state must assist the development of organized credit. The functions of the state in the matter of rural credit are considerable; it must remove all disabilities and obstacles which prevent lender and borrower from meeting on fairly equal terms; it must stimulate competition with the money-lender by suggesting and favouring the establishment of credit associations of various classes; it must legislate for the due formation and management of such associations, with a special leaning to co-operative associations as stimulative of essential national qualities; it should grant certain privileges, which cannot be safely entrusted to private individuals; it should provide for efficient supervision; and it may grant some moderate subventions, either as working or as mere starting funds.' (Page 24.)

Coming back on this point and insisting with great force on what the state should do to encourage the organization of such credit, he says:—

'The province of the state, at least in the present century, is not that of providing credit; its duty is to favour the establishment by the people themselves of a system or systems which shall provide facile and safe credit for the rural classes. The true office of the state is to remove all obstacles which stand in the way of organizing

such credit, whether they are popular obstacles such as those of ignorance, isolation and improvidence, or fiscal, legal or executive obstacles.' (Page 38.)

And in the next page he explains his view more fully by stating:—

'It is the duty of the state in all matters affecting the credit, thrift, providence and property of the poorer classes to take special precautions by legislative and executive supervision that such classes shall not only maintain their stability and independence, but shall be expressly stimulated and encouraged to take steps to provide, through self and mutual help, the institutions which shall furnish credit, promote thrift, develop habits of providence, and safeguard property; 'aider à faire,' not 'laissez faire' is the true method; true freedom of action depends not upon the abstention of government from interference, but upon such interference as shall secure freedom of action, and the certainty that each man shall be able to reap and secure the fruits of his own industry.' (Page 39.)

The Paris International Congress of 1900 has pronounced itself upon this point and has done it in a clear and unmistakable language:—

'The legitimate role of the state, in this instance, is confined to assisting the development of popular associations of credit by means of liberal legislation, to encouraging, even by means of subsidies, the spread of co-operative principles and advantages, to avoiding in its political economy all that might shake the basis of such associations: private initiative, administrative autonomy, responsibility.'

NO PHILANTHROPIC AID.

I hold that direct state aid would be here a fatal mistake because it would weaken the sense of self-help and responsibility on the part of the members of such associations by providing them with funds which shall always come from thrift, not from the paternal providence of the government. For the same reason, I would consider philanthropic aid as disastrous as the other. Experience has demonstrated that that view is well founded. Mr. Wolff, in 'People's Banks,' goes into the question, and by examples of a very striking character proves the evils of such aid, and its utter inability to produce any good results.

'It is interesting,' says Mr. Wolff, 'to note the difference in the fate which has befallen, on the one hand, genuine co-operative loan institutions, supported and officered by those for whose benefit they are intended, and, on the other, loan institutions of a different type, be they official or philanthropic, however well conceived and organized.

'One case in point is that of Alsace. The German government, on taking possession of the newly conquered province, found popular credit unprovided for, and at the same time, millions of marks, either savings banks' money or else communal funds, lying idle in its tills. With sound judgment, as it appeared, and great thought, it organized popular advance banks, by which such available moneys were to be lent out to the peasantry and other small folk on liberal terms. Every precaution was taken; yet the practical effect proved next to nil. A few years ago Herr Raiffeisen planted one of his co-operative loan banks on the same ground. Within five years that one multiplied to seventy-three. In 1892, when I visited M. Chèvreton, the chairman of the Provincial Committee, at Saint Hippolite, there were 126, all thriving, all doing a large business, alike in granting loans and in taking savings. Since that time the number has been very largely increased. Never had grain of seed fallen on more fruitful soil than that on which the official variety had barely germinated.

'Something very similar has happened in Italy. In 1869 the Italian government being anxious, like its neighbours in France and Belgium, to provide small agricultural cultivators with cheap and easy personal credit, by a special law authorized the formation of *banche agricole*, very similar in constitution and practice to the French *comptoirs d'escompte*. In 1882, of the thirty odd *banche* so established, all but nine had collapsed. Of those nine only two were doing any business to speak of, and that, as it turned out, only owing to special circumstances acting in their favour. One would have thought that in that district surely there could be no

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demand for credit. Yet, scarcely had Commendatore Luzzatti's *banche popolari* set up their tables on the same seemingly barren soil but business floated to them from all sides and they grew in a few years to most successful establishments.

'In Berlin, where the late Emperor William's money granted in 1865, on Prince Bismarck's urgent recommendation, to endow socialistic associations of the Lasalle type proved a hopeless waste, and where those philanthropic loan banks already referred to had to close their doors for want of business; and in Thuringia, where the banks supported by the various small Crowns accomplished very little, the credit associations established by Schulze-Delitzsch have found a most ready and favourable market.'

Further on, he adds:—

'From all these instances, and more which are on record—no doubt they might be matched in this country—it seems unmistakably evident that institutions like those now contemplated, formed to assist poor people with money which is to be well expended, and honestly repaid, must not, if they are to be of real benefit to the borrower, to promote useful outlay and thrift and honesty, come to him like little Providences from outside, with a strange face and a condescending air—Providences whose gifts cost him nothing, and, for aught that he is aware of, may cost no one else anything, and may be repeated *ad libitum*—but must be his own creation, raised up, as Commendatore Luzzatti, the founder of the *banche popolari*, puts it, "by a heroic levy on his daily wages." If he is to value the gift, he must be his own benefactor; if he is to deal scrupulously with it, he must be his guardian. The rich man's dole, coming as from a rich man, is held in comparatively slight estimation, as issuing from a full treasury in which it will not be missed. Hence those ruinous losses, by repeated default in the French philanthropic funds founded by the state, or the Emperor or the Empress.' (Page 26.)

'The Emperor Napoléon III tried his hand at such beneficent work. First he created a Caisse d'Epargne d'Escompte, endowed with a million of francs, of which he himself provided one-half, which was to advance funds more especially to productive co-operative associations. As it turned out, the rules had been so stringently drawn that no borrower could be found willing to comply with them, and the institution died without having done any good.' (Page 20.)

And Mr. Wolff concludes as follows:—

'There were no co-operative philanthropic lending banks in many places in Germany before Schulze-Delitzsch and Raiffeisen entered upon their benevolent career. The late Duke of Saxe-Coburg—the father-in-law of our Queen—more especially, had been careful to found some such in his dominions—at Gotha, at Ohrdruff, at Zelle, at Ruhla, and elsewhere. But nowhere did these capitalist establishments accomplish any real good.' (Page 21.)

SURETIES FOR LOANS.

Apart from what has already been stated and from the valuable guarantee resulting from the local nature and working of these associations, there are other sureties to insure the loans, some of which should be mentioned here.

There is the watching of the loan, that is the use made thereof by the borrower. In any other system of money lending this is no direct part of it. Once the lender is satisfied about the security given, he cares very little for the rest, private money lenders very often being even desirous to see the borrower squandering the funds raised by the loan in order to take hold of the property or goods or other value serving as guarantee.

In a co-operative association such a desire cannot exist, because it would be directly antagonistic to its very object and interest. Nobody could possibly hope to benefit by it, so measures are taken to watch closely the borrower in this respect. It was this feature that induced the Duke of Argyle to write: 'Your system of strict payments and watching the loan is admirable.' And this watching can be effectively done within the immediate reach of every interested member.

Moreover, sureties must be found, and upon this important point, Mr. Wolff says in 'Co-operative Credit Banks,' page 29:—

'And our man will not receive his loan unless, over and beyond all this, he finds security sufficient to satisfy the managers of the bank. That security will, in new because the association operates in a locality or a very small area, under the eyes and banks, have to be what it can. As a rule it consists in sureties. There are cases in which a man's own engagement is accepted as sufficient. But in the majority of instances the borrower is asked to find sureties—one, two, or more, according to the circumstances, as many as are deemed sufficient to secure his loan. And should one or the other of these sureties be found to deteriorate in quality while the loan is outstanding, the borrower will be called upon to make good the deficiency by procuring another.'

The character of the borrower stands as part and parcel of the surety looked for and accepted by the association, for no such credit society would, in the first place, elect as member a notoriously bad character and much less should it ever consent to lend money to a doubtful one. In my own personal experience loans have been positively refused on that very account, although the guarantee offered was good from an ordinary money lender point of view. Not only is ability to reimburse being considered, which is insufficient in more than one instance, but also honesty, which is worth much more than one who pretends to know would imagine, arguing upon his own very limited knowledge, without practical experience of any sort, except the theory gathered up within the four corners of an office closed to such dealings. Ability is by no means the only thing to be considered, but most prominent is honesty, and upon this, I will quote M. Wolff, 'Co-operative Credit Banks,' page 20, who writes with his eyes open upon thousands and thousands of facts all over Europe:—

'In a co-operative bank he borrows directly from his own class-mates, from those among whom Providence has cast his lot, those for whom he has a strong fellow-feeling, those who have the making and the marring of his worldly happiness in their hands. The "great effect upon his moral habits" is accordingly pushed forward to a much further point. Our capitalist bankers make a practice now of lending to rich men rather upon "character" than upon security. A poor man's "character," placed before the tribunal of his daily companions, is really within its proper limits, of even more constraining force, since in his own little restricted world his "character," judged by the men among whom he lives, and from whom he can scarcely get away, is his little all-in-all.'

And this very interesting paragraph telling of a fact that has come more than once to my own knowledge:—

'Commendatore Luzzatti has rightly called co-operative credit "the capitalization of honesty." Personal credit makes it its aim to help the borrower without embarrassing him by taking from him something which he may want, or binding him to do what must be very inconvenient, or by spoiling his credit by pillorying him in the register of bills of sale. And it is the most educating, because it teaches people by the strongest argument available, that is, the argument addressed to the pocket, to be honest and punctual, in their own interest. It will be seen that security fully as valuable and constraining as any pledge or bond could provide may be obtained under the system of personal credit.'

And the results in over forty thousand of such co-operative credit associations after years of experience, and millions upon millions of dollars loaned, confirm that contention in every particular.

ADAPTATION TO THE WANTS AND CIRCUMSTANCES OF THE PEOPLE.

One point that is of special importance to insure the success of such associations is to adapt them to the wants, and circumstances, and even wishes of the people. To try by legislation to force the future co-operators to adopt one way in preference to

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another would be to invite failure. This has been well understood wherever a law has been passed having the organization of co-operation in view. Whenever the law has not been of a liberal character, co-operation has suffered and more or less languished on that account. It is therefore necessary to grant full freedom of action to the interested parties, nobody being likely to suffer but themselves, if they make mistakes.

This question is examined by Mr. Peters, and his opinion is as follows:—

‘The only special condition by which co-operative enterprises needed to be differentiated from others of a fair and worthy character was that, in their organization, methods of procedure, and objects of pursuit, co-operative associations should be judiciously adapted to the needs of the poorer classes of society, for whose especial benefit they were designed.’ (Page 10.)

Further on, he adds:—

‘They differ among themselves in many particulars, the most important being that which relates to the degree of liability assumed by the members, but in general they agree in the possession of characteristics which adapt them to the uses of the working classes and entitle them to be regarded as co-operative in the most essential and important elements which enter into the special signification of that word.’ (page 10.)

And on page 13:—

‘For example, institutions that would be adapted to the coloured tenant cultivators of the South, might not be suited to white agricultural tenants in the North and West; while such as are adapted to the last might fail to meet the requirements of the poorer class of agricultural proprietors. In any attempt to organize an association in a particular district the prevailing need, the habits, characteristics and circumstances of the people, and in a district with a large foreign population even the nationalities most largely represented would have to be duly considered.’

And according to Mr. Peters, ‘there is, however, a vast field in our country for co-operative credit.’

Further on, he adds: ‘When a plan is presented which, in its adaptation to the wants and circumstances of those for whom it is intended, has within it the germs of a vigorous life, the people are not slow to adopt it and improve upon it in the light of their experience.’

‘Most of the foreign associations have had to adapt themselves to the needs of a poorer class than would be found in any considerable number among corresponding elements of our own population. And in this connection it is of interest to observe that the capacity for successful association has been found to co-exist not only with deep poverty, but also with extreme illiteracy. Some of the Italian provinces in which the popular banks are especially numerous, hold a very low rank educationally, as is shown by the official statistics; and Russia would undoubtedly furnish us some striking examples on the same point.’

The idea of forcing a theory upon an unwilling public has been tried in Belgium by M. d’Andrimont, and failed to a very large extent. In his ‘People’s Banks,’ Mr. Wolff says:—

‘Facts have proved too strong for him. Unlimited liability showed itself as little acceptable to Belgians as it was to Italians. At the outset it was accepted only because its significance was not understood. When in one of the banks, some years later, it was proposed to limit the liability to—I think it was fifty times the value of the share—members, who had up to that time made themselves answerable for the bank up to the hilt with absolutely the whole of their possessions, shrank back in alarm, declaring that they could never accept so heavy a responsibility. In respect of other points, no less, M. d’Andrimont’s close adherence to his German model has for some time stood in the way of entire success. For a long period the movement dragged heavily. Some banks grew up rapidly, but their number and their business remained

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stationary, with one or two added or withdrawn every year—sixteen, seventeen, then fifteen—representing a constituency of 10,000 or 11,000, keeping very solvent, doing a fair amount of business in a very business-like way, but never really extending their sway or becoming genuinely popular, even among those teeming millions of the most populous and the busiest little country of Europe, in which ministers and economists—like M. Graux et M. Beernaert—never weary of calling out for some popular form of credit, more especially agricultural. “How is it,” plaintively asked M. d’Andrimont, as president, at the congress held in 1888, “that having been founded nearly twenty-five years ago, the People’s Banks have not grown more numerous?” The French economist, M. Limousin, in agreement with M. Julius Schaar (director of the Banque Populaire of Brussels), supplied a very plausible answer: the banks were not sufficiently “popular.” “The People’s Bank,” so writes M. Charles M. Limousin, in the *Journal des Economistes*, “become in Belgium less and less popular, that is to say, less and less useful to the poorest class of the population. Soon they will have nothing that is popular about them, except the name.” M. Schaar complained that “the People’s Banks cannot be useful to simple artisans.”

‘This frank judgment may have helped to lift the banks into a better position. They have always been, in the main, well—in some cases even excellently—administered. But there was something about them which seemed adverse to spreading and growth. M. d’Andrimont has placed them in his country, so to speak, as a German plant put into a Belgian plot, not, like M. Luzzatti’s banche, as a German set planted on new soil, there to strike root and become part of an indigenous vegetation. The tree set in the new soil, in disregard of the conditions under which it had to live, for a considerable time just managed to keep alive, pushing on very little.” (Page 288.)

CO-OPERATIVE CREDIT IN CANADA.

In addition to what has already been said upon the need of such a credit in Canada, as evidenced by the presence and the prosperity enjoyed by the money-lenders and usurers, at the expense of a long-suffering public, can it be argued that organized co-operative credit would not be a success here because our circumstances are not favourable or decidedly adverse? This contention has been advanced against the pioneer of the idea in every country where now co-operative credit has reached a wonderful degree of success. Far from being unfavourable, our circumstances are quite the reverse. Our people are fairly well educated, the representative institutions which we enjoy have given them a keener sense of public duty than was possessed forty years ago by most of the European working classes. Surely in this respect we are far ahead of the native population of India, who have now the benefit of a law on co-operation. But let us see what happened elsewhere, in order to gauge more accurately our own situation.

Mr. Wolff gives an account of what Signor Luzzatti had to contend with in Italy. He says:—

‘However favourable circumstances might in the course of practice turn out to be, in 1863 and 1864, when M. Luzzatti entered upon his crusade against usury he found himself face to face with a task of no little difficulty. He had his “plan of campaign ready.” But his army for fighting it had still to be created. He cannot have been in a better position for beginning operations in Italy than would at the present day be an apostle of his economic gospel in England. There were only very few who believed in his “chimera.” The very friends who consented to join him were sceptical, and contributed their small subscriptions rather “to oblige their friend,” or “as one engages in a doubtful charity,” than with any faith in the scheme. Like Schulze, in Germany, he felt himself hampered by a socialist Lassalle, one Boldrini, perpetually crossing his path and acting the Shimei by him. However, Boldrini had no Bismarck to back him up, and so his opposition came to a speedy collapse. A more serious hindrance was to be found in the backward state of the Italian law, which recognized no societies with unlimited capital, such as co-operative associations must needs be. Until 1883 the banche were compelled to sail—innocently enough—under

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false colours, styling themselves joint stock companies, and altering the figure of their "limited" capital from year to year, in order to comply with the law. That helps to explain the comparatively slow progress made up to the date named.

'In spite of all these hindrances, M. Luzzatti—after a little co-operative experiment made in connection with a friendly society at Lodi in 1864—late in 1865 decided upon starting his first people's bank in Milan. And on the 25th of May, 1866, he opened the doors of his modest little establishment in a small hired room. It was a puny little affair. The bank had but £28 for its capital—oddy enough, precisely the same sum with which our Rochdale Pioneers entered upon an economic reform destined to revolutionize commerce. "Moi, je souscrivis 100 lires, j'étais le millionnaire de la bande." Of course they could employ no paid clerks or officers; all work must be gratuitous. But there was a good will at the back of the enterprise. "Half my heart," long after said M. Luzzatti himself, 'is wrapt up in the People's Bank of Milan.' (People's Banks, page 214.)

And that association is now enjoying such prosperity that it is a subject of admiration for all the political economists who have studied its working and its results. An humble beginning is not a fatal obstacle to success.

Some may argue that the modern tendency of trade and industries to concentrate is such that these institutions would be useless. Mr. Wolff quotes an instance which does away with the argument. He says:—

'The Banque Populaire of Verviers ought to be of peculiar interest to us, not so much because in little time it has grown to be the largest people's bank of Belgium—numbering last mid-summer 2,995 members, as because it has set up its counter in a manufacturing town organized to all intents and purposes like a manufacturing town in Great Britain. Sceptics in this country will insist, without looking sufficiently into facts, that we could not set up co-operative credit in this kingdom, because we have "no small trade." It is the small workshops of Liège, Milan, Leipzig, so they will have it, which support these co-operative banks, and alone make it possible for them to live and thrive. In our British towns, where industry and trade are for the most part concentrated in large workshops and the small artisan of abroad becomes the salaried "hand" or foreman, such a thing, they say, would be impossible. Well, here is a town with large workshops only. Out of its population of somewhere about 50,000 as many as 40,000 are "hands" working in those large cloth mills and yarn factories which employ 160 steam engines or more, and turn out annually above 400,000 pieces of cloth, besides yarn, clothing the entire Belgian army, and exporting at least £3,000,000 worth into the bargain. Walking in the busy streets of Verviers, you might fancy yourself in Bradford or in Leeds. Well, the Banque Populaire has set up its mensa argentaria in the midst of these shop-hands, and has gathered together more members around it than any other people's bank in Belgium. Up to 1892 the Bank of Liège, working among a population of 160,000 inhabitants, in the very home of small trade, maintained the lead. Now Verviers has outstripped it considerably. Brussels, with its 184,000 population; Ghent, with its 152,000; Antwerp, with its 240,000; Malines, with its 52,000, all rank after it, notwithstanding that they have more small trade. It is really not the "small trade," it is the understanding and appreciating the co-operative principle which makes a co-operative bank to thrive. In its composition the Verviers bank is thoroughly popular and "democratic." There are, it is true, among its 3,000 members, 449 "rentiers," but most of these are, I believe, small men, retired from work or business. There are 446 small traders. There are 6 doctors, 26 proprietors of cafés, 33 small manufacturers, 188 counting-house clerks, 117 small cultivators, 76 teachers, 2 priests, 2 sacristans. All the rest may be described as workmen and working women. And with such a constituency, the People's Bank of Verviers does a business exceeding in volume the business of any other People's Bank of Belgium, excepting only that of Ghent, which as I shall show, is really not a "people's" bank at all, but a co-operative capitalists' bank. The business of Verviers amounted in 1895 to 33,707,506 francs (£1,348,300), as against 15,348,522 francs reported by the People's

Bank of Liege. Its direct lending alone (in advances and discounts without including cash credits) amounted to 6,263,545 (£250,541), as compared with 3,940,746 francs in Liège. And that with a paid-up capital of only 599,000 francs (£23,960). I have sometimes been asked: What do these people borrow money for? It would be difficult to say. No account is kept of that. And by far the greater portion of the lending is done by way of cash credits, which is in truth the most useful and most educating of all forms of lending. Evidently the cash credits granted have been put to good commercial use. For in 1895, 12,705,895 francs had been drawn out and 11,636,831 francs paid in. The account is accordingly anything but "dead." And the business is so sound that, after carrying 1,941 francs to the reserve fund already standing at 70,210 francs; and 1,001 francs to the provident fund previously figuring at 116,178 francs; besides allowing 1,500 francs to the managing committee according to attendances, the bank was in a position to pay to its shareholders 38,370 francs in dividend, at the rate of 6 per cent. From an English point of view, I look upon the People's Bank of Verviers as perhaps the most instructive that there is.' [People's Banks, page 292.)

This and many other quotations that could be given dispose of the contention based upon concentration of trade. Those who would use this so-called argument ignore or forget the wants that co-operative credit associations are apt to satisfy, and experience shows their error.

LAWS ON CO-OPERATION.

The force of credit co-operation is such that, strange as it may appear, it has in most cases preceded the laws. Nothing can better show the necessity of this form of organized credit. In the inception of this movement, the legislators were perhaps justified in hesitating, considering above all the ideas prevailing then in Europe against any form of democracy. But now, especially in America, can any such hesitation be justifiable, with the object lessons that history offers us and the enlightenment it gives?

Mr. Peters says that the absence of a law has been very detrimental to the spread of co-operative credit:—

'In Italy, as elsewhere, the system of co-operative banking began to exist among the people before it was provided for by law, legislation coming afterwards, in compliance with a popular demand, to remove obstacles to the working and provide facilities for the creation and development of the new institutions. The first legal recognition of them occurs in the code of commerce of 1882, in which articles 211 to 228 inclusive were devoted to co-operative societies, including those of the class under consideration. This was eighteen years after the first societies of this latter class had been established in the country.' (Page 88.)

And further on:—

'One thing which is shown by the history of these associations is the large extent to which their multiplication and prosperity are dependent on the existence of appropriate laws. In Italy, for example, popular banks existed about eighteen years before the enactment of the new commercial code of 1882, which for the first time gave them a proper legal recognition; but at the end of 1881 there were only 171 in existence, whereas during the next eight years the number rose, under the favourable influence of an improved legal status, to 692. That is the number which came into existence in the eight years following the adoption of the new code of commerce was over three times as great as the number existing at the end of 1881 as the result of the efforts of nearly eighteen years preceding that date. And other illustrations might be cited to the same general effect. From this point of view the general subject of co-operative associations, and of the laws under which they have successfully operated, both at home and abroad, is worthy of the most careful study of our own state legislators, since it is in their province that the necessary legislation upon this subject

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must chiefly fall. And here it may be worth while to call attention to the fact that the New York law on loan associations, which contains excellent features and has even been cited as a model, is vitiated by a provision giving one vote for each share of stock, and thus placing the associations on the joint-stock rather than co-operative basis. It is well enough to permit the share-vote system, where provided for in the constitution of a society; but the system of one vote to each member should have the equal sanction of the law, and it is the one which should be adopted by every society that is to consist mainly of small shareholders.' (Page 113.)

On the other hand, such a high authority as the Indian Committee states:—

'The Companies Act, which is the only enactment in any way applicable to societies of this kind, is wholly unsuited to institutions with varying capital, apart from the expense of putting into operation the provisions of the Act. We, therefore, recommend that legislation should take the form of a special Act of a permissive character and following the general lines of the English Friendly Societies Act.' (Page 7.)

The same situation prevails here and therefore the same remedy should be applied, by the passing of a 'special Act of a permissive character.'

Mr. Nicholson has also closely examined the same question, as shown by the following quotations:—

'But so soon as it was recognized that the societies, whether the popular banks of every class in continental Europe, the Building, Friendly, or cooperative societies of England and America, and the savings banks of the whole western world, were factors of inestimable value in the social and economic problem, special laws were passed for the furtherance and good management of such societies, or special provision was made in the general commercial codes of those countries; it was at once recognized that without the assistance of the law, and without public recognition and support, the nascent organization might fail both of its true extension and of its full development; great ideas had been born, but the infant systems required support and sustenance.' (Page 14.)

Again:—

'It is absolutely necessary, if these societies are to become the sources of organized general credit to the small folk in general, and to the agriculturists in particular, that there should be a law dealing expressly with these and similar societies, and favouring their institution, management and development.' (Page 23.)

On the Joint Stock Companies Act, he says:—

'The present company law is defective exactly because it is the law of commercial joint stock companies only; it is adopted from the English company law alone, and takes no thought for the numerous other kinds of societies for which England and the rest of the world provide special laws with special privileges and conditions. One, and a very important ill result of this defective law, is the turning of society methods and ideas into a mere trading groove; the ideas and management of the directors and shareholders are based upon pecuniary profit through dividends and honoraria, whereas that side of society administration should at least be equally presented which is based upon co-operative ideas and methods. In fact, if the lessons of the several studies presented in Appendix I. are correct, it is the co-operative classes of banks which, above all, are desirable for rural conditions, for it is they which teach prudence, thrift, temperance, the productive use of capital, unselfishness and mutual help, above all other forms of banking organization.' (Page 25.)

After reviewing the principles involved, Mr. Nicholson very properly affirms that it is in the adoption 'of organized and popular thrift, and of popular distribution, that success lies; these principles must take various shapes, as in the numerous institutions of the West: it is in the general ramification of organized thrift and credit, especially in their co-operative forms, that success is to be sought.' (Page 31.)

And further on:

'All the successful systems have been the work of single philanthropic individuals, who have conceived the ideas and have personally and patiently laboured—it may be without success for even tens of years—until their ideas have become established and successful facts: it is not the State, but the individual, who has originated and developed the ideas of thrift and popular credit in Europe. Nevertheless, had it been possible to foresee the methods and the difficulties of the several institutions, it would have been advisable to assist their development by favourable laws and otherwise, as has been done when their scope and limitations, their defects and their successes, became apparent.' (Page 31.)

Now, what should be the character of such a law? The Indian Committee has expressed an opinion upon this point which can be adopted as a very safe guide in the matter, as it lays down a general principle that should govern everywhere, namely, the necessity of reckoning with the local conditions and circumstances of the various countries:—

'We consider that hard and fast rules for the institution of co-operative credit societies throughout India cannot be laid down, since due regard must be paid to the local conditions and circumstances of the various provinces, which differ widely both among themselves and from the conditions which prevail in Europe. We have not, therefore, found it advisable to attempt to follow too closely the lines of any one of the various systems which have so successfully established themselves in Italy and Germany. Nevertheless, we hold that it is possible to indicate in a general manner certain principles which should govern the organization of all co-operative societies.' (Page 2.)

ONE VOTE PRINCIPLE.

What illustrates more than anything else the essential difference existing between a joint stock company and a co-operative association is the principle of one shareholder one vote. Unlike the society based on capital, whatever may be the number of shares one has, be it large or small, he has only one vote. This system is the direct outcome of the central idea that should always prevail in a co-operative association, that of an aggregation of individuals, not of dollars or capital. No one ought to have the privilege of enjoying a larger influence because he has put in more money than his neighbour. The voting power being the same for every member, no one can exercise an undue pressure on the management of the association, or vote himself into any office where he could control the affairs and manage them according to his own selfish interests. The danger of such societies falling into the hands of speculators is thereby out of question.

The importance of this principle has been universally recognized. No co-operative society is truly so, if this principle is not strictly acted upon.

Mr. Nicholson very properly points out:—

'*Aggregation of members not of shares.*—The subsequent chapter is one of the most important, as it deals with 'Popular Banks' under their several systems. These are generally co-operative, that is, the whole of the bank operations are conducted by the members and for the members; the society does not consist of a fixed number of transferable shares which may be transferred to and held by any one soever, but of a congeries of men all personally selected for admission to membership; the holding of a share does not make a man a member as in a joint stock society, but membership gives a right to and requires the holding of a share; the society is an aggregation of members not of shares. Moreover, the borrowers are the members and the members only; the interests of the bank are bound up with its members, that is with its borrowers, and the result is not merely safety to the borrower, but great facility and cheapness of loans—since all profits return to members—coupled with a very distinct moral influence by the society over its individual components. These societies are described in some detail as they provide credit even for the smallest folk, but usually

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upon what in banking is technically termed "character," on security based upon the general status, position and character of a borrower and his sureties; mortgages are little used by these societies which are specially adapted for what is known generally as "agricultural credit," that is the loans for the current needs of the agriculturist and for his working capital (Page 9).'

Mr. Peters examines also the same question:—

'In these associations—and this is a characteristic which they have in common with other co-operative associations—the investor is usually secured against the fate which so commonly overtakes the smaller investor in joint stock companies, that of finding the concern so managed as to make his interest profitless to him until he is finally constrained to dispose of it to some larger shareholder for a fraction of what it cost him. The preponderance of power which enables a few large shareholders so to manage in joint stock corporations is prevented in the co-operative credit societies sometimes, as in the German institutions of this character, by forbidding any member to acquire more than one share, and in other cases by limiting each member to one vote whatever the number of his shares, while leaving the latter either without limitation or subject to a limitation more or less elastic. The limitation of each member to one vote is, of course, calculated to discourage any member from acquiring a much larger interest than his fellows in the capital stock, but it leaves him free to do so at his own risk, subject to the condition that he shall not thereby acquire any additional power over the affairs of the society. It thus leaves a greater latitude for subserving the convenience of the more thrifty members than exists where each member is restricted to one share, and at the same time makes it possible for the society to receive a considerable amount of capital which would be excluded by such a restriction. But, while more or less inequality in respect to the number of shares held may, perhaps, be advantageously allowed, and while it might even be safe to make no restriction whatever upon this point, the maintaining of equality between the members in respect to voting power may fairly be regarded as a requirement essential to the security of the co-operative principle. It is true that there are societies known as "co-operative" which do not observe this requirement, some allowing a vote for every share, like an ordinary joint stock association, and others adopting some compromise between that and the true co-operative plan; but the vital distinction between such societies and those which give one vote and no more to each member in good standing should never be overlooked by the small investor. The similarity in name arising from the use of the word "co-operative" by both should never be allowed to conceal this essential difference in their character. Any objection to the principle of equal voting power on the ground of alleged unfairness falls before the consideration that co-operative societies are primarily designed for people in poor or very moderate circumstances, and therefore, for people who in the main are in approximately equal conditions. If among such there are some who, by greater ability, industry, or self-denial than others, can save money more rapidly than they, these will the sooner advance beyond the stage for which the co-operative societies are more particularly designed and will readily find other channels for the investment of their accumulations; and it is much better that they should do so than that societies should lose their adaptation to the wants of the average masses through an effort to adapt them to the convenience of exceptional individuals. There are instances in which the entire membership of a co-operative society consists of comparatively well-to-do persons, and there is nothing to prevent such persons from organizing on the co-operative plan with shares to suit the length of their own purse; but if they prefer to have votes in proportion to the amounts they invest, there are always joint stock companies ready to admit them to membership.

'In addition to the three just mentioned, other points of adaptation to the wants and circumstances of the working classes will appear in the accounts of the several classes of societies given further on, including especially those conditions and methods of business which look to the security of the funds intrusted to the associations; and

it will also appear that, while the largest class—the German loan and credit unions of the Schulze-Delitzsch types—were more particularly designed for the workingmen and small tradesmen of the towns and cities, these associations, with others modeled upon them, have in a large measure extended their utility to the smaller farmers and other rural inhabitants in the neighborhood of the places in which they are organized. And, in the case of the German loan fund unions of the Raiffeisen type, the wants of the rural districts have been the main object of consideration, particularly those of the small peasant proprietors and the small tradesmen of the villages.' (Page 11.)

And further on he states that the most essential point is the 'limitation to one vote; and that under these circumstances it would be impossible for the wealthy to gain control of a society in which the shares are placed low enough and made payable in small enough instalments to put them within the reach of the more numerous class for whose wants the credit unions are adapted. The adaptation of these institutions to the wants of the comparatively poor, coupled with (or rather including) the principle of one vote and no more to each member, sufficiently accounts for the fact that the German people's banks have not been captured by the rich.' (Page 26.)

Elsewhere (page 88) Mr. Peters adds that in Italy 'there is the same legal restriction to one vote, which is really the essential thing,' and the Indian Committee strongly hold the same view as evidenced by the following paragraph of their report (Page 6):

'We hold it to be absolutely necessary to preclude the possibility of such societies as might be founded falling under the control of speculators. We have, therefore, decided that the number of shares or votes held by any individual member must be strictly limited, and that stringent conditions must be imposed on the transfer of shares.'

The Paris Congress of 1900 affirmed the same principle by passing a resolution in which the following lines are to be found:—

'To consider the association as a society composed of persons rather than of capital interests, imparts, especially, a personal character to the shares and to the conditions on which they are transmissible, the limitation of the share of each associate, the unification of the votes at the meetings'....

The adoption of the one vote principle should remove all fears of speculators, the control being thereby kept forever in the hands of the interested parties, who would have always the power to protect themselves against any attempt of such a nature coming from whatever quarter it may.

CAPITAL—SHARES.

The question of capital is one of very great importance, and anything connected with it must be carefully considered before a conclusion is reached. It involves four distinct main points, namely, (1) where is the capital to come from; (2) should there be shares and how shall they be paid in; (3) shall they be withdrawable or not, and lastly, (4) should a maximum amount be fixed by law for an individual member.

As to the first point, it should be clearly stated that the capital is to come from the members only. That is the view of the Indian Committee as shown by the following extract from their report:—

'As regards the source from which the working capital is to be obtained, the ideal system would be an association, the members of which would first accumulate capital by saving and then lend among the members the money so accumulated. The fact of being a shareholder gives a member an interest in the working of the association, and is educative in its encouragement of thrift.' (Page 2.)

The Committee calls it an 'ideal system,' and I believe that in Canada the circumstances are such as to justify parliament in adopting at once that 'ideal system' as a basis, for the very good reasons mentioned in the concluding part of this paragraph. Thrift is one of the two main objects of such associations, and anything that could tend to encourage it should be adopted. So, too, everything which can create an interest in the working of the association should be taken advantage of.

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SHARES.

The second point is whether or not there should be shares, and if there should be shares, then what should be the amount of each share, and how payable.

The capital should be variable and divided into an unlimited number of shares. That is the system universally adopted, because it is the only one that can be suitable to the classes likely to avail themselves of that form of association.

On this subject of shares, the report of the Indian Committee states:—

‘We consider it desirable that, where the state of the country is sufficiently advanced and where circumstances permit, co-operative credit associations should be founded on a share basis. . . .’

And later on:—

. . . The various means by which working capital can be obtained may then be described as subscription for shares, deposits of members of the association. . . &c.

INSTALMENT SHARES.

Then, how are those shares to be paid in. It is most important that the payment thereof should be made as easy as possible, and on this, Mr. Wolff says:—

‘However, we have still our “small capital” to provide. There is only one way in which it may be provided consistently with self-help. The members themselves must put their shoulders to the wheel, they must contribute their savings, it may be by six-penny or threepenny instalments, so as to create a fund which will at the same time benefit each individually and the whole number collectively, assuring to each a growing equivalent to a savings bank deposit, entirely his own, but so employed, by being invested in bank shares, as to enable the association to lay out the money fruitfully in loans promising to benefit the borrower and yielding a small profit to itself.’ (Co-operative Credit Bank(page 15.)

And Mr. Peters states:—

‘The shares of stock in the co-operative credit associations can be purchased gradually by weekly or monthly payments. These may be fixed at an amount to suit the circumstances of the majority of the class in which the membership is to be mainly recruited, so that each member may be enabled to begin the process of accumulation by investing such sums as he is able to save, be these ever so small. Moreover, the small savings thus invested, when united with those of the other members, form a sum which can promptly be loaned to some member having a profitable use for the capital which they form, and are thus increased by the income which they earn instead of remaining idle in the owner’s hands and subject, in many cases, to dissipation in needless or hurtful expenditure.’ (Page 11.)

With regard to the amount of each share, Mr. Wolff says:—

‘A bank may be as useful and as truly co-operative with small shares as with large. In Italy and France the shares issued are generally small, ordinarily of £1 or £2, but ranging from £4 down to 4s., according to the varying circumstances and requirements of the persons for whose benefit they are intended. Such shares have, as a rule, to be paid up in ten months, by equal instalments. But, this, though a good maxim, involves no question of principle, and the period may without detriment be extended, as indeed it often is. The people disposed to continue saving may in such cases satisfy their love of thrift by acquiring new shares after the first have been paid up.’ (Idem—page 16.)

It is to be noted that the English law do not mention any amount for each share, this being wisely left to the discretion of the society, and should be fixed by the rules.

The amount of each share and of each instalment is a matter, therefore, to be fixed by the by-laws according to the circumstances of the various associations.

WITHDRAWABLE SHARES.

The third point is: Shall the shares be withdrawable or not? The English Act makes a distinction between societies doing what is called banking and those having another object. The former cannot have withdrawable shares, while the latter can. As a matter of principle it is difficult to understand why the distinction is made, for both receive loans or deposits from outsiders. If in societies doing banking the shares are made non-withdrawable for the benefit of depositors among whom there may be outsiders as well as members, the necessity for a similar safeguard exists in the one case as in the other. The fact that in the case of the banking societies the amount of the deposit is not limited, while it is to £20 in the other, does not matter.

RESERVE FUND.

Be as it may, however, the main argument that can be invoked in favour of non-withdrawable shares is to be found in the fact that the English Act does not provide for a reserve fund to be accumulated out of the yearly profits by a percentage being put aside for that purpose. Such a reserve fund being made the exclusive property of the association as a whole, the individual members having on withdrawing, no right to a proportion of the same apart from their paid-up shares, would be the permanent capital of the society, and with its yearly increase will grow the safeguard offered by the association. The law should fix a minimum amount for that reserve fund, and until that minimum is reached the specified yearly percentage of the net profits should be set aside for that object. In case this fund is impaired by losses or otherwise, then the same yearly percentage should be taken from the net profits until it has reached again the minimum provided for. This minimum could be based on a reasonable proportion of the amount paid in on account of the shares subscribed. This guaranty fund serving as a permanent capital would safely permit the withdrawal of shares. This safeguard is not provided for by the English Act, and that can explain why the shares are not uniformly made withdrawable.

But apart altogether from the above consideration, as a question of general safety and wise management, it is most important to provide for the formation for such a reserve fund. Mr. Nicholson is very positive upon this point. He says:—

‘A reserve should be compulsory, and formed from the beginning by a percentage, say 10 or 20 per cent, taken from the profits before any dividend is announced; in the case of co-operative banks, allowing only fixed interest on the shares, a further allotment should be made to the reserve, to which also should be paid all entrance fees, and any commission specially intended for the reserve. There might be special reserves, especially for the insurance of borrowers against failures of their improvements; these would be filled by special contributions or by the allocation of surplus profits.’ (Page 382.)

Mr. Wolff is of the same opinion, and quotes approvingly the wise measure taken on this line. On page 229 of his ‘People’s Banks’ he states:—

‘I have incidentally spoken of the reserve fund, which, of course, these banks accumulate out of profit, allotting annually from 15 to 25 per cent to its formation.

‘The weaker banks are in capital, the more importance, as a matter of course, do they attach to a reserve fund; and thus we see every good bank in Italy building up as strong a reserve as it can—so strong that, in the case of the Banca Popolare of Bologna, it actually exceeds the paid-up share capital, standing at 1,292,077 lires, as against 1,260,540 lires.’

RESERVE FUND MINIMUM AND YEARLY CONTRIBUTION.

I would humbly suggest that the minimum amount of the reserve fund, when completed, be equal to the maximum amount paid in at any time on the subscribed shares, that the percentage to be taken out of the net profits be at least 20 per cent per annum.

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In order to appreciate more fully how large and reassuring are the proportions suggested, I may be permitted to draw attention to the fact that the law of the state of Maine relating to savings banks, banks that have not a dollar of subscribed capital to protect the savings therein deposited by the public, states in section 106:

'The reserve fund shall be kept constantly on hand, to secure against losses and contingencies, until it amounts to 5 per cent of the deposits.'

Later on, the percentage was increased to 10 per cent. The amount held in 1906 as deposits by the Maine savings banks, 51 in all, was \$82,677,981.25, and the reserve fund for the same year was only \$4,695,873.74, or a little over five and a half per cent of the total deposits. In Massachusetts 'the laws,' said the Chairman of the Board of Commissioners of Savings Banks at the Convention of Supervisors of State Banks in 1905, 'requires that at the time of making each semi-annual dividend not less than one-eighth of one per cent, not more than one-fourth of one per cent shall be set aside from the net profits which have accumulated during the six months last preceding as a guaranty fund, and that fund cannot be used for any purpose until it reaches five per cent of the deposits.'

In 1904 this guaranty fund was equal to 4.54 per cent of the amount of the deposits, which aggregated to \$674,000,000. The law of the state of New York do not requires the trustees of the savings banks to accumulate a reserve fund. They may do so or not; it is entirely left to their discretion. The law says—section 123—
.....'after deducting necessary expenses and reserving such amounts as the trustees may deem expedient as a surplus fund for the security of the depositors, which to the amount of 15 per cent of its deposits, the trustees of any such corporation may gradually accumulate and hold, to meet any contingency or loss on its business from the depreciation of its securities or otherwise.'

And these savings banks with no guaranty fund required by law, and like those of Maine with no capital, were in 1904 holding about twelve hundred million of dollars of deposits. These banks are commonly called in the United States uncapitalized savings banks, because there are a few others who have a capital for the protection of the depositors. The amount held by these uncapitalized savings banks aggregate now at least three thousand millions of dollars of deposits, with the only security of the five, ten or fifteen per cent, according to the law in the various states, of the average deposits as a reserve fund. Still the confidence of the public is made very apparent by this vast amount of deposits entrusted to these institutions, administered by self-chosen gentlemen acting as philanthropists, and not directly answerable to, nor selected in any way by the depositors themselves who provide those funds.

The above reference to the United States savings banks, considered as very safe, if one can judge by their success, shows that the suggestion I have the honour to offer is very liberal indeed and *evinces a desire* to create a reliable basis of operations for the future co-operative credit associations to be organized under the Bill.

On this point, Mr. Peters states that the German law provides as follows:—

'In the form of constitution framed as a model for credit unions registered under the new law, it is provided that until this fund amounts to 15 per cent of the total paid-in capital of the society it shall be reinforced each year by adding to it 15 per cent of the net profits; and if, through the use of a part of it to cover losses it is reduced below the standard just indicated, it must be brought back to that level by the same yearly addition from the profits as before. This fund remains the property of the society until its dissolution, and no member retiring before that time can claim any share of it as a part of the amount due him; but all members benefit by it so long as they remain in the society since the income it earns is one of the sources of the profits which form the dividends.' (Page 28.)

These quotations show that the quantum suggested is comparatively very high and affords ample guarantee.

DEPOSITORS—NON-MEMBERS EXCLUDED.

Another reason why the shares of co-operative societies doing banking under the English law cannot be withdrawn, can be found in the fact that the Act permits these societies to receive deposits from non-members. As those depositors have no right to be heard in the management of the affairs, it is but fair that they should be protected in another way, hence that proviso. But as I am of opinion that, upon a question of principle, deposits should be received only from members, in order that co-operation should be complete everywhere, I would prefer to see the right to receive deposits from outsiders denied under the Bill before the committee, and in its stead to put in a proviso making all shares withdrawable, while a part only is so under the English Act. Having no deposits from outsiders, nobody could complain. The depositors being all members, could protect themselves by the exercise of their right to control the management and inform themselves thoroughly as to the real situation of the affairs of the society in which they are shareholders as well as depositors.

To sum up the above in a few words, I would say that in the credit societies organized under this Bill, the shares should be withdrawable, because, (1) of the formation of a guaranty fund in the shape of a strong reserve; and, (2) of the exclusion of non-members as depositors.

In the following extract, Mr. Wolff goes much further than I do and advocates withdrawable shares combined with the right to receive deposits from non-members. He says :—

‘It allows us to do actually anything that we are at all likely to desire to do—bank, discount, take deposits from any one ; only we must not issue withdrawable shares. That restriction certainly appears to me a matter for regret. For, from a co-operative point of view, withdrawable shares are decidedly preferable to non-withdrawable, and they would go some way towards warding off the “unco-operative” practice, always apt to creep in, of levying toll upon incoming members at a progressive ratio, in the shape of a premium upon shares. The beau-idéal of shares in a co-operative concern is what the French call *parts sociales* fixed contributions, which do not vary in issue value.’ (People’s Banks, page 375.)

Speaking of the Switzerland people’s banks, he states that retirement is made easy, members being even in several cases ‘allowed to retire at any time without notice.’

The shares being after all under this system mere savings deposits, with, it is true, a certain character of permanency derived from the fact that they are supposed to be at the disposal of the society for a much longer time than ordinary petty savings put aside for daily wants, and as such having the right to a higher remuneration out of the yearly profits, the following quotation of Herr Schenck, a very high German authority on the matter, and approvingly given by Mr. Peters, applies fully to the present case :—

‘But the question presents itself in quite a different aspect if we consider small deposits, the modest sums saved by the artisan, the labourer, or the peasant, sums which, if they remain in the hands of the owner, disappear or are wasted in useless or perhaps hurtful expenditure. Such sums are savings—bank deposits properly so-called. These, within the proper sphere of their operations, the associations should invite, should employ them usefully within the same sphere, and make them directly or indirectly serviceable to those who have accumulated them by their labour and self-denial. This is a duty to which the associations are called by their nature, their object and their own interests, and one whose performance assures them a regular and constant supply of money, deposits and withdrawals balancing each other. Experience has shown that in times of crisis it is not the savings bank deposits which are first withdrawn.’ (Page 30.)

My own experience extending over six years in a similar society confirms abso-

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lutely this view, the shares becoming steadier, realizing thereby the prevision upon which they were instituted.

A WITHDRAWABLE SHARE CAPITAL NOT AN OBSTACLE TO PROFITABLE LOAN.

Can it be seriously argued that withdrawal shares would prove an obstacle of a nature that either credit could not be granted through loans to members or that the association would soon find itself plunged into very grave embarrassment, if not insolvency, by being unable to realize its assets.

A daily experience extending over half a century has demonstrated in the most conclusive manner that such apprehensions have no foundation whatever. In Europe, more particularly in Germany and Austria as well as Italy, loans are currently made for five, ten and even twenty years, out of funds so withdrawable at any time or upon short notice, without any trouble having ever arisen. The vacuum created by withdrawals is invariably filled up by fresh funds coming in, and even the total amount available goes on increasing instead of diminishing. In a recent lecture delivered before the annual meeting of the Agricultural Organization Society, held in England on December 11, 1906, Mr. Henry W. Wolff could truly state that savings collected by the German people's banks amounted yearly to 'five millions pounds sterling in excess of withdrawals,' and that for 1905, the last full year reported upon, '921 such banks among them lent out 150 millions pounds sterling.' And he added that 'at least one-fourth of that goes to agriculture.' And why such results are they possible? 'Simply because,' says Mr. Wolff, using his own words: 'You do not seem to have any idea what a marvellous gift co-operative banks have of ingratiating themselves with local people as savings banks. But that is what forcibly strikes every one who visits them abroad. Therefore, Lord Avebury was quite right when, in 1887, he recommended them to the House of Commons as model receptacles for savings. You may observe it at their very first start, in their most feeble infancy.'

Here Mr. Wolff, who very closely follows up the movement of expansion of these banks all over the world, gives a very telling instance of the productivity of these associations as saving receptacles. He states:—

'In Cypress a friend of mine has started fourteen village banks, as nearly Raiffeisen as he could make them under adverse circumstances, in as many wretchedly poor villages. Within one year their savings deposits averaged £200 per bank. The collective amount represented more depositors and totalled up to a higher figure than all that the far more pretentious government savings banks, working over the whole island, could boast of after five or six years of its existence.'

But what has just happened in India is still a far more striking example to the same effect.

'In India,' says Mr. Wolff, 'the same registrar, under the Act of 1904, who about a year ago advised me that among the wretchedly poor rayats of his presidency savings deposits were absolutely out of the question, now states in his last annual report that savings deposits are coming in nicely, that the members of his banks have bound themselves by rule to deposit each year so much for every rupee rent paid, or for every plough employed. 'If this continues,' so he adds, 'and there is every prospect that it will, the problem of financing these banks will settle itself.'

Why should we not expect the same results here? If, therefore, funds are so easily coming in and in such increasing ratio every year, there cannot be any trouble to apprehend in loaning them, even if a fair proportion should be utilized in pretty long-term investments. Of course experience will show how far prudence will allow to go, but in point of fact the question in itself need not disturb the mind, for a reliable basis will be found as time goes on. On the other hand, we have not the bank deposits withdrawable by checks, that are daily loaned out with apparently the greatest safety to all parties concerned? Of course call-loans go in for a proportion,

but after all it is a matter of mere good common sense and prudence. If bankers were told that they cannot utilize at all those funds because they are liable to be withdrawn at any moment, they would not pay interest on such idle funds, not being able to afford it without the profits derived from the loaning of them. Moreover, the bank deposits must be considered, coming as they do from the general public, not particularly interested in the fate of the banks, or concerned with the possible outcome of prompt withdrawals, as of a more risky character from this point of view than would be those that would be attracted by the co-operative credit association, as they inevitably will be, as shown by the experience of Cypress and India. The depositors in these latter being the very interested parties, it is not likely that they would act rashly or with the same stiffness as a bank depositor is liable to do because he does not care whether the bank be embarrassed or not.

Again, working in a small area among people knowing each other there cannot be any movement susceptible of producing large withdrawals without it being discovered long before the consequences are seriously felt, so that ordinary precautions could be taken to meet any such emergency, although such is very unlikely to happen.

LIMITATION OF THE MAXIMUM OF SHARE CAPITAL A MEMBER MAY HOLD.

In connection with the question of capital there arises another one of a very considerable importance, that of the limitation of the maximum amount that a member may hold in shares.

The English Act states that this amount cannot be higher than £200. To understand the meaning of this strange restriction, it is necessary to know why it was put in the law. Obviously the object was to prevent speculators from having the control of the society and managing it, not as a co-operative association, but as a mere joint stock company, trying to get from it as much profit as they possibly could at the expense of the general public and perhaps of the rest of the members who happened not to have deserted the society. That such object is a laudable one none can deny. But is that the only way whereby that object can be attained? Most assuredly not. A more commendable mode would be to restrict the right of voting to one vote only. And this the English law does not. It would insure the object in view in a better way without the injury of curtailing the right of the members to continue to invest their savings as they choose, and of depriving the associations of a larger flow of funds with which they would work to better advantage and so make the shares more profitable. This restriction should not exist, above all, in a co-operative credit association. In fact, why not give the widest possible scope to thrift, one of the two main objects of such a society being precisely the encouragement of thrift. Between the two modes of preventing speculators taking control of a cooperative credit association, the one by limiting the amount of shares capital allowed to a member and the one vote system—I humbly suggest the latter as affording a surer guarantee than the former. In a small society a few wealthy members may have the maximum amount determined while most of the other members may possess only one or two shares each, and with the system of voting based on the number of shares, those wealthy members, if they are speculators, could control the society.

VOTE BY PROXY PROHIBITED.

This danger is still more apparent if one considers that the English law does not prohibit the use of proxies. With the right of voting by proxy, speculators could easily gain the control if they wanted to. If I am permitted, I will suggest, as an additional guarantee against any possible attempt of that kind, to prohibit voting by proxy, except with regard to corporations. The well known evils of the proxy voting system have not and cannot possibly have, in connection with these associations, having a very limited territorial field of operation, any appreciable redeeming features. In England these co-operative societies doing banking have by law the right to sell shares and accept deposits all over the country; the proxy voting may there-

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fore be a necessity, but when their field is limited to a very small area, as it is in the present case, the same necessity cannot have force enough to justify in running the risks of the numerous abuses that can and do very often arise with proxies.

CREDIT CONFINED TO MEMBERS.

But apart from the highly effective safeguards already enumerated, there are many others of a very important character which deserve to be pointed out in order to give a correct conception of the system advocated for the good of our working classes. In the first place, members only are to enjoy the right to borrow from the association, and members are chosen by the board representing the society.

Mr. Wolff rightly insists, with great force, upon this point:—

‘The first safeguard relied upon is the election of the person to whom the loan is made, as a trustworthy, respectable, presumably honest and honourable person. Lending to non-members would be altogether contrary to the principle of the bank.’

Mr. Wolff here adds that this ‘favourable judgment passed upon the incoming member by his neighbours, already in the bank, consequently interested in its welfare and success, forms the first wall of security for the society. The man has been judged eligible; therefore presumably, up to a certain point, he is to be trusted.’ (Co-operative Credit Banks, page 28.)

Then, the credit that can be granted to members is assessed by a commission specially appointed for the purpose and perfectly independent in their dealings, and they have no remuneration for their services, having therefore no fear to lose anything by discontentment on the part of members having been refused loans. Upon this point again, Mr. Wolff is very positive:—

‘Co-operative banks, therefore, are in a peculiarly strong position to deal with their members. If they do not in all cases insist upon knowing all about every loan—some people’s banks do—they are aware that they possess substitutes for such knowledge. In addition to profiting by the touch or the means of information at their command, which have been already explained, they may appoint special ‘discount committees,’ sometimes with a ‘risks committee’ tacked on as a supplementary institution. The business of the ‘discount committee’ is, so to speak, to ‘assess’ every member in respect of credit, to mark against his name, on a register kept strictly private, known as the ‘castelletto,’ a figure representing the credit which the manager will be authorized to give without further inquiry, always assuming the member’s credit not to be already otherwise pledged. Two or three members, combining for the purpose, may assign their joint credit to one of their number. Should a larger credit be asked for, the manager will have to refer the matter to the committee, which may or may not decide to grant it, securing itself as it thinks proper. The ‘risks committee’ keeps full records of all the transactions engaged in, both with members and their sureties (who are often outsiders), as to amount, promptness of repayment, any trouble given, &c. The registers, carefully kept and admirably indexed, serve as a most valuable guide for further transactions. By means such as those indicated, the interests of the bank may be pretty effectively safeguarded, subject to further securities such as every loan transaction presupposes.’ (Co-operative Credit Banks, page 32.)

SUPREME AUTHORITY VESTED IN THE GENERAL ASSEMBLY.

Moreover, the members are not like ordinary shareholders in joint stock companies who, most of the time, are made cognizant of the wrong when the wrong can no longer be effectively remedied, being governed by an almost autocratic board of directors who for twelve months can, to a very large extent indeed, do as they please. In a co-operative society the members delegate only such powers as are absolutely necessary to the proper working of the routine business, and keep to themselves the

right to decide previously any case having an important bearing upon the well-being of the association. Mr. Wolff says:—

‘Co-operative banks being, as has been explained, specifically “customers,” not “proprietors,” banks, the first point to be kept in view in devising an organization for them will, as a matter of course, have to be, to make sure that the customers’ interest are adequately protected and really made paramount. There can be no “board of directors,” holding the helm, more or less in independence of the members and restrained by, merely a doubtful responsibility. The supreme power as regards the government of the bank and jurisdiction on all issues which may arise must be absolutely vested in the general body of members, which must be in a position to hold its officers fully responsible and to re-hear cases decided by them. The more this democratic principle is actually brought out in practice, the more the fact is emphasized that the bank is the bank of the members, to be administered for the members, and virtually by the members, the better is the bank sure to thrive. There cannot possibly be any better protection to the bank for the security of the values which it administers than a keenly awakened interest and sense of responsibility and solidarity existing among the members, every one of whom should, if possible, become to some extent vigilant watchmen over its interests. Nothing is calculated to awaken more vividly what is known as the “co-operative spirit,” nothing is more certain to ensure the realization of the ulterior object of the bank, that is, the suggestion to members of co-operation for other purposes, the mutual support of one another with such power as each may stand possessed of, in all affairs of life to which combination is applicable and qualified to lend additional force.’ (Co-operative Credit Banks, page 38.)

This constant and possible interference of the general assembly is made practicable by the small territorial area assigned to the association, a meeting being thereby always a very easy matter to arrange whenever such meeting is deemed necessary or advisable.

It is apparent that the officers are to carry out but the instructions given to them by the general body of members, as it is also part of their duty to submit for the approval of the general assembly whatever measure they think should be taken in the best interests of the association.

BOARD OF CREDIT-MEMBERS NOT ALLOWED TO BORROW.

In order to better safeguard the association against any possible abuse, it should be positively stated in the by-laws, if not in the law itself, that those who are called upon to decide who shall have loans and who shall not, should not have the right to borrow. It is undoubtedly a very delicate and dangerous right to exercise, above all when one has to pronounce upon his own credit, and in spite of the inconveniences that would arise in some cases, it would be a great mistake not to deny that right to those who are to fill those grave functions in a co-operative society. Too many evils of a contrary practice have resulted elsewhere not to take a wholesome lesson from these evils and prevent them by all possible means.

The members of the Indian Committee have been struck with the force of this safeguard, for they said in their report:—

‘In urban associations the president should not be allowed to take loans during his term of office, and in both village and urban associations no member of the committee should be allowed to adjudicate upon his own application for a loan.’ (Page 6.)

Thus it would be seen that the committee did not think necessary to go as far as as I am suggesting by inserting a complete prohibition against the officers ministering the loans to be made; however, I am so convinced of the necessity of such a prohibition that I would consider it a fatal mistake if it was not enacted in a clear way.

COMMITTEE OF SUPERVISION.

It has already been stated that in these co-operative associations the supreme authority is exercised by the members themselves in general meetings, and the powers

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delegated to the officers are restricted in their nature and only of a purely executive character. These well-defined powers are limited to the requirements of operations of a very simple and local business. But even these precautions have not been considered sufficient, and as there were to be inconveniences to members to call them often in general meetings to examine the management of the Boards of Administration and Credit, another board was created called Committee of Supervision. This last board have very wide powers of a controlling character, but have no right to decide important questions arising in the discharge of their duties. All that they can do is to appeal to the general meeting, which holds the supreme power to pronounce upon those matters. These supervisors correspond to the auditors in companies, but their powers as qualified above are far more extensive. They are selected yearly by the general meeting from amongst the shareholders. Their number may vary, but three is considered enough. They are re-eligible.

They watch over all the operations of the association; frequently check the cash, the investments and securities; see to the carrying out of the by-laws, regulations and decisions of the committee of credit and direction especially as regards loans and renewals; they must ascertain frequently the exact value of the securities in hand and, in a word, take cognizance of all the documents they deem useful for the performance of their duties. The committee of supervision has the right to examine and audit all the books of the association. They are bound to call an emergent general meeting of the shareholders if they find anything serious in connection with the management of the association's affairs or any violation of the statutory prescriptions relating to the administration of the moneys paid into the funds or of the securities exacted for the repayment of loans. They may, in the event of emergency or of extraordinary cases, suspend the salaried officials and members of the committee of credit, but shall at once report their reasons to a general meeting of the shareholders who shall decide on the same.

They shall, when the case is not of sufficient importance to necessitate the calling of a general meeting of the shareholders, report their observations in writing to the council of administration. The latter shall be bound to act accordingly and, if necessary, to remedy the state of affairs pointed out so as to remove all subjects of complaint. Should the council of administration not act, refuse to take up the matter, or neglect to take the proper steps to remedy the state of affairs pointed out, whereof the committee of supervision are constituted judges, they may bring the matter before the next ordinary or special general meeting that may be held, by entering the same on the orders of the day.

They shall, generally, take the most suitable steps for ascertaining the progress of the association's affairs which are entrusted to the various persons whose services are either gratuitous or remunerated and take every means to see, as far as possible, that the by-laws and regulations are faithfully observed. The members of the committee of supervision are chosen from amongst the shareholders who do not belong to the council of administration, the committee of credit or any other temporary or standing committee and who hold no office, whether salaried or not. The members of the committee of supervision are not allowed to borrow from the association. In this respect their position is similar to that of the members of the committee of credit and management in order to ensure their perfect independence and impartiality. They must submit a written report to every annual general meeting of their doings.

I would humbly submit that the provision in the bill relating to the auditors should be drawn so as to convey the general idea set out in the foregoing definition of the duties and powers of these officers, and that their name be, if possible, changed so as to give a more exact conception of their functions, as the word auditor, as generally understood, carries a much more restricted meaning than the one indicated here as appertaining to these supervisors.

As it will be readily seen, this committee represents the general meeting sitting in permanence alongside the officers and boards entrusted with the management of the

affairs of the association and watching their acts. This supervising body is another safeguard that cannot be but highly appreciated.

OFFICERS WORK GRATUITOUSLY.

Mention has already been made incidentally of the fact that the officers are to work gratuitously. Mr. Wolff is very clear upon this point, and I cannot do better than quoting such an authority to strengthen my own view:—

‘Beyond this,’ says Mr. Wolff, ‘officers are expected to work altogether for nothing—not only in order that only the most trusted and the most willing may be selected, but also in order that they may be fully independent, free to refuse favours to improper applicants, who might threaten in revenge to turn them out of their “office of profit” become covetable under the circumstances, by the hostile use of their vote. There is only one officer who is allowed to draw a moderate salary, and that is the secretary or treasurer, or clerk—call him what you like—who is entrusted with the purely mechanical work of carrying out the committee’s directions, and has no voice whatever allowed him in the responsible management of the bank, the election of members, or the granting of loans. In such manner everything is kept “clean” and straight. Such abuses as we see in some co-operative societies at home and abroad, in which the salaried staff of the society invests itself, in virtue of the votes which it possesses, with the power of a Prætorian guard, more or less arbitrarily nominating committee-men, not according to their fitness and conscientiousness in the discharge of their duties, but as they make themselves agreeable to the staff by indulgence, are altogether impossible in banks so organized.’ (C-operative Credit Banks, page 38.)

GENERAL PRINCIPLES THAT SHOULD PREVAIL IN CO-OPERATIVE CREDIT ASSOCIATIONS.

In discussing the long debated question of ‘agricultural and industrial credit,’ Mr. Wolff outlines incidentally some general principles that should guide the management of co-operative credit associations. The following lines are worth remembering in order that they be applied faithfully:—

‘Your man must be absolutely trustworthy; your transactions are likely to be comparatively few. Loans will be demanded for long terms, the turnover will be slight. The margin between incomings and outgoings will be small. You will have to cut down expenses to the utmost and make gratuitous services the rule, which you can the better do since the call made upon your officers is not likely to be very exacting. You cannot adopt commercial methods, which your clients will not understand and which would be out of place. But you have all your members well under your eye. You can control every one of them, and make them control one another. You can interest the mass of your members even in the petty affairs of the bank, and so make your machinery more effective by arming it, to repeat my earlier simile, with watching eyes and checking hands at every point. You can effectively check your clients’ employment of their loans. You can bring class feeling and local feeling, and moral and social influences to bear. Therefore, if you have to be very careful in the selection of your members, you may also stoop very much lower in the social scale, and admit even very poor persons, so long as you can make tolerably sure that they are honest. Business with outsiders becomes an impossibility. Finally, resting your system mainly on liability, you must apply yourself to strengthening your available capital by carefully raising up a reserve fund, which you can scarcely make too strong.’ (“People’s Banks,” page 39).

So stated, the two cases appear to me, at any rate—fully to explain themselves, and there seems no room for even theoretical antagonism between them. The two methods are not rivals. Each directly supplements the other; and, indeed, each seems incomplete without the other to supplement it. It is satisfactory to think that after long, needless, and bootless hostility between the advocates of the two, the view to

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which I am giving expression is coming to be more and more accepted, and on this score peace between traditional rivals seems at length in prospect.' (People's Banks, page 39).'

LOANS—THE SMALLEST PREFERRED.

A co-operative credit society being designed to help the poorer classes, it should therefore look first to the wants of these classes. The best way to reach that object is to make it a strict rule to give a preference to the small loans which are likely to come in much larger proportion from the poor than from the well-to-do individuals. This will seem rather out of place in a period where everything seems to be done for one purpose only, that of making money by all means and before anything else, these loans being those that are the less profitable if made at a reasonable rate of interest, as it is always the case in such societies, because no other rate can possibly prevail. But it should be remembered again that in such an association the make-money-quick doctrine has no foothold. Its very existence is due to quite another object, and unlike, to quote Mr. Wolff (Co-operative Credit Banks, page 11), the 'capitalist or joint-stock banking exists for the avowed purpose of earning out of its business a maximum profit for a restricted number of traders; the few avowedly live upon the many, the traders upon the customers. A co-operative society is a customer's society, created, not to earn a profit—a profit which, coming from the same purse into which it is ultimately to go, would be an illusion—but to supply a service, in the interest of all.'

And Mr. Peters writes upon the subject as follows:—

'It is, in fact, one of their principal aims to let the members share as widely as possible in the advantages they have to offer, one of the rules laid down for their observance being that, other things being equal, the preference is to be given to applications for small loans, so that the number of members accommodated may be as large as possible. As a matter of fact the small transactions greatly preponderate. It is said that loans as small as one lira are not unknown, and that those of less than twenty lire (\$3.86) form a majority of the whole number, while the largest number of deposits are less than fifty lire (\$9.65) in amount.' (Page 88.)

Further on, he adds these most significant words:—

'While this shows that the growth in the business of the co-operative banks is far from being as rapid as the growth in their number, it is an indication of an increasing breadth of distribution for the supply of local needs, and seems to imply that the function for which such institutions were designed—that of catering to the wants of the poorer classes—is being increasingly well performed.' (Page 91.)

This preference granted to small loans has another great advantage, that of being much safer, for it is very seldom that, say a hundred dollars divided up in ten or fifteen small loans is not more punctually repaid by honest borrowers as are those of a co-operative society, than by one individual who would have borrowed the same amount in a lump sum. This is the teaching of a daily experience in such matters.

OBJECT OF LOANS AND CONTROL OVER THEIR EMPLOYMENT.

But what is of paramount importance both to the borrower and to the society, and is a serious element of surety for the punctual repayment of the loan, as evidenced by an experience extending in Europe over half a century with uniform good results, is the obligation on the part of the borrowing member to state clearly the purpose for which he asks for a loan. The by-law requires that he shall do so, and if he does not comply with this rule the loan is invariably refused, however good may be the surety offered. This is a valuable safeguard for the association, because its object is not to make a profit out of a loan, but to help its members by a wise use of credit for production or obtain a saving on an expense that would be higher if money could not be had at the proper time. As already quoted from Mr. Nicholson, it is not mere

credit for the sake of the benefit to be derived by the lender that is granted, as banks do, for instance, provided the security is good, but it is one of a particular kind, the really productive credit that is looked for and satisfied.

No other loan should ever be allowed on any pretext by the members of the credit board. I remember one striking case in which, acting as president and manager of the association I have founded at Lévis, I deemed it my duty to enforce that rule of our by-laws.

A member came to me and asked for a \$15 loan. I put to him the usual question: What is it for you want those \$15? And as he hesitated to answer, I insisted by reminding him that if he did not loyally tell me why he was borrowing I could not even submit his request to the board, he informed me that his object was to visit some distant relatives on a pleasure trip. I told him that I need not ask the credit board to lend him one cent for such an object, because they could not do it without violating the rule laid down in the by-laws, which rule was binding on everybody. Still, I must say that his credit was splendid, and that I had not the least doubt about his ability and willingness to pay at maturity. Why such a prompt and strict refusal? Because the object was not of a productive character, and to grant it would have been an encouragement to useless expenditure, whatever good sentiment may inspire the demand.

This rule is enforced by no less a punishment than expulsion if a member succeeds in deceiving the representatives of the society and obtains such a loan in stating what is not true, or utilize the loan for another object of an unproductive nature.

Now, the advantages to be derived from such a rule are obvious, and need not be referred to here in detail, but the following quotation from Mr. Wolff is worth reading in this connection, as it gives a fair idea of these advantages as a whole:—

‘But that only means breaking the first ground. The member is presumably honest. But does his intended outlay promise a return—will it repay itself? And is it legitimate in his particular case? These questions are very searchingly considered and according to the judgment passed in committee, under a sense of responsibility kept carefully alive, is the answer given. The committee are in respect of this matter strictly bound, not only by rules, and by their liability engaged, but, in addition to this, by the acknowledge that all that they do will be from time to time inquired into very carefully by an independent controlling body above them, which, in the interest of the bank, will not allow them to ‘stretch a point.’ There is no difficulty made, if the case should be thought to warrant it, on the score of amount or of time. A loan, to be a real help, must be adequate to its purpose. And it must also be granted for a sufficient length of time to make it practicable for it to repay itself out of its own production—or else the borrower will find himself hampered rather than helped, driven to taxing other sources of income in order to repay. But the object must be sound, and it must be legitimate. It may be to enable the borrower to procure for himself materials for his trade. It may be to enable him to tide over a slack time or avoid a loss by selling commodities below their proper value. It may be to assist him in doing more ample justice to his opportunities, in trade, on his farm or in his domestic economy. He may want to drain a field, to sink a well, to buy a cow or a pig, to build a shed or a house, or to make a road. It may be to enable him to purchase for cash at a considerable economy goods which he wants and for which otherwise he would be made to pay ‘through the nose.’ It may be to get him out of a usurer’s clutches. Many and many a loan has been granted for this purpose, with the very happiest results, to poor wretches who, almost ruined by usury, had scarcely a shred of solvency left. But all this has to be inquired into carefully by men who know the applicant, know his circumstances, who can watch him, verify facts, and who have a strong personal interest in not exposing themselves to loss.’

That is not enough. The borrower, when receiving the loan is required rigorously to bind himself to its employment only in the manner specified, on the outlay for which it has been approved—subject to the penalty of having it called in at very short notice (generally four weeks), should he fail to carry out this engagement. This is the

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process in praise of which the Duke of Argyll—surely a judge of authority—has written these words. ‘Your system of strict payments and watching the loan is admirable.’

‘But even that is not enough. The borrower must engage to pay interest promptly and to repay the principal by regular instalments, which are, for educational reasons, and also to ensure good, business-like management, unmercifully exacted. Banks will forgive anything rather than unpunctuality in meeting obligations. (Co-operation Credit Banks, page 28).’

I have said that a bank does not care to inquire into the proposed expenditure of the money that it loans so long as the security is good. The same custom prevails in Europe, as is shown by the following words taken from Sir Horace Plunkett’s evidence before the Select Committee of the House of Commons of England on money lending, that sat in 1897 and 1898. On page 99 of the report of 1898, Sir Horace said: ‘A bank lending to a farmer does not go into the question as to whether the business is likely to repay the loan, but the bank simply looks to the material security that the farmer is able to offer.’

I may add that the agricultural co-operative credit society started in Ireland mostly through the labours and perseverance of Sir Horace Plunkett, and there are now over 230, have all adopted the rule here spoken of. As to the value of such a rule, Sir Horace Plunkett says further on:—

‘Now, I might point out that the special features of the system, which seem to have this educational and elevating effect, are what are known as the “approved purpose” of the loan. This seems to educate the people up to a point where they distinguish between the two kinds of borrowing—the borrowing to increase their expenditure and the borrowing to increase their production. When they are clear upon that point, and when you get a whole district banded together to enforce the observance of the principle that poor people must only borrow—except in cases of dire necessity—to increase their production, the whole difficulties of the system disappear, and we find that the people are ready to take any amount of trouble, to make any sacrifice, in order to master the details of the system and to put it into operation.’

He adds also that another great advantage of the system is the surveillance over the application of these loans.

Thus it is seen that two distinct features distinguishing the loans of a co-operative credit society are, first, the stating of the object for which the money is borrowed; and, second, the control whereby the association makes it sure that the funds are not wasted and the borrower made poorer.

As the question discussed now relates to productive credit, the following extract from Mr. Wolff in ‘Co-operative Credit Banks’ shows the undeniable advantage of this form of association as a force applied directly to production:—

‘But while it was mainly for the benefit of the smaller industries that this particular form of co-operation was originally designed, and while it has abundantly proved its utility in that sphere, it would be a mistake to suppose that its utility must cease in any branch of industry now carried on by many small producers, if the introduction therein of some new method or process shall give an indisputable advantage to the larger system of production. It is really in such a case that co-operative banking may be expected to yield its most valuable results, since it is there that it can most contribute to the realization of the comprehensive views with which co-operation, as a general system, has from the first been associated. This it can do, and, in a greater or less degree, already has done, by serving as a stepping stone to productive co-operation, in which the advantages of aggregated capital are combined with those of divided ownership. It may safely be affirmed that the measure of success in productive co-operation would have been far greater than it has had the way for it been more generally paved by co-operation in the comparatively simple and practicable form of the loan association or credit union. The habit of saving inaugurated by joining such an association, and this, too, by the small beginnings which alone are possible to

most of those who enter such societies, is strengthened by exercise and encouraged by the fact that every sum paid in becomes at once an active capital and begins to earn something for its owner. And if, after the lapse of years, during which this habit of saving has been confirmed, the spirit of association quickened and the principle of co-operation made familiar, the member of a co-operative credit association, or people's bank, finds a favourable opportunity to join in some co-operative enterprise requiring a larger investment, he now has an available capital which by insensible growth has attained a respectable magnitude. Moreover, he has had a preliminary training, one of whose most valuable features is that it is of a kind to familiarize the kind with the application of practical and businesslike principles and methods to co-operative purposes, and is, therefore, calculated to predispose those who have enjoyed its advantages in connection with co-operative banking to the use of similar principles and methods in co-operative production.' (Page 15.)

MAXIMUM OF LOAN.

Another very important feature which can be considered as an effective safeguard against grave abuses, is the fixing of the maximum amount that can be loaned to a member. That a good many financial or loan societies have been ruined by abuses which could have been prevented by a rule prohibiting the loaning of large sums to one individual need not be demonstrated. Unfortunately the fact is well known and nobody can have any doubt upon the danger of allowing a free hand to the officers, however reliable and deserving of confidence they may be, in such an important matter. Abuses are liable to creep in at any moment, and it is far better to put once for all a bar that will prove effective under any circumstances. No wonder that in connection with all the other numerous safeguards, these associations have thought necessary to adopt such a beneficial measure for the better safety of the members' funds.

The general meeting of the society determine the amount that an individual member is allowed to borrow upon securities deemed good by the Credit Board, and not a dollar can be loaned in excess of the maximum so fixed. This maximum can be increased or decreased by the general assembly of the members upon the recommendation of the board of management. This recommendation is necessary in order to prevent any possible surprise or too hasty a change. By this proceeding, the question is well matured, and the members keep full and complete control upon one of the most important subjects in connection with the loan operations.

AGRICULTURAL CREDIT.

In Europe the agricultural credit is a question that has been the subject of a long and warm debate. Without going into such a question, which the eminent economist Léon Say, has already set at rest by proving that there is indeed only one credit, applicable to all human industries, and that there is only one difference arising from the nature of the various industries, that of time to obtain the return expected from the outlay made for labour and raw material. Agriculture requires a longer term because of its special conditions, time being an all-important factor that nothing can replace or shorten. Hence the necessity of granting to farmers a special term that is based on the length of time necessary to raise their crops and to sell them advantageously. In Canada farmers require credit as elsewhere, and as in European countries a large proportion of them can have and do obtain credit from the ordinary joint stock banks. In the west, for instance, the capital necessary for the moving of the crops is readily available either directly or indirectly. There the farmers' operations are carried on a more or less large scale, and the yearly necessity referred to is well provided for to the mutual advantage of the bankers and of the farming community. The same thing occurs in other parts of our country where the conditions are more or less similar. But apart from the moving of the crops requiring a large amount of funds for a very few months, there are others and numerous much similar needs or of a different kind, that are not adequately satisfied, because there does not exist

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a special machinery quite adapted to these wants. In these cases credit to be adequate should run for a much longer time than the banks can afford. Of course mortgage credit is available, but for 12 or 18 months or more, it is a very expensive credit, on account of the incidental costs which raise the price of money to an abnormally high figure. In eastern Canada the agricultural credit for small farmers is almost entirely unprovided for except in a very primitive sort of way, and in most cases, more ruinous than advantageous, leading very often to very bad results, involving the farmer in endless troubles and, as a consequence, the selling of the farm at sacrifice. That kind of credit is wanted more or less everywhere and would do immense good if well organized as it is in a co-operative society. It cannot be denied that such a society can alone exercise the proper restraint and control upon the use of credit in order to prevent in a large measure the abuses which are disastrous in so many cases. That is the experience here as well as in every country of the world. The credit given out by the village association is the right kind of credit, because the borrower, as just seen above, has to state why he is borrowing it, and the association make a point to watch the employment of the money so obtained. This question is discussed by Mr. Wolff in the following lines:—

‘Again, there is banker’s credit already available for farmer—banker’s credit of a kind. Not the free, ready credit always obtainable as a matter of course, and always to be depended upon, such as the trader may claim, and does not claim in vain; but an occasional loan on “character”—or rather on the security of property which the farmer is supposed to possess, or on standing crops—credit which is intended rather to help the borrower out of a difficulty than to supply him with the means for engaging in some profitable enterprise.

‘There is always a smack of favour about this kind of credit and a suspicion of embarrassment. It seems to cut a notch into the borrower’s financial reputation. In any case, it is a matter of bargain and negotiation, to be treated for in every particular instance, granted for a certain length of time, stated or understood, and is, accordingly, resorted to only in the hour of need—very often when credit comes too late to be of any use. It is a specimen of what M. Léon Say has well stigmatized as “illegitimate” credit—“consumer’s credit,” M. Leroy Beaulieu calls it—credit given to meet expenditure already incurred, credit which accordingly cannot yield a profit; as contrasted with “legitimate” or “productive” credit, credit given for a purpose of production, which may, if judiciously employed, assure a gain.’ (People’s Banks, page 65.)

Again:—

‘I come back to the question which I asked above: Why cannot ordinary credit provide for the farmer what he needs?

‘There are very potent reasons, one of which the president of the Imperial Bank of Germany, Dr. Koch, made very clear when speaking upon the subject of credit to agriculture not long ago in the German parliament.

‘Returns,’ so he says, ‘are in agriculture incomparably slower than in trade and industry. As a rule, it may be said that a twelvemonth is required for turning over a sum invested. If there should be a failure of crops, or any other misadventure, one year may not suffice.’ Dr. Koch quotes Professor Marchet as laying down in his standard book on “Agricultural Credit” that the farmer is not in a position to repay his debt till after the close of the “period of vegetation,” and that at that point of time he can repay it only on the supposition that his new harvest should prove adequate for making good the deficiency of the last. That very uncertain factor “nature,” so Dr. Koch observes, “enters into the calculation. It is from this cause as well, and not only because the turnover is in agriculture so much slower than in other callings,” that the difficulties arise. The Imperial Bank of Germany, so Dr. Koch went on to explain, “an institution corresponding in importance in Germany to what the Bank of England is among ourselves—advances to agriculture in the course of the twelve-month not less than £12,000,000. Generally speaking, he added, the farmer who bor-

rows the money is not at all aware of the fact that it is from the Imperial Bank that he procures it, because he collects it from brokers and dealers who act as intermediaries. But these men would be wholly unable to grant the credit had they not got the Imperial Bank at their back—an institution strong enough and willing to grant such inconveniently long loans.

‘Other bankers who deal in credit to agriculture entirely confirm Dr. Koch’s statement. “*L’échéance agricole*,” so remarked to me M. Scotti, director of the People’s Bank at Acqui, which does mainly an agricultural business, “*n’est que nominale*.” Losses are infinitesimal. But you can never tell when the money will come back to the bank. So it is at Lodi, at Cremona, at Rovigo, at Augsburg, at Gotha, at Cosel, at Insterburg. At Insterburg, I have found that there were agricultural loans outstanding which had been running for more than fifteen, even up to twenty years.

‘Agricultural credit then is a kind of credit which it is not worth the ordinary banker’s while to give; in the first place, because it is asked for an inconvenient length of time—a time which may be altogether uncertain, and which will certainly be too long for occasional lending and too short for permanent investment. The banker and the capitalist lend as a matter of business, not as a matter of philanthropy or public duty. Conditions must be made somehow to square with their interests, or they will have none of it. There is no other unwillingness on their part. They are ready to undertake any business which will keep them safe and give them market value for their money.’ (Page 68.)

The conclusion which one cannot escape is that credit has to be organized under a special form to suit special conditions and circumstances, and that co-operation, alone can adequately answer the purpose, without injuring in any way the banking operations, on the contrary, in helping them by the general prosperity that would result.

CO-OPERATIVE CREDIT ASSOCIATIONS MUST BE ESSENTIALLY LOCAL.

One of the main principles which must be strictly adhered to is that a co-operative credit society should always restrict its operations to a very limited area, a municipality or a parish, as the case may be. It must be a local organization to be safe and successful. The force of this rule has been proven again and again; it has been confirmed by prosperity to those who have followed it, as well as by disasters to those who have been tempted to violate it, in the hope, no doubt, to increase their profit. The very nature of such an organization prohibits any very extended area, and the moment this is neglected, other methods much inferior from the point of view here set out, based on pure commercialism, have to be adopted to comply with the necessities of a new and wider field in order to avoid ruin. The same safeguards no longer hold good, because the situation becomes entirely changed, and the results must inevitably be of a doubtful character. Where safety was the rule uncertainty prevails, and credit becomes timid on account of the ignorance in which the association is about the good reputation and honesty of those appealing credit to their help.

As stated in the following quotations, this form of co-operative association must be essentially local in all respects to be sure of a successful career.

Mr. Nicholson states as follows the numerous advantages to be derived from such local institutions:—

‘Of all these classes of banks, those established on co-operative and possibly communal principles, are most strongly recommended, in that they promote not merely cheap and facile, but safe credit, that they admit of grouping the banks into unions for support and mutual assistance, that they develop thrift, temperance and foresight beyond all other forms of bank, that they are consonant with the ideas of village life and associated village effort, that they tend to prevent the too rapid or complete disintegration of the village into individual units, that they develop joint action in matters even more essential than credit, that they tend to substitute helpful co-operation for the struggle of competition, and that they teach unselfishness, mutual assist-

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ance, and self-help as principles of life in a way that no other credit societies can accomplish.' (Page 21.)

And in his recommendations with which he concludes his very valuable report, he says:—

'The decisive advantage of village banks are as follows:—(1) Their absolute proximity to the borrower; (2) their ability to excite local confidence and consequently to draw in local capital; (3) their exact knowledge of their clients and their influence over them as co-villagers; their consequent ability to prevent fraud and to dispense with searches in registration offices; (4) their power of making the smallest loans and of undertaking operations, however petty, in consonance with village custom and individual needs; in fact, of giving preference to small business; (5) their ability to dispense with any prior general liquidation of debts such as have been demanded as a preliminary to the establishment even of Taluk banks; they would ascertain in each case the borrower's prior debts, arbitrate with the creditor for a favourable settlement for cash down, pay down the sum settled, and accept the debt as due to themselves; (6) their ability to work cheaply, almost gratuitously, and thus to provide cheap credit; (7) their retention of local capital and of all profits thereon, within the village, and, in the case of co-operative societies, their retention of all profits for the members and borrowers; (8) their ability to act as agents and brokers for their members in the sale of produce and purchase of necessities; (9) their capacity of acting as village granaries, lending grain for maintenance, and seed in ordinary years from their own resources, and in time of distress from those resources supplemented by state or other grants; (10) their ability to act as intermediaries between the state and the individual, whether in matters of loans for land improvements, cattle, etc., or in other agricultural or industrial developments, or in times of seasonal stress; (11) their power of influencing borrowers towards the true use of credit, and of watching the utilization of loans in accordance with contract; (12) their ability to prevent fraudulent defaults and collusive sales of property, and in cases of default, to utilize advantageously the small properties accepted as securities for loans; (13) their tendency in the case of co-operative banks, to group themselves into unions for mutual development, instruction, inspection and audit; (14) their steady educative influence in matters of thrift, association and self-help, by their continuous presence in the village, by their continuous object lessons, and by their frequent, though small, calls upon the activity, thought and service of their members; (15) their tendency to develop high forms both of individual capacity, of public life, and of national character. Or finally, and most desirably, they may be true co-operative societies and banks, operating through, for, and upon the members, stimulating and collecting their savings, calling forth habits of thrift, economy, and prudence, guiding their outlay into productive channels, giving them credit for productive and useful purposes, promoting co-operative dealings in sale or purchase and stimulating activity, union and associated action among the too isolated units of village life.' (Page 372).

On the other hand, Mr. Wolff emphasizes his views in the following strong words:

'The banks are on the spot and identified with the locality. Accordingly, local people take a sort of pride in their success. Moreover, they are administered by people of the local population's own choice, persons whose names generally stand for safe management. They have not only, like the official savings banks, a slot in their wall through which to receive money, but a mouth wherewith to give advice and a heart wherewith to feel. In their keeping depositors may, so to speak, 'see their money, see it safely held, see it laid out profitably in the locality, benefitting the district, and producing more money, whereas in the official savings bank it disappears, to go no man rightly knows where—up to the large monetary "wens," where it helps to embarrass instead of serving to help.' (Co-operative Credit Banks, page 24.)

And in his book 'People's Banks' he strongly deprecates the idea of opening branches, which is an indirect violation of the local principle that should be adhered to in its entirety:—

'Even co-operative loan associations, it has become plain, from experience collected, more especially in Italy, must not step outside the district within which they are genuinely local and co-operative, unless they would miss their effect. Co-operative banks endeavouring to extend their work over a wider district by means of branch offices, where there was not sufficient touch, found themselves making a loss. The branch districts afterwards organized their own independent banks, based on touch and mutual knowledge of one another among members, and the new institutions thrived. The losses sustained by co-operative associations in Germany in the course of their operations occur almost without exception amongst such as have attempted to work outside their own district or without a recognized district at all.' (Page 23.)

Mr. Peters is of the same opinion, and affirms that co-operative credit associations must be 'essentially local in their character. From this it results that the members—especially in the smaller country towns—are to a great extent personally known to one another; while the managers are also well known to the members, and have themselves the best opportunities to learn the character and circumstances of every applicant for a loan and the reputation of every new candidate for membership. Their loans, too, are made in the very district—and that of limited extent—within which their membership is obtained; so that the securities upon which they depend can always be kept under observation.' (Page 115.)

This shows conclusively that that principle should be strictly enforced. To depart in any way from it would be a fatal mistake that would tend to destroy the very foundation upon which 'those associations are to be built up to be truly co-operative in character and in fact, not mere speculators' concerns got up for profit's sake derived at the expense of an innocent and deceived public, led away by the word co-operation without the substance.

THE RATE OF INTEREST.

Happily here the question of the rate of interest is a very secondary one, as it is to be settled by the interested parties themselves. However, it is well to say a word or two with reference to it. Generally, the rate is fixed by the board of administration elected by the members. In arriving at a conclusion the board have to consider the average rate of interest prevailing in the district for loans and the necessity of rewarding 'the thrifty who provide the funds. This is an easy question to solve to the general satisfaction of all concerned, for no such society can be in a position not to offer greater advantages than any money lending individual or institution, on account of the very modest expenses of management. As Mr. Peters points out:—

'Even where the rates of interest obtained by the co-operative banks seem somewhat high, they are usually far lower than those paid by the same classes of borrowers before these institutions appeared. Moreover, under the new conditions, the high rates operate effectively as an extra inducement to saving, and by thus increasing the supply of capital and the consequent competition among lenders, they tend to their own cure.' (Page 15.)

It is nevertheless needless to insist upon this point, as the members of the association have the matter in their own hands and can make their opinion prevail whenever they wish by electing a board representing their views on this point as upon any other.

SUCCESS OF CO-OPERATIVE CREDIT ASSOCIATIONS BASED ON SIMPLICITY OF BUSINESS AND WELL DEFINED RULES.

Taking a general survey of the question, to what must be ascribed the wonderful success of that form of organized credit? Mr. Wolff answers this question as follows:—

'Lastly, there is the simplicity of business. Raiffeisen rules most positively interdict "banking," or business, or risk, or speculation of any kind. Their "business" is simply to lend and to borrow. If a loan should go wrong, under such circumstances

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you know exactly what you can in the worst case be made liable for. That £1 or £10 absolutely limits your loss. There can be nothing ulterior. And joined to this simplicity of business is the simplicity of business arrangements, bookkeeping, organization, and so on. Everything is simple, everything is intelligible.' (People's Banks, page 149.)

The association lends to its members and borrows from them by receiving their savings, either as shares or deposits. Nothing could be more simple, the more so still when one considers the conditions under which this is to be done. There is nothing, too, that resembles banking, properly speaking; nothing that has the risky character of such dealings, but everything tends to impress the mind that such an organization is rather a kind of economic family working in its own interest and for its own good.

Speaking of the success achieved by the 'Banca Popolare di Milano,' Mr. Wolff says:—

'Summing up the history of the bank, Signor Mangili ascribes its success to the gratuitous rendering of services by the officers, the non-limitation of its capital, the smallness of the payments exacted, the restriction of each member to one vote, the refusal of confidence to any member who has shown himself undeserving of it, the preference given to credit services over profit, and the exclusion of any hazardous operation.' (idem, page 219.)

These causes operate to the same extent if not to a much larger one, in any association, however small it may be. In fact the smaller it is, the more indispensable is the rigid application of the above principles, the outcome of experience and wisdom.

SUCCESS OF THE CO-OPERATIVE CREDIT ASSOCIATION.

Without giving an elaborate statement on the great success of these institutions as evidenced by their spread in all civilized countries, with a very few exceptions indeed, it would be interesting to have a general survey of the situation as outlined by the authorities who have made a special study of the question. Although the data upon which they based their appreciation are almost ten years old, nevertheless they show a magnificent record. And far from having been stationary since, the movement has steadily grown in surface and in importance during the last decade. France alone has more than tripled its then record, and Ireland has since taken a prominent place with its 230 agricultural banks organized through the valuable and noble work of Sir Horace Plunkett and the Irish Agricultural Organization Society. India has also begun the good work by the passing of a law on co-operative credit, and the formation of a good many such local associations, as evidenced by the report of the Registrar quoted elsewhere.

In case I may be taxed with being too enthusiastic about the results of this movement, I beg to specially draw attention to the following lines borrowed from as great an authority as the Indian Committee, presided over by such an eminent financier as Sir Edward Law, minister of finance of India, and having in its membership the manager of the Commercial Bank of Calcutta, Mr. Reginald Murray. This report says:—

'The "agricultural banks" which have been so successful in improving the condition of the poorer classes in European countries rest upon co-operative credit, and we have confined our attention to banking on this basis. In concluding that a system of co-operative credit is capable of affording great benefits to the agricultural community of this country we have the general support of the opinion expressed in the reports recently received from local governments which we have had the advantage of consulting.' (Page 1.)

In Italy the movement has evinced a marvellous vitality and has produced results that have provoked the admiration of such an eminent economist as M. Léon Say, late Minister of Finance in France. In his book, 'Dix jours dans la Haute Italie,' in the opening page, he states:—

‘It was not for love of art, but for the sake of the agricultural credit, that I took a rapid run through Upper Italy. I brought back with me many striking impressions which I desire to set down in this paper. Later on, when at leisure, I will take up again the inexhaustible subject of the history of Italian savings, which at this moment I can only skim over, and I will then try to draw from all the institutions, whose organization I have admired that which, in system or in form, might be usefully tried in our country.’

This remarkably eulogistic expression of opinion need not be commented upon in order to see the force of it, coming as it does, from such a high authority on those matters.

Wishing thirteen years later, in 1896, to publish a new edition of his book, he asked his friend, M. Eugene Rostand, president of the great Savings Bank of Marseilles, and an enthusiastic apostle of private initiative or self-help, to report on the progress of the movement he had admired in Italy in 1883. M. Léon Say in his letter to M. Rostand wrote:—

‘This expansion of the little Italian associations caused me to become enamoured of individual initiative, and more and more disgusted with state socialism.’

In his very able and comprehensive statement prepared in answer to Mr. Say’s request, Mr. Rostand states:—

‘Regarding co-operation credit, to what must we assign the stability of those Italian associations of popular credit amidst the upheaval that swept away so many ordinary monetary institutions? To the superiority of their principles; the extreme subdivision of their operations and the preference given to the smallest of them; the avoidance of speculations, the moderation of profits, the disinterestedness in the management—wherever these principles were observed they assured salvation. Wherever there were failures it was because they had been infringed. And to what is due the tenacious ardour that prevented panic or abandonment? To the energetic spring of local sentiment, a result of economic decentralization; an example by which our patriotism should profit for the sake of that France which is abandoned to an excessive concentration of savings and of assets.

‘How could we not be struck with the vitality that such a movement awakens? Everywhere does it draw new strength, from the educative virtue of trials as from the spirit of emulation. The truly national services that, through its economic effects, it renders are singularly increased by its moral effects; it strengthens every form of assistance that mutual help gives to the working people; it unites the national elements instead of weakening them by antagonism; it paves the way, through the internal peace of souls, for social peace.

‘A spreading vitality is that which imparts to all parts of a nation the ceaseless exercise of its forces; free local action, approved and sustained individual initiative, encouragement rather than impeded association, co-operation creative of cheap living, the minimum of misunderstanding and division between classes, devotedness of the best and most contented to the fulfilment of civic and social duty, a taste for practical advancement without excluding the spirit of tradition.

‘What special virtue is there not in decentralized action? All that autonomic local activity, springing from rights, but also from the will to exercise those which we lack, and which careful Frenchmen claim—so far, also, in vain—under the name of decentralization.

‘A wise decentralization constantly engenders energetic individualities and vigorous enterprises.’

And now, Mr. Wolff, in his book, ‘People’s Banks,’ is not less strong on the success and possibilities of this movement. He says:—

‘What untold riches these People’s Banks have within the forty-six years of their existence made available for small folk’s needs, what millions they have added to the wealth of the countries in which as M. Léon Say testifies, “they flourish

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throughout;" what vast amount of misery, ruin, loss, privations, they have either averted or removed, penetrating wherever they have once gained a footing, into the smallest hovel, and bringing to its beggared occupant employment and the weapons wherewith to start afresh in the battle of life, it would tax the powers of even experienced economists to tell. Propagating themselves by their own merits, they have overspread Germany, Italy, Austria, Switzerland, Belgium. France is trying to graft them upon her own economic system. Russia has in her own rather primitive way followed the excellent example. Servia and Roumania have adopted them. And now we hear of their spreading from Italy into far Japan. China has got something like them already, while we in Great Britain scarcely yet know of their existence. The solution has all the more to recommend it among ourselves, because it is essentially based upon a principle of which this country has long been regarded as the specific home, the principle of self-help. Self-help, it is quite true, has of late, gone a little out of fashion. We are taught sometimes to look at the other deities to bring us out of the Egypt of want and distress. Nevertheless, whatever it be reserved for State-help to accomplish, in England self-help is not likely long to want adherents. Unfortunately we have thus far given to this great power only half its practicable application. "It is self-help" phonographed, early in 1890. Mr. Gladstone to a delighted body of correspondents across the Atlantic, who thought that they had never heard their co-operative principle so neatly and tersely vindicated: "It is self-help which makes the man; and man-making is the aim which the Almighty has everywhere impressed upon creation. It is thrift by which self-help for the masses, dependent upon labour, is principally made effective. In them thrift is the symbol and the instrument of independence and liberty, indispensable conditions of permanent good."

'Yes, that is admirably said, and with the truth of Mr. Gladstone's words no one will be disposed to quarrel. That is the interpretation which we have thus far put upon "self-help." "Save, lay by, economise, make the most of your pence, alike in provident accumulation and in economic outlay," that is the familiar counsel which for many a year back we have persistently addressed to our poorer brethren.' (People's Bank, page 4.)

This was written in 1896. We find that since valuable efforts have been made in England to introduce this system of co-operative credit associations. In his report to the Paris congress held in 1900, Mr. Devine, secretary of the Co-operative Banks Association, could say:—

'In 1894 were founded the People's Bank of Nottingham and that of Newport; in 1895, that of Finsbury Park, London, which is almost exclusively composed of workmen and the shares of which, set down at 1 pound sterling, are payable at the rate of 6 pence per week; in 1898, that of Tottenham Court Road, London, established for the purpose of helping small traders. In 1899, at London, the Association of Co-operative banks, under the presidency of Mr. Yerburg, member of parliament, was established. Its aim is to favor the propagation of rural and urban credit; its principle is religious and political neutrality. Its action brought about the founding of the People's Bank of Bethnel Green and of Stepney in London, of Yardly in Birmingham, and of Hull, Yorkshire. All these banks are of limited responsibility, with small shares of 1 pound sterling, payable in amounts of a few pence per week. They are affiliated, for a small consideration, to the central association, which gives them advice, while still leaving them their autonomy.' (International Congress of Popular Credit of 1900, page 24).'

The report of the Sixth International Co-operative Congress, held at Budapest in 1904, contains very valuable statistics on the co-operative credit movement and the spread of co-operation generally. From this source, I gather the following figures relating to the leading countries of Europe. An attempt to give a full description of the extension taken by this form of association in every country would be too long to be introduced here.

In Hungary, according to the report just referred to, Count Mailath, member of the House of Magnates, said that in 1903, the number of co-operative credit societies was 1,653, with a membership of 366,721, a collective share capital of 34,040,734 crowns, and reserve funds of 2,284,738 crowns. And Count Mailath adds that 'the figures show that the number of societies has more than doubled in two years,' which fact, he says, is due to the legislation.

In France, according to M. Charles Gide, an eminent economist and president of the Central Committee of the French Co-operative Union of Distributive Societies, the number of co-operative credit societies which, in 1902, stood at 873, had by 1903 grown to 1,038.

In Germany, Dr. Hans Crüger, chairman of the Central Union of the Credit Societies, states that the total number in 1904 was 13,299, with 1,600,858 members, and total assets amounting to \$517,176,407.

In Austria, Mr. Carl Wrabetz, chairman of the General Union of Austrian Co-operative Societies, reported that in 1903 there were 6,445 credit societies, with, besides 312 in Bohemia, 232 in Moravia and 11 in Silesia, making a total of 555, or a grand total of 7,000 societies for the Austrian empire, Hungary excluded. Including this country, this brings up the total to 8,653 credit societies for the empire.

Italy had 2,500 co-operative credit societies, with a membership of 594,894 and an annual trade of 606,783,401 francs.

In all this huge movement of funds what is most striking is the comparatively small amount for each society, showing that each one is moving in a small area, but doing nevertheless, in its sphere, very beneficial work indeed. Taking all the countries of the world, there cannot be any doubt that the total number of co-operative credit associations is now over 35,000, and if co-operative societies of all sorts are counted, the grand total should reach fifty-five thousand, with many millions of members.

INDIVIDUAL EFFORTS HAVE BEEN THE SOURCE OF THIS VAST MOVEMENT.

After having studied the co-operative movement, affecting more particularly thrift and credit, a question naturally arises in the mind of every one: What has been the source of this vast and beneficial expansion?

No doubt the framing of good and liberal laws has had much to do with the spread of this movement; the governments and parliaments of the various countries well advanced in civilization have contributed a large share in giving force to the efforts made, but it is noteworthy that the main part of the success is to be attributed to private individuals, who have fought with courage until they had reached the goal of their constant labours. Mr. Nicholson was so struck with this peculiarity that he could not refrain from mentioning it in a special paragraph of his report. He says:—

'But it is noteworthy that the great popular movements in thrift, self and mutual help have invariably emanated from individuals and not from authority as usually understood; Schulze-Delitzsch laboured, and the German popular banks came into being; Raiffeisen toiled through long years, at first with slow success, till thousands of societies call him "Father" Raiffeisen; Luzzatti and Wollemborg, in Italy, have equal claim as pioneers of the Italian movement; the savings banks and building societies of Great Britain and the United States are the outcome of individual effort.' (Page 14.)

Mr. Nicholson could have added the names of Mr. D'Andrimont, in Belgium; Count Karolyn and Count Mailath, in Hungary; Eugène Rostand and Charles Rayneri, in France. This shows that the force of strong convictions, founded on sound principles, can accomplish much where direct state interference would prove almost of no avail and give but very scant results. It is an admitted fact that wherever governments have tried directly to organize a popular movement on economic grounds they have invariably failed, because, no doubt, people expected them to do everything and to put up any amount of funds. Indifference at least was the answer of the interested public, while a hasty and fruitful response was obtained by a propaganda emanating from

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individuals strongly impressed with the usefulness of their labours for the cause they had espoused. The government in France, under Napoleon III., has tried the experiment, and has utterly failed in his attempt. The same thing has been done in other countries and the results have been nil.

Good liberal laws is the best weapon that can be put in the hands of those who wished to work out co-operation for the benefit of the masses.

TWO BASIC PRINCIPLES OF CO-OPERATIVE CREDIT.

The Paris Congress of 1900 passed the following resolution on the subject embodying their views upon the best methods to foster such a movement, and the very principles upon which these associations should be organized. They proclaim that private initiative and free local associations should be the foundation of such a movement of credit:—

‘The development of co-operative credit should spring from private initiative and from free local association. The observation of its development in the countries where it has grown confirms this view.’ (Page 15.)

CO-OPERATIVE CREDIT SOCIETIES IN INDIA.

This vast movement could not have escaped the attention of the world of high finance and of banking. The Bankers' Magazine of London, England, thought it would be interesting to its readers and in its issue of February, 1902, pp. 253 to 257, published the following article signed by Mr. Reginald Murray, manager of the Commercial Bank of Calcutta, and member of the special committee appointed by the government of India in 1901. As coming from a financial and successful banker of considerable standing, the following lines penned by Mr. Murray carry a great deal of weight:—

‘Your readers have, of course, heard of the Raffeisen banks or societies on the continent, but few, perhaps, knows how successful they have been and how extensively they have assisted and attracted, by a system of mutual credit and responsibility the agricultural and industrial classes. As allusion has lately been made in the London papers to Mr. Sutton Nelthorpe's Agricultural Bank in Lincolnshire, and Mr. Rider Haggard's letter to the *Daily Express* has given so much information concerning the Raffeisen system, it is needless to include further description in this preface to the report of the Committee on Co-operative Societies in India. I have thought it advisable to preface this publication of the report with the above remarks, so as to show that there is in the United Kingdom, as well as in India, a state of things calling, not for monetary support, so much as intelligent organization. The conditions in India as regards wealthy banks and companies is, of course, quite different to those which obtain in the mother country, but the conditions as regards the great majority are not dissimilar, although the deserving majority are probably greater and more helpless out here than at home. The condition in India is aggravated by the fact that credit of a kind is granted to the suffering majority. But it is of a kind which leaves the recipients worse off than they were before and reduces them to the condition of bondsmen. The great majority in India are agriculturists, weavers and other industrial hand workers; also clerks on small salaries. The majority so-called, is very many times larger in India than in the United Kingdom, and probably the conditions approach more nearly to those obtaining in Italy. In any case, it is clear that if agriculture and industry do not pay the labourers they cannot be progressive, more especially in a country where the failure of an owner of property involves litigation which may be extended over several years before new proprietors can be admitted and obtain full rights.

‘Before transcribing the report of the committee which met at Simla last June, I beg to offer a few explanatory remarks embracing briefly the general intentions of the legislation proposed. I had the honour to be invited to serve on the committee

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as a banking expert, and trust that I was not wholly useless. But my chief impression, when the work of the committee was done, was that I had gained much more information than I had given. Every member of the committee was in one way or another an expert on the subject. Reference to the subjoined reports of Mr. F. A. Nicholson, of Madras, and Mr. H. Dupernex, of Cawnpore, give evidence exhibiting very considerable knowledge and application. Mr. Wilson, the Settlement Officer of the Punjab, is one of the ablest civilians in India. Mr. J. B. Fuller, now secretary of the Department of Revenue and Agriculture, has during his service been one of the most energetic of district officers, and has taken more than usual interest in all that concerns village life and agriculture; and Sir Edward Law's varied service as president of two international finance commissions, in Constantinople and Athens, has been such as to give him an experience which few of his predecessors holding the portfolio of finance have brought with them. The principal experts of the committee were Mr. F. A. Nicholson, Member of Council for Madras, and Mr. H. Dupernex, a comparatively young civilian of Cawnpore. It is not possible within the range of this article to include more than the notes of these two officers which are attached to the report but those who wish for fuller information can obtain it from the perusal of Mr. Nicholson's two volumes alluded to in the report, and to Mr. Dupernex's useful little book entitled *People's Banks*. The evidence given before the committee by Mr. E. D. Maclagan, Settlement Officer, Multan, and Captain Crosthwaite, Settlement Officer, Dera Ismail Khan, is not only interesting, but exemplifies in a marked degree the different ideas and customs which have to be dealt with and specially provided for in various districts or provinces. It is necessary to understand these details in order to appreciate the difficulties which must attend legislation framed with the object of bringing home to a population, varying in social and religious customs, according to the district, but each doggedly conservative and suspicious of innovations, that they can by very simple organizations very materially better their conditions.

The report of the committee is brief but comprehensive and hardly needs any further preface, but for those who prefer a general summary the following may afford a useful guide to the salient points of the argument. It need only be added that Lord Curzon has taken the subject in hand to assure your readers that the legislation proposed is not likely to be allowed to wither, but will be pushed to its furthest practical application.

The first consideration before the committee at Simla was the exceptionally unfavourable position of all the poorer classes in regard to credit and inducement to save money. Then followed the obvious suggestion that no improvement could be obtained until the cost of borrowing on the part of these classes was reduced below the rates at present charged by native money lenders. Hence it was determined that improvement of credit was the chief desideratum, and that the only discernible means of improving it was by mutual co-operation. The general idea of the public as to the objects of the present proposed legislation has been that the government were going to establish a kind of credit mobilier in order to pay up the outstanding debts of agriculturists and release them from the toils of the money lenders, and naturally it has been asked, What will the government have as security when they have done so? This was the course suggested and attempted to be put in operation by Sir W. Wedderburn in 1882, but failed, as it must always fail, from the fact that any attempt to reclaim such debts not only entails the advancing of crores of rupees, but also induces debtors, in collusion with the money lenders, to vastly increase their indebtedness with the object of increasing the amount of assistance which they hope to receive. And thereafter how is the government, or whoever advances the money, any better off than the money lender as regards security? Now, the latter's rate of advance is on the average not less than 25 per cent per annum, and frequently is equivalent to 50 per cent or even higher. In the northwest provinces and the Punjab, 25 per cent is the unquestioned minimum for advances to agriculturists. In addition, the money lender secures to himself the sale of the crops at a fixed price, which is generally much below the market value.

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‘Allowing that the conditions of these advances are extremely onerous, it would be opposed to ordinary reason, or would pre-suppose a very low status of intelligence among the masses, to conclude that the original burden of usurious interest was not induced in a large degree by the insecurity of the borrowers.—“Insecurity” is, of course, an indefinite negative, and is here introduced antithetically, as will be presently explained. The chief point is, that lending for agricultural purposes and also for native industrial purposes has long since reached the stage of usury, the effect of which is, as experience infallibly shows, the gradual effacement of the borrower and his credit, and the reduction of himself to an unproductive cypher. Consequently, agriculture and native industrial enterprise are heavily handicapped and are unprogressive.

‘The causes which have brought about the regrettable condition of the working classes, who are by no means deficient in intelligence or application, are social and religious customs, which, however good and appropriate they may have been at the time of their inception, have become fossilized and unyielding in practice; but owing to centuries of changing and usurping dynasties, none of which established a permanent or extended system of government until the British began to rule, these customs have come to be regarded, and have to some extent acted as a governing and protecting influence, much in the same way as the rules of secret societies. But their influence has been essentially to deaden the springs of human action and expanding intelligence, and to confine both one and the other within the narrow limits of a traditional past without regard to the pressing necessities of a rapidly evolving present.

‘Hence, it becomes logically evident that, before advances can be granted on moderate terms, something must be done by the borrowers themselves to improve their credit and make them free agents; because, naturally, they have at present nothing to offer as security, either actually or prospectively. It is absurd to suppose that they can all at once improve their credit, whatever they do or is done for them, to such an extent as to clear heavy debts already contracted, but there is nothing to prevent them from improving their credit to an extent which may enable them to derive a larger surplus from the result of their present and future labour and intelligence, and with such surplus gradually pay off their old debts. To enable them to do this it is proposed:—To pass an Act and frame special rules for the encouragement and formation of co-operative societies on similar lines to those of the friendly societies in England and the Raffeisen societies on the continent.

‘The argument is that one man wanting to borrow money has to pay rates of interest which defy all possibility of his ever reaping the just fruits of his labour and intelligence, but if a number of men offer their united security, the terms on which they can obtain advances will be considerably easier. Co-operative credit societies, therefore, have for their object the banding of individuals together in order to obtain money at reasonable rates of interest, and to distribute the money so obtained among their members, and only among them, in small sums and under fixed rules. The margin of profit between the rates at which societies borrow from outside and lend to their members should gradually create a reserve fund, which, being indivisible, must annually improve their credit.

‘The motive power of these societies must be self-help, and it is recognized that to create self-reliance the government must interfere and assist as little as possible, the action of the latter being confined to showing the people how to act, and to providing legislation and rules for their guidance and protection.

‘Experimental societies already formed in the northwest provinces and the Punjab indicate that co-operative credit is well understood and appreciated both by borrowers and lenders, and the latter have, in many instances, already come forward with money to advance to such societies on reasonable terms. In Madras, there has been for many years past a system of Nidhis, or native banks, founded and used for purposes which have a partially co-operative effect, and it is conceived that these will quickly remodel their systems in order to obtain the privileges and exemptions which the legislature propose to afford to co-operative societies.

‘Therefore, it seems probable that the government will not be called upon, unless in very few districts, to make loans for the promotion and support of co-operative societies; nor, beyond the inspection by a registrar or other district officer, will the government direct, regulate or interfere with the free action of the committees appointed for the management thereof. The Raffeisen system has been so eminently successful on the continent, that with conditions equally or more favourable for its growth, it is difficult to doubt suitability and success in India.

‘The proposals now under consideration will not for some time directly affect the operations of the ordinary joint-stock banks, but in proportion as co-operative societies accumulate wealth by means of extended credit they will tend to increase the volume of interchangeable commodities, and when that happens the ordinary joint stock banks are bound to derive benefit, both in the form of deposits and custom.’

CO-OPERATION IN GENERAL.

In the preceding pages one form of co-operative associations has been somewhat fully examined, the figures as well as the appreciations given relate only to that form of co-operation, but from this it must not be implied that I have lost sight of the wonderful benefits already derived from other forms of the same principle as applied to the various economic fields. I have the greatest admiration for the marvellous results achieved by distributive and productive co-operation. The good that the workmen in towns and cities, as well as the agricultural classes have derived from both is so striking that it deserves the highest praise. To prove this I need to refer only to three countries where, under different forms, co-operation has been most beneficial to the humbler classes.

England is at the head of all so far as distributive co-operation is concerned. In 1903 the total number of co-operative societies was 1701, (among whom were 146 productive societies), numbering 2,116,127 members; the share capital was £27,017,278, the sales were £89,216,223, and the profits had reached £9,873,385. A very interesting feature of these societies is their house building. In 1903, 344 societies reported as follows:—

Houses built and owned by the societies.	8,247
Houses built and sold.	5,080
Houses built by members on advances made by the societies	23,940
<hr/>	
Total houses.	37,267
Money expended by societies on houses owned	£1,658,810
Money expended by societies on houses sold to members.	1,141,267
Advances by societies on houses built by members	5,327,078
<hr/>	
Total	£8,127,155

Such splendid results tell their own story in a forceful language, and are of a very encouraging nature to all.

Let us now consider what co-operation has done for agriculture specially.

Denmark, the gem of agricultural co-operation, stands as an example to be followed by all countries. The International Alliance Congress report of 1904 contains these very striking statistics:—

	Members.
The co-operative societies for common purchase now have about.	200,000
The co-operative creameries.	150,000
The co-operative slaughter-houses.	67,000
The egg export centres.	65,000
<hr/>	
Total.	482,000
As compared with, in 1901.	400,000

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The total turnover of these societies was:—

In 1901..	£12,080,000
1902..	12,890,000
1903..	14,214,000

And their total production of butter, bacon and eggs:—

In 1901..	£ 9,800,000
1902..	10,570,000
1903..	11,414,000

As the total exports of Denmark during 1903 were somewhat under £20,000,000, it will be seen that the exports of the co-operative societies, being £11,414,000, amount to 57 per cent of the total exports from Denmark.

Switzerland, another small country like Denmark, is using co-operation as a very effective means to better the conditions of 'the poorer classes. The report above quoted states:—

'The imposing roll is really to be accounted for by the fact that the law is distinctly favourable to the formation of societies under the co-operative name, being elastic and applicable to almost every variety of common action. Nevertheless, the majority of the 4,400 societies spoken of may be looked upon as genuinely co-operative.

'Among the various groups composing the total given, the largest, in point of numbers, is that of societies placed in the service of agriculture, and formed to assist in the production or else the sale of agricultural produce. Foremost among such are the co-operative "cheeseries," numbering by themselves, about the middle of 1903, 1,536. Next follow, at a rather respectable distance, co-operative distilleries, societies for the sale of fruit or products of the same, wine and honey, and for pasturing cattle in common on the high Alps. Taking all agricultural co-operative societies together, we find that there are about 1,700 or 1,800.'

And further on:—

'Next to this class of societies for common sale of products, follow, in point of numerical strength, the societies formed to serve the common supply of goods or the common utilization of means of production. There are about 1,200 of these. Of that number, about 500 are agricultural, rendering their members excellent service in the common purchase of fertilizers, feeding stuffs, implements, seeds, &c.'

And these telling examples could be multiplied if necessary, for Germany, Belgium, the Netherlands and other countries have many thousands of such societies giving as good results and promising much larger ones in the future. Even Canada, although having no general law to foster their establishment, has already some co-operative associations doing well, as proved by the evidence adduced. This shows what could be expected from the working of a good law.

CO-OPERATION IN THE BARRACKS.

In order to give an idea of the almost unlimited possibilities of co-operation, I may be perhaps allowed to quote the interesting paragraph that follows, borrowed from the monthly review 'L'Emancipation,' published at Nîmes, France, by M. de Boyve, a veteran of this movement in that country:—

'We knew, thanks to "l'Union Militaire" of Italy, the advantages and benefits that co-operation procures for the officers. Two recent communications inform us what co-operation can accomplish for the soldier.

'One comes from M. Chéron, Under Secretary of State in the War Department:—

'The other day,' said he, speaking from the tribune of the House (sitting of December 10th, 1906), in a visit made to the infantry barracks at Havre and at Fort Saint-Adresse, 'I found, working in the most satisfactory way, co-operative associations for consumption. I took the trouble to acquaint myself with their tariff. One can have a bock of beer for five centimes (one cent), a cup of excellent coffee, five

centimes (one cent); moreover, the profits realized at the end of the month are sufficient to organize petty concerts, entertainments for the benefit of the soldiers, to give them a pass-book of "La Caisse Nationale de retraite pour la vieillesse" (old age pension fund). On this subject, an officer explains the working of that national old age pension fund that a great many French citizens are not cognizant of, it is sad to have to say so. They have done better still. With these savings, funds are sent to the wives of married soldiers.

'I am in favour of this co-operative principle for another reason that I will briefly point out. We have stated that we wanted to educate, from a social point of view, the citizen while in barracks. Well, then, co-operation is one of the best means to give that social education. It is thus that we shall train the working classes and that we shall get them ready to take their legitimate share in the economic administration.'

The other communication has been made by a superior officer, Commandant Grat-
tau, at the last general meeting of the National Anti-Alcoholic League.

'We have made,' says this officer, 'at Fontainebleau, at the Lariboisière barracks, a conclusive experiment which can be applied to all the French army whenever the minister desires.

'We have opened in connection with our reading and writing rooms, a special room where a soldier while resting after his labour, can get, at the rate of two cents, a cup of coffee, tea or chocolate and in summer, cool beer.

'All beverages consumed are of the first quality and are most carefully prepared before being served.

'At the end of 1904 the results were as follows:—

	Francs.
Gross receipts.	3,690 15
Expenses.	2,820 15
	<hr/>
Net profits.	870 05

'At the close of October, 1906, we had as a general result:—

	Francs.
Gross receipts.	28,472 20
Expenses.	21,648 37
	<hr/>
Net profits.	6,823 83

'What have we done with these profits?

'We divided them into six items:—

	Francs.
Manager (a soldier selected by his companions, receiving fr. 0·35 per day and 5 per cent of the profits). . .	781 32
Improvements to the library.	457 15
Providentfund for the benefit of all the men in the battery	356 25
Entertainments given in the room.	566 25
Retiring fund (each man having his own pass-book). . .	2,980 50
Improvement and rest fund.	1,682 36
	<hr/>
	6,823 83

'As a result of the opening of such a room, we have had the pleasure of witnessing a total absence of serious punishments, not one court martial was held, not one case of disciplinary court, almost no more confinement to jail or barracks.

'Our gunners rarely leave the barracks; they are contented to stay in, enjoying the home-life there.

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'What has been done at Fontainebleau in one unit of the French army can be done as well in the 4,000 units (batteries, squadrons and companies) which compose the army.

'If this example was followed by all the regiments of France, the total receipts would be 21 millions ; all expenses paid (establishment and maintenance), there would be a general profit of 9 millions with which the provident funds, the libraries, &c., could be subsidized without calling upon the state to do so.'

EXHIBITS

Exhibits Nos. 2, 3, 4, 5, 6, 7, 8, 9 and 10 are not printed.

EXHIBIT No. I.

[Translated.]

CONSTITUTION OF 'LA CAISSE POPULAIRE DE LEVIS,' A CO-OPERATIVE ASSOCIATION INCORPORATED UNDER THE 'QUEBEC SYNDICATES ACT, 1906.'

TITLE I.

Constitution, name, object, sphere of operation of the association.

Article 1.—The co-operative association with a variable capital and limited liability, organized at Lévis, electoral district of Lévis, on the sixth of December, 1900, and designated under the name of 'La Caisse Populaire de Lévis' is and shall be hereafter subject to the provisions of the 'Quebec Syndicates' Act, 1906.'

The name of the association is 'La Caisse Populaire de Lévis,' a co-operative association subject to the provisions of the 'Quebec Syndicats' Act, 1906.'

Article 2.—The objects of the association are :

1. To protect its members against reverses of fortune, the results of enforced idleness, sickness and want, by teaching them the inappreciable benefits of wise providential measures based on mutual assistance and co-operation, and, in particular, by instilling and developing in them the taste for, and the constant and energetic practice of, economy on the most modest scale ;

2. To aid them by a wise and prudent system of credit in the shape of loans and advances, the proposed employment whereof must be communicated to the association, be approved by it, and be in accordance with the spirit in which it is founded ;

3. To enable persons devoid of fortune but who are honest and laborious, to form part of the association by granting them facilities for paying up their shares in the capital stock by means of very small weekly instalments ;

4. To secure the practice of the Christian and social virtues that mark the good citizen, the honest, laborious and honourable worker, by exacting above all moral warranties of the highest order from the shareholders who borrow from the association ;

5. To combat usury by means of co-operation, by providing all who are deserving of the same, through their fondness for work, their skill and the integrity of their conduct, with the moneys they require for carrying on their business or occupation, thereby making them independent of lenders who levy exorbitant commission or interest, or of those who impose too onerous conditions in connection with credit ;

6. To foster the spirit of enterprise and promote local works, whether of an industrial or agricultural character, by the prudent use of the savings effected within the district covered by the association's operations ;

7. To spread amongst its members a practical knowledge of the elementary principles of economic science.

8. To teach them respect for their engagements, and also the advantages inevitably derived by those who faithfully fulfil the obligations they have undertaken ;

9. To create and foster mutual confidence between shareholders by means of economic relations based on the security of warranties of a high character, inasmuch as they are founded, in a very great measure, on morality, honesty, order, love of work and prudence ;

10. To gradually procure them—by persevering efforts towards securing economy and consequently a just measure of credit—that economic independence which inspires and fosters the feeling of personal dignity and convinces one of the need of relying above all upon oneself to improve one's position and raise oneself in the social scale.

Article 3.—The head office is in Lévis, in premises selected by the Board of Management.

Article 4.—The sphere of operations of the association does not extend beyond the limits of the electoral district of Lévis.

TITLE II.

Article 5.—The capital consists of shares of the value of five dollars each.

Article 6.—Shares are payable at the rate of ten cents per share weekly.

Article 7.—The entrance fee is fixed by the Board of Management.

Entrance fees go into the reserve fund.

Article 8.—The funds of the association consist of:—

1. The entrance fees.
2. The capital represented by the shares subscribed and either partially or entirely paid up by the shareholders;
3. The reserve fund, the provident fund and such other funds as may hereafter be established, together with everything else comprising the common assets of the shareholders;
4. The resources that it secures by loans, the members having always the preference in order to stimulate their spirit of thrift and to provide with a return as to encourage them to economize.

But the total amount of such loans shall never exceed that fixed by the Quebec Syndicates' Act, 1906.

Article 9.—The following qualities are required of each shareholder:—

He must be honest, punctual in his payments, sober and of good habits, industrious and laborious.

Article 10.—The following qualities are required of every shareholder who borrows from the association:—

1. He must be in good standing with the association;
2. He must have repaid all previous loans; not be in arrear in the repayment of a current loan or of the instalments due by him;
3. His endorsers or sureties must not have been called upon to pay on his behalf.

Article 11.—Any shareholder who leaves the limits of the association's operations, even for good, may keep his shares.

Article 12.—No shareholder who has a direct or personal interest in a matter before either the general meeting or the committee on loans, or the council of administration, or the committee of supervision of which he may be a member, can be present at the proceedings on such matter.

Article 13.—To be a shareholder one must be allowed to sign a declaration to that effect and to subscribe at least one share. The entrance fee of the share or shares so subscribed, together with the first weekly instalment of ten cents per share, are immediately payable.

TITLE III.

Article 14.—In the event of resignation, expulsion or death of a shareholder, he is entitled merely upon returning his pass-book to the association, to the repayment of his instalments paid upon the stock subscribed by him.

He cannot claim any share of the assets of the association, whether under the form of reserve or otherwise.

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He cannot claim interest or profit upon his paid-up shares and on his instalments for the ten current year. The latter provision does not apply to advances or loans he may have made to the association, which are repaid him in full with the interest earned.

Article 15.—Any shareholder who has not paid his weekly instalments for five weeks may, after due notice, be expelled from the association by the council of administration. He shall be entitled to the repayment of such instalments only as he may have paid up to the time of his expulsion upon returning his pass-book to the association.

.. Article 16.—Application for admission and re-admission to membership, and those in connection with transfer of shares must be addressed to the manager, who must submit them to the council of administration to pronounce upon definitively.

Nevertheless, this board may, by resolution, authorize the manager to grant or refuse these applications, but his decisions may be appealed from to the council of administration, whose decision is final.

Article 17.—All subscriptions of stock are established by an entry on a pass-book showing the number of shares so subscribed and the instalment or instalments made thereon. Said pass-book serves as the shareholder's stock certificate. It is returned to the association in case of withdrawal or of transfer of the whole of the stock.

Article 18.—No shareholder can transfer his stock without the consent of the council of administration. No application for transfer shall be considered if the transferring shareholder is indebted to the association, either as borrower, indorser or guarantor.

Article 19.—The assignment of stock is effected by a declaration of transfer which is deposited in the archives of the association and signed by the transferor or his authorized attorney. If the transferor is unable to sign, his assent will be established by the manager or by a witness.

Article 20.—The net annual profits coming to each shareholder may validly be paid to the bearer of the pass-book if duly authorized by the owner thereof.

Article 21.—Each share entitles the holder, according to the number of months elapsed, to a proportion of the yearly profits.

In the event of liquidation through dissolution, each share is entitled to a proportion of the assets after all debts are paid.

Article 22.—Shareholders are liable for the debts of the association to the extent only of the amount of their subscribed stock, paid up or not.

Article 23.—Any shareholder who has lost his pass-book may, on establishing his ownership, obtain from the association a duplicate of the lost pass-book on paying the fee fixed.

Article 24.—No shareholder can hold more shares than the maximum fixed from time to time by the general meeting.

Article 25.—A class of members is hereby created called auxiliary members. These members cannot vote nor be chosen as officers or members of a committee or fill any office of such a kind.

Article 26.—Married women (*femmes covert*) and minors may become auxiliary members.

Article 27.—All the transactions of the shareholders with the association are strictly confidential. They can be divulged only in case of decease or upon the order of a competent authority.

Article 28.—The capital may be increased by the subscription of new shares and by the admission of new members, and diminished by the withdrawal of members and the reimbursement either totally or partially of the money paid in, subject to the provisions of section nine of the Quebec Syndicates' Act, 1906.

Article 29.—Any shareholder may cease to belong to the association and withdraw the instalments he has paid on the shares subscribed by him, provided he is not a borrower, endorser or guarantor of a loan, and provided he gives a written notice of thirty days to the council of administration.

Article 30.—A member may be expelled from the association for the following reasons:—

1. Because he is bankrupt or insolvent, or because his property is liquidated judicially;
2. Because he has undergone imprisonment for some offence or crime; or has been sentenced to the same;
3. Because he has allowed himself to be sued for debt or because he neglects or refuses to pay what he owes to the association;
4. Because he has endeavoured to injuriously affect the working of the association;
5. Because he does not punctually fulfil the statutory and other obligations he has undertaken towards the association;
6. Because he has disturbed or endeavoured to disturb the general meetings or those of the various committees or of the council of administration;
7. Because he has deceived or endeavoured to deceive the association with regard to the use of borrowed moneys.

The striking of the shareholder's name from the list is finally ordered by the council of administration.

Article 31.—The seizure of the moneys paid by a shareholder into the treasury under any head whatsoever is considered a sufficient reason for expulsion.

Article 32.—The quality of shareholder is forfeited:—

1. By resignation;
2. By expulsion.
3. By death.

TITLE IV.

Operations of the Association.

Article 33.—The association grants loans, discounts or advances to and receives savings and other deposits from its members alone; it must give the preference to the smaller transactions, all things being equal.

Exception, however, is made in cases where the association fails to procure from the shareholders the necessary funds for its good working, then such advances can be made by non-shareholders.

Article 34.—The operations of the association consist:

1. In opening credits and to make secured loans.
2. In receiving loans from its members in the way of accumulated small savings.
3. In collecting debts.

Article 35.—The association undertakes to refrain from speculations in stocks whatsoever.

Article 36.—A reserve fund is established in order to better secure the soundness of the association. This reserve fund shall amount to at least double the maximum attained by the capital. It may be increased by resolution of the general meeting.

Article 37.—The reserve fund shall be made up from the following:—

1. The entrance fee paid on each share;
2. An assessment of twenty per cent on the net profits of the year;

Nevertheless this assessment of twenty per cent may, upon recommendation of the council of administration, be diminished or increased by resolution of the general meeting.

Article 38.—The reserve fund so established remains the exclusive property of the association.

Article 39.—If, in consequence of the variability of the capital, the reserve, provident or other funds that may be established in the future exceed at any time the

APPENDIX No. 3

maximum or the fixed proportion for each of these funds, compared to the then existing capital, such excess shall never be divided among the shareholders in the way of bonuses or otherwise.

Article 40.—The resources of the reserve fund are invested at the discretion of the council of administration to the best advantage for the interests of the association.

Article 41.—As the reserve fund is established chiefly for assuring the proper working of the association, it is affected only by extraordinary losses exceeding the other resources at the disposal of the association.

Article 42.—A provident fund is established to cover first extraordinary losses resulting from the operations of the association, and for other purposes.

Such fund shall be constituted by means of an assessment of ten per cent on the net profits of the year and this shall be done until such fund is equal to at least one-half of the maximum capital.

When it attains this limit, the assessment of ten per cent may be discontinued by a resolution of the general meeting, but it shall be again levied whenever the fund is reduced through losses or whenever the maximum of the capital has increased, and it is continued until the fund again attains the same proportions.

The general meeting may, by resolution, upon the recommendation of the council of administration, diminish or increase this assessment of ten per cent, or may decide that the whole of this fund shall be increased to a higher amount than the one fixed in the above second paragraph.

Article 43.—If the profits of the year, after deducting the costs of management, the losses and the assessment for the reserve fund, are not sufficient to allow of a dividend equal, or nearly so, to the average for the three years immediately preceding, the general meeting may order that the difference shall be made up out of the resources of the provident fund.

Article 44.—The association receives the savings of its members in the way of loans. These loans are repayable according to the conditions decided upon between the lenders and the council of administration. The interest payable is fixed upon by the same parties.

Article 45.—The better to attain one of the chief ends of the association, that of fostering the desire for, and of multiplying the beneficial results of, thrift by the practice of small savings, the council of administration shall, as soon as possible, organize and maintain a special branch in which savings of one cent shall be received.

Article 46.—All applications for loans or advances shall be forwarded to the manager, who is bound to submit the same to the committee on credit, who shall decide, whether the application is to be granted or refused. The maximum amount of credit that may be granted is fixed by the general meeting of the members.

Article 47.—The committee on credit shall determine the conditions of all loans.

Article 48.—The members of the committee on credit are prohibited from borrowing from the association and from becoming security for any loans or advances.

Article 49.—When the security for repayment is equal, small loans shall always have preference over larger ones.

Article 50.—The decisions of the committee on credit with regard to applications for loans must be adopted unanimously. In the event of refusal, the interested shareholder may appeal to the council of administration, who, after hearing the members of the committee on credit, as well as the shareholder, shall give their decision according to the majority of the votes.

Article 51.—The committee on credit may decide that the loans and advances shall be guaranteed by one or two solvent members.

The said committee shall inquire very carefully into the personal financial standing and condition of the borrower to ascertain whether reasonable confidence may be placed in his promptness to repay the loan. The committee must, above all, consider and obtain accurate information with regard to the honour, the spirit of order, the acti-

vity, honesty and ability of the borrower, for such are the chief warranties exacted by the association.

The borrower shall be bound to state, in his application for credit, the use he intends to make of the moneys asked for.

Article 52.—The salaried employees who handle the funds must give security in the discretion of the council of administration.

Such security shall be in the form of a guarantee policy from an insurance company, and the premium shall be paid by the association.

Article 53.—The liability of the shareholder towards the association with regard to endorsement or security is limited for each one to the amount fixed upon for the loan.

Nevertheless, the council of administration may, as an exception and in cases where the security offered by the shareholder is first-class, accept endorsements or security beyond such limit from the same shareholder.

Article 54.—The manager of the association and the salaried employees are prohibited from endorsing or becoming security.

Article 55.—The amount of the yearly dividend shall not exceed seven per cent on the paid-up shares, subject to the prescriptions relating to the reserve fund, the provident and other funds.

Article 56.—The members of the council of administration, of the committee on credit and of the committee of supervision are elected at the annual general meeting. They are elected by the majority of votes and may, at any time, be removed by the general meeting. The election may be had by ballot if the meeting so decide.

The term of office of members of the council of administration and of the committee on credit is two years. One-half are replaced every year, with the addition of one in the first year, if the total number be uneven.

The term of office of members of the committee of supervision is one year. All members are re-eligible.

Article 57.—To be eligible for office the shareholder must be in good standing with the association and moreover have been a member for six months.

Article 58.—A shareholder cannot vote or be represented by proxy. Exception, however, is made in favour of corporate bodies who may be represented and may vote by proxy.

Article 59.—The services of the officers and of the various members composing the council of administration, the committee of credit and the committee of supervision who are charged with the administration of the association's affairs, are gratuitous. They are, however, entitled to travelling expenses, when necessary, as well as to those necessitated by the performance of special duties entrusted to them.

Article 60.—The affairs of the association are administered and supervised by :

1. A council of administration;
2. A committee of credit;
3. A committee of supervision;
4. The general meetings of the shareholders.

Article 61.—The council of administration consists of nine members chosen from amongst the shareholders by the general meeting. This number may be altered when necessary.

Article 62.—The directors are elected for two years. Five are replaced at the expiration of the first year, and four at that of the second year.

The directors who go out of office at the end of the first year are designated by lot, and afterwards they go by seniority.

Article 63.—In the event of one or more vacancies, the council of administration shall fill the same definitively.

The members so appointed remain in office only until the expiration of their predecessors' term of office.

APPENDIX No. 3

Article 64.—At its first sitting after the annual general meeting, the council of administration shall choose a president, a vice-president and a secretary, who shall constitute the executive of the board (*bureau*).

They remain in office until their successors are appointed the following year or until replaced during the year, if necessary, by the majority of the council.

Article 65.—The president, vice-president and secretary of the council of administration are likewise the president, vice-president and secretary of the association.

Article 66.—The council of administration meet as often as may be necessary in the interest of the association.

The presence of five members of the council is necessary to make valid the decisions thereof.

Article 67.—Decisions are adopted by the majority of the members present.

When the votes are equal the president has a casting vote.

Article 68.—A register of the proceedings of the council of administration is kept by the secretary.

The minutes are signed by the president or by the member who replaces him, and by the secretary.

Article 69.—The council of administration are vested with the most extensive powers and, in particular :—

1. They admit or refuse admission to shareholders; determine the conditions for the transfer of shares and the withdrawals of shares;
2. They accept regulations and pronounce upon the expulsion of members;
3. They appoint and remove the employees, determine their duties, fix their salaries and name the employee or employees who shall give security and fix the conditions and amount thereof;
4. They determine the expenses of management;
5. They adopt all the by-laws relating to the organization and good working of all the branches of the association;
6. They make out the balance sheets and propose the dividends to be paid;
7. They determine the manner in which the moneys of the reserve, provident and other funds are to be employed;
8. They propose to the general meeting such changes as may be necessary in the by-laws;
9. They may delegate to one of its members or to the manager powers not inconsistent with the duties of his office;
10. They take all the measures they may deem advisable in the interest of the association not within the jurisdiction of the general meeting or not inconsistent with the present by-laws or the law.

Article 70.—The management is entrusted to a salaried official called the manager, who may, in addition, perform other duties.

Article 71.—The manager represents the association under the immediate supervision of the council of administration, and as such he signs for the association. He attends the sittings of the council of administration when he does not already form part thereof, and has the right to express his opinion.

Article 72.—The manager has full control over the staff. He proposes the appointment, suspension and dismissal of employees to the council of administration, who decide the same finally.

Article 73.—In the event of the temporary or extended absence of the manager or in the case of a vacancy, the council of administration appoints a provisional or permanent substitute, as the case may be.

Article 74.—The general meeting select yearly from amongst the shareholders three members, who constitute the committee of supervision.

Article 75.—The members of the committee of supervision remain in office for one year. They are re-eligible.

They watch over all the operations of the association; frequently check the cash, the investments and securities; see to the carrying out of the by-laws, regulations and decisions of the general meeting; they can, if they deem it necessary, control each and every decision of the committee of credit, more especially with regard to loans and renewals thereof; they must ascertain the exact value of the securities in hand, and, in a word, take cognizance of all the documents they deem useful for the performance of their duties.

They are bound to call an emergency general meeting of the shareholders if they find anything serious in connection with the management of the association's affairs or any violation of the statutory prescriptions relating to the administration of the moneys paid into the funds or of the securities exacted for the repayment of loans.

They may, in the event of emergency or of extraordinary cases, suspend the salaried officials and members of the committee of credit, but shall at once report their reasons to a general meeting of the shareholders who shall decide upon the same.

They shall, when the case is not of sufficient importance to necessitate the calling of a general meeting of the shareholders, report their observations in writing to the council of administration. The latter shall be bound to act accordingly, and, if necessary, to remedy the state of affairs pointed out so as to remove all subjects of complaint.

Should the council of administration not act, refuse to take up the matter, or neglect to take the proper steps to remedy the state of affairs pointed out, whereof the committee of supervision are constituted judges, they may bring the matter before the next ordinary or special general meeting.

Article 76.—The members of the committee of supervision are chosen from amongst the shareholders who do not belong to the council of administration, the committee of credit or to any other temporary or standing committee and who hold no office, whether salaried or not.

Article 77.—The members of the committee of supervision are not allowed to borrow from the association. In this respect their position is similar to that of the members of the committee of credit and management.

Article 78.—If one or more vacancies occur in the committee of supervision, the council of administration shall fill them definitively. The members so appointed remain in office only during the unexpired term of office of their predecessors.

Article 79.—The members of the committee of supervision must meet as often as they deem necessary, and they submit a written report to every annual general meeting.

Article 80.—The committee of credit consists of the president and four shareholders chosen by the general meeting. The four shareholders so appointed must not belong to the council of administration nor to any committee.

Article 81.—The term of office of the four members of the committee of credit elected by the general meeting is two years.

One-half of the members of such committee retire every year. The two who go out the first year are designated by lot, and afterwards they go out by seniority.

They are re-eligible.

Article 82.—The committee themselves fix the days on which they meet and regulate everything regarding their organization and internal working.

Three members must be present to render their decisions valid.

Article 83.—No transaction in connection with a loan or advance can be made by the association without the previous approval of the committee of credit. Its decisions must be unanimously adopted by the members present.

Should they not be unanimous, the matter is brought before the council of administration, whose decision is final.

Article 84.—They superintend the drawing up of the daily, weekly, monthly and yearly statements, as the case may be, of the association.

APPENDIX No. 3

Article 85.—The manager and all the employees are bound to reply to the questions put to them by the committee of credit.

Article 86.—Should one or more vacancies occur, the council of administration fill them definitively.

The members so appointed remain in office only during the unexpired term of office of their predecessors.

Article 87.—The general meeting, when regularly constituted, represents the whole of the shareholders.

Article 88.—The meetings are called at least two days beforehand by letters sent to the shareholders individually or by advertisements in a newspaper published in the locality where the association has its head office or in the nearest locality of said head office.

Article 89.—The general meeting takes place every year on the third Thursday of December or the next following judicial day.

Article 90.—The general meeting deliberates and enacts in connection with all the interests of the association and confers upon the council of administration all the additional powers that are deemed necessary.

Extraordinary general meetings may likewise be called by the committee of supervision, by the committee of credit, by the council of administration, and also on a requisition signed by ten shareholders.

The president may call a general meeting of the shareholders at any time.

Article 91.—The general meeting is regularly constituted when ten shareholders are present. If that number be not present, another meeting is called with an interval of at least three days.

The decisions of the second meeting are valid whatever may be the number of shareholders present.

Article 92.—The general meeting is presided over by the president and, in his absence, by the vice-president or by a shareholder chosen by the meeting.

Article 93.—Decisions are adopted by the majority of votes. When individuals are affected by such decisions, or when five or more shareholders demand it, recourse is had to the ballot.

When the votes are equal, the president has a casting vote.

No shareholder shall have more than one vote, whatever may be the number of shares he owns.

Article 94.—No one can vote unless he has been a shareholder for at least three months and is in good standing with the association.

Article 95.—The ordinary meeting receives the reports on the state of the affairs of the association, and pronounce upon all questions submitted to its deliberations.

Article 96.—The proceedings are recorded by minutes drawn up and entered in a register by the secretary of the association. The minutes are signed by the president and by the secretary.

Article 97.—Extracts from or copies of the minutes are certified by the secretary or by the president.

TITLE V.

Article 98.—The fiscal year of the association begins on the first December and ends on the thirtieth November.

Article 99.—The manager, under the instructions given by the council of administration, draws up daily, weekly, monthly or yearly statements of the association's affairs.

These statements show the position of such affairs from the beginning of the year to date. They are placed at the disposal of the shareholders by being posted up in the office or otherwise.

An inventory is made by the manager at the end of each fiscal year.

A report shows the exact position of the association's affairs by means of a clear and succinct summary, as also all the transactions during the past twelve months.

The council of administration decides when it is necessary to publish what relates to the operations of the association and the best method of publishing the same.

Article 100.—After providing for all the costs of management and for losses the net yearly profits are divided as follows:—

1. Twenty per cent to the reserve fund;
2. Ten per cent to the provident fund;

3. The balance is divided amongst the shareholders in proportion to the time that their shares have been paid up. However, this apportionment of the net profits cannot amount to more than seven per cent so long as the reserve, provident and other funds are not completed as provided for by article 39.

Article 101.—The question of the dissolution of the association may be put at a general meeting specially convened for that object at the request of three-fourths of the shareholders and on the unanimous recommendation of the members of the council of administration.

The dissolution cannot be voted if ten members oppose it. Absent shareholders may express their dissent in writing, which shall have effect as if expressed verbally at the meeting.

Article 102.—Not less than two-thirds of the shareholders shall be present at the meeting called to decide upon dissolution.

Article 103.—In the event of dissolution, the general meeting appoint three liquidators.

For that purpose the liquidators shall have the most extended powers either for realizing the securities or for distributing the proceeds amongst the members after paying off the liabilities and costs.

Article 104.—The council of administration are constituted a board of arbitration in the case of difficulties arising between shareholders or between the committees and the shareholders or between the members of committees. Its decision is taken by the majority of votes and is final.

Article 105.—Should the council of administration be unable to act because one or more members thereof are interested in the dispute, arbitrators are appointed from amongst the shareholders by the parties in conflict each of whom chooses an arbitrator. The award of the three arbitrators is given according to the majority of votes and is final.

Article 106.—Every order to pay whatsoever sum addressed to the association shall be signed by the payee.

Article 107.—Every proposed amendment to the by-laws or regulations shall first be sent to the council of administration, who deliberate thereon, and if they approve it, submit the same to an ordinary or special general meeting of the shareholders.

Article 108.—When necessary the council appoints from amongst its members standing and select committees for specified purposes.

Article 109.—The council may, within the provisions of the law, fix from time to time the maximum amount that may be advanced to the association, taking care always to favour small savings as much as possible so as to foster the spirit of forethought and a desire for the practice of strict economy amongst the poorer classes.

Article 110.—The committee on credit meet as the needs of the association require, at the call of the manager, or of the chairman or of two members thereof.

Article 111.—At their first meeting they elect a chairman for the year. The manager is *ex officio* secretary unless the duties of manager are performed by one of the officers of the association, in which case the committee may appoint one of their number secretary.

Article 112.—The committee on credit examine all applications for credit, ascertain the solvency of the applicant as well as the moral and material guarantees offered, and decide unanimously as to the granting or refusal of the applications.

APPENDIX No. 3

When it is impossible to obtain an unanimous decision, the matter is referred to the council of administration.

The committee shall always give the preference to smaller loans.

They take all the necessary steps for the management of the current affairs of the association, see to the recovery of debts and the faithful fulfilment of the engagements undertaken by the borrowing shareholders. They report to the council of administration on the state and needs of the treasury and propose such measures as may be necessary for regulating the movement of the funds according to the exigencies of the situation.

Article 113.—The manager has charge of the securities, cash, books of account.

He cannot in any case consent to credit being given a shareholder without the previous authorization of the committee of credit. He draws up or superintends the drawing up of a daily, weekly, monthly and yearly statements, as the case may be, of the association, of the balance sheets and inventories.

He pays the expenses incurred by the association, but shall require proof that each item of expenditure has previously been approved by the council of administration or the president, as the case may be.

Article 114.—The salaried officials must strictly abstain, under penalty of dismissal, from dealing either directly or indirectly, in any stock or similar speculations.

Article 115.—The manager and the various paid officials may be called before the council of administration, the committee on credit, the committee of supervision or any other committee that may hereafter be appointed as also before the general meeting, and must give all information in their possession with regard to the affairs of the association.

Article 116.—Everything connected with the accounts and statistical work is regulated by the council of administration.

Article 117.—Shareholders are entitled to pass-book bearing their names, approved of by the council of administration.

These pass-books shall be presented at every operation.

Article 118.—The interest on money advanced to the association is payable only after the end of the year. The council of administration can, however, authorize the manager to dispense with this rule whenever he thinks it to the best advantage of the association.

Article 119.—The association reserves full liberty to itself with regard to the acceptance or refusal of advances made by its members; it also reserves to itself the right to repay any advance or a proportion thereof on giving notice to the depositor by registered letter.

Article 120.—The president presides over the general meetings of the shareholders and over the meetings of the council of administration, maintains order thereat and decides questions of simple procedure.

He has a casting vote when the votes are equal.

He performs the other duties connected with his office.

Article 121.—The vice-president replaces the president when absent and has all his powers. In the event of the president's inability to act, resignation or death, he succeeds him for the remainder of his term of office.

Article 122.—The secretary has the custody of the archives of the association; he draws up the minutes of the general meetings of the shareholders and of the meetings of the council of administration. He gives communication of the same at the meetings of the association and of the council. He performs all the duties connected with his office.

Article 123.—At the beginning of each year the council of administration fix the amount of the entrance fee based on the importance of the private assets of the association.

7 EDWARD VII., A. 1907

The foregoing rules have been adopted at a special general meeting held the twentieth of September, 1906.

Lévis, September 27th, 1906.

(Signed) L. J. ROBERGE,
Secretary.

(Signed) ALPHONSE DESJARDINS,
President.

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