

ROYAL COMMISSION

REPORT OF THE COMMISSIONER

CONCERNING

SALE OF SMALL ARMS AMMUNITION

COMMISSIONER:

The Honourable Sir CHARLES DAVIDSON, Knight



OTTAWA

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NOTE:

The page references denote the numbers at the bottom of pages 2413 to 2470 of Vol. 3 of the Evidence.

SALE OF SMALL ARMS AMMUNITION.

The following counsel appeared:—

Capt. John Thompson, K.C., in aid of the Commissioner at the outset.

Jas. A. Hutcheson, K.C., in aid of the Commissioner (in succession to Capt. Thompson).

H. Hartley Dewart, K.C., for the Liberal party.

S. W. Jacobs, K.C., representing Mr. Dewart at the sittings at Quebec.

Geo. F. Henderson, K.C., for J. W. Allison.

R. C. Smith, K.C. (at a late stage of the inquiry) for Vickers, Limited.

On the 13th of May, and on other later days, a debate arose in the House of Commons with reference to certain sales of small arms munitions.

The Right Honourable, the Premier, stated that it was proposed to refer the matter to me for investigation. It was his announced desire that the Opposition should be represented by counsel. In this willingness the Honourable the Minister of Justice concurred.

I had communication of both facts.

At the second sitting Mr. Thompson, K.C., announced that:—

Pr. Ev., p. 28.

“There has been criticism made in the House of Commons of the fact, that, being an officer of the Overseas Forces, I should conduct this present inquiry. I fail to see, sir, how the fact that I am an officer in the Overseas Forces should in any way affect my prosecution of this investigation. Ordinarily, and under other circumstances, I would pay no attention whatsoever, to any criticism from whatsoever source about any matter that I might conduct before any court or tribunal. However, this criticism having been made, I would very much desire to withdraw from the further prosecution of this inquiry.”

I expressed regret and paid tribute to the manner in which Mr. Thompson had performed his duties throughout the past life of the Commission.

To this Mr. D. D. McKenzie, K.C., gave generous support.

At a later meeting Mr. Hutcheson replaced Mr. Thompson.

Mr. Dewart's first instructions were from Mr. McKenzie. Eventually his position became that of counsel for “the Liberal party.”

My refusal to allow Mr. Taylor, K.C., to occupy a somewhat similar position in British Columbia, in relation to the submarine inquiry, has already received mention. To it I now make brief addition.

The reference and the official acquiescence as to counsel on behalf of the complainants were concurrent and interwoven.

My acceptance of the one carried with it, as a necessity of equity, allowance of the other.

The granting of right of appearance to Mr. Henderson and Mr. Smith on behalf, respectively, of Allison and Vickers, was justified by section 12 of the Inquiries Act (added by 2 George V (1912), chapter 28:—

“The Commissioners may allow any person whose conduct is being investigated under this Act, and shall allow any person against whom any charge is made in the course of such investigation to be represented by counsel.”

Pr. Ev., p. 306.

At the conclusion of the inquiry, counsel presented factums. So I have before me their respective beliefs, in concrete form, of what the evidence had disclosed.

REPORT OF COMMISSIONER

We had communication of, and in use, copies of Debates, and Sessional Papers Nos. 276, 276-A, 213 (reference number).

My original Commission called me to an investigation of governmental purchases of materials of war.

I was of the belief that sales of war munitions did not come within the scope of the Commission.

To quiet doubts the following Order in Council was passed on the 9th of May, 1916:—

Pr. Ev., p. 1.

The Committee of the Privy Council have had before them a report, dated 8th May, 1916, from the Minister of Justice, submitting,—with reference to the Commission of 2nd June, 1915, issued to the Honourable Sir Charles Peers Davidson to investigate the purchase of arms and munitions, etc., and the expenditure and payments therefor,—that it is deemed desirable to extend the powers of the Commissioner so as to enable him to inquire into and investigate the sale or disposal by Your Royal Highness's Government of small arms munitions since 4th August, 1914, referred to in return made to the House of Commons on the 1st and 2nd May, 1916.

The Minister therefore recommends that Your Royal Highness cause inquiry to be made pursuant to Part 1 of the Inquiries Act, Revised Statutes of Canada, 1906, chapter 104, concerning the aforesaid transactions, and that a supplementary Commission be issued in the case conferring and charging upon the Commissioner all the powers and duties for the inquiry aforesaid which the Commissioner has under and by virtue of the aforesaid Commission of 2nd June, 1915.

The Committee concur in the foregoing recommendation and submit the same for approval.

RODOLPHE BOUDREAU,
Clerk of the Privy Council.

Perhaps provocative of the discussion in the House and certainly of a character to call for investigation of some kind was the following correspondence:—

From the Auditor General to the Deputy Minister of Militia.

Pr. Ev., p. 44.

MARCH 7, 1916.

SIR,—In your statement of receipt No. 50 for December last I find Bank of Montreal receipt for \$20,927.44, being payment for 986,300 rounds of ammunition due to F. Orr Lewis at \$20 per thousand. As this is an unusually large transaction I should like to be informed if public competition was obtained or in what way the price was fixed, and also if an Order in Council was obtained authorizing the sale.

I am under the impression that this ammunition cost the Government about \$34 or \$35 per thousand, and I should like to know what the reason is for selling at \$20.

I am, sir, your obedient servant,

J FRASER,
Auditor General.

From the Auditor General to the Honourable the Minister of Finance:—

Pr. Ev., p. 43.

OTTAWA, April 3, 1916.

SIR,—I beg to call your attention to a sale of ammunition made by the Department of Militia and Defence. Some time prior to the 31st of December

last year this department sold through Col. J. Wesley Allison, without the authority of the Governor in Council, over 3,000,000 rounds of ammunition at \$20 per thousand.

The department has been buying ammunition since the declaration of war at \$33 per thousand, and has also been manufacturing ammunition at the Dominion Arsenal at a cost of \$34.60 per thousand, consequently there has been a loss to the Government on this transaction of over \$45,000.

It is alleged that this ammunition has been sold to Vickers, Ltd., for testing purposes. I can hardly credit this statement owing to the magnitude of the sale but if it were so why was it sold at such a low rate and why was it necessary to obtain the services of Colonel Allison?

I have reason to believe that the ammunition was resold at an advance of about 25 per cent, and that its destination was not Vickers, Ltd. I may be mistaken in this, but Colonel Allison's connection with the transaction does not tend to allay suspicion.

I wrote the Department of Militia and Defence asking to be furnished with an Order in Council and also the particulars of the sale, but have had no reply.

I have, therefore, to request that you will obtain the approval of the Governor in Council for the sale and that you will also let me know why the rate was fixed at \$20 per M.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

From the Honourable the Minister of Finance to the Auditor General:—

Pr. Ev. p. 45.

OTTAWA, April 4, 1916.

SIR,—I beg to acknowledge receipt of yours of the 3rd instant referring to a sale of ammunition made by the Department of Militia and Defence. I am not aware of the facts connected with the transaction, but shall at once bring your communication to the attention of the Prime Minister.

Yours truly,

W. T. WHITE.

The Minister of Finance, on the same day wrote the Prime Minister thus:—

OTTAWA, April 4, 1916.

DEAR SIR ROBERT,—For your information I enclose herewith copy of a communication which I have received from the Auditor General respecting a sale of ammunition by the Department of Militia and Defence, together with a copy of my reply thereto. No doubt you will ascertain the facts from the Militia Department and bring the matter to the attention of the Council later.

Yours faithfully,

W. T. WHITE.

Sess. Paper, p. 2, *et seq.*

Lengthy explanatory memorandums were furnished by the Minister of Militia and Major-General D. A. Macdonald, Quartermaster-General.

In almost entirety our inquiry had to do with four large shipments of rifle cartridges, addressed to C. A. Searles, Vickers House, Broadway, Westminster, London, England, for use by his company or by the Admiralty. I shall have need to determine which of these interests became the ultimate owner by reception and payment.

Some minor attention was given to sales to the Royal Northwest Mounted Police; to the Savage Arms Company; and to Rifle Associations.

References to these were, however, rather for purposes of comparison. They did not suffer attack.

The department also sold to our Customs cruiser *Margaret* 12,000 rounds of Mark VII ammunition. The incident is not mentioned in the evidence.

In his written argument, Mr. Dewart, K.C., submits that the inquiry naturally divides itself under the following heads:—

Pr. Ev. p. 310.

(1) The circumstances and reasons for the issue and distribution of such small arms ammunition, particularly of Mark VI, as was issued or distributed either to the Canadian Forces or for Canadian purposes, or, on the other hand, for distinctly non-Canadian purposes.

(2) "The alleged issue or sale of Canadian ammunition to or for or on account of Vickers, Limited, for suggested 'machine-gun testing purposes.'

(3) "The question whether this Canadian ammunition was actually sold or re-sold to the British Admiralty to the knowledge of those who were pretending to purchase for Vickers, Limited, or some 'Vickers' interest, without commission.

(4) "The question whether profits or commissions were made, or intended to be made, by Sir Trevor Dawson, Mr. F. Orr Lewis, Honorary Colonel J. Wesley Allison, or any of them, or any others (out of the Admiralty purchase), and also whether the Minister of Militia for Canada is compromised by his knowledge of or inexcusable ignorance of the real character of the transaction."

Technical expressions are of frequent occurrence in the evidence. What they mean had best be told at once and consecutively.

"*Ringing*."—Is the putting of each cartridge into a slot and pressing the metal still tighter about the base of the cap. Its purpose is to check blowbacks.

"*A blowback*."—Occurs when the powder is blown back through the cap hole, or at the point where the case was defective.

"*Burst*."—Is a split quite close to the base of the cartridge.

"*Split*."—Is a burst at a greater distance, say one and a half inches from the base.

"*Scoring*."—Is a machine or sand defect, it is a scratch on the surface of the cartridge.

"*Mark*."—With a figure or numeral attached denotes a series.

Some change in an antecedent issue has been made. The expression is applied to rifles, bayonets, and cartridges; but the markings have no relation to each other.

"*Mark III, .303*."—Is applicable to the latest issue of the Ross rifle. The .303 means that the internal diameter of the barrel is .303 of an inch—the same as the British rifles. Its bayonet is Mark II.

As to cartridges:—

"*Mark I*."—Began with the Lee-Enfield rifle about 1890.

"*Mark II, III, IV and V*."—Followed in succession.

"*Mark VI*."—Was manufactured from 1907 to about 1911. It has a round-nosed bullet and is filled with cordite composed of solid strings.

"*Mark VII*."—Began its existence in 1912. It has a pointed bullet and tubular cordite; that is each strand of cordite has a fine hole through it so as to bring on quicker combustion. It is, in other effective respects, more elaborate than Mark VI.

"*Defective*," "*Under Suspicion*."—Synonymous terms.

"*Package*," "*Case*."—There are seven cartridges in a package; and from 1,000 to 1,100 in a case.

Pr. Ev., p. 237.

"*The Militia Council.*"—Is composed of the Minister of Militia, the Deputy Minister, the Chief of the General Staff, the Quartermaster-General, the Master-General of the Ordnance, and the Accountant and Paymaster General.

Pr. Ev., p. 242.

There is no question which need be referred to the Militia Council unless the President of the Council so chooses. It has no right of its own to bring up questions.

Save at short intervals, minutes of the proceedings of the Council have not been kept since the outbreak of the war; this on account of pressure of work and expediency.

"*Vickers Limited.*"—An English corporation; great builders of ships and makers of guns and munitions of war.

Sir Trevor Dawson is one of its directors, and prominent as an executive officer.

"*Canadian Vickers, Limited.*"—Incorporated by Dominion Letters Patent. Headquarters at Montreal. It has drydock and shipbuilding works, and manufactures shells.

Mr. F. Orr Lewis is President. Prior to the establishment of this company, he was sales agent in Canada for the English Vickers.

There is no doubt that the parent company is the business overlord of the Canadian corporation.

I put into the form of an abstract statement the dates, sales, payments, and other details, scattered throughout the record, which have connection with these transactions.

SALE of Small Arms Ammunition.

Class.	Date of manufacturing.	Number of rounds sold.	Number of boxes.	Cartridges (boxes extra.)	Where delivered.	Date of order.	Date of delivery.	Amount received by Canada for ammunition and boxes.	Date payment to Canada.	Amount deposited by Admiralty to credit Orr-Lewis account.	Date of Admiralty deposit to cover shipment.
.303 Mark VI.....	1912	238,000	211	\$20 00	Montreal.....	1915.	1915.		1915.		1916.
.303 Mark VI.....	1912	750,300	602	20 00	"	Sept. 8.....	Oct. 16.....	\$20,927 44	Dec. 29.....	\$24,638 00	Jan. 24
.303 Mark VI.....	1906	1,911,300	1,818	20 00	Quebec.....	Oct. 6.....	Oct. 29.....	42,867 82	Jan. 18.....	49,951 00	Jan. 11
.303 Mark VI.....	1907	88,000		20 00	"		Nov. 26.....				
		2,986,100						\$63,795 26			

In juxtaposition, I place extracts from the account of the Bank of Montreal, New York branch, out of which the payments for the munitions came.

There were two accounts—No. 1 and No. 2—in this branch, opened by the Admiralty for war purposes. No. 1 concerned, admittedly, transactions not having any connection with Canadian matters.

Mr. A. G. Parker, manager at Ottawa of the Bank of Montreal, produced a copy of No. 2 account, and a quantity of correspondence.

All these were carefully scrutinized by counsel. They came to an agreement as to the items of the account and the letters which it was needful to have before us.

The items of the account thus abstracted are the following:—

Pr. Ev., p. 185.

F. ORR LEWIS, Esq., Trustee

In account with the Agent,

Bank of Montreal, New York,

No. 2 Account.

		Dr.	Cr.
Dec. 9, 1915.	Per National Park Bank. . . . .	.....	\$29,457 75
" 13, 1915.	Per National Park a/c. Samuel Montague. . . . .	.....	26,176 00
" 21, 1915.	Payment J. W. Allison.	\$ 4,000 00	
" 28, 1915.	Cost telegrams to Quebec.	1 97	
" 28, 1915.	½ comm. a/c. payments.	167 85	
" 29, 1915.	Transferred to Bank Montreal, Ottawa, for credit of Receiver General for Canada Militia Dept., 986,300 rounds am., and 813 boxes to cover same.	20,927 41	
Jan. 4, 1916.	Payment a/c. Ross bayonets and scabbards plus cost telegrams and commission.	3,007 74	
" 11, 1916.	Per National Park Bank. . . . .	.....	49,951 00
" 18, 1916.	Transfer to Bank of Montreal, Ottawa, for credit Receiver General for Canada, Militia Dept., payment 1,999,800 rounds cartridges and boxes.	42,867 82	
" 24, 1916.	Per Merchants Bank of Canada for London Joint Stock Bank. . . . .	.....	24,658 00
Mar. 7, 1916.	(Nothing to show what for	4,125 00	
" 9, 1916.	Per Merchants Bank of Canada, order London Joint Stock Bank. . . . .	.....	1,130 42

On June 9, 1916, there stood to the credit of this account, \$68,338.12.

With these basic facts under observation I proceed to an account of the incidents, direct and collateral, which preceded, accompanied, and followed the sale of the munitions.

It will come to be my further and more onerous duty to arrive at conclusions on the whole matter.

I take up the divisions or "headings," as regards the inquiry, submitted by Mr. Dewart.

Pr. Ev. p. 310.

1. "The circumstances and reasons for the issue and distribution of such small arms ammunition, particularly of Mark VI, as was issued or distributed either to the Canadian Forces or for Canadian purposes, or on the other hand, for distinctly non-Canadian purposes.

2. "The alleged issue or sale of Canadian ammunition to or for or on account of Vickers, Limited for suggested "Machine-Gun testing purposes."

3. "The question whether this Canadian ammunition was actually sold or re-sold to the British Admiralty to the knowledge of those who were pretending

to purchase for Vickers Limited or some 'Viskers' interest, without commission."

As to the circumstances and reasons for issue.

In 1913, the then Minister of Militia, Sir Sam Hughes, being disquieted as to the Quebec Arsenal and as to the condition of extensive quantities of small arms ammunition, in storage, determined on the creation of a wholly Imperial Board of Inquiry.

As a result of his application to the British War Office, Colonel Sir H. W. W. Barlow, Bart., C.B., and Captain G. Ogilvie, R.A., experts of high standing, were seconded from their duties at Woolwich, to come to Canada.

Extensive inspections covered administration, manufacture and production.

Sess. Paper, p. 48.

This report bears date Quebec, June 19, 1913. It is rich in details, and impressive as to conclusions.

Of the millions of small arms ammunition in store, standard tests were made.

On its quality and the possible remedies—more or less effective—to cure its defects they reported as follows:—

Sess. Paper 276, p. 86. (Barlow Report, p. 36e.)

We do not recommend the continuance of ringing on new ammunition. We regard the ringing as a satisfactory method of checking the blowbacks to which Dominion Arsenal .303 cartridges have in the past been peculiarly liable. Cases recently manufactured—with cap chamber better formed and freer from scores, etc.—do not require ringing, and we do not consider that in .303 cases of future manufacture any necessity should arise for this treatment—which should be regarded only as a means of overcoming the evils of defective manufacture.

Some 40,000 to 50,000 cartridges have been rejected on examination after ringing.

We would suggest that these be visually examined for elimination of scored cases, etc., and used for machine-gun practice only.

(Sess. Papers (1916) No. 276, p. 96. Barlow-Ogilvie Report, p. 46):—

"Ammunition subsequent to February, 1908, to be ringed visually examined for ringing and for external scores, and for elimination of the old, e.g. (07) cases, and subject to firing proof before re-issue. For each lot of 200,000 rounds, 1,000 rounds should be taken for proof; if a burst occurs a second proof of 1,000 rounds should be taken of the lot in question and also of the lot immediately preceding and the one immediately following. We do not think that ammunition manufactured in and prior to February, 1908, is likely to be rendered serviceable even after ringing, on account of the uncertain annealing and its liability to bursts, and we are of opinion that the ammunition should be broken up, the cases might be used for blank, and a certain saving thereby effected."

In concrete from the conclusions of the experts may be thus stated:—

(a) .303 future ammunition should not need ringing.

(b) .303 ammunition has in the past been peculiarly liable to blowbacks.

Ringing is a satisfactory way of *checking* the blowbacks, to which the .303 cartridges have in the past been peculiarly liable, through defective manufacture.

(c) 40 to 50,000 cartridges have been rejected after ringing.

(d) Ammunition manufactured prior to February, 1908, is not likely to be rendered serviceable by ringing. It should be broken up. The cases might be used for blank.

(e) Ammunition subsequent to this date should be visually examined; subjected to firing proof, and ringed when necessary.

(f) This test should be as follows: "Out of 200,000 rounds test one thousand, if a burst occurs test a second thousand, if a second burst occurs test another thousand out of this 200,000; and also a thousand in the like lot immediately preceding and following."

In compliance with the suggestions of the report the Arsenal proceeded to ring all ammunition of manufacture date later than January, 1908.

The following were the results:—

Pr. Ev., p. 163.

1908, ammunition ringed, examined and tested, passed as serviceable.	rounds	467,500
Condemned as dangerous.	"	149,600
1912, ammunition ringed and inspected.	"	1,274,900
Rejected.	"	12,000
Ringed but not inspected because of work being stopped.	rounds	140,800

Abrupt ending of the renovation took place when the war came. Every effort became centered on the production of new ammunition, of undoubted safety and effectiveness for Overseas service.

Between the Barlow-Ogilvie report and war there had been departmental discussion of what disposal ought to be made of the ante 1908 cartridges. Recommendations for its absolute destruction by drowning or otherwise had some adherents. This course would have given relief to storage pressure and made the boxes available. Other opinions supported an extraction of the bullets, firing off of the cartridges, re-annealing the brass, and thus salvaging at least something.

Captain Ogilvie was expected to return from England, and the question was left in abeyance.

It will be remembered that the manufacture of .303, Mark VII, began at the end of 1912. It is of first class standard, and has been continuously issued to our Overseas Forces.

Of Mark VI, there were many millions in store at the time the Arsenal was overhauled by Barlow and Ogilvie.

The Sessional Paper No. 276 includes the following statement (p. 127) which affords us some interesting information as to quantities:—

"Quantities of Cartridges, S. A. Ball .303 inch on hand:—

" 1st August, 1914—		
" Mark VI.		36,418,160
" VII.		3,534,571
" Total.		39,952,731
" 31st December, 1914—		
" Mark VI.		14,936,304
" VII.		4,161,556
" Total.		19,097,860
" 31st March, 1916—		
" Mark VI.		9,449,772
" VII.		12,569,080
" Total.		22,018,852"

These figures disclose two striking features, Mark VI diminished by 75 per cent; Mark VII increased in proximity like ratio.

The reduction at the Arsenal of Mark VI resulted in considerable measure, from its distribution to Military Districts, Training Camps, Regimental shooting, Rifle Associations, Cadet Corps and the like.

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Pr. Ev. p. 238.

The Valcartier Camp (August-September, 1914) alone absorbed over four millions.

Pr. Ev. p. 214.

At Camp Hughes, Manitoba, a daily average of 10,000 men were at the butts.

ROYAL NORTHWEST MOUNTED POLICE.

In January, 1916, Comptroller Fortescue, I.S.O., in command of the Royal Northwest Mounted Police, applied for 500,000 rounds, Mark VI.

Pr. Ev. p. 216.

Mark VII, by reason of its great power, could not be used in the Lee-Enfield carbine with which this force was armed.

Pr. Ev. p. 219.

Mark VI of 1910, was issued by Major General Elliot of the Ordnance, spite of the opinion of Colonel Harston, Chief Inspector of Arms and Ammunition, that it was of a dangerous class. The General explains that this memorandum escaped his notice. He had in mind and acted on his experience as Commander in Chief of Camp Hughes in 1915, which gave him the belief that it was more reliable than other previous issues.

The price charged was \$20.

Pr. Ev., p. 222.

Pending this investigation, General Elliot received a report on R.N.W.M.P. results. It appears thereby "that the ammunition is defective, but it is possible to use it in the rifle or carbine"—in the Maxim machine gun the faults are more obvious, and its use inadvisable.

ROSS RIFLE COMPANY.

The desire of the department to get rid of Mark VI, 1908-9 ammunition and at a low price had proof in a correspondence with the Ross Rifle Company.

Pr. Ev. p. 248. Sess. Paper 276, p. 40, 42, 44.

In February, 1914, the company obtained a quotation which was not utilized, of \$10 per thousand for 500,000. On May 4 there was inquiry as to the largest quantity up to forty millions which could be obtained at this price. The department answered (May 18, 1914), ten million rounds of 1908-9 manufacture at \$12; boxes extra; delivery to be taken at Toronto, Montreal and Halifax. Refusal to buy ensued, for the reason that the first quotation had been \$10 per thousand. The reply explained that refusal to accept had been followed by instructions to re-ring.

Pr. Ev. p. 163, 165.

All of 1908, had been ringed and tested.

SAVAGE ARMS COMPANY.

Sess. Paper No. 276, p. 10-22.

During these transactions with Sir Trevor Dawson, The Savage Arms Company, of Utica, N.Y., were engaged in the manufacture of "Savage-Lewis Machine Guns" on Canadian account. In November, 1915, they needed 150,000 rounds of the latest issue—Mark VII—for testing purposes. The Quartermaster General, the Master General of Ordnance, the Director of Musketry and the Paymaster General dealt with the matter, apparently as one of routine.

The price charged and paid for this new ammunition was \$30 per thousand; boxes extra.

CANADIAN CRUISER "MARGARET."

Sess. Paper No. 276, p. 136.

In July, 1914, the department sold 12,000 rounds of the new ammunition, and loaned 24 Mark III Ross rifles to this vessel.

We have learned enough for the time being, of the quantity and conditions of Mark VI, as held in Canada, when there came about sales of three million rounds, in round figures to Vickers, or the British Admiralty.

I proceed to a development of their relating incidents.

Concerning the opening negotiations, Lieut.-General Sir Sam Hughes testifies:—

Pr. E., p. 3.

By Captain Thompson:

Q. Is it correct, General Hughes, that Mr. Allison made the arrangement with General Macdonald?

A. No, the primary arrangement was made long before that with a member of the Vickers firm who was out on a special mission and who spoke to me. Some one informed him that there was some defective ammunition. Some time considerably previous to this, a member of the Vickers firm, speaking of the scarcity of ammunition, had suggested that everyone knew that we had a lot of defective Mark VI ammunition on hand, and he suggested that this might be of use for machine gun practice, and thus release our good Mark VII ammunition in England for the front.

Q. Was that suggested to you?

A. That was suggested to me long before—

Q. Long before September 8?

A. In the early spring of 1915. I said I knew nothing about that, that it was in the Quartermaster General's Department and that if they would have their Canadian agent see the Quartermaster General he would make any arrangement necessary as the disposition of all defective stores was in his hands entirely.

Pr. Ev., p. 4.

Q. Nothing further was done until September, 1915?

A. I never heard of it again except a casual mention one day and I again referred the officer to the Quartermaster General.

Q. The first reference would be in February, 1915?

A. I think it was April.

Q. April, 1915?

A. Yes, along there.

Pr. Ev., p. 5.

When Colonel Allison, who, I believe, is Vickers' agent in New York, came to me, having seen General Macdonald, I told him to go back to General Macdonald and see him about it.

Pr. Ev., p. 253.

Mr. DEWART: Who is the Canadian agent to whom you refer there?

Sir SAM HUGHES: I do not know.

Mr. DEWART: Didn't you know it at that time, or did you not believe it to be your friend Allison?

Sir SAM HUGHES: Allison had nothing to do with them at that time, as I understand.

Mr. DEWART: I am asking you what your idea was.

Sir SAM HUGHES: My idea was they had a Montreal agent.

Mr. DEWART: F. Orr Lewis.

Sir SAM HUGHES: The Canadian Vickers was their agent, I understood.

Mr. DEWART: That is what you meant by that—did you at that time understand that this was a purchase by Vickers, Limited, of England?

Sir SAM HUGHES: I certainly did; so it was.

Pr. Ev., p. 254.

Mr. DEWART: Do you mean to say, General Hughes, having regard to what has transpired and all the evidence brought out in this inquiry, some part of which you must have read, do you still say that this ammunition was sold to Vickers, Limited, of England?

Sir SAM HUGHES: I am not talking about what has transpired at this inquiry, I am stating the facts, it was sold to Vickers, Limited.

Mr. DEWART: May I say, Sir Sam Hughes, that so far as this is concerned, it is extraordinary that you have not realized before this that it was not sold to Vickers, Limited.

Sir SAM HUGHES: But it was sold to Vickers, because General Macdonald showed me an order that it was to be addressed to Vickers, Limited.

Mr. DEWART: Do you not know, sir, that it was never sold to Vickers, Limited, but that it was sold directly to Allison?

Mr. HENDERSON: No, there is no evidence as to that.

Mr. DEWART: And that it was consigned to C. A. Searles, Vickers House.

Sir SAM HUGHES: That is a deliberate insinuation; an untruth, that it was sold to Allison.

Mr. DEWART: I ask you this: Was there any other man who negotiated the sale in Canada except Allison?

Sir SAM HUGHES: The gentleman to whom I have referred.

Mr. DEWART: That gentleman had only a short conversation with you; have you looked through the documents to see that the whole transaction was one with Allison?

Sir SAM HUGHES: Allison had nothing to do with it.

Mr. DEWART: Have you looked through the documents to see that under Allison's instructions this ammunition went to C. A. Searles, Vickers House, which is the building where Vickers do their business.

Sir SAM HUGHES: Exactly, that is where it was sent.

Mr. DEWART: Have you learned that Vickers, Limited never purchased one round of this ammunition?

Sir SAM HUGHES: I do not know anything about it; I know that the order came to send it to Vickers.

Allison's account of his past connection with this matter is this:—

Pr. Ev., p. 23.

By Capt. Thompson:

Q. How did you first ascertain that ammunition of a defective nature was for sale, or available in Canada?

A. I telephoned to the Quartermaster General from New York after a conference with a representative of the British War Office to ascertain if they had any .303 Mark VI that they could not use, or, if not, where I could get it.

Q. Did the person with whom you had the conference in New York tell you that there was Mark VI ammunition available in New York?

A. No, I ascertained that from General Macdonald.

Q. Did you have any conversation with a representative of the Vickers firm in regard to Mark VI ammunition?

A. Yes, sir.

Q. Prior to the sale by Canada to Vickers through you?

A. Yes, sir.

Q. Did this member of the Vickers firm inform you that there was Mark VI ammunition for sale in Canada, or available here?

A. No, sir. I presume I telephoned to General Hughes at the same time and he referred me to General Macdonald.

Pr. Ev., p. 9.

General Macdonald also testifies thus:—

By Capt. Thompson:

Q. Do you recall the first occasion on which you met Colonel Allison in reference to the sale of this ammunition?

A. It would have been some time prior to that letter. I have no definite or clear recollection of what passed between us at the time except that he had come to me from the Minister in connection with obtaining some of this ammunition and which I think that letter has reference to. What passed between us then would not have amounted to anything because the time for action had not yet come.

Q. Do you know approximately how long it was before the date of that letter that the interview took place?

A. It would not be very long.

Q. Did you fix the price?—A. —

Sir CHARLES DAVIDSON: In what quality did he come?

The WITNESS: He did not say for whom he was acting except that he had come from the minister to me. I did not know really whom he was representing until afterwards.

Q. Did you think he was buying it personally?

A. I thought, from a hint that he indirectly gave me, that this ammunition was being purchased for the use of the Imperial people, and in making a sale, I felt that, if it were required for a purpose of that kind, we were doing rather a good turn to these people overseas as well as getting a return ourselves for what was defective ammunition.

Pr. Ev., p. 283.

By Mr. Dewart:

Q. General Macdonald, I see that you were examined in this matter by Capt. Thompson, K.C., on the 13th May last, you remember the circumstance?

A. Yes.

Q. At that time you said you had no definite or clear recollection of what passed between Colonel Allison and yourself, at your first meeting, except that he had come to you from the minister that is the way you put it, in connection with obtaining some of this ammunition. That will be found at page 9 of the printed evidence. Have you refreshed your memory at all so as to speak more accurately with reference to your first conversation with Colonel Allison about the purchase of the ammunition?

General MACDONALD: I have striven to try and recollect whether I could remember anything more than I stated there, but really that is just as I remember it now. I cannot give any impression as to anything definite that passed between him and me at the time. My recollection is that he was with me but a few minutes, and that I had really no conversation with him about it.

Pr. Ev., p. 136.

Colonel Allison further testifies when in the hands of Mr. Dewart:—

Q. What was your exact status, so far as the Dominion Government was concerned, in any negotiation that you undertook or pretended to undertake with reference to the purchase of this small arms ammunition?

A. I do not know what you mean.

Q. Whom did you represent?

A. A representative of the British Government.

Q. Of the British Government?

A. Yes.

Q. On whose authority?

A. A representative of the British Government.

Q. But authorized by whom to represent the British Government?

A. I do not understand your question.

Q. You appear to have conducted certain negotiations with the Canadian Militia Department, looking to the purchase of certain small arms ammunitions?

A. Cartridges?

Q. Yes, ammunition, and I want to ask whom you represented in that respect, under whose authority?

A. I was, as I said, a representative of the British Government.

Q. Would you mind mentioning the name of that representative?

A. I do not know that I should answer that.

Mr. HENDERSON: Better give it.

The WITNESS: Sir Trevor Dawson.

By Mr. Dewart:

Q. What information had you with reference to the small arms ammunition or cartridges that exist in Canada at the time you undertook these negotiations?

A. I do not remember where I got my information. I may have got it from him, and I may not. I know I telephoned to General Hughes, and he referred me to the Quartermaster General.

Q. Can you tell the time you telephoned to General Hughes?

A. Some time early last summer, a year ago.

Q. June or July perhaps?

A. Yes."

Pr. Ev., p. 143.

By Mr. Dewart:

Q. Was it suggested to you by Sir Trevor Dawson that this lot of defective Mark VI ammunition might be of use for machine gun practice?

A. I do not remember any of my talks with Sir Trevor Dawson on this particular matter. We had many other matters that we talked of, I do not remember, we had so many deals on.

These prefatory conversations led up to the following letter:—

S. P., p. 16. Pr. Ev., p. 9.

Confidential.

General D. A. MACDONALD,
Quartermaster General,
Ottawa, Can.

H.Q. C/1718.
September 8, 1915.

MY DEAR GENERAL,—Referring to my arrangements with you some time

ago for the purchase of 236,000, .303 Mark VI cartridges for Sir Trevor Dawson, I have just received a cable requesting me to have these shipped to—

“C. A. SEARLES,
“Vickers House,
“Broadway,
“Westminster, London.

“At the earliest possible moment.

“I have cabled asking authority to pay you for their account here for the above cartridges. Therefore, kindly send me your bill and I will see that it is paid.

“Faithfully yours,

J. WESLEY ALLISON.

“Spoke to Col. Helmer who says Mark VI, 1912, ringed.

“(Sgd.) J. F. M. (S. H.)

“Give I.O. 4821 (the figures are the issue order number.)”

Thereon appears the following:—

“Spoke to Col. Helmer, who says Mark VI, 1912, ringed.

“(Sgd.) J. F. M. (S. H.)”

Colonel Helmer is the Director General of Musketry; “J. F. M.” are the initials of Col. J. F. Macdonald, Principal Ordnance Officer; and “S. H.” those of the Minister, by way of approval.

By request of the Minister's Military Secretary, Allison withdrew the word “Confidential” which appears on this letter.

There followed an application for an additional quantity. Thus:—

Sess. Paper, p. 20.

“HOTEL MANHATTAN,
“MADISON AVE., NEW YORK,
“October 6, 1915.

Confidential.

“General D. A. MACDONALD,
“Quartermaster General,
“Ottawa, Ont., Can.

“DEAR GENERAL MACDONALD,—I have just received instructions from London requesting me to order from you an additional 750,310 .303 Mark VI cartridges to be shipped to the same address as referred to in my letter of September 8. They have asked if you would permit them to deposit the amount of the purchase price to the credit of the Canadian Militia Department in London, at the Bank of Montreal there.

“Thanking you for a reply, and with kind personal regards, I am,

“Yours very truly,

“J. WESLEY ALLISON.”

Sess. Paper, p. 21.

Two days later Allison telegraphed that this shipment was also to be addressed to Vickers House; and to send account to him.

Sess. Paper, p. 21.

The Quartermaster General replied that the price of ammunition was \$20 per thousand—boxes extra—average price, \$1.47 each.

13917—2B

Sess. Paper, p. 25.

By this letter of November 23, 1915, the Principal Ordnance Officer transmitted to Allison debit vouchers of the two shipments of 236,000 and 750,300 rounds (total 986,300), with this request:—

“Will you instruct your principals to place the amount \$20,926.94 to the credit of the Receiver General of Canada in the Bank of Montreal in London.”

Copy of this letter was transmitted to the Paymaster General.

By a subsequent arrangement the amount was transferred from No. 2 Account, Bank of Montreal, New York, to the manager of the branch at Ottawa, and there paid to the credit of the Receiver General of Canada, Militia Department.

Sess. Paper, p. 27.

Purchase of a further two million rounds was sought. The Quartermaster is in doubt as to whether the application was verbal or in writing. He imagines the latter; of this the Principal Ordnance Officer notified the Quartermaster General, who secured and transmitted the “O.K.” of the Minister.

The following is the reference:—

Q.M.G.

C/1718.

An application for an additional million rounds of Mark VI ammunition has been received from Colonel Allison on behalf of the Vickers Coy.

Ammunition to this amount is available at Quebec. It is part of this which is *under suspicion*. Should this issue be made at the same price as the last two issues, please?

J. F. MACDONALD, Lt.-Col.

P.O.O.

OTTAWA, 11-11-15.

O.K.

S.H.

Spoke Q.M.G. that Col. Allison wanted two millions. Told to increase to that amount.

J.F.M.

Desire existed to obtain two million rounds more:—

Sess. Paper, p. 28.

C-1718.

NEW YORK, N.Y., Dec. 18-15.

Gen. D. A. MACDONALD,

Q.M.G., Militia Dept., Ottawa.

Can you ship our friends, London, two million more .303 Mark Six? General Hughes here and approves, but requested me to wire you.

J. WESLEY ALLISON.

Thereupon the Principal Ordnance Officer addressed this request for instructions to the Quartermaster General:—

Sess. Paper, p. 30.

C/1718

Quartermaster General,—

Sale of S.A. Ammunition to Vickers, London.

Colonel Allison has applied for 2,000,000 rounds of S.A. Ammunition (Mark VI) for his principals, the Vickers Maxim Coy. of London.

There is available in Ordnance Charge this amount of ammunition. It is part of that *under suspicion*.

The amount of this ammunition already shipped to this company is 2,986,000.
Shall issue be made at the same price formerly charged—\$20 per thousand?

J. F. MACDONALD, Colonel,
P.O.O.

OTTAWA, 20-12-15.

On the copy of this request for instructions as set forth in the return appear these successive memos:—

Sess. Paper, p. 30.

“Minister says O.K.

“(Sgd.) D. A. MACD. (i.e., Quartermaster General) 20-12-15”

Ascertain where and by whom this is to be used if sold by O.C.

“(Sgd.) S.H. (i.e., the Minister).”

“Q.M.G.

“Please note Minister's instructions if this ammunition is to be sold it must be done by Order in Council and the Minister's inquiry should be fully answered.

“(Sgd.) EUG. FISER,

“D.M. (i.e., the Deputy Minister of Militia).”

The copyist, as he was not making a facsimile, in his Sessional Paper copy omitted two crossed-out memorandums which appear on the original.

Pr. Ev., p. 292.

They are: “O.C. S.H.” and “Old condemned amm.”

Allison by wire on date, December 20, asked for a reply.

So far as the Quartermaster General is aware there was neither answer to nor communication with Allison on the subject.

Of these occurrences the Quartermaster General gives this account:—

“Mr. DEWART: The question I was asking General Macdonald was, what record is there in the department to show any answer or communication from the department to Colonel Allison, after his telegram of the 20th December, and before the Minister's application for an Order in Council on the 5th January?”

“General MACDONALD: Nothing, except that memo, of date 20th December.

“Mr. DEWART: Then, from your recollection, tell me what happened, so far as that application was concerned, of Colonel Allison's for an additional two millions from New York on the 18th December? Before the Minister applied for this Order in Council of the 5th January, something must have intervened.

“General MACDONALD: This memo was prepared, saying he had asked for the two millions, and then the matter was taken up by the deputy, as I remember, in reference to the Order in Council, and I do not think that after that it came back, or, I do not remember of it coming back.

“Mr. DEWART: Was there any communication with Colonel Allison in the meantime?”

“General MACDONALD: Not that I am aware of.

“Mr. DEWART: By telephone or otherwise, was he communicated with during that period?”

“General MACDONALD: I cannot tell you.

“Mr. DEWART: Was there any discussion between the Minister and yourself, or the deputy minister and yourself, as to the necessity for this Order in Council?”

REPORT OF COMMISSIONER

"General MACDONALD: I do not think there was any special discussion, but it was talked of in Council, I think, if I am not mistaken.

"Mr. DEWART: Do you mean the Militia Council?

"General MACDONALD: Yes, but I would not be sure about that. The deputy, I think, took the ground that there ought to be an Order in Council, and the Minister did not object, as I remember.

"Mr. DEWART: He applied for it, as a matter of fact, but can you tell me what discussion took place with reference to these two million rounds of ammunition that had been asked for by Allison?

"General MACDONALD: I do not remember a single word.

"Mr. DEWART: It seems odd that there was no reply to him.

"General MACDONALD: I suppose we did not consider it necessary because the action was taken at once, as you will see by the memorandum, showing he had asked for it.

"Mr. DEWART: When did you find that the Order in Council was not to be granted?

"General MACDONALD: I do not think there was any further action, nor has there been since."

Thereupon there came the following submission:—

Sess. Paper, p. 31.

OTTAWA, January 5, 1915.

To His Royal Highness the Governor General in Council:

The undersigned has the honour to submit for the consideration and approval of Your Royal Highness in Council, an application from Vickers, Limited, for the purchase of 4,985,900 rounds of S. A. Ammunition, Mark VI. This is part of the stock of Mark VI ammunition which, under suspicion, was not allowed to be used with rifles in Canada. The price of the ammunition to be \$20 per thousand rounds. This ammunition, while rejected for rifle use is, however, reported to be suitable for the testing of Vickers machine guns, now being manufactured in very large numbers in England.

The matter is respectfully submitted.

SAM. HUGHES, Major General,
Minister of Militia and Defence.

Of positive resulting action there was none. Apparently the higher authority decided in the negative. The evidence does not disclose whether the final refusal to sell, or rather the non-passage of an Order in Council in approval of the sale was founded on a doubt as to sufficiency of price, or on the non-desirability of letting this large quantity of munitions go out of the country.

The evidence of record in justification of the one—as I shall presently decide—makes it reasonably certain that the other was the cause of the non-passage of the Order in Council sought for.

I have sought to keep, in immediate sequence, the four applications made by Allison with an account of what became of them.

I now proceed to deal with the crop of outrising questions.

Who was the buyer?

Sir Trevor Dawson is a director of and a notable figure in the Executive Department of Vickers.

F. Orr Lewis, to repeat, is President of the Canadian Vickers and has business relations with the parent company.

J. W. Allison is a Canadian, who for the past thirty years has conducted business operations in the United States.

C. A. Searles is an official in a gun and ammunition department of Vickers. *Orr Lewis* speaks in this way of him:—

Pr. Ev., p. 105.

By Mr. Dewart:

Q. With reference to Mr. Searles, who has been referred to, what position does he occupy in connection with Vickers Company, Limited?—A. He is in one of the departments; he is in the gun and ammunition department.

Q. In what capacity?—A. He is an official there.

Q. He is not a director?—A. No.

Pr. Ev., p. 106.

Q. Did you suggest his name as a person to whom the ammunition should be shipped?—A. No.

“Q. Can you account at all for how his name came to be used?—A. His name was used for all the shipments from this side.”

“*Sir CHARLES DAVIDSON:* You might proceed to ask why it was not shipped to Vickers, Limited, was there any public reason for shipping it as it was shipped?”

“*Mr. DEWART:* Vickers, Limited, I take it, had no interest in the matter at all.

“*Sir CHARLES DAVIDSON:* But in regard to the other things, is there any explanation which you might properly ask?”

“*Mr. LEWIS:* These shipments were shipments of war materials, and the answer which suggests itself is that the Vickers name would not be used.”

Sess. Paper, p. 25.

When the Principal Ordnance Officer transmitted the accounts to Allison he spoke of them as being for the Mark VI ammunition shipped to Vickers, London, and asked him to instruct “your principals” to place the amount to the credit of the Receiver General of Canada in the Bank of Montreal, London.

Sess. Paper, p. 26.

In the same officer's notice to the Paymaster General of this transmission, he styles Allison, “the Canadian representative of Vickers, Limited, of London, England.”

The correspondence creates, throughout, the belief that the transactions were with this corporation.

Further, so far as outward and visible business connections went, *Sir Trevor Dawson* was, and acted as, the representative of his firm. In truth he was, for the time being, the confidential representative of the Admiralty. Of this he made no disclosure to any Canadian official.

The belief prevailed that Vickers were the buyers.

According to the lights afforded by then existing knowledge, this belief was fully justified.

How it later on became known that the Admiralty had bought, and paid for the ammunition, needs description.

When a copy of the Debates was brought before the Commission, I noticed, on giving it perusal, that a suggestion or assertion to this effect had been made by *Mr. McKenzie, M.P.* He said:—

Hansard, p. 4036.

“It has been reported and I think if it is properly inquired into it can be shown, that these goods were not sold to Vickers-Maxim at all, but were sold to the Admiralty.”

Parenthetically the explanation may be made that "Vickers-Maxim" was a preceding style of Vickers, Limited.

The Premier and Sir Sam Hughes asserted, in their replies, that Vickers were the buyers.

In his factum, Mr. Dewart makes special mention of these replies, and asserts that they were "inaccurate and misleading."

At the date of the debate everything on the face of the correspondence and documents sustained the belief that Vickers were the buyers. This investigation—earnest though its pursuit has been—has not disclosed the existence of any then knowledge to the contrary, in the possession of either the Minister or of any officer in the Militia Department.

I do not ignore an impression which at the very outset of the operations—indeed before writings began—existed in the mind of the Quartermaster General. It was of vague character, as the following question and answer show:—

Pr. Ev., p. 9.

"By Capt. Thompson:

"Q. Did you think he (i.e., Allison) was buying it personally?

"A. I thought, from a hint that he indirectly gave me, that this ammunition was being purchased for the use of the Imperial people, and in making a sale, I felt that, that if it were required for a purpose of that kind, we were doing rather a good turn to these people overseas as well as getting a return ourselves for what was defective ammunition."

Pr. Ev., p. 287.

He confirms this impression.

Of its use for Imperial purposes, whether by Vickers in their testing operations, or otherwise, or by the War authorities, doubt could not exist.

How and when, during this investigation, disclosure was brought about of the fact that the Admiralty was the buyer, can be best learned by quotations from the evidence. Their liberal extent needs no apology.

In the course of his first examination the Auditor General testified:—

Pr. Ev., p. 56.

"By Mr. Hutcheson:

"Q. Then you say, (i.e., in his letter to the Minister of Finance, Pr. Ev., p. 43) 'I have reason to believe that the ammunition was resold at an advance of about 25 per cent.' Could you help us by telling who told you that?

"A. No, sir I won't.

"Q. Because you do not know?

"Mr. DEWART: At this point I desire to take this exception: I believe evidence will be given at first-hand, if the opportunity is allowed, by those who can speak with reference to these matters, and I submit that the evidence of the Auditor General upon this point, which would be merely hearsay, should not be asked for at this stage. I am prepared to give the undertaking that, with sufficient opportunity to be given, the evidence of witnesses who can speak absolutely with reference to this matter will be given.

"Mr. HUTCHESON: I may say that at the present moment I do not know the names of any such witnesses who may be called, and my sole desire in questioning the Auditor General is to be put on the track of useful information."

Pr. Ev., p. 57.

"Mr. DEWART: If my learned friend and I had an opportunity of discussing the matter together, we might be able to discuss it more profitably.

"Mr. HUTCHESON: I think the Auditor General should reply to my question, and I press it.

"The WITNESS: My information is confidential.

"Q. Whatever you were told in that regard was given to you confidentially, and you decline to tell the name of your informant to His Honour, the Commissioner?

"A. Just at this point I want to put myself right with the Commission. I think the Commission understands my position. I have powers of examination myself in connection with my work, and I do not discourage confidential information, and any obtained in that way I do not think I should disclose. I should have to decline to disclose anything that I received as confidential.

"Q. I take it from your answer that you do recall the name of your informant.

"Mr. DEWART: He has not used the word 'informant.' I object to my learned friend using a word that has a nasty significance.

"Mr. HUTCHESON: I said 'informant' not 'informer', and that is not at all objectionable. It may be quite proper the Auditor General should not disclose it. I leave that to the Commission.

"Mr. DEWART: If you say 'the source of his information and not the 'informant' I will be satisfied.

"Mr. HUTCHESON: I think I will have to do it in my own way.

"Q. You have in mind the name of the informant, and you think you should not disclose the name here?

"Sir CHARLES DAVIDSON: I might state that from the outset of our investigation I have laid it down as a general principle that these confidential sources of information should be regarded as privileged, otherwise our inquiries would have been seriously fettered. Information has been given constantly throughout our sittings in a private manner to Mr. Thompson. He has utilized it as regards other efforts to secure evidence, and on two or three occasions I have declined to permit questions which would reveal the source of the information. What I might suggest at the moment is a question in this form: Can you suggest the name of any witness who will be able to afford us information on this point?

"Mr. HUTCHESON: I am quite willing to adopt that suggestion. Is that not in substance what I have asked?

"Sir CHARLES DAVIDSON: Oh no, quite a distinction. Don't you see the source of his information may not be a party at all who could supply evidence or who could be produced as a witness. I think the position is one that should be satisfactory to you at the moment.

"Mr. DEWART: I was going to say that if my learned friend would not press that question here—

"Sir CHARLES DAVIDSON: He is not going to do it.

"Mr. DEWART: If my learned friend would speak to Mr. Fraser privately he might give him the information. I have not been able to get it myself.

"Sir CHARLES DAVIDSON: Put the question I suggested.

Pr. Ev., p. 58.

"Q. Can you suggest the name of any witness who would assist us in that direction?

"A. I prefer not to-day.

"Mr. HUTCHESON: Are you satisfied with that position, Sir Charles?

"Sir CHARLES DAVIDSON: The answer might have been put in a more definite form. Is there any hope of the future then?

"The WITNESS: Certainly.

By Mr. Hutcheson:

"Q. What about the remainder of the sentence in which you say that you have reason to believe that its destination was not the Vickers, Limited. Can you give us to-day any information which prompted you to say that in the letter?"

"A. No, I could not give it.

"Q. For the same reason?—A. Yes.

"Q. Then may we hope that on some other occasion you will supply us with information which will enable us to follow that line up?"

"A. Yes, I think it has been admitted already.

"Q. If it has been admitted I have no knowledge of it?"

"A. I think it is in Hansard repeatedly, that it came from the British Admiralty.

"Q. I do not feel bound to question you with regard to Allison's connection with the matter, which I do not think would further us in this matter at all?"

"A. That is a matter of opinion."

Mr. Orr-Lewis was called at a later sitting. I quote:—

Pr. Ev., p. 92.

By Mr. Hutcheson:

"Q. You say that neither the Canadian Vickers nor the English Vickers had any interest in it?"

"A. None whatever. Neither of these firms had any interest in this transaction.

"Q. Can you tell us who was the purchaser?"

"A. One of the directors of the English Vickers came to Canada in April—I must go back a little to explain myself—came to Canada in March, I think it was of 1915, on a special mission which was in connection with the Imperial Government. I am naturally very careful about this because I do not wish to state in public what I should not state.

Pr. Ev., p. 93.

By Mr. Hutcheson:

"Q. Was he acting for Vickers?"

"A. He was not acting for Vickers, no. He was acting for the British Admiralty.

"Q. You having learned from this director of Vickers, Limited, that this purchase from the Canadian Militia Department was being discussed by the Imperial Admiralty, what further connection did you have with the matter, if any—give us the history in order of date?"

"A. You asked me what further connection did I have with the transaction?"

Pr. Ev., p. 94.

By Mr. Hutcheson:

"Q. Did you have anything to do with the payment for this ammunition and if so, what?"

"A. Yes, I had to do with the payment for it, but only as a trustee.

"Q. That brings us to what you were about to tell us as to your position?"

"A. As trustee, this ammunition was paid for through this trustee account.

"Q. We have not yet learned of any trustee account—please confine yourself to the matter we are investigating—you mentioned a trustee account?"

"A. Yes.

"Q. What account was that?"

"A. That was an account established by a deposit of British money in order to take care of transactions of this kind.

" Q. The account would be by whom?

" A. The account would be by the British authorities to take care of transactions of this kind.

" Q. What British authority?

" A. Well, I presume that one time it would be the Admiralty and another time a department of the British Government.

" Q. Confine yourself to this matter, what account would that be?

" A. That was the Admiralty.

" Q. Where was the account kept?

" A. At the Agency of the Bank of Montreal, New York.

" Q. You spoke of it as being a trustee account?

" A. Yes, a trustee account.

" Q. Who was the trustee?

" A. I am the trustee.

" Q. Is the trust evidenced in writing in any way?

" A. No, it was verbally arranged in New York.

" Q. Was the verbal arrangement made direct with you?

" A. Yes.

" Q. Can you tell us by whom?

" A. I could tell you that privately, but I could not tell it publicly, perhaps.

" Q. If any state secret is to be disclosed I cannot see that the evidence is important enough to make it worth pressing.

" Mr. LEWIS: If Mr. Dewart would be satisfied with a private statement in connection with it, I will give it to him with pleasure.

" Mr. DEWART: I do not want that.

" Sir CHARLES DAVIDSON: In this matter, when the witness states that the public interest would be affected by making the statement in public, and is willing to make it privately, why should it not be proper to accept the information in that way? Otherwise I shall sit in camera.

" Mr. DEWART: I almost hesitate to express my view of the way in which the evidence of the witness is being given, but I shall have to leave it to you, sir, and not to myself, to say whether I should accept the private statement.

" Sir CHARLES DAVIDSON: No, sir, you cannot put it in that position; proceed with the examination.

The witness adds that this arrangement was made in April, 1915.

The Auditor General was thereupon called.

I again quote:—

Pr. Ev., p. 110.

" Mr. DEWART: I understand that there were some sources of information that the Auditor General would be able to give us to-day which he was not in a position to give us the other day.

Pr. Ev., p. 111.

By Mr. Hutcheson:

Q. You recall, Mr. Fraser, the other day that you thought it not desirable to give us certain sources of information, which you thought might later on be at your disposal. Could you serve us further in that matter this morning?

A. I think the question was whether I could suggest anybody that might be subpoenaed that would throw any further light upon the matter.

Q That was one of the questions.

SIR CHARLES DAVIDSON: Either information or the names of witnesses.

THE WITNESS: I would suggest the Bank of Montreal.

REPORT OF COMMISSIONER

By Mr. Hutcheson:

Q. Which officer of the Bank of Montreal?

A. The information would be with the Bank of Montreal, New York. I do not know what is customary, whether a subpoena would be sent to the head office or direct to New York.

Q. You mean to produce——?

A. The production would have to be from New York.

Q. Are you referring to the trustee account?

A. Any documents they might have in their possession with reference to the ammunition.

Q. The impression we got from Mr. Lewis' evidence was that this account dealt with a lot of other matters and was not confined to the matter within the scope of the inquiry?

Sir CHARLES DAVIDSON: That point, as it appears to me, does not arise at the moment.

By Mr. Hutcheson:

Q. And then we have that suggestion that the manager of the Bank of Montreal in New York be called upon to produce any records he may have in his possession relating to this matter?

A. Yes.

Q. Can you suggest to us any other sources of information?

A. No.

Q. None?

A. No.

Q. Is there anything further that you can disclose, any information you yourself can disclose regarding the matter?

A. Yes, I have received certain information in connection with this. Of course, it would only be hearsay evidence, but it can be confirmed.

Q. Is that in reference to what may be available at the Bank of Montreal, or is it in some other direction?

A. That would be available at the Bank of Montreal.

Sir CHARLES DAVIDSON: By whom confirmed?

The WITNESS: By the Bank of Montreal.

The Auditor General had with him copies of letters on file at the New York Agency of the Bank of Montreal.

Pr. Ev., p. 118.

"I have had them," he says, "but for a very short time".

During the inquiry I caused the Clerk of the Commission to telegraph Sir Frederick Williams-Taylor, General Manager of the Bank of Montreal, requesting him to have his proper officer produce copy of Account No. 2, New York, with all relating correspondence.

Pr. Ev., p. 183.

Sir Frederick thereupon instructed his Ottawa Manager, Mr. A. G. Parker, to produce before me the required documents, which the Bank's New York agents would transmit to him.

Pr. Ev., p. 184.

This Parker did, and, while without personal knowledge of the matters involved, gave as a banker, valuable explanatory testimony.

Pr. Ev., p. 184.

Counsel, on conference, amicably agreed "upon the letters and the portion of the bank statement which should be introduced."

It seems best that the whole of No. 2 Account should be available for reference. To this end, I have secured a certified copy, which is transmitted herewith.

Its first entry bears date the 23rd of August, 1915; its last the 9th of June, 1915.

Possibly reference will, at a later stage of this report, need to be made to items not so selected by counsel.

The position of the Canadian authorities would have received increased strength had they known of and had they, resultingly, been able to assert that the sales were, in fact, to the Admiralty.

I cannot discover anywhere in the record, any advantage which accrued through putting forward Vickers as the purchasers.

The intervention of Allison would call, as fully, for explanation, in the one case, as in the other.

So, too, would the alleged charge of an additional \$5 per thousand on the price. This account and the \$5 question will receive attention.

The price charged and paid was \$20 per thousand rounds.

In his factum, Mr. Dewart asserts that there was "an undervaluation" and that:—

Pr. Ev., p. 313.

"Even Colonel Harston admitted (p. 172) that the 236,000 rounds sold in September, 1915, of 1912 ammunition which was ringed and inspected 'was worth \$25 per thousand rounds.' This must also apply to the like ammunition, 750,000 rounds, sold in October, 1915."

The entire answer, from which these words were taken reads as follows:—

Pr. Ev., p. 172.

"Colonel HARSTON: Our experience was that 1 per cent of the 1912 was bad, but if they were ringed and inspected, then the ammunition was worth about \$25 per thousand rounds. If it was not ringed and inspected we would put it in the dangerous class."

I expect to make some other quotations from Col. Greville-Harston's evidence.

Pr. Ev., p. 43.

In his letter to the Minister of Finance (3rd April, 1916) the Auditor General wrote:—

"The department has been buying ammunition since the declaration of war at \$33 per M and has also been manufacturing ammunition at the Dominion Arsenal at a cost of \$34.60 per M consequently there has been a loss to the Government on this transaction of over \$45,000."

Pr. Ev., p. 55.

When these words were penned the Auditor General had not heard anything at all about the ammunition having been found defective. He "thought it was good ammunition."

Pr. Ev., p. 54.

As to the cost of buying, his information came from vouchers.

Of the prices at which the department has been buying ammunition since the declaration of war, and of the manufacturing cost at the Quebec Arsenal, witnesses did not speak.

The statements of the Auditor General in these respects are given respectful appreciation.

The factum and the letter are valuable as starting points from which I can proceed to deal with the evidence and to reach conclusions.

The deliveries were of Mark VI—303.

The years of manufacture and the respective quantities were:—

Oct. 15, 1915.	1912..	236,000	
" 29, 1915.	1912..	750,300	
			986,300
Nov. 26, 1915.	1906..	1,911,800	
" 26, 1915.	1907..	88,000	
			1,999,800
			2,986,100

Mr. JACOBS: Assuming that the department got \$20 a thousand for it, what have you to say to that?

Colonel HARSTON: I should say they ought to return \$17.50 per thousand if they do the square thing.

He proceeds to say that the Admiralty might have wanted it for testing purposes.
Pr. Ev., p. 173.

Mr. JACOBS: Then with regard to the 1912 ammunition you consider \$20 per thousand rounds is a fair price.

Colonel HARSTON: If they took it unringed and unproved, I should think \$20 was a fair price.

Pr. Ev., p. 229.

General ELLIOTT says:—

Sir CHARLES DAVIDSON: In your belief was any of this 1906, 1907, 1910, 1912 ammunition fit to be issued to our troops at the front?

General ELLIOTT: Oh no, sir, none of that is fitted for troops at the front. It is Mark VI ammunition.

Further impressive opinions are of record.

General D. A. Macdonald, Quartermaster General:—

Q. Is that (i.e., \$20 per thousand for Mark VI) full price, or half price?—

A. That was the highest price we sold it for.

A. We had not been selling any for some time, but what we sold for Rifle Associations, Cadets Units, and so on, was at \$20 per thousand.

On pages 133 and 134 of the Sessional Paper No 276a, there is a "Statement showing sales of .303 ammunition.

Twenty Mark VI sales are detailed. The highest price was \$20 per thousand.

The last sale was the 500,000 rounds to the Royal Northwest Mounted Police, which took place on March 4, 1916.

The next preceding entry bears date September, 1914, so that there had been an interval of eighteen months without a sale of Mark VI.

Pr. Ev., p. 61.

Col. J. F. Macdonald, Principal Ordnance Officer:—

"A. Yes, \$20 a thousand has been the run of it, as far as I can see. . . . The price of Mark VII has been fairly uniform at \$30. . . ."

Colonel Helmer, Director General of Musketry:—

Pr. Ev., p. 233.

" . . . I do not know anything as to the cost of it (i.e., Mark VI) I understand it was fixed by regulation at \$20 per thousand. . . . but the regular price of ammunition regularly served was \$20 a thousand."

Pr. Ev., p. 248. Sess. Paper, pp. 40, 41 and 42.

It will be remembered that in May, 1914, the Ross Rifle Company asked, what largest quantity up to 40 millions it could buy at \$10; it was offered 10 million rounds of 1908-09 at \$12, boxes extra; and that it refused to buy.

Pr. Ev., pp. 163, 165.

The 1908 had been ringed and tested.

Pr. Ev., p. 11. Sess. Paper, pp. 35, 39.

Militia Order No. 592 (1911) is of the following tenor:—

"Price of .303 ball cartridges of old manufacture."

"In future, issues on payment by the Canadian Ordnance Corps of .303 ball cartridges of over five years manufacture will be made at half price, viz, \$10 per thousand rounds."

The evidence makes for emphatic certainty that \$20 per thousand rounds of Mark VI ammunition was not an undervaluation. It was the standard price; indeed for such great blocks it was an outside price.

Had normal conditions existed, these impugned sales would have been of advantage to the Canadian Treasury and capable, on their merits, of vigorous defence.

But our then national conditions were abnormal; they were those of war.

It is not an extravagance of belief or of words to assert that the sales would not have been, had not war environed the Empire. In all likelihood neither Vickers nor the Admiralty would, in peace times, have sought its acquirement.

What on the other hand were the protective needs of Canada, as regarded retention of the ammunition?

If these were of serious character, of course grip ought to have been kept on every round of ammunition in store.

Excellence of price would, in that case, cease to be a desirable factor.

I give attention to this feature of the sales.

Did Canada need to keep in hand the condemned and suspected ammunition?

Pr. Ev., p. 311.

Mr. Dewart's factum says:—

"The particular years of ammunition manufactured which have been spoken of as being 'condemned' or under 'suspicion' were prior to 1912, though even, 1912, and 1913, were to be ringed before use according to the view that existed in 1913, before the actual declaration of war in August, 1914.

"But after the latter date the views of the Militia authorities changed and no ammunition of any date was to be destroyed. Canada needed every round of ammunition she had, and the so-called defective ammunition was required and should have been retained here."

Sess. Paper 276, p. 96. (Barlow Report, p. 46.)

The Barlow-Ogilvie Report recommends as to ammunition subsequent to February, 1908, that it should not only be ringed, but also visually examined "for external scores and for elimination of the old, e.g. (.07) cases and subject to firing proof before issue."

Sess. Paper 276, p. 86. (Barlow Report, p. 36c.)

As to the 1913 manufacture, ringing was not needed.

The manufacture of this ammunition—Mark VII—began at the outset of 1913; was and is of first-class quality and effectiveness; and has been of constant transmission to our troops in the field.

It was intended to and did supplant Mark VI, which the Canadian Forces, at the front have not been asked nor permitted to use.

The earliest reference I find of a change of policy with regard to disposal or destruction is in November, 1914. I extract it from Mr. Dewart's factum.

Pr. Ev. pp. 312, 314.

The statement is that the Quartermaster General ordered the distribution of 2,970,000 rounds of Mark VI, 1906, 1907, "to the various Ordnance Depots only in case of emergency."

Sess. Paper 276, p. 45.

On the 10th of that month the Quartermaster General, addressed the following memorandum to the Deputy Minister of Militia, the Chief of the General Staff and the Master General of Ordnance:—

"Under the existing circumstances low stock of ammunition, do you think it would be wise to hold this ammunition until such time as the stock in depots is brought up to normal conditions."

Thereon the Deputy Minister made this note:—

"We should not dispose of one single round."

and the Chief of the General Staff:—

"With reference to folio 122, the situation has changed (the word 'since' is omitted by clerical error, see Pr. Ev., p. 239), the word 'destroy' was written; and the order (unless repeated) should not be carried out."

A note from the Master General of Ordnance does not appear.

The covering note of the Quartermaster General was:—

"Noted. Necessary action taken."

The folio 122 to which General Gwatkin refers is found on page 43 of the Sessional Paper No. 276, and bears date July 29, 1914.

A brief epitome of it is desirable.

Thereby the Quartermaster General, addressing General Eliot with reference to folios 110 to 114, asks if in view of the facts that the Superintendent at the Arsenal "has neither time, facilities, nor accommodation" for taking over the ammunition referred to on folio 41; that storage accommodation and boxes for serviceable ammunition is urgently needed; it might not be preferable to have all "this condemned ammunition destroyed by drowning."

Col. Benson, then Master General of Ordnance, added this note:—

"D. of A. (i.e., Director of Artillery.)

"Note the ('to' not 'the' in original) B. F. 'for 6-8-14' (i.e. the Director of Artillery is instructed to bring forward on August 6, 1914.)

The Minister endorsed on the margin:—

"Destroy. S. II. 6-10-14."

As we have seen, General Gwatkin, ten days later, found the situation changed "since the word 'destroy' was written" and advised that "the order (unless repeated) should not be carried out."

It was not repeated; the ammunition has not been destroyed.

Pr. Ev. p. 239.

"When I wrote that minute, Sir"—testifies General Gwatkin—"I was of the opinion that the situation in Canada did not justify us making away with any ammunition, even that which was found defective. That was personal opinion."

Equal in relevancy and fuller in measure is the testimony of Lt.-Col. Macdonald, Principal Ordnance Officer:—

Pr. Ev., p. 21.

"By Capt. Thompson:

"Q. That made subsequent to 1908 was under suspicion. You place them in two classes, that made prior to 1908 and that made subsequent to that date?"

"A. Yes, I think they felt that if an emergency arose within Canada it would be advisable to have every round of ammunition within reach.

"Sir CHARLES DAVIDSON: Good, bad or indifferent?"

"The WITNESS: Yes.

"Sir CHARLES DAVIDSON: What is that date?"

"The WITNESS: Immediately at the outbreak of the war.

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“By Capt. Thompson:

“Q. The situation had changed by this time because General Macdonald says that the reserve of Mark VI ([sic] obviously should be Mark VII) that is the good ammunition, was very large? You had placed all of Mark VI in the same category and were not using it? Is that correct?

“A. Yes, that is the situation.

“Sir CHARLES DAVIDSON: You were about to say that you were holding Mark VI?

“The WITNESS: We held Mark VI until such time as the accumulation of Mark VII reached the amount—in fact until it very much exceeded the amount—that we were instructed to maintain as a minimum. I have here a statement which is confidential but it may interest you if you care to look at it. (Paper handed to Sir Charles Davidson.) It is not for publication but it will show exactly the situation.

“By Capt. Thompson:

“Q. I do not know whether this is so or not, Colonel Macdonald, but it is suggested that in view of the fact that your reserve had increased you had placed all the Mark VI in the same category?

“A. Yes. The decision has recently been announced that it has been withdrawn entirely from use.

“Q. Will you tell me what date that was?

“A. They began to withdraw it gradually. They withdrew it year by year and the last thing they withdrew it for was machine guns which was only a few months ago.

“Q. Mark VI?

“A. Mark VI. Our accumulation began to grow, our reserve to increase, and recently they withdrew it absolutely from use.

Major-General D. A. Macdonald:

“We were instructed to keep a minimum quantity of ammunition, good, bad and indifferent, on hand. When the three million rounds were sold to Allison, we were far beyond the minimum amount of ammunition, and the inferior ammunition had been replaced by superior ammunition, Mark VII.

Between the departmental occurrences having relation to destruction or otherwise of Mark VI and the selling of the munitions a full year had elapsed.

In that interval, Canada had, happily, stood free of internal emergency and the accumulation of Mark VII had grown in marked degree.

Withdrawal of Mark VI had been in progress and few months before Lt.-Col. Macdonald's examination its issue had ceased, in entirety.

Of the increasing extent of Mark VII in the last three months of 1915 we have not the precise figures.

The table of reserve quantities already set forth on an earlier page of this report gives the following relating figures:—

August 1, 1914	3,534,571
December 31, 1914	4,161,558
March 31, 1916	12,569,080

To what use the 3,000,000 rounds were put by the Admiralty is not disclosed by the evidence. The general belief existed that it was needed for machine gun testing or other like purposes. In this department of munition work great quantities are fired off. The Savage Arms Company alone wanted and secured 150,000 rounds for a similar purpose.

Events subsequent to the making of the sales, or—as it might be more fitly expressed—the non-occurrence of emergency justify them in retrospect.

This disposal of 2,986,100 rounds of ammunition, in two-thirds part condemned and one-third part suspected, has benefited our Treasury to the extent of \$59,722. The price was of ample extent.

As to the need of an Order in Council.

Pr. Ev., p. 44.

In his already quoted letter to the Deputy Minister of Militia, of date March 8, 1916, the Auditor General asked, ". . . if an Order in Council was obtained authorizing the sale?"

Pr. Ev., p. 43.

In his further already quoted letter to the Minister of Finance, of date April 3, 1916, the Auditor General writes:—

"I wrote the Department of Militia and Defence, asking to be furnished with an Order in Council and also the particulars of the sale, but have had no reply.

"I have, therefore, to request that you will obtain the approval of the Governor in Council for the sale and that you will also let me know why the rate was fixed at \$20 per M."

Pr. Ev., p. 313.

Mr. Dewart's factum asserts:—

"The inference is obvious that the issue of any Mark VI ammunition or its sale outside of Canada, such as is alleged sales to 'Vickers, Limited,' were plainly unauthorized unless specific Orders in Council were obtained for the same."

This inference is based on these premises:—

1. "No reference to the general powers of the Quartermaster-General or to the general authority in regard to obsolete equipment covers this particular matter.

2. "All sales or issues for Canadian Maxim guns and rifles to Cadet Corps and Rifle Associations, or for other Canadian purposes, are made by virtue of the General Order in Council which governs the regulations for the equipment of the Canadian Militia."

These are said to be in evidence at page 67, *et seq.*

3. "Apart from the sales in question, the only others were to Canadian Rifle Clubs, to military organizations, to the Savage Arms Company of Utica, N.Y., for Canadian purposes (150,000 rounds), and to the Royal Northwest Mounted Police (500,000 rounds of 1910) for actual use.

4. "The Minister of Militia must have known that the sale of three million rounds (approximately) was irregular without an Order in Council or he would not have endeavoured by his belated application of January 5, 1916, to secure approval of the 3,000,000 rounds improperly issued and for the further 2,000,000 rounds sought, but not obtained, because an Order in Council was not issued."

Pr. Ev., p. 307.

Mr. Hutcheson's opinion is:—

1. "The proposition (*i.e.*, that an Order in Council was an essential condition precedent) is quite debatable.

2. "The Minister declares that for the disposal of any sort of defective ordnance no Order in Council is necessary or customary, and that the Quartermaster-General has full authority to deal with the matter.

3. "Nevertheless, an Order in Council of ratification for the past and of authorization for the future was sought for.

4. "There is not, in evidence, any regulation regulating the sale of am-

munition to other than the Canadian militia, or any law or of any custom determining in what cases an Order in Council is needed.

5. "In our great war many matters of form must give way to matters of substance.

6. "While Orders in Council may be considered desirable, their absence should not be censured."

Copies of "The Regulations and Orders for the Militia of Canada" are difficult of obtainment. Enormous military demands have exhausted the edition. For this reason it is best to have before us in verbatim consecutive form, the regulations found on pages 67 *et seq.* of the evidence, to which Mr. Dewart makes special reference:—

Regulations for the Equipment of the Canadian Militia, Part 1.

Pr. Ev., p. 67.

Para. 135. Ammunition for Maxim guns, rifles and revolvers will be issued at the rate laid down for the various services in paras. 147 to 150 of these regulations. Indents for ammunition will be on Militia Form C. 573.

Para. 136. Issues to Cadet Corps and Rifle Associations will be governed by the regulations under which these organizations are authorized. All indents will be carefully checked by the Senior Ordnance Officer to ensure that expenditures of previous issues have been accounted for. The certificates required by regulations must be furnished in all cases.

Para. 137. Indents for issues of ammunition for the training of the Militia Forces should bear on the face a certificate from the officers commanding setting forth that the former issue has been expended in accordance with the regulations.

Para. 138. In the case of troops trained in camps of instructions, ammunition may be issued as required, in accordance with the rates laid down for the number of men authorized to be trained in musketry. At the conclusion of the camp an ammunition account must be furnished by the officer in charge of musketry instruction, to the Senior Ordnance Officer, showing the expenditures and what disposition has been made of the unexpended balance (if any).

Para. 139. A supply of ammunition to be designated "service ammunition" will be kept at all times at regimental headquarters by permanent units and "on deposit" in Ordnance Depots for all non-permanent units, in the following proportions:—

Permanent Corps.

"Mounted or Dismounted, 100 rounds service ammunition per carbine or rifle of their establishment."

Officers commanding units of the permanent force will be held responsible that a proper proportion of ammunition is held, and that it is properly "turned over" on receipt of later date of manufacture than that in possession, the older ammunition will be fired at practice, the new supply retained in lieu."

Para. 140. In cases of emergency the above supply of ammunition can be increased in such an additional quantity as the District Officer Commanding may consider necessary, but O.C. units should give strict orders that ammunition is not to be removed from the paper wrappers unless there is every likelihood of it being at once required.

Para. 141. Extra issues of ammunition remaining unexpended will be returned to the Ordnance Corps on the termination of the service which necessitated the supply, and a cross reference will be made on the Ordnance Receipt Voucher to the voucher on which the original issue was made.

The British Regulations for Army Ordnance Service, Part 11, guide our Militia authorities.

An abstract of paragraphs 552 and 553 appears on page 22 of the printed evidence.

I give the full text:—

Para. 552. "When small-arm or machine gun cartridges have been sentenced 'unserviceable' and this sentence has been approved, they will, unless special orders are given to the contrary be dealt with as follows:—

(a) All small-arm and machine gun ball cartridges will have their bullets extracted.

(b) Rolled case cartridges, from which the bullets have been removed, and rolled case blank cartridges will then be destroyed locally, under the orders of the General or other Officer Commanding, being thrown into deep water if possible.

(c) Solid case cartridges from which the bullets have been extracted, and solid case blank cartridges will be fired off and dealt with as other fired cases."

Para. 553. "In firing off cordite cartridges from which the bullets have been extracted, a large amount of cordite will be blown unburnt out of the bore of the rifle; this should be swept up and destroyed in accordance with paras. 407 to 409."

I am unable to find in paragraphs 135 to 141 any solution, or even approach to it, of the Order in Council question.

Paragraphs 552-553 do no more than authorize destruction of small arms ammunition officially decreed to be unserviceable.

Obviously our search for information must proceed in other directions.

In the absence of written law, opinions founded on precedents, experience, military usage, deserve attention.

Pr. Ev., p. 52; also Pr. Ev., p. 205.

The Auditor General testified:—

" * * * I considered there should be an Order in Council * * *
 " * * * The usual practice is the disposal of anything out of the ordinary run, an unusual transaction of this sort, of that magnitude, I do not know that there is any law on the subject, but it is the practice to get the consent of the Governor in Council.

Pr. Ev., p. 53.

" * * * the custom of selling to rifle associations in small quantities for riflemen has been a long standing practice * * * I take it as regular, but this was an unusual transaction.

" * * * the general principle that no department is allowed to alienate government property unless there is something in the constitution of that department, or in regulations laid down by Council, that would apply there."

Pr. Ev., pp. 202, 203, 204.

The Auditor General produces copies of three Orders in Council. epitomize them:—

P.C. 999, May 1, 1916:—

"Sale authorized of uniform clothing to the value of \$22,863.07, on the ground of its having become obsolete by the universal adoption of khaki. That it has been kept in stock for two years; may be destroyed by moths, and is occupying space."

Pr. Ev., p. 203.

P.C. 1100, May 24, 1916:—

"Sale by public auction or public tender of 40 very much worn Ford cars."

13017—3½B

Pr. Ev., p. 204.

P.C. 1344, June 6, 1916:—

“Sale authorized to the Internment Department at \$2 per pair of 493 pairs of part worn aukle boots returned to Ordnance for repairs. Their wearers have gone to the front.”

Pr. Ev., p. 205.

He in addition invokes as a precedent the sale, in 1913, by Order in Council to the New Zealand Government of 15,000 rifles for one dollar each.

A belief is expressed that the ammunition sent overseas to our troops need not be authorized by Order in Council; and a number of leading Staff Officers were examined on the point.

Major-General Macdonald, Quartermaster-General:—

Pr. Ev., p. 22.

“Sir CHARLES DAVIDSON: There is a regulation as to the disposition of this ammunition by drowning, sale or otherwise?”

“The WITNESS: Stores that are brought before a board of officers may be burned or turned into produce. It is essential that there should be some cash value in them, but if they are not worth while, they are burned. Old brooms, or old mop handles would be burned at once as having no commercial value.

“Sir CHARLES DAVIDSON: If they have commercial value?”

“The WITNESS: Then, they are what we call produce. Then the Board recommends that the produce be sold. Old metal, such as iron, brass, copper, or any of these things, is returned by way of Ordnance.

“Sir CHARLES DAVIDSON: What as to ammunition—whence does authority come for sale?”

“The WITNESS: If it is condemned it is referred to higher authority and it may then be sold.

Pr. Ev., p. 23.

“Sir CHARLES DAVIDSON: What, if anything was there irregular as regards the method of the sale of small arms ammunition to which reference has been made this morning?”

“The WITNESS: I do not know that there was anything irregular in connection with it.

“Sir CHARLES DAVIDSON: According to your observation was it all regular?”

“The WITNESS: According to my observation it seemed to be quite regular.

Pr. Ev., p. 285.

“By Mr. Dewart:

“Q. Quite so, but what I ask you is this: when the application was made for two million rounds of ammunition, first in November, and second, in December 1915, did you feel you had authority to dispose of that, without some other authority passing upon it?”

“A. Yes, certainly, except the authority to sell, which I got.

“Q. Which you got from whom?”

“A. From the Minister.

“Q. And with the Minister's authority you felt you were at liberty to sell?”

“A. Yes.

Lt.-Col. J. F. MACDONALD, Principal Ordnance Officer, after speaking of the regulations which have had recent quotation, and of the fact that he has occupied his present office for six or seven years testifies:—

Pr. Ev., p. 59.

By Mr. Hutcheson:

"Q. While you hold that position what has been the custom regarding the disposal of ammunition to any person outside of Canada or outside of the kind of association which you have already mentioned?

"A. Well, it is looked upon that the Quartermaster-General and the Militia Council and the Minister are sufficient authority to make sales. The sales are authorized through the regular channel, the Minister, the Militia Council, and the Quartermaster-General. Certain sales are made at the request of the Master-General of Ordnance. Take that sale to the Savage Arms Company, the Master-General of Ordnance asked that the sale be made."

Major-General ELLIOT: Master-General of Ordnance:—

Pr. Ev., p. 229.

"General ELLIOT: To tell you the truth, sir, I know very little of the whole transaction. As regards the principle, I know that in my department any expenditure of money over a certain amount requires an Order in Council. I know that in the Quartermaster-General's Department which mostly has to do with unserviceable stores and that sort of thing, they are having Orders in Council now. Hitherto, the regulations had covered the disposal of a certain quantity of unserviceable stores.

"Mr. DEWART: What paragraph is that to be found in?

"General ELLIOT: I do not know. It is a well known fact that there are regulations which authorize the disposal of unserviceable stores.

Mr. DEWART: By the authority of the Militia Department without Order in Council?

"General ELLIOT: Without Order in Council.

"Sir CHARLES DAVIDSON: There are new regulations in force now, are there not?

"General ELLIOT: The War Purchasing Commission rather changed the thing. I am speaking of past years. These orders were laid down in regulations, but with the introduction of the War Purchasing Commission, I believe there was a change.

"Sir CHARLES DAVIDSON: Would that include the sale of condemned stores?

"General ELLIOT: I honestly do not think it did, but I have not had any condemned stores myself. The Quartermaster-General would be able to speak about that.

"Sir CHARLES DAVIDSON: In your belief, was any of this 1906, 1907, 1910, 1912, ammunition fit to be issued to our troops at the front?

"General ELLIOT: Oh, no, sir, none of that is fitted for troops at the front. It is Mark VI ammunition.

"Sir CHARLES DAVIDSON: What experience have you, if any, in connection with the inspection by the Admiralty of purchases made by it?

"General ELLIOT: None, sir.

"Sir CHARLES DAVIDSON: None whatever?

"General ELLIOT: No.

Pr. Ev., p. 230.

The witness cannot conceive that the Admiralty bought three million rounds at different dates without knowing what it was buying.

Pr. Ev., p. 240.

Major General Gwatkin, Chief of the General Staff, states that the matter was not brought before the Militia Council to which (printed evidence, p. 242) no question

"need be referred unless the President of the Council so chooses. We have no right of our own to bring up these questions."

His opinion is asked as to an Order in Council:—

Pr. Ev., p. 241.

"Mr. DEWART: Do you know of any authority, either by General Order in Council or under the Rules of the Militia Council, or of the Quartermaster General's Regulations, based on an Order in Council, that would justify the sale of ammunition to some person outside of Canada, without an Order in Council having been passed?"

"General GWATKIN: I know of no definite regulations touching that subject.

Lt. General the Hon. Sir Sam Hughes testifies as regards the submission for an Order in Council of date January 5, 1916, and set forth on a preceding page:—

Pr. Ev., p. 264.

" I remember signing an application for an Order in Council"

" The Deputy Minister of whatever department it is in has an Order in Council prepared. He brings it to me and says 'this is the Order in Council' and I take it for granted that the officer is square, and I sign it without knowing what the Order in Council is"

"I signed an Order in Council for this as a matter of form, and I did not figure whether it was two millions or three millions, or five millions. I did not read the Order in Council."

His views on the non-need of one are these:—

Pr. Ev., p. 265.

" I could not give much time to it and it did not require my authority for an Order in Council. General Macdonald had full authority to dispose of that ammunition without my intervention in the matter at all."

Pr. Ev., pp. 275, 276.

"Mr. HUTCHESON: (to Sir Sam Hughes): On that last point—are these regulations, touching the need of an Order in Council, supposed to be exhaustive?"

"Sir CHARLES DAVIDSON: Where are the regulations to that effect?"

"Sir SAM HUGHES: General Macdonald gave the instructions, I think.

"Sir CHARLES DAVIDSON: Where are the regulations which adjudge no need of an Order in Council?"

"Sir SAM HUGHES: They are put in by Colonel Macdonald.

"Sir CHARLES DAVIDSON: Which one?"

"Sir SAM HUGHES: There is no need of an Order in Council for anything that is destroyed. Reference is made here to ammunition that was obsolete. I understand they get an Order in Council for that. That is a different thing entirely from defective ammunition. This was defective stuff; stuff that was condemned. The obsolete stuff may be good ammunition. When we changed from the Enfields to the Martini, the old Snider rifles were sold at a dollar apiece or some trifling sum, all over the country. There was no need for keeping that old ammunition in store. I am speaking of previous Governments now. That ammunition was sold at a nominal price for the use of the farmers and the huntsmen who bought these rifles. They were good rifles and it was good ammunition. So, when the Martini was given up for the Lee-Enfield, the same thing occurred. The Martinis were disposed of or sold. There was no use

taking up storeroom for them. It was not the rifle with which the troops were armed, and as I understand the Martini rifles were sold, and the ammunition was disposed of here and there throughout the country to jobbers. When the Lee-Enfield was discarded and the new Ross rifle was taken into service, the proposition was made to sell the Lee-Enfield. I happened to be the Minister then, and I thought it well to hold them as they might be used for some Imperial purposes. And the New Zealand Government purchased these at a nominal figure. These rifles were not condemned; the ammunition for the Lee-Enfield was not condemned; it was obsolete. Therefore, that was sold by Order in Council. But this ammunition, having been condemned by a Board, an Imperial Board at that, so that there was no question about anything Canadian in connection with it, we had the best men we could get from England to do it—this ammunition was condemned as being defective, and being defective General Macdonald had full authority to dispose of it.

"Mr. HUTCHESON: I understand the meaning of your answer to be that in the case of defective ordnance, quite aside from any question of regulations, it has never been the custom or practice to have an Order in Council for its disposal.

"Sir SAM HUGHES: No. The Board pronounces on it, and it can be sold by higher authority. The District Officer Commanding can do it. If, for example, Colonel Hemming, in this district, has stores to be disposed of, I am informed that he could call for public tenders, or get an offer, and by reference to the higher authority which is understood to be General Macdonald, he could dispose of it. The General's explanation to me, as I remember it, as to why he referred this matter to me, is this: I said, 'Why do you bother me about it?' He said: 'To comply with the regulation it must be referred to higher authority,' and as I was the authority higher than he, he thought it necessary to get my initials on the matter. That is all there is to it.

"Mr. HUTCHESON: In your memorandum in which you made application for an Order in Council, covering the sale of some five million rounds of ammunition, reference is made to an application by Vickers, Limited?

"Sir SAM HUGHES: Yes.

"Mr. HUTCHESON: Would that application of necessity be in writing?

"Sir SAM HUGHES: No, the application does not need to be in writing. I never gave it one second's thought. The General spoke to me about this application and said that the Vickers wanted it, and I thought it had reference to this machine gun business, and I said: 'All right, prepare your Order in Council and rush it away.'

"Mr. HUTCHESON: Supposing the application was made verbally by Colonel Allison, or by any person, would you not have it acted upon without the necessity of any written application?

"Sir SAM HUGHES: I should imagine so; I never bother about these details in the department. As long as the money goes to the credit of the Receiver-General, I think that is all that we are concerned about."

That these transactions were not in association with the routine work of the Militia Department even as enlarged in vast degree, by the war; their magnitude; the fact that the extent of our ammunition stock was of Canada wide importance; and the absence of any definite supporting regulation to the contrary; all lead me to the opinion that an Order in Council ought to have been sought for at the outset.

I extend this belief to the sale of 150,000 rounds to the Savage Arms Company, Utica, N.Y. The fact that they were to be used for testing Savage-Lewis guns in course of manufacture for Canada does not qualify the position. The ammunition was going out of the country, otherwise than for the direct use of our troops.

The 500,000 rounds of Mark VI issued to the Royal Northwest Mounted Police and the 12,000 rounds of Mark VII, with loan of 24 Mark III Ross rifles which went to our Customs cruiser *Margaret* stand in a different category.

These transactions were not, in fact, sales. They constitute transfers as between departments, and the formal payments made did not advantage the Treasury. They were book-keeping methods.

My consideration of the matters involved in this inquiry takes another step forward.

As to alleged profits and commission.

Criticism of and against alleged maladministration of the Militia Department henceforward develop into charges affecting the honour of the parties impugned. If not indicted for dishonesty they are so, at the least, for moral turpitude.

Mr. Dewart presents his fourth and last heading:—

Pr. Ev., p. 310.

“The question whether profits or commissions were made, or intended to be made, by Sir Trevor Dawson, Mr. F. Orr Lewis, Honourary Colonel J. Wesley Allison, or any of them, or any others (out of this Admiralty purchase), and also whether the Minister of Militia of Canada is compromised by his knowledge of or inexcusable ignorance of the real character of the transactions.”

The factum converts the question into explicit accusation:—

Pr. J p. 315.

“The New York correspondence absolutely proves that there were two prices, first what Mr. Lewis naively calls ‘our price’, that is the ‘Dawson-Lewis-Allison price’ of \$20 per thousand, and second the price bargained for with the Admiralty and which they paid to Mr. Lewis’ No. 2 trust account of \$25 per thousand.

“I contend that the three men, Dawson, Lewis and Allison were parties to a transaction that was intended to put \$25,000 in a ‘Trust Account’ which they intended to divide, and which has left for the approximate 3,000,000 rounds of ammunition, that they got \$15,000 to their credit in the Orr-Lewis account at New York, which this investigation will probably make it impossible for them to divide as they had intended.”

Pr. Ev., p. 316.

“The reason for the Minister’s hesitation appears from the fact that it was this same distinguished gentleman (i.e. Sir Trevor Dawson) to whom the Ministe. now attributes his information that the ‘Vickers Firm’ had added about £1 sterling for freight, insurance, and exchange, which they afterwards removed when they found that the admiralty was paying these costs.”

The factum proceeds:—

“This statement, wherever it originated, was false to the knowledge of Dawson, Lewis, and Allison.” (The statement referred to appears on p. 257.)

Pr. Ev., p. 319.

“While we cannot show how the profit was to be divided, a careful analysis shows \$14,586.97 of undivided and ear-marked profit in the same bank at New York, on the three million rounds of ammunition, in which there is no suggestion that any one had any interest except Dawson-Lewis-Allison, and which the correspondence shows there was not the slightest intention of returning to the Admiralty, or to any one else.”

Pr. Ev., p. 322.

It is passing strange that there should appear, by an entire accident, as a result of this inquiry, the fact that \$4 profit per rifle was charged and obtained on each Ross rifle, and fifty cents on each bayonet referred to. Why did the Admiralty need to pay an added price for Ross rifles and bayonets purchased through the Dawson-Lewis-Allison Commission Agency? Why use this channel at all?"

Pr. Ev., p. 323.

"My Lord, I take it that you must find that despite Lewis's vacillating answers and Allison's more wily denials, that there was a profit and commission on these Small Arms sales in which Allison was to share, in which Lewis was to share, and to which Sir Trevor Dawson was a party.

"But the denial of Allison and Lewis under oath cannot be taken, I submit, on the face of the carefully prepared letters and of the accounts themselves."

Mr. Dewart puts forward fifteen to twenty reasons in support of his arraignment of Sir Sam Hughes. These attack, in strong language, the competency of Sir Sam Hughes. In respect of his conduct in the witness box many sins of commission and omission are charged.

It is certain that the witness was positive, peremptory, even aggressive; and, in the absoluteness of his belief that he had throughout wisely exercised an assured authority, refused to aid in production or go into the evidence.

But these are *ex post facto* incidents, of occurrence in the presence of commissioner and counsel; they do not implicate Sir Sam Hughes in the \$5 controversy.

Pr. Ev., p. 324.

Mr. Dewart proceeds:—

"Whatever excuse may have existed for an earlier confidence in Allison, which I by no means admit, the conclusive evidence against Allison brought out before Your Lordship the whole conduct of the Dawson-Lewis-Allison triumvirate as disclosed in this comparatively small but infinitely important matter of principle, made in the bounden duty of the Minister of Militia to fully inform himself and to sever the connection with Allison or at least disavow the transactions, in which the trail of dishonest dealing had been brought direct to Allison's door."

Mr. Hutcheson is of the belief that:—

Pr. Ev., p. 308.

"In any view of the case there is no reason apparent why the Militia Department, or the honourable the Minister should be held accountable, or blameworthy, even if a commission was charged or was intended to be charged to the ultimate purchaser of this ammunition. At the time of the sales the supposition was that Vickers, Limited, was the purchaser. It could be no concern of the Militia Department to whom they resold it, or at what price, and the same conclusion should obtain if the purchaser proved to be Sir Trevor Dawson."

Mr. Smith submits:—

Pr. Ev., p. 325.

"... no argument is necessary to establish that neither Canadian Vickers, Limited, nor Vickers, Limited, of London, England, were interested in any manner whatsoever in the purchase of small arms ammunition from the Dominion Government or in the re-sale thereof. Neither of these companies was interested, or participated in any manner whatsoever in any of these transactions. It is, of course, easily understood that the Minister of Militia and other members of the Canadian Government assumed that the sale had been

made to Vickers inasmuch as a shipment was made to C. A. Searles, Vickers House, London, and the purchase was made on behalf of the British Admiralty by one of the directors of Vickers, Limited."

Pr. Ev., p. 326.

" . . . The special account opened with the Bank of Montreal at New York is not yet closed, there being a balance on deposit which will be accounted for to the Admiralty."

Pr. Ev., p. 327.

" . . . The Admiralty is thoroughly aware of the fact that the special account in trust for it has been opened, which in itself excludes the idea of any one appropriating any of the trust funds. The Admiralty states in terms that the purchase and payment for the ammunition, boxes, etc., are in accordance with its own instructions, and its deposits with regard to this particular ammunition will be accounted for to it. This excludes absolutely the idea that the transactions were closed at a fixed price, as Mr. Dewart argues from Mr. Orr-Lewis' letter."

Mr. Henderson, on behalf of Allison, submits:—

Pr. Ev., p. 327.

"Some time prior to the outbreak of the war, there was under the control of the Department of Militia and Defence belonging to the Government of Canada, a considerable quantity of small arms ammunition which had been passed upon by a board of examiners, part of it being condemned and the other part 'under suspicion'."

"At that time, Colonel J. Wesley Allison was a broker, carrying on business as such, with headquarters in New York. It had been intended by the Minister of Militia that Colonel Allison should be one of the heads of a war purchasing commission on behalf of the Imperial authorities (evidence, p. 276), and in this connection as well as in connection with his general business, he was in touch with the munitions situation throughout this part of the country. Shortly after the war broke out, Sir Trevor Dawson, who is practically the head of Vickers, Limited, came to this country entrusted by the War Office and the Admiralty with the responsibility of procuring for them certain munitions of war."

Pr. Ev., p. 328.

"Sir Trevor enlisted the services of Colonel Allison to purchase the ammunition from Canada. For obvious reasons, he did not explain to Colonel Allison that he was acting for the Admiralty, and Colonel Allison naturally assumed that he was acting for his own concern, Vickers, Limited."

"The only question which concerns Colonel Allison is as to whether or not he himself made any profit out of the transaction. As to this the evidence shows very clearly that he did not make any such profit."

" . . . He states positively that this work was done gratuitously, and that a sum paid him for commission by Mr. Orr-Lewis had no connection with this transaction. Mr. Orr-Lewis says the same and the evidence is uncontradicted that the only connection that Colonel Allison had with the transaction was to carry out the instructions of Sir Trevor Dawson, who in turn acted on behalf of the Admiralty."

These statements of counsel help us to localize the issues—if they can be so characterized—involved.

I proceed to a development of my own views on the subject of alleged profits and commissions.

We are already aware that Sir Trevor Dawson came to this side of the Atlantic in March or April, 1915, as the confidential representative of and buyer of munitions

for the Admiralty. Sir Trevor Dawson holds seats on the Boards as well of the parent as of the Canadian Vickers.

This connection is universally known and as well is his prominence in the Imperial munitions world.

Of his being, on this occasion, a trusted missioner of the Admiralty he made no divulgement. Possibly the only person aware of the fact—at least among those connected with this inquiry—was Orr-Lewis, president of the Canadian Vickers.

In the course of a conversation with Sir Sam Hughes, knowledge was obtained that Canada could supply him with some cartridges.

In this connection there was absence of further active movement for six months.

Meanwhile Sir Trevor Dawson laid the foundations for extensive operations in the United States. I make renewed mention of the fact that he opened an account with the Bank of Montreal, at New York, in the name of Orr-Lewis, as trustee. It has come to be spoken of as No. 1.

Reasons for the non-use of the name of the Admiralty, or even of the Vickers, closely connected as they were, with the War Departments of England, do not need development.

Additional methods for concealment of transactions were adopted. Deposits were made through local New York banks, and in two instances by the Merchants Bank of Canada, which has a branch office in New York; a bank book was not used; nor were cheques. The manager received instructions as to a transaction; others followed as to its completion; thereupon he paid.

Production of Account No. 1 was not asked for; admittedly it stands aloof from any Canadian transaction. It has ceased to exist.

Thereupon a successive account, also in the name of Orr-Lewis, as trustee, and which came to be known as No. 2, was opened.

Here we find the payments made to our Treasury, and to other vendors of war material out of deposits by the Admiralty or by some cognate British department.

These and their relating incidents call for immediate analysis, with particular reference to alleged payments of profits and commissions. According to the use to which they have been put by counsel, "profits," "commissions," are alternative or synonymous expressions.

The account, with the correspondence which grew out of it, has been freely put before the Commission. From the latter, selections were made by counsel, in manner like to that which, by consent, took certain items out of the account. In this case also, I think the whole of the correspondence ought to continue available for reference, and, through the courtesy of Mr. Parker, local manager of the Bank of Montreal, I am enabled to transmit it herewith.

At the threshold of this branch of the investigation stands the necessity of settling a principle. That is to say—it is perhaps needless to remark—of settling it as regards my own methods of procedure.

I shall cut a wide swath of analytical investigation over all that relates to the conduct of our officials or that affects the interests of our public Treasury.

Beyond these limits irrelevancy begins.

The sale was made to the Admiralty, through its own officials, and paid for out of Imperial moneys.

It would be an unwarranted intrusion, without, moreover, constituent authority even to attempt it, were I to pass judgment, favourably or otherwise, upon the domestic arrangements existent between the Admiralty and its agents or sub-agents.

I put to myself this question: What if a Commission were created in England to investigate and judge upon some detail of Canadian internal economy, which had to do with the manner of paying agents?—The answer which imposes itself upon one is, that the proceeding would, among us, excite criticism to the point of acerbity.

There is possibility that some interference with this intended rule of conduct may occur, because of my desire that the scope of this Commission's authority should be

exercised in full measure. I must incur the danger, even reproach, of it, for the sake of thoroughness.

I resume my observations on the case.

Sir Trevor Dawson made New York the headquarters of his activities, financial and otherwise.

These included the conversion of his cash credits into ready-made rifles and munitions.

At the outset he took Allison into employ. Allison had, for thirty years, conducted business affairs in the United States. He gives me the idea of possessing certain qualities which would advantage operations requiring shrewdness, secrecy and inquisitive activities.

It is not improbable, maybe it is probable, that knowledge of Allison, or acquaintance with him, came to Sir Trevor Dawson through Sir Sam Hughes, who says:—

Pr. Ev., p. 276.

“The next time I asked him to interfere was to purchase the material for the British Government, and he saved them thousands and thousands of dollars on this. Then, when I was requested by the British Government to obtain great quantities of various supplies, I asked him then if he—I could not attend to this thing, I had my own business to attend to—I asked him if he would attend to this, buying clothing, horses, saddlery, blankets, and all that kind of thing. I said to them that I had not time to attend to it, and I asked him: ‘Will you undertake the headship of a committee?’ I remember suggesting General Drain, of Washington, a most estimable gentleman, with him, and two or three other gentlemen, who would form this committee, with various responsible officers throughout this country as supervisors. I asked Allison if he would accept the headship of this committee, because I knew he was a very honourable and a very capable business man. If my memory serves me, I cabled to England suggesting this, and that the mode of remuneration would have to be determined by the War Office, whether it would be a straight salary or small commission for the lot of them, half per cent, one per cent, one and a half per cent; I think those are the figures I named. I also communicated the idea to my colleagues in the Cabinet, to the Prime Minister, but I only suggested the formation of the committee that I was thinking of to the Prime Minister. When I went to Valcartier I had the idea of putting Allison and Drain at the top. When I came back the following week the Prime Minister, acting on my suggestion, had appointed a sub-committee of Council, which, of course, rendered the other committee ineffective.”

As a result of the employment of Allison by Sir Trevor Dawson, he became a factor in many “deals.”

Pr. Ev., p. 26.

Allison testifies:—

“By Capt. Thompson:

“Q. Were you the agent of the Vickers?

“A. I cannot say that; I was called up to do a great deal of special work for the Vickers, and the representative of the War Office.

Pr. Ev., p. 137.

“By Mr. Dewart:

“Q. What information had you with reference to the small arms ammunition or cartridges that existed in Canada at the time you undertook these negotiations?

“A. I do not remember where I got my information. I may have got it from him and I may not. I know I telephoned to General Hughes, and he referred me to the Quartermaster General.

"Q. Can you tell the time you telephoned to General Hughes?

"A. Some time early last summer, a year ago.

"Q. June or July, perhaps?

"A. Yes.

"Q. What was the result of the telephone message to General Hughes?

"A. He referred me to the Quartermaster General.

"Q. Before that, owing to the intimate personal relationship that appears to have existed between General Hughes and yourself, you had some knowledge with reference to the condition of affairs in regard to ammunition in Canada?

"A. No.

"Q. None?

"A. Very little.

"Q. It has been the subject of a rather distinct inquiry in the United States. You had made it your business to find out what ammunition there was in the United States?

"A. Oh, yes."

Pr. Ev., p. 137.

"Q. From more than one firm? From the Remington firm and from another firm?

"A. Oh, from anybody whom I thought had ammunition.

"Q. Were you so deputed to inquire about ammunition by the British Government?

"A. Oh, no."

Pr. Ev., p. 143.

"By Mr. Dewart:

"Q. Was it suggested to you by Sir Trevor Dawson that this lot of defective Mark VI ammunition might be of use for machine gun practice?

"A. I do not remember any of my talks with Sir Trevor Dawson on this particular matter. We had many other matters that we talked of, we had so many deals on."

Then follow statements that he knew nothing of the character of the cartridges which he had been instructed to order.

Pr. Ev., p. 91, 96.

Orr Lewis left Canada for England, via the *Lusitania* in April, 1915. He was injured in the tragedy, operated on, in perilous condition for months, and did not return before March, 1916.

His account of the extent of Allison's operations and of some other details is interesting:

Pr. Ev., p. 100.

"By Mr. Dewart:

"Q. Can you suggest any reason for Colonel Allison's intervention?

"A. Yes, I will try to suggest a reason that will be quite clear; he was selling large quantities of ammunition to the British Government through this same source.

"Q. From Canada?

"A. Through this same source."

"By Mr. Dewart:

"Q. I do not understand this. What do you mean by 'through this same source.' Do you mean he was paid for this ammunition through this same account?

"A. No, I am not talking about money at all now. He had sold to the

Admiralty, if I be correct, through the source of my trusteeship, to the people of England, other munitions of war.

"Q. But in this particular instance, apparently one of your directors of Vickers, Limited, had acquainted you early in 1915 with the fact that the Admiralty desired to get some ammunition; I think that is what you stated?

"A. No, sir.

"Q. Your first knowledge of the same came to you in 1915, and as I took it down one of the directors of Vickers, Limited, told you of this purchase.

"A. Not in April, 1915.

"Q. That is early in 1915?

"A. The first I knew of this purchase was in August, 1915, or about August.

"Q. When you spoke of the purchase you spoke of it as a prospective purchase and not as one that had taken place?

"A. At that time I speak of it had taken place.

"Q. It had not taken place until the 16th of September?

"A. I think you will find it was long before that.

"Sir Charles DAVIDSON: The letter of the 8th of September, 1915, from Colonel Allison to General Macdonald says:—

"Referring to my arrangement with you some time ago for the purchase of 236,000 .303 Mark VI cartridges for Sir Trevor Dawson."

so that it must have occurred some time before that date.

"By Mr. Dewart:

"Q. Did you hear of this matter as early as July or August?

"A. I would say it was the latter part of July or early in August.

"Q. Are you at liberty to state from whom you learned it then?

"A. Yes. I think I have already stated that I would hear it through a director of Vickers who was out here on a special mission.

"Q. What was his name?

"A. Sir Trevor Dawson.

"Q. Then was any suggestion made to you at any time, Mr. Lewis, that this ammunition was to be used for the purpose of testing machine guns to be manufactured by the Vickers Company?

"A. No.

"Q. You knew it was going to the Admiralty?

"A. I neither knew where it went nor what it was for."

This existent business established at New York was utilized for the purpose of the Canadian cartridges.

It is my immediate purpose to scrutinize the selected items of Bank Account No. 2 and to introduce item 12 which was not so selected.

Let us first deal with the selected debit charges.

Debit Item 12:—

Nov. 30, 1915.	Pay't. a/c. 500 Ross rifles at \$28.50 plus exchange draft on Montreal \$26.72	\$14,276 72
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Debit Item 21:—

Jan. 4, 1916.	Pay't. a/c. 500 Ross bayonets and scabbards plus cost tgms. (i.e., telegrams and commission).	3,007 74
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Pa. Ev., pp. 321, 322.

It is necessary to bring item 12 under observation, for the reason that Mr. Dewart's *fectum* makes specific mention of it at two places. Thus:—

On p. 321, calculation is made of alleged profits.

On p. 322, the two transactions were dealt with in this way:—

"It is passing strange that there should appear, by an entire accident, as a result of this inquiry, the fact that \$4 profit per rifle was charged and obtained

on each Ross rifle, and fifty cents on each bayonet referred to. Why did the Admiralty need to pay an added price for Ross rifles and bayonets purchased through the Dawson-Lewis-Allison Commission Agency? Why use this channel at all?"

With these transactions the Militia Department had nothing to do.

The Ross Rifle Company was the seller and direct receiver of the price.

~~They are not germane to this inquiry, and in this respect I thought consent existed.~~

Debit Item 17:—

Dec. 21, 1915. Payment to J. W. Allison \$3,000

Pr. Ev., pp. 98, 106, 107, 108, 154, 155.

Orr-Lewis and Allison again and again strongly assert under oath that this commission was paid on transactions, wholly unconnected with Canada.

Their examination on this point was exhaustive.

At the conclusion of Allison's examination the following conversation between Commissioner and counsel had occurrence:—

Pr Ev., p. 155.

"Sir CHARLES DAVIDSON: In view of the statement of the witness that this commission of four or five thousand was paid, might it be possible now to secure any knowledge of the transactions on which this commission was paid?"

"Mr. HENDERSON: I understand that that raises the same old question of possible complications. There will be no objection in the world to witness and Mr. Orr-Lewis either jointly or separately giving you that information, and I have no objection to give it to my learned friend, Mr. Dewart, on the understanding that it will not be published. There is no objection to my learned friend, Mr. Hutcheson, getting it.

"Mr. DEWART: Oh no.

"Sir CHARLES DAVIDSON: Am I to understand that you exclude Mr. Hutcheson from your confidence?"

Pr. Ev., p. 156.

"Mr. HENDERSON: No. I happen to know, and I can assure you it is not desirable that that information should be stated. In fact there is a particular reason why it should not be stated.

"Mr. DEWART: I am quite content with my learned friend's statement that Mr. Hutcheson and myself should be made acquainted jointly with the fact, and I assure my hon. friend I shall observe the very strictest professional etiquette with regard to any statement he so submits.

"Sir CHARLES DAVIDSON: I am glad this agreement has been arrived at because I think it is in furtherance of the public interest that this knowledge should be given in this way, and then dealt with as propriety may dictate.

"Mr. HENDERSON: We will then be subject to your lordship's direction. I may say you will thoroughly appreciate the reason.

"Sir CHARLES DAVIDSON: Will that information be delivered now or later?"

"Mr. HENDERSON: At this moment to my learned friend (Counsel confer).

"Mr. DEWART: My learned friend has satisfied me as to the bona fides of his intention that he will give everything his client imparts to him. I may say that when the inquiry opened I did not appreciate quite what its scope would be, and it has perhaps developed into lines of thought that were entirely different to what any of us could conceive. The existence of the necessities of the Admiralty and the exact position in which this particular matter stood was one that I do not think anybody could have understood from the speeches in

Hansard on either side of the House, and I regret to say that before the inquiry opened I had undertaken a rather important professional engagement in Winnipeg, for which I expected to leave last night, and if under these circumstances, with my learned friend's kind concurrence it would be possible to ajourn the inquiry as I suggested for a fortnight, I feel quite sure in the meantime any inquiry necessary to be made as to the position of matters in England, and as to the position of matters in New York, could be made, and perhaps the inquiry could be terminated in one sitting."

Pr. Ev., p. 157.

"Mr. HENDERSON: Might I say, it occurs to me that there might be, probably would be, a reason why the Admiralty as such should not make the statement, but might I ask Mr. Dewart if a statement from Sir Trevor Dawson would be of any assistance to him? I should think that would be readily obtainable—I trust I am not being taken too liberally by any reporter—but perhaps the official of the Admiralty might not care to say too much.

Mr. DEWART: Perhaps that had better be the subject of a conference in the meantime."

The transaction which Allison thus gave knowledge of to counsel was foreign to any Canadian interest and of confidential and extensive character.

This payment of \$4,000 to Allison did not excite later criticism.

Indeed, Mr. Dewart explicitly accepts Allison's statement in these words:—

Pr. Ev., p. 318.

" The \$4,000 paid to him from the 'Orr-Lewis Trust account No. 2' was, of course, not from Canadian business, but was 'paid in cash', American bills, and note carefully, 'was the full amount of his commission' from this account (page 155). The subsequent productions make this statement vitally important."

I take it that the reference to page 155 is to the following question and answer put to and given by Allison:—

"Q. Personally paid you the full amount of your commission upon American business; is that right?

"A. Yes, of course."

The statement is deemed "vitally important" in connection with the \$5 question.

Pr. Ev., p. 185.

Debit Item 19:—

Dec. 28, 1915.	Cost tgms. to Quebec..	\$ 1 97
	A com. a/c. payment..	167 85
		<u>\$169 82</u>

The proceeds of this charge went to the bank, as instructed by the letter, dated "Whitewebbs Park," England, 12 January 1914, from Orr-Lewis to the Manager.

One of its paragraphs gives the following instruction:—

"I am also passing to your credit the cost of cablegram \$1.95—as well as \$167.85 being the total of your charges, all of which is quite satisfactory."

Pr. Ev., p. 185.

Debit Item 20:—

Dec. 29, 1915.	Transfer to Bank of Montreal, Ottawa, for credit of Receiver General for Canada Militia Department, 986,300 rounds ammunition and 813 boxes to cover same..	\$20,927 44
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Debit Item 23:—

Jan. 23, 1916. Transfer to Bank of Montreal, Ottawa, for credit of Receiver General for Canada Militia Department, in payment for 1,999,300 rounds..	42,867 82
Total paid Canada..	\$63,795 26

(This total includes boxes, etc.).

Pr. Ev., p. 185.

Debit Item 21:—

Jan. 4, 1916. Ross bayonets and scabbards..	\$ 3,007 74
(Already dealt with under Item 12.)	

Debit Item 25:—

Mar. 7, 1916. Nothing to show..	\$ 4,125 00
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Concerning this and the next credit item of \$1,130.42 "per Merchants Bank of Canada for London Joint Stock Bank," the following occurred during the examination of Parker, bank manager:—

Pr. Ev., p. 185.

"Mr. DEWART: There are two items there which I do not know what they refer to; it does not show very clearly what the debit is.

"Mr. HUTCHESON: Do you desire them put in?

"Mr. DEWART: Better have them on the record as something may develop later.

"Mr. HUTCHESON: We have made up our minds that they do not refer to this matter. The suggestion now is that this item in connection with the Merchants Bank of Canada might refer to a Canadian matter. However, if my learned friend wishes I am perfectly willing to have them go on the record."

These two items did not receive further notice, presumably because of their irrelevancy.

Here end the debit charges of the account. It is indisputable and, indeed, is not controverted that they stand entirely free of profit or commission as regards the sales of our Small Arms Munitions.

Credit Side of Account No. 2.

It is on the deposit side of No. 2 that Mr Dewart finds, in his belief, serious grounds for accusation.

He does not charge that Sir Trevor Dawson, Orr-Lewis, and Allison *have* divided, but that they intended and intend to divide, and would have done so had it not been for this investigation, a profit of \$5 per thousand on the Canadian Small Arms Ammunition obtained for the Admiralty.

A frustrated, not an accomplished, purpose is asserted.

Pr. Ev., p. 319.

While we cannot, Mr. Dewart says, show how the profit was to be divided—\$14,586.97 of undivided and ear-marked profit—in which Allison was to share—in which Lewis was to share, and to which Sir Trevor Dawson was a party, is available in the Trust account.

Intended payment of further commission to Allison is also asserted.

Letters as to price.

Letters and extent of Admiralty deposits, in the one case, and letters, alone, in the other are invoked to prove the existence of these twin intentions.

The letter dated England, 1st December, 1915, from Orr-Lewis to the Bank Manager mentions Admiralty deposits of \$29,457.75 and of \$26,176, and says:—

" . . . our price for this (i.e., one million rounds) is \$20 (twenty dollars) per thousand rounds, boxes extra.

In his letter from England dated 23rd December, 1915, to the manager, Orr-Lewis says with reference to an additional million rounds, that "the prices are the same" as mentioned in the letter of December 1.

On January 12, 1916, Orr-Lewis wrote from England to the bank manager. He says:—

" In my letter of No. 792 of the 23rd December, you will perceive I mention the amount of \$29,457.75, which was to cover the purchase by the Admiralty of the following:—

Item B:—

(1) 1,000,000 rounds '303 ammunition at \$25 per 1,000	\$25,000
(2) 800 boxes at \$1.47 each	1,176
(3) 500 bayonets and scabbards for Ross rifles at \$6.50 each	3,250
(4) Balance due which was short on remittance of Ross rifles	22
	\$29,448

Item C:—

The remittance of \$26,176 as mentioned in your letter of the 13th December was to cover further purchases as follows:—

(1) 1,000,000 '303 ammunition at \$25 per thousand rounds	\$25,000
(2) 800 boxes at \$1.47 each	1,176

"We are also informed this morning that the Admiralty have transferred the sum of \$49,990.25 which is in payment of the purchase at \$25 per thousand rounds."

This letter (was not of record when Orr-Lewis was discharged as a witness) bears out the statement, for the time being at least, that a charge of \$25 to the Admiralty was in process of application.

Deposits and Price.

The deposits made by the Admiralty, and the balance of \$69,338.12 standing to the credit of No. 2 account on June 9, 1916, are of sufficient size to make a charge of \$25 possible.

A cablegram from the Right Hon. Bonar Law—to be presently quoted—also mentions \$25 as the price.

Here intervenes, in active form, the principle which I laid down at an earlier stage of these remarks, concerning alleged profits and commissions.

It would be an intrusion, I wrote, to attempt to pass judgment, favourably or otherwise, on the domestic arrangements existent between the Admiralty and its agents or sub-agents.

If Canada received an excellent price for its Mark VI ammunition, which it did; if the price was paid in full—as it was; if there has not been a later allowance out of our public moneys of commission or profit to a middleman, as there has not been; then the limits of my investigating duties are reached.

I speak, at the moment, solely with relation to the financial factor.

Associated with the general principle laid down, are other reasons which make for non-intrusion.

These relate to the evidence, or rather want of evidence, of record.

At the outset the deposits were on a basis of \$25 to cover cost of ammunition, freight, and incidental charges. In the course of the business these latter were paid by the Admiralty. Nevertheless the deposits continued to be made on the same basis.

No. 2 account is still open; the entries and constating documents disclose that the price paid to the Dominion was \$20; the moneys out of which the \$5 would be paid are still intact; incidental expenses are not charged; and there has yet to take place an accounting to the Admiralty.

Final settlement will rest on the primary and intervening arrangements made between the Admiralty and Sir Trevor Dawson.

On these features, essential in character, we are entirely without information. I am as a consequence, unable to believe, even if relevancy existed, that it is possible, to determine the charge of business treachery, which in the factum, is associated with an asserted attempt to secure \$25 per thousand.

The following correspondence, produced by the Auditor General, emphasizes the justice and correctness of thus standing aloof from a discussion which would, solely, relate to the business relations between the Admiralty and its agents:—

Pr. Ev., p. 206.

May 26, 1916.

"SIR,—In connection with the investigation into the sale of approximately 3,000,000 rounds of small arms ammunition, which it was alleged had been sold to Vickers, Limited, London, it was shown by Mr. F. Orr-Lewis that the sale had been made to the British Admiralty.

"It is important that I should know the price paid by the Admiralty, and, therefore, I have the honour to request that you will be kind enough to obtain this information for me.

"I would like to know if the price was f.o.b. Canada, and if the Admiralty paid all such charges as insurance, freight, etc.

"If you can obtain this information officially from the Admiralty for me, I shall be very much obliged.

"I have the honour to be, sir,

"Your obedient servant,

"J. FRASER,

"Auditor General.

"Lt.-Col. E. A. STANTON,

"Governor General's Secretary,

"Ottawa."

Pr. Ev., p. 206.

From the Military Secretary to the Auditor General.

OTTAWA, June 3, 1916.

"SIR,—In accordance with your letter of the 26th May, 1916, His Royal Highness telegraphed to the Colonial Office on the 27th instant in the following terms:—

"Respecting reported sale of three million rounds rifle ammunition and as a sworn statement has been made that ammunition was for Admiralty I am asked by the Auditor General to ascertain what price was paid by Admiralty, and if price was f.o.b. Canada, and whether Admiralty paid all charges for freight, insurance, etc.

"(Sgd.) ARTHUR."

To which the following reply was received on the 3rd of June:—

"From Colonial Secretary to the Governor General.

"In reply to your telegram 27th May, the price was twenty-five dollars per thousand f.o.b. Admiralty paid all charges for insurance and carriage.

"(Sgd.) BONAR LAW."

I have the honour to be, sir,

Your obedient servant,

E. A. STANTON, Lt.-Colonel,

Military Secretary.

"The Auditor General,
Ottawa, Ont."

Pr. Ev., p. 302.

From the Rt. Hon. Bonar Law to the Governor General:—

“LONDON, June 16, 1916.

“With reference to my telegram June 3rd following further message from the Admiralty begins:—

“The ammunition forming the subject of an official inquiry under Sir Charles Davidson has been duly received by the Admiralty and has been found entirely satisfactory. The manner in which the purchase and payment was carried out for the ammunition, boxes, etc., is in accordance with instructions that were issued to the Admiralty’s representative. The special account opened with the Bank of Montreal at New York is not yet closed, there being a balance on deposit which will be accounted for to the Admiralty.

“(Sgd.) BONAR LAW.”

Allison and his commissions.

So far as absence of proof, or of attempt to make proof to the contrary, justifies the assertion, Allison was not given communication of the letters from Orr-Lewis, all of which were written in England, to the bank manager.

During the period covered by the sales, Sir Trevor Dawson was also in England. Indeed he does not appear to have come either to the United States or to Canada subsequent to his spring visit in 1916.

There is not a tittle of proof that Allison knew anything about the matter of ultimate charge to the Admiralty. He was employed to seek for and buy arms and ammunition on commission.

It would certainly be unusual if he were, in addition, to share in profits, if profits there were to be.

I have already disposed of his receipt for \$4,000 for commission and of its, admittedly, want of connection with the Canadian transactions.

It is true, as Mr. Dewart asserts, that other commissions are coming to him.

The following extracts from the correspondence make this plain:—

Pr. Ev., p. 188.

The letter dated “Whitewebbs Park,” England, 23rd December, 1915, from Orr-Lewis to the bank manager says:—

“. . . As soon as the payments to cover all the transactions now in hand are completed, I will be glad to have a statement of the No. 2 account, to enable me to send to Colonel Allison a cheque to cover his commissions.”

In his letter of January 12, Orr-Lewis says:—

Pr. Ev., p. 191.

“When the account for the boxes arrives and the amount is transferred by the purchasers I will then be in a position to instruct you as to the payment to Colonel Allison and the balance remaining to the credit of my account.”

The bank answers under date January 13:—

Pr. Ev., p. 193

“We understand that all payments requested by you to date have been made and all contracts of which we know completed. We will, therefore, be pleased to give effect to your instructions for us to pay a specific amount out of funds at your credit to Colonel Allison in settlement of commissions as mentioned by you.”

In the course of his examination Orr-Lewis swore, in answer to Mr. Dewart:—

Pr. Ev., p. 106.

“Colonel Allison would be due commissions on American business. . . . he had nothing whatever to do with this business or with Canada . . . there is no such letter (*i.e.*, letter suggesting that Allison was entitled to any commission in connection with this transaction). . . . or as to any other transaction that was connected with it. There is no other transaction in connection with Canada that I know of that has been had with Colonel Allison.”

Pr. Ev., p. 107.

Mr. HENDERSON: Carry your mind back, Mr. Lewis, for a moment to the last question my learned friend, Mr. Dewart, asked you. I have been told that there are one or two letters in existence in which you make reference to some commissions payable to Colonel Allison. Now, please try and think of it—might there be such a letter?

“Mr. LEWIS: Yes, but Mr. Dewart asked me was there such a letter with reference to commissions on this transaction and I said no.

“*By Mr. Dewart:*

“Q. And you make it clear that if there are any such letters they refer to other transactions?

“A. Precisely so.

“Q. And there were other transactions going through this account you have spoken of?

“A. Correct.

“Q. And in connection with which Colonel Allison was entitled to a commission?

“A. Quite right.

“Q. And it had nothing to do with Canada?

“A. Nothing whatever.

“Q. It had nothing to do with Canada in any way, shape, or form?

“A. Not in any way, shape, or form.

“Mr. HENDERSON: I thought that perhaps these letters might be forthcoming after you left for England, and if they do you have given us now the explanation of them.

“Mr. DEWART: Yes.

“Sir CHARLES DAVIDSON: If these letters are available now, it would be much more equitable to Mr. Lewis that he should be confronted with them.”

Pr. Ev., p. 106.

Orr-Lewis stated that he was about to proceed to England; Mr. Dewart did “not feel justified in asking that he should be delayed in proceeding to England.”

Proof, direct or inferential, to the contrary of the statements of Orr-Lewis regarding Allison's commissions does not exist.

Sir Sam. Hughes.

Of evidence or accusation which impugns the personal honour of Sir Sam. Hughes there is none.

The charges against him as already quoted in full, are:—

(1) That he was guilty of official incompetency in connection with and throughout the sales of the small arms munitions.

(2) That the conclusive evidence against Allison and the whole conduct of the so-called “triumvirate” made it the duty of the Minister to fully inform himself and to sever the connection with Allison or at least disavow the trans-

actions, in which the trail of dishonest dealing had been brought direct to Allison's door.

The question of official incompetency, or otherwise, involves a review of the whole matter. This I have completed and have as well, stated my conclusions thereon.

As to the connection of Allison with "these Canadian transactions," he never professed to be acting as the self-denying friend of the then Minister; or to be conducting them without remuneration, in fact or expectancy.

He acted openly and avowedly as the agent of the buyers. There is not a trace of evidence to the effect that he is to share in any profits, or to benefit otherwise than by commissions.

The letters from him to the Militia Department and from it to him, beginning on September 8, 1915, are constant in their discussion of the fact that he was acting not as a mandatary, or *negotiorum gestor*, of the Department, but on behalf of a named principal abroad.

Had he, in relation to that principal, chosen to charge commission on the Canadian transactions, the charge could have been justified, as consistent with business remuneration and business usage.

There was no dickering as to price; it was fixed by the Quartermaster General and accepted without demur; and was not an under-valuation.

During the currency of the Small Arms Ammunition Sales, there did not arise an act of dishonesty or of reprehensible conduct on the part of Allison which would have justified Sir Sam Hughes in refusing to recognize him as the agent of Sir Trevor Dawson.

Digest of Conclusions.

For convenience of reference I put in consecutive, digested form the conclusions which are scattered throughout these pages:—

Ante, pp. 35, 36.

The correspondence, created the belief that the transactions were with Vickers.

Ante, p. 36.

This belief was justified.

Ante, p. 36. —

In fact it was the Admiralty that bought and paid for the ammunition.

Ante, p. 36.

At the date of the debate, everything on the face of the correspondence and documents sustained the belief that Vickers were the buyers.

Ante, p. 37.

Knowledge to the contrary was not then in possession of either the Minister or of any officer in the Militia Department; the facts were brought out during this investigation.

Ante, p. 37.

Of its use for Imperial purposes, whether by Vickers or the War authorities doubt could not exist.

Ante, p. 45.

The position of the Canadian authorities would have received increased strength had they known of and had they, resultingly, been able to assert that the sales were, in fact, to the Admiralty.

Ante, p. 52.

The evidence makes for emphatic certainty that \$20 per thousand rounds of Mark VI ammunition was not an under-valuation. It was the standard price; indeed for such great blocks it was an outside price.

Ante, p. 52.

Had normal conditions existed, these impugned sales would have been of advantage to the Canadian Treasury; and capable on their merits, of vigorous defence.

But our then national conditions were abnormal; they were those of war.

It is not an extravagance of belief or of words to assert that the sales would not have been, had not war environed the Empire. In all likelihood neither Vickers nor the Admiralty would, in peace times have sought its acquirement.

What, on the other hand, were the protective needs of Canada, as regarded retention of the ammunition?

If these were of serious character, of course grip ought to have been kept on every round of ammunition in store.

Excellence of price would in that case cease, to be a desirable factor.

Ante, p. 57.

Between the departmental occurrences having relation to destruction or otherwise of Mark VI and the selling of the munitions a full year had elapsed.

In that interval, Canada had, happily, stood free of internal emergency and the accumulation of Mark VII had grown in marked degree.

Ante, p. 57.

Withdrawal of Mark VI had been in progress and a few months before Lt.-Col. Macdonald's examination its issue had ceased, in entirety.

Ante, p. 58.

Events subsequent to the making of the sales, or—as it might be more fitly expressed—the non-occurrence of emergency justify them in retrospect.

This disposal of 2,986,100 rounds of ammunition, in two thirds part condemned and one third part suspected, has benefited our Treasury to the extent of \$59,722.

Ante, p. 70, 71.

That these transactions were not in association with the routine work of the Militia Department even as enlarged in vast degree, by the war; their magnitude; the fact that the extent of our ammunition stock was of Canada-wide importance; and the absence of any definite supporting Regulation to the contrary; all lead me to the opinion that an Order in Council ought to have been sought for at the outset.

Ante, p. 71.

I extend this belief to the sale of 150,000 rounds to the Savage Arms Company, Utica, N.Y. The fact that they were to be used for testing Savage-Lewis guns in course of manufacture for Canada does not qualify the position. The ammunition was going out of the country, otherwise than for the direct use of our troops.

Ante, p. 71.

The 500,000 rounds of Mark VI issued to the Royal Northwest Mounted Police and the 12,000 rounds of Mark VII, with loan of 24 Mark III Ross rifles, which went to our Customs cruiser *Margaret* stand in a different category.

These transactions were not, in fact, sales. They constitute transfers as between departments, and the formal payments made did not advantage the Treasury. They were book-keeping methods.

Ante, p. 70.

The sales were made to the Admiralty through its own officials and paid for out of Imperial moneys.

Ante, p. 80.

It would be an unwarranted intrusion—without, moreover, constituent authority even to attempt it—were I to pass judgment, favourably or otherwise, upon the domestic arrangements existent between the Admiralty and its agents or sub-agents.

Ante, p. 88.

A payment of \$4,000 to Allison was foreign to any Canadian interest, and of confidential and exclusive character. It did not excite later criticism. Mr. Dewart accepted Allison's statement in that respect.

Ante, p. 92.

The Orr-Lewis letter of January 12, 1916, bears out the statement, for the time being at least, that a charge of \$25 to the Admiralty was in process of application.

Ante, p. 93.

The deposits made by the Admiralty, and the balance of \$69,338.12 standing to the credit of No. 2 account on June 9, 1916, are of sufficient size to make a charge of \$25 possible.

A cablegram from the Rt. Hon. Bonar Law—to be presently quoted—also mentions \$25 as the price.

Ante, p. 93.

If Canada received an excellent price, for its Mark VI ammunition, which it did; if the price was paid in full—as it was; if there has not been a later allowance out of our public moneys of commission or profit to a middleman, as there has not been; then the limits of my investigating duties are reached.

I speak, at the moment, solely with relation to the financial factor.

Ante p. 94.

Of the features, essential in character, fully stated on this page we are entirely without information. I am, as a consequence, unable to believe, even if relevancy existed, that it is possible to determine the charge of business treachery which, in the factum, is associated with an asserted attempt to secure \$25 per thousand.

The communications from the Rt. Hon. Bonar Law found on pages 95, 96, and 97 emphasize the justice of thus standing aloof from a discussion which would, solely, relate to the business relations between the Admiralty and its agents.

Ante, p. 98.

There is not a tittle of proof, that Allison knew anything about the matter of ultimate profits, if profits there were to be.

The Minister stands free of evidence or of imputation deducible from evidence which would affect his personal honour.

C. P. DAVIDSON, Kt.,
Commissioner.