

436
REPORT

OF THE

CANADIAN PACIFIC RAILWAY

ROYAL COMMISSION

VOLUME II

EVIDENCE



OTTAWA

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MINUTES OF EVIDENCE.

VOLUME II.

OTTAWA, Tuesday, 9th November, 1880. TRUDEAU.

TOUSSAINT TRUDEAU's examination continued :

By the Chairman :—

**Building Engi-
neers' Houses—
Contract 32 A.**

14048. Are you prepared now with evidence concerning contract 32 A ?—Yes.

14049. What is the subject of the contract ?—Building eight houses between Sunshine Creek and English River.

14050. Have you the contract ?—Yes ; I produce it. (Exhibit No. 161.)

14051. Was this work let by public competition ?—Yes.

Let by public
competi.tion.

14052. Have you a copy of the advertisement and any report upon the different tenders ?—Tenders were invited by handbills by the engineer in charge of that locality. This is a report by Mr. Marcus Smith on the whole subject. (Exhibit No. 162.)

14053. Some of the correspondence attached to the documents which you have just produced shows that it was not intended by the Department, in the first place, that this contract should be let entirely upon the responsibility of Mr. Hazlewood, the District Engineer : will you explain how it occurred ?—You will find in the report by Mr. Marcus Smith, dated 11th June, 1877, that when on the spot he was informed by Mr. Hazlewood that the letters requesting him to send the tenders, and plans and specifications, having been written after the close of navigation on the lakes, he did not receive any of them until after he had awarded the contract, which he did to the firm who sent him the lowest tender.

Hazlewood had
awarded contract
before he received
letter telling him
to send tender to
Department.

14054. As I understand it, if that letter had been received in due course by him it would have countermanded in effect the previous communication from the Engineer-in-Chief : is that the correct understanding ? If you will look at the letter from Mr. Fleming, of May 6th, it will remind you of the matter ; or do you understand that the letter from Mr. Fleming also required that the papers should be submitted to the head office before concluding the matter ?—Mr. Fleming's letter does not say anything about referring the tenders to Ottawa.

14055. Please read Mr. Fleming's letter ?—

"SAMUEL HAZLEWOOD, Esq.,

"With regard to the erection of engineers' houses on the line of the Pacific Railway, the Department authorizes the erection of the structures required, under the contract which the engineer in charge will make, taking care to have the agreement on the most favourable terms possible to the Government, and to forward a copy of the contract in each case to the head office."

Letter of Fleming
on which Hazle-
wood was author-
ized to conclude
agreement.

14056. Do you understand that it was upon that letter Mr. Hazlewood proceeded to conclude the agreement ?—Yes.

Building Engineers' Houses—Contract 34 A.

Second instructions did not reach Hazlewood until contracts based on first had been concluded.

Smith advised that only four houses be built.

Everything settled.

Stations where houses were put up: (1) Buda.

- (2) Nordland.
- (3) Linkoping.
- (4) Port Savanne.

\$17,730 amount paid.

Not usual for works to be let on the authority of Chief Engineer.

14057. But, in the meantime, instructions of a different character had been forwarded to him, which instructions did not reach him before the contract was concluded: is that the nature of the matter?—Yes.

14058. There is no complaint that Mr. Hazlewood acted improperly or without due care?—No; there is no complaint.

14059. Has there been any dissatisfaction with the substance of the agreement—I mean as to price paid or as to terms?—No.

14060. Has the contract been entirely fulfilled?—No.

14061. Why not?—Mr. Marcus Smith, the acting Chief Engineer, advised that only four of the houses be finished, the four others were not built.

14062. Has there been any claim on the part of the contractor because of the suspension of the work in that way?—No; everything is settled.

14063. Was there any complaint against the character of the work as done on those which were finished?—I have nothing before me to show that. I do not think there was.

14064. Do you remember the names of the stations at which the buildings were put up?—Buda.

14065. Was that a log or a frame building?—I cannot answer that without referring to the engineer's estimate.

14066. What is the next station?—Nordland.

14067. What is the next?—Linkoping.

14068. What is the next?—Port Savanne.

14069. According to the terms of the contract, as I understand it, the whole prices of those station houses of frame, which is more expensive than log, with the platform added, would be about \$11,000. In Mr. Fleming's report of 1880, under the heading of "Amount paid" appears a sum of \$17,730 opposite this contract: what is the explanation?—I must refer to the engineer's estimate before I can give an explanation of this item.

14070. Was it usual that contracts of this character should be made by the engineer directly or by the Secretary, or some one in the Department itself?—If the work had been more accessible it would have been made by the Department itself and not by the engineer.

14071. I do not mean the resident engineer, I mean the Engineer-in-Chief, because I see from this correspondence that the only direction to Mr. Hazlewood proceeded from Mr. Fleming?—It was not usual for works to be given on letters from the Chief Engineer, but you will notice, in Mr. Fleming's letter to Mr. Hazlewood, Mr. Fleming says: "The Department authorizes the erection."

14072. Have you any record of a communication to that effect from the Department to the engineer?—I have not found any.

14073. Will you please ascertain if there is such a document?—Yes.

14074. Was there at any time any question raised that this contract was not let to the lowest tenderer: no difficulty on this subject?—Not that I am aware of.

14075. Is there any other matter connected with this contract which you think proper to explain in your evidence?—No.

14076. What is the next contract on which you are ready to give evidence? Have you the papers connected with the transportation of rails from Fort William to Emerson of which you spoke yesterday when explaining contract 34?—Yes; I produce it. (Exhibit No. 16')

Transportation
of rails—
Fort William
to Emerson.
Part of Con-
tract No. 34.

14077. The beginning of this transaction appears to be a telegram, is that as you understand it?—Yes.

14078. Read it?—

To Mr. HENRY BEATTY:

"What price per ton will you charge for moving say 1,000 tons of rails from Fort William to Emerson."

Braun's telegram
to Beatty asking
rate for trans-
porting 1,000 tons
of steel rails.

"F. BRAUN."

14079. What is the date?—It is dated 26th September, 1878.

14080. What was the next communication on the subject?—It was letter from Mr. Beatty to Mr. Braun.

14081. Read it?—

"In reply to your telegram of yesterday, I beg to say I will transport 1,000 tons of rails, more or less, from Fort William to Emerson for \$18 per gross ton. This rate includes all charges for loading, unloading, piling, wharfage, harbour dues, storage and insurance. This rate may seem out of proportion to the price you are paying from Kingston, but if you will consider a special steamer will have to be sent to do this work, and that she will return light from Duluth to Fort William, and also that the usual rate of freight to St. Boniface and Emerson are the same, you will readily see that it will not much more than cover expenses.

Beatty to Braun
saying \$18 per
ton.

(Signed) "H. BEATTY."

The letter is dated 29th December, 1878.

14082. This letter appears to be written at Ottawa?—Yes; it is dated Ottawa.

14083. In support of his proposition, he points out that it will be necessary to send a special steamer for this work: had the Department such information on that subject as would enable them to consider whether or not a special steamer would be required?—I find no record of that.

14084. Do you mean record in writing?—Yes.

14085. Have you any record in your memory?—I do not recollect.

14086. Do you recollect anything of the other circumstances which he urges, such as the necessity of returning light from Duluth to Fort William, and that the freights to St. Boniface and Emerson were the same? These are all circumstances which he seems to think that the Department would be aware of: do you remember anything on the subject, or whether it was discussed with you?—Those points were probably discussed between the Minister and Mr. Fleming, but I was not present.

14087. Then you do not state that as a fact but as a probability?—Yes, only.

14088. In this transaction it appears that the distance over which the transportation took place was very much shorter than in contract No. 34; in that contract the transportation was from Kingston to St. Boniface; in this case it commenced at Fort William and ended at Emerson: do you know any other reason, besides those mentioned in Mr. Beatty's letter, why the same prices should be paid for this short distance as for the long one?—No.

Knows no reason
other than those
mentioned in
Beatty's letter
why the same
price should be
paid from Fort
William to Em-
erson as was paid
from Kingston to
St. Boniface.

**Transportation
of Rails—
Fort William
to Emerson.**

14089. This correspondence appears to have taken place between the Department and Mr. Henry Beatty on his own account, and not on account of any company: is that right?—It is signed Henry Beatty, simply.

Does not know why contract is described as part of contract 34.

14090. Do you know why it is described as part of contract No. 34, which was with the North-West Transportation Co.—I mean in the printed report of 1879?—I do not.

Contract made by authority of Minister.

14091. Can you say by what authority the agreement was finally made?—By the authority of the Minister.

14092. Do you know how the acceptance of the offer was communicated; in the two papers which you have read there is no evidence of that?—I see that the Department has written a letter to Mr. Beatty which I have not got. I shall produce it.

14093. In contract 34 where the price is the same from Kingston to St. Boniface as that given in this agreement from Fort William to Emerson, was a similar labour performed in respect to the freight as in this case: I mean such things as loading, unloading, piling, and other items of that kind?—Yes.

\$27,864 paid Beatty.

14094. What was the total amount paid to Mr. Beatty for this work, in round numbers?—About \$27,864.

14095. Was there anything further in connection with this agreement with Mr. Beatty which you think requires explanation?—No.

14096. What is the next contract which we have not investigated, or can you go back to any of those which have been omitted?—Yes; I can go back.

Contract No. 18.

14097. Can you take up the Red River Transportation Co.'s contract, No. 18?—Yes.

14098. That was transportation for which, as I understand, the Department had two offers, one from Fuller & Milne and the other from N. W. Kittson: can you say what quantities were actually carried by the contractors—the Red River Transportation Co.?—I produce a statement prepared by the engineers. (Exhibit No. 164.)

14099. This statement has been prepared for your information since you gave evidence on this subject?—Yes.

14100. I suppose the correctness of this statement is not within your own personal knowledge?—No.

15,822 tons of 2,000 lbs. to ton moved.

14101. According to the information from the engineering branch of your Department, will you say how many tons altogether were moved under this contract?—15,822 tons of 2,000 lbs. each.

14102. From what point?—From Duluth.

14103. Was the whole quantity moved to one point or distributed at different points?—It was distributed at different points.

12,525 tons at St. Boniface, 2,378 tons at nine miles north of Winnipeg, 918 tons at Selkirk.

14104. Will you please name the respective points and quantities?—12,525 tons at St. Boniface, 2,378 tons at Pritchard's.

14105. Where is Pritchard's?—About nine miles north of Winnipeg; and 918 tons at Selkirk.

14106. Was all this quantity destined for Selkirk: was not the object of this contract to get all the rails if possible to Selkirk?—The letters

Transportation
of Rails—
Contract No. 19.

which form the contract state that the materials are to be taken from Duluth to Winnipeg, or any point on the Red River between Pembina and Winnipeg.

14107. At present I am not pointing my question to the substance of the contract, but to the object of the Department: was not that object the removal of most of those rails as far north as the crossing of Red River at Selkirk, if possible?—I find that about 9,000 short tons would be required for the Pembina Branch, and the balance would be used on the main line. 9,000 short tons required for Pembina Branch; the rest would be required as far north as Selkirk.

14108. When you say the Pembina Branch, do you mean the branch both north and south of St. Boniface?—In the estimate of 9,000 tons I do.

14109. Assuming for the present that it would be desirable to leave the whole of that 9,000 tons at St. Boniface, then the remainder of this quantity would be required as far north as Selkirk would it not?—Yes.

14110. Now, as to the quantity which was desired to be left at St. Boniface, will you please compare the offers of Fuller & Milne and the offer of Kittson, which latter was accepted, and say which was the more favourable for the Government?—The offer by Fuller & Milne is the most favourable. Fuller & Milne's offer more favourable by \$13,500 than that accepted.

14111. By what amount, as to particular quantity so required at St. Boniface?—By about \$13,500 American currency.

14112. That advantage to the Government is based upon the assumption that Fuller offered to transport only the short ton at his price?—Yes.

14113. It would increase if his offer was to transport the long ton?—Yes. Advantage of Fuller & Milne's offer increased if it be assumed they tendered to carry the long ton.

14114. In his offer the first sentence alludes to the advertisement for tenders to transport rails to Fort William or Duluth: do you know whether that advertisement specified particularly that the ton alluded to was the long ton or the short ton?—It did not specify.

14115. Do you know whether the general custom of the trade in this country would lead an outsider to understand that the moving of rails from Montreal inland would allude to the short ton or to the long ton?—I do not.

14116. Then, as to the balance of these rails mentioned in contract 18, which would be in round numbers about 7,000 tons, was the object of this transaction to get those rails to Selkirk if possible, as you understand it?—Yes. The object of contract to get 7,000 tons to Selkirk.

14117. Did he get them to Selkirk?—No.

14118. Why not?—I understood it was because of the low state of the water over the St. Andrew's Rapids. Reasons why they were not got there.

14119. And do you understand that that fact relieved Mr. Kittson of the necessity of taking them to Selkirk by his contract?—Yes.

14120. Was Mr. Fuller's tender on the same subject qualified by any condition of that sort?—It was not. Fuller & Milne's tender not qualified by any condition as to depth of water.

14121. Do you know any reason why Mr. Fuller's offer, being unqualified by such a condition, was refused, while Mr. Kittson's being qualified, was accepted; the price as I understand it being the same for Knows no reason why Fuller & Milne's offer was refused.

**Transportation
of Rails—
Contract No. 18.**

the whole distance to Selkirk, in your estimation, because you think they both relate to the short ton?—No.

14122. Have you the original offer of Mr. Fuller?—Yes; I produce it. (Exhibit No. 165.)

14123. Have you Mr. Kittson's original offer?—It is already produced.

14124. Of these rails which these contractors undertook to transport to Selkirk, I believe a quantity of 918 tons was delivered there: is that correct?—Yes.

6,000 tons of rails which should have been taken to Selkirk afterwards conveyed there by rail by Government.

14125. As to the balance of that quantity, and which would be some 6,000 tons, were they finally transported to Selkirk by the Government?—Yes.

14126. By what means?—By railway.

14127. Was there any railway in existence at the time of this contract with the Red River Transportation Co.?—No.

Necessity of transporting those rails hastened the building of the Pembina Branch North.

14128. Had the necessity of transporting those rails afterwards from Winnipeg to Selkirk anything to do with the hastening of the building of this railway?—In a measure. The particulars are given in a report of Mr. Fleming's, dated 19th April, 1877. I produce it.

14129. Does Mr. Fleming state an alternative method of getting those rails to Selkirk instead of hastening the building of the railway?—Mr. Fleming says that he has an offer from Mr. Kittson to forward these rails for \$2.13 per ton of 2,240 lbs., provided his offer be at once accepted, as the whole work will require to be done within the next five or six weeks.

\$11,500 additional expense if Government had not transported them by rail.

14130. Then what do you understand the additional expense would have been to the Government if they had transported them by some other means instead of hastening the building of the railway, and still assuming the quantity to be that which you mentioned, namely 7,000 tons, less the 918 then at Selkirk?—\$11,500.

14131. Was it to save that expense, as well as a larger expense if the quantities should be increased, that the bargain was made with Mr. Whitehead to complete this Pembina Branch without any tenders; do you remember that that bargain with him was made by a telegram from Mr. Braun, that he should get certain prices on one or two items, and all the rest according to contract 15 prices?—This question was reported upon to Council on the 28th April, 1877, and I produce a copy of the Order-in-Council.

Fleming estimates expense to be avoided at \$30,000.

14132. Upon looking at the report of Mr. Fleming, dated April 19th, 1877, I find this language: "The cost of transporting these rails from Winnipeg to Selkirk, including the handling from the river's edge to the side of the track, would probably be nearly \$3 per ton, which would come to over \$30,000," and he proceeds to suggest that it would be wise to save that expenditure by immediately putting this branch under agreement for construction; that would involve the transportation of a larger quantity than you have named; and in the same report he suggests the necessity of having about 11,000 tons at Selkirk and not 7,000 tons as we originally assumed to be the basis: would this immediate necessity have been avoided if Fuller's offer had been accepted and carried out to transport those rails to Selkirk at \$15 a

ton, American currency, as far as you can judge?—Not necessarily if accepted.

14133. I added "and carried out?"—If it had been carried out it would.

14134. Had the probability of its not being carried out anything to do with your decision in not accepting it?—I have already stated that I was not present when the decision was arrived at.

14135. You think not?—No.

14136. Please say whose writing is this on the back of Kittson's offer: "Agree with these people for 5,000 tons. April 30th, 1875?"—That is my writing.

14137. Don't you think you decided to accept that offer?—I think that these letters were simply confirming an agreement, probably arrived at in an interview between the Minister and Mr. Hill, referred to in these letters.

14138. From this memorandum when do you understand that there was a decision by either the Minister or his Deputy to make a contract with Kittson?—On the 30th April, 1875.

30th April, 1875,
decided to make
a contract with
Kittson.

14139. Can you explain then the necessity of getting the report of May 5th, 1875, from the Engineer-in-Chief, upon the rejected offer of Fuller & Milne?—It is probable that in April, 1875, the intention of the Minister was that Kittson should carry 5,000 tons of rails. The season was very far advanced. He was aware that rails could only be passed over the rapids during high water, and he probably thought that Kittson was the proprietor of the only boats upon the river, and it is very probable that he decided to offer these people 5,000 tons, or to agree with these people for 5,000 tons, and then it is also probable that Mr. Fleming's letter meant—

Witness's explanation of apparently conflicting facts.

14140. Of May 5th, you mean?—Yes, of May 5th; meant that Fuller & Milne's offer should be considered in connection with the further carriage of rails beyond the 5,000 tons.

14141. Do you know why it was that Fuller & Milne had not the opportunity of carrying the first 5,000 tons?—I do not.

14142. Don't you understand that the offer was made before Kittson's, although reported upon formally by Mr. Fleming afterwards: look at the dates of the two and explain it?—Mr. Kittson's letter, in which he alludes to an interview between Mr. Hill and the Minister during a recent visit at Ottawa, is dated St. Paul, April 21st. I conclude from that that the interview between Mr. Hill and the Minister must have been a week or ten days before the 21st of April. Now, Mr. Fuller's letter is dated Hamilton, April 16th, and it was received in the Department on the 19th, so that it is most probable that the arrangement was arrived at before the receipt of Fuller & Milne's letter.

Thinks, owing to an interview with the Minister, the Department was prevented from receiving the better offer and which arrived earlier than the offer of Kittson.

14143. Do you mean in some conversation between Mr. Hill and the Minister?—Yes; I gather that from the letters.

14144. And do you think that in some interview of that kind an arrangement was made by which the Department should afterwards be precluded from accepting the best formal offer made in writing to them: is that what you mean to convey?—I only know what is contained in the letters.

**Transportation
of Rails—
Contract No. 18.**

14145. I thought you were suggesting something that was not contained in the letters; that an arrangement had been made a certain time beforehand and which would be binding on the Department?—I shall read Mr. Kittson's letter, dated St. Paul, April 21st:

"To the Hon. ALEXANDER MACKENZIE,
"Minister of Public Works, Ottawa.

"SIR,—In accordance with your wish expressed to our Mr. Hill during his recent visit to Ottawa, I now desire to put in writing the offer made by him to transport railway iron, chairs and spikes from Duluth to a point in Manitoba. With reference to the improvements in the rapids, mentioned in my offer, I beg leave to state that from information I have received I am of the opinion that it could be improved at a very small cost to the Government.

"N. W. KITTSOON."

14146. Do you mean that because the Minister had expressed a wish to Mr. Hill that he should make an offer, that that should preclude the Minister or the Department from accepting the offer that was best to the Government when they should both arrive?—I do not mean to say that.

14147. Then can you say after they both arrived, and after you had accepted the higher offer, what the necessity was to ask Mr. Fleming to report upon the rejected offer, on the 5th of May?—The reference to Mr. Fleming was made on the 23rd of April.

Fleming's written report did not affect the decision to accept Kittson's offer. Report 5th May, decision 30th April.

14148. Then his report did not in any way affect the decision as to the acceptance of the Kittson offer, because his report was made on the 5th of May, your recorded decision is on the 30th of April?—His written report did not. I have no knowledge how far he may have made a verbal report.

When the decision to accept Kittson's offer made Fuller & Milne's more favourable offer had arrived.

14149. Is there any doubt about this: that on the 30th April, when you recorded the decision to accept the Kittson offer, that you had already received the Fuller offer as well as the Kittson offer?—No.

Amount of loss as against Fuller & Milne's offer \$15,000.

14150. Upon these two items of transportation—first of all the quantity of 9,000 tons to Winnipeg or St. Boniface, and afterwards the balance of the quantity to Selkirk—what do you make the aggregate of the loss: you have given them separately, I think, please take the aggregate; I mean as against the offer of Fuller & Milne as interpreted by the Department as to the long ton or the short ton, stating the amounts in American currency if you like?—It is about \$15,000.

14151. That is without taking into account the damage or cost—if there was any—occasioned by hastening the North Pembina Branch for the purpose of transporting the rest, is it not?—Yes; if there was any.

14152. Do you know whether, in this transaction with Kittson, the Government assumed the outlay connected with bonding the rails, or any duties payable because of their passing through American territory?—There were no duties; but bonding charges were assumed by the Government.

14153. Do you know whether those charges were any more than would have been assumed if you had accepted the Fuller offer?—I do not.

14154. Then the consideration of that item, in your opinion, did not weigh in deciding which of those tenders to accept?—No.

14155. Is there anything further about this contract which you would like to explain in your evidence, which I have omitted?—I do not know of anything just now.

OTTAWA, Wednesday, 10th November, 1880.

TOUSSAINT TRUDEAU's examination continued :

By the Chairman :—

14156. You were to furnish us with some papers mentioned in your previous evidence: have you any of them ready now to put in?—Yes.

14157. Have you a copy of contract 42 with Fraser and others, and the substitution of new contractors?—Yes; I produce it. (Exhibit No. 166.) **Contract No. 42.**

14158. Have you a copy of contract 26, with James Isbester?—Yes; I produce it. (Exhibit No. 167.) **Contract No. 26.**

RUFUS STEPHENSON, called and sworn :

STEPHENSON

By the Chairman :—

**Contract No. 15.
Alleged improper influence.**

14159. Where do you live?—In Chatham, Ontario.

14160. Are you a Member of the House of Commons of Canada?—I am. **A Member of Parliament.**

14161. Have you been personally interested in any of the transactions connected with the Canadian Pacific Railway?—Not in the slightest degree. **In no way interested in transactions connected with Canadian Pacific Railway.**

14162. Were you upon the Committee of Public Accounts at the time that Mr. Whitehead's contract was investigated?—I was. **A member of Committee on Public Accounts when Whitehead's contract was investigated.**

14163. Do you remember about the period?—It was last Session, I think—some time in 1879.

14164. You mean the Session before last?—It was up both Sessions, in 1879 and 1880.

14165. I wish to speak at present of the session of 1879?—Yes.

14166. Are you aware of any advantage being offered to any one on that Committee for the purpose of dealing with the subjects before them in a way different from what they would otherwise deal with them?—I am not; nor have I ever been approached, directly or indirectly, by Mr. Whitehead or any of the other contractors on the line. **Aware of no unworthy attempts to influence the Committee individually or collectively.**

14167. Are you aware that any person received any benefit upon the understanding that they would be able to influence the Committee, or any of them?—I am not.

14168. Are you aware of any person receiving any benefit, or payment, or promise from any contractor, or any one interested in any contract, upon the understanding that influence would be used with any Member of Parliament?—I am not. **Aware of no person receiving any benefit from any contractor.**

14169. Are you aware that Mr. Mackintosh received any money upon any such understanding from any contractor?—I am not.

14170. Are you aware that he led any Member of Parliament to think that he had done so, and that it would be a favour to him to deal with this matter differently from the manner, in which it would be otherwise dealt with?—I am not.

Contract No. 15.**Alleged improper influence.**

Never conversed with Whitehead while matter was before Committee

14171. Have you ever had any conversation with Mr. Whitehead upon the subject, while the matter was before the Committee?—I never had any conversation with him about contracts in my life.

14172. Had you any conversation with any one on his behalf?—With no one.

14173. Did you lead any Member of Parliament, or any one of that Committee, to understand that it would be to the advantage of Parliament, or any one else, if they dealt with the matter favourably to Mr. Whitehead?—I never did.

14174. Do these answers apply to last Session as well as to the former one?—Yes.

Aware of no arrangement by which any one in Department obtained any advantage.

14175. Are you aware of any arrangements by which any one in any of the Departments obtained any advantage in consequence of favours granted to Whitehead or to any other contractor?—I am not.

14176. Do you know whether any other Member of Parliament, on the Public Accounts Committee or otherwise, has been led to understand that such an advantage would be gained by favouring Mr. Whitehead or any other contractor?—I am not aware of anything of the kind.

14177. Is there any other matter connected with the Canadian Pacific Railway which you think it proper to give by way of evidence, either in explanation of what you have already said or otherwise?—There is not.

14178. Have you anything further to add on the subject?—Nothing.

TRUDEAU.

TOUSSAINT TRUDEAU's examination continued:

By the Chairman :—

14179. Have you a copy of contract No. 19, with Mr. Moses Chevette?—Yes; I produce it. (Exhibit No. 163.)

14180. Have you a copy of contract No. 59?—Yes; I produce it. (Exhibit No. 169.)

14181. Have you a copy of contract No. 21, with Patrick Kenny?—Yes; I produce it. (Exhibit No. 170.)

14182. Have you a copy of contract No. 48, with John Ryan?—Yes; I produce it. (Exhibit No. 171.)

14183. Have you a copy of the agreement between John Shields and Alexander Shields respecting his interest in contract No. 42?—Yes; I produce it. (Exhibit No. 172.)

14184. Have you a copy of contract No. 20?—Yes; I produce it. (Exhibit No. 173.)

Engine House at Selkirk—Contract No. 40.

14185. Have you now any papers connected with contract No. 40, so as to proceed with the evidence upon the subject?—Yes.

14186. What is the subject of the contract?—The construction of the engine house at Selkirk.

14187. Have you the contract or a copy of it?—Yes; I produce it. (Exhibit No. 174.)

Engine House
at Selkirk—
Contract No. 40.

14188. Was this work let by public competition?—Yes.

Let by public
competition.

14189. Have you a copy of the advertisement or any report upon the tenders?—Yes; I produce it. (Exhibit No. 175.)

14190. I see a change in writing on the printed copy of the advertisement, from 2Jth of June, 1878, to the 13th of July, 1878, apparently: do you know how it was mentioned in the one published?—According to the writing it was published.

14191. You mean on the 13th of July tenders were received?—Yes.

Tenders received
13th July.

14192. From this report it appears that Gouin & O'Meara are the lowest tenderers?—Yes.

Gouin & O'Meara
lowest tenders.

14193. Was the contract let upon the basis of that tender?—Yes; the only difference being that the name of O'Meara was left out and Murphy & Upper was substituted.

Murphy & Upper
substituted for
O'Meara.

14194. But the basis as to price was the same?—Yes; it was the same.

14195. I see that the main item in the contract is a lump sum for the whole work \$30,500, and apparently there are some other items upon which extras may be charged for which prices are given: do you know whether extras were charged?—To answer that question I shall have to refer to the final estimate prepared by the engineer.

14196. Do you know whether the work has been finished and taken off the contractors' hands?—Yes; it has been taken off their hands.

Work finished.

14197. Do you know whether there has been any dispute upon the subject between the Department and contractors?—There has been no dispute.

14198. Has the work performed been satisfactory, as far as you know?—Yes.

14199. Has there been any complaints upon the part of any of the tenderers who did not receive the contract?—Not that I am aware of.

14200. You are not able to state at present the total amount paid on this work?—Not at present.

14201. Do you know by what authority this work was undertaken: was it an Order-in-Council or an order of the Minister?—By Order-in-Council. I produce it. (Exhibit No. 176.)

Work under-
taken under
authority of
Order in-Council.

14202. Is there any other matter connected with this contract which you wish to explain in your evidence?—No.

14203. Have you any of the papers now connected with contract 39 so as to proceed with some evidence?—Yes.

14204. What is the subject of that contract?—It was the transportation of rails from Esquimalt and Nanaimo to Yale, British Columbia.

Transportation
of Rails, B.C.—
Contract No. 39.

14205. Was the work let by public competition?—Yes.

Let by public
competition.

14206. What is the first direction from the Department upon the subject which you can find?—It is a telegram from the Secretary to Mr. Robson, of Victoria, to advertise for tenders for the removal of steel rails to Yale.

Braun telegraphs
Robson of Vic-
toria, to advertise
for tenders for
removing steel
rails to Yale.

**Transportation
of Rails, B. C.—
Contract No. 39.**
June 12th, 1878.

14207. At what date is that direction?—On the 12th June, 1878.

14208. Do you know the authority to Mr. Braun for this step?—I find no record of that.

14209. Do you know whether it had been settled by the Department at that time that the rails would be required at or near Yale?—It was then pretty well understood in the Department that the Burrard Inlet would be recommended favourably to Council.

Order-in-Council
13th July, 1878.

14210. Was an Order-in-Council on that subject passed then or near that time?—A report to Council was made on the 11th July and an Order was passed on the 13th July, 1878, which I produce. (Exhibit No. 177.)

14211. Have you a copy of the advertisement for this work, or any report upon the tenders?—A copy of the advertisement will be found at page 6 of Return 43 F, to an Order of the House of Commons, dated 20th February, 1879.

14212. The same Return contains a report by Mr. Robson upon the result of these tenders: do you know of any other report besides that which appears here?—There are no other reports from Mr. Robson besides this contained in the printed documents.

Letter from
Robson June 19th,
1878, suggesting
that the time for
delivery of rails
should be extend-
ed as likely to
result in lower
offers.

14213. In this Return appears a letter from Mr. Robson dated 19th of June, 1878, suggesting that if the time for the delivery of rails should be extended beyond the 1st of November, which was the day advertised, it would probably result in lower offers for transportation, because the existing facilities were limited, and he named the latter part of the following summer as the end of the time during which the transportation might take place: do you know whether that matter was considered by the Department and any decision arrived at?—I find no record of it.

14214. Do you remember whether there was any understanding between the officers of the Department that it was necessary to have the rails at the point indicated as early as November, the time advertised, or was it an open question?—I do not remember.

14215. Was the contract fulfilled?—No.

Work stopped on
the 31st October.

14216. I see that the work was stopped at the time named in the contract, the day before the 1st of November: do you remember whether it was because the time was up, or because it became apparent that the rails were not all wanted at Yale so early?—The words of the Secretary in his instructions to Mr. Robson to stop are these: "Notify John Irving to stop moving rails, and other railway materia's, from Vancouver Island, Longley, or other points, after the 31st instant, when the contract expires."

Rails not requir-
ed at Yale so
early.

14217. I noticed these words, but I did not think they conveyed the information which I have asked for?—About this time it was not thought that the rails would be required at Yale so early.

14218. Is there any claim made against the Government by the contractor in consequence of this stoppage of the works?—Yes.

Contract restored
to contractor:
Irving.

14219. Has the claim been settled?—The claim has been settled by the restoring of the contract to Mr. Irving.

14220. And no amount has been directly paid by the Government which would involve a loss by the stoppage?—No.

**Transportation
of Rails, B.C.—
Contract No. 39.**

14221. Can you give me the quantity of rails which were moved before the stoppage of the work in round numbers?—About 3,500 tons.

14222. Was this part of the quantity which had been conveyed there by Anderson, Anderson & Co.?—Yes.

14223. Do you know whether any other quantity had been conveyed at that time, except by Anderson, Anderson & Co.?—There had been none.

14224. Do you know whether this transportation was paid for by the short ton or the long ton?—By the short ton. Work paid for by short ton.

14225. Do you know whether all the tenders were based upon the long ton, or was it an open question to be settled afterwards by negotiation?—I have not got the original tenders.

14226. Have you had them in your Department?—No; they were retained in British Columbia.

14227. Have you a copy of the agreement with Irving?—Yes; I produce it. (Exhibit No. 178).

14228. Attached to the written part of this document I notice two printed papers, one headed specifications and the other appearing to be a blank printed contract which is afterwards filled up, concerning this transaction, and in this last mentioned blank the words "per ton of 2,000 lbs." are inserted originally and printed, does that help you to say whether the tenders were all based upon that item at that weight?—I cannot say, for, as I have already stated, I have not the original tender.

14229. Do you know whether these printed forms were made in British Columbia or Ontario?—My impression is that they were made at British Columbia.

14230. Do you know whether they were made upon any drafts furnished from your Department?—I do not think they were.

14231. Do you remember whether the subject of the weight of the ton was considered in any way before instructions were given to Robson to procure tenders, or was it left entirely to him to ask for tenders upon such conditions as he thought proper, as far as that weight is concerned?—There is nothing on the subject contained in the instructions to Robson by the Secretary of the Department, and I have no further knowledge on the subject. Nothing to show whether the subject of weight of ton was considered or not.

14232. Was there anything further about this contract which you think requires explanation?—No.

14233. What is the next contract which we have not investigated?—Contract 5th, it is for the supply of railway spikes; the contract is with Miller Bros. & Mitchell, it is dated 4th September, 1879. **Railway
Spikes—
Contract No. 50.**

14234. Was it let by public competition?—Yes. Let by public competition.

14235. Have you a copy of the advertisement and any report upon the tenders?—Yes; I produce it. (Exhibit No. 179.)

14236. Was the contract made upon the lowest tender?—Yes. Contract based on lowest tender.

14237. The advertisement names no place for the delivery; how was that arranged: was it mentioned in the specifications furnished to

**Railway
Spikes—**

Contract No. 50.

tenderers?—It was mentioned in the form of tender supplied to tenderers.

14238. The tenders call for the supply of bolts and nuts as well as for railway spikes, and in the tenders different prices were named for those different articles: was the contract with one person for the whole or with different persons for portions, according to the lowest prices of each?—The spikes were given to one firm and the bolts and nuts to another.

14239. In each instance to the lowest tender?—Yes.

14240. Have you the original tender of the successful parties for the spikes?—Yes; I produce it. (Exhibit No. 180.)

**Spikes tested
before accepted.**

14241. Were these spikes submitted to any test as to their sufficiency before being accepted?—Yes.

14242. By whom?—By Mr. Touby.

14243. Has the contract for the delivery of the spikes been fulfilled?—Yes.

14244. Satisfactorily?—Yes.

14245. Has there been any dispute upon the subject?—No.

14246. Is there anything further connected with this spike contract which you wish to explain?—No.

**Fish-Plates,
Bolts and
Nuts—**

Contract No. 51.

14247. Is the next contract also based upon this advertisement?—Yes, it is; contract No. 51 is for the supply of fish-plates, bolts, and nuts. The contract was entered into with the Dominion Bolt Co. and is dated the 8th September, 1879.

14248. Is this matter also embraced in the report which you have produced?—Yes.

**Contract based on
lowest tender.**

14249. Is this contract with the parties who made the lowest tender for bolts?—Yes.

14250. Have you the tender which was successful?—Yes; I produce it. (Exhibit No. 181.)

**Tested before
accepted.**

14251. Were these articles submitted to any examination by Mr. Touby, or any one else on the part of the Government?—Yes, they were by Mr. Touby.

14252. And the result was satisfactory?—Yes.

14253. Has this contract 51 been completed?—Yes.

14254. Has there been any dispute upon the subject?—No.

**Articles supplied
were of Canadian
manufacture.**

14255. Were the articles of Dominion manufacture or English?—They were of Canadian manufacture.

14256. Have you the agreement itself of contract No. 51?—I produce it. (Exhibit No. 182.)

14257. Have you the original contract No. 50?—Yes; I produce it. (Exhibit No. 183.)

14258. Is there anything else in connection with either of these contracts which you wish to explain?—No.

Tendering—
Contract No. 15.

A. P. MACDONALD, sworn and examined :

By the Chairman :—

14259. Where do you live?—I live now in Toronto.

14260. What is your occupation?—My occupation has been a contractor. In business as contractor for forty years.

14261. For what period have you been so occupied?—About forty years.

14262. Have you had any connection with any of the transactions of the Canadian Pacific Railway, either as tenderer or contractor?—I have tendered for pretty much all the work that has been advertised, that tenders have been received for, except one piece I believe.

14263. Do you remember which was the first work in which either your tender was accepted, or you thought it ought to have been accepted?—On section 15. Tendered for section 15.

14264. Were you offered the work on this contract in accordance with your tender?—Well, the work in May, 1876, they received tenders on. I was entitled, I think, to the work at that time; but they did not come to my tender. The Commissioner or Minister thought best to advertise again. That was in May, 1876, I think. In October, 1876, the work was advertised for again, and section 15 was declared to Robert Kane, of Montreal, and myself—sections 15 and 14. October, 1876, section 15, given to Robert Kane and witness.

14265. Do you mean that the contract was awarded to you for those two sections?—Yes, for those two sections. The advertisement stated for the tying, track-laying, and ballasting of section 14, and section 15 as well, and the completion of grading of section 15.

14266. Was that the second time tenders were asked for, or the third time?—That was the third time. The third time tenders had been asked for.

14267. Then upon the last occasion of tenders being invited, the contract was awarded to you and Mr. Kane?—Yes.

14268. And you did not take the contract, did you?—Well, we were anxious to take the contract, and anxious to go into contract for it; but there was obstacles thrown in the way, because the time was extended to the contractors for 14—for the completion of section 14. In our calculations— We made calculations that section 14 could be made available to complete, at least, two-thirds of section 15—to bring men, labour, and supplies, &c., into the work—and in our letter to the Minister we asked that a date should be put to the completion of contract 14 before we would sign the contract for 15, and that he refused to do. Reasons why he did not take contract. Minister refused to fix a date for completing contract 14 before the signing of contract 15.

14269. Had that condition been mentioned in the advertisement for tenders, or in the particulars given to tenderers?—Yes; the advertisement for tenders led us all to believe that section 14 would be completed according to the contract that was made with the contractors at first, but the time between the letting and going into contract was extended.

14270. Will you look at this advertisement (Exhibit No. 45) dated August 1st, 1876, and say if that is the advertisement on which you made the tender on the last occasion?—Yes, that is the one; that is the very identical one, Sir.

**Tendering—
Contract No. 15.**

Fleming gave tenderer to understand that contract 14 would be complete within a given time.

14271. This states that for plans, specifications, approximate quantities, forms of tenders, and other information, application is to be made to the office of the Engineer-in-Chief; was it upon any of these items of information that you were led to believe that contract 14 would be finished within a particular time: there is nothing in the advertisement about it?—No, the advertisement does not state the time; but the engineers—that is, Mr. Fleming, in his Department—gave us to understand that the work would be completed with that year's extension.

14272. Do you mean that that was some verbal statement?—Yes, in conversation. That is all the information given me in the Department.

Extension of time in regard to contract 14 appeared to be kept in the dark.

14273. It was not contained in any of the documents issued by the Department?—No, I did not see it in any document issued by the Department; but it took me some time to find out that the time for the completion of section 14 was extended. It appeared to be kept in the dark that the time for the completion of section 14 was extended.

14274. Do you mean that you made application to any one connected with the Department to ascertain that information, and was refused that information?—I made an application to see Mr. Mackenzie, but Mr. Mackenzie would not receive me; he sent word out that I should see Mr. Trudeau. When I saw Mr. Trudeau I put that question to him, in regard to the completion of section 14. Mr. Trudeau retired and went back to Mr. Mackenzie's office, and came out and said that they would not submit to any date being put to the completion of section 14.

14275. Had you been led to believe, at any time before that, that the Government would put such a condition as that in the contract?—Why, certainly. Whoever would sign a contract without the conditions of the date of finishing section 14, when he made his calculations on 14, because the advertisement itself leads a man to believe that you are going to get possession of 14, as well as 15, to do the work.

14276. What portion of the advertisement?—The whole advertisement itself leads you to understand that that work is to be carried on simultaneously. The tone of the whole advertisement is that you are to finish 14 and 15, and the work to be carried on at the same time.

14277. There is nothing, as I understand you, in the form of specifications or conditions of contracts which were to be furnished to tenderers on this subject?—No, I do not think there is. I would not be positive of it; but I think that I looked very closely into the matter, because I looked upon it, as I stated to you, that I thought section 14 could be made available to complete two-thirds of section 15.

14278. You found afterwards that that was not the intention of the Department?—I do not know whether that was the intention or not, but I found out that they would not do it.

14279. That they would not agree to it?—That they would not agree to do it.

14280. Then you exercised your option not to enter into the contract without that agreement?—I declined to enter into a contract without there was a date put to the completion of section 14 by Sifton, Ward & Co.

14281. That was the sole reason for your tender not obtaining the contract, so far as you know?—That is as far as I know, excepting, as I believe, there was a strong inclination that I would not get any work.

On witness's impression that section 14 would be made available to construct the greater portion of section 15, the Government refused to act.

Refused to enter into contract for section 15 unless a date was fixed on which Sifton, Ward & Co. would have completed section 14.

Tendering—
Contract No. 15.

There were obstacles thrown in my way not to get any work—not that work alone, but others.

14282. What others?—Well, I tried to get hold of the Pembina Branch through another gentleman, but I could not get it. I have not been successful during a certain time. Failed to get contract for Pembina Branch.

14283. Do you mean you have not been successful in making the lowest tender?—I think I have made several lower tenders, if they had only come to the light of day.

14284. Do you mean that any of your tenders have been withheld?—No; I think some of my tenders have been overlooked, not so much on this work as on the Welland Canal.

14285. We are only enquiring into the Pacific Railway matters?—Yes.

14286. I understand the substance of this evidence about section 15 to be this: that because the Government would not insert a condition in the contract, beyond what had been mentioned in the specifications and advertisement, you declined to fulfil the tender, is that correct?—Well, I think the advertisement carried out my view in that: that section 14 was to be made available to finish section 15. If it was not, why was the completion of section 14 added to section 15? There must have been some object in it to combine them both together. Thinks advertisement conveyed the impression that contract 14 would be completed so as to be made available for construction of contract 15.

14287. Assuming that it was necessary to lay the track on 14 before finishing 15, do you mean to say that any particular time was specified during which, or at which, 14 should be finished?—No; there was no particular time specified.

14288. Then is it not the mention of the particular time which was the stumbling block in your case?—Yes; that was the main point, no doubt, because I did not want to bind myself to finish section 15 before section 14 would be done. But my own opinion is, provided I would agree to sign the contract without that date, I don't think I would get it.

14289. You did not try?—No, I did not try to sign the contract; but my partner was anxious to sign the contract without that point being put in, and I would not submit to it knowing the position I would occupy.

14290. Then you never put the Government to the test?—No, not I.

14291. Did Mr. Kane?—I do not know.

14292. Then what you have said is only surmise?—It is by the looks, feelings, talk and conversation, and the way I was treated at the time.

14293. You did not put it to the test by offering to do so, either you or Mr. Kane?—No; I did not. I do not know what Mr. Kane did.

14294. I understand that you mean, by your evidence so far, to say that it was necessary for any contractor, in order to finish 15 to be able to go over the rails on 14, and it was therefore necessary that the time for finishing 14 should be limited, and because they did not limit it therefore you would not execute the contract?—No; I do not understand it that way.

14295. Please explain it?—I explain it that I considered that, in my place, I was entitled to being put into section 14 for the completion, because it is given in as a combined work, as one piece of work, and if I Witness's view of what occurred.

**Tendering—
Contract No. 15.**

was detained and delayed for the want of 14 I could not finish 15 at as earlier a date. Other contractors might think that section 14 was not necessary for them to do it; but in my position I looked upon it, and for the benefit of the country and of the Government, that section 14 should be completed at an early date, so that the cost of section 15 would be less.

What witness gave Government to understand.

14296. I understand from the documents published that you wished the Government to insert a condition to this effect: either that 14 should be finished in a limited time, or that you should be paid damages which might occur because of its not being finished if an extra expense was involved in completing the work on 15?—No; what I gave the Government to understand at the time was this: that I was willing to submit to the one year extension that they would give to the contractors on 14. They gave them one year's extension over their original contract. I was willing to submit to that and take one year, provided the Government would say that if it was not done at the end of the extended time that they should pay me for the trouble I should have in getting men and material to the work; but if it was completed at that time there was no charge and I asked no favours.

Witness's proposition in effect that Government should undertake that contract 14 should be finished by a particular time or pay expenses consequent on delay after the time specified.

14297. The effect of your proposition was that the Government should undertake that 14 should be finished by a particular time or pay you damages, was it not?—Pay; not damages.

14298. Well, expenses, which would be damages to them?—Yes; pay expenses of men, tools and materials for the work.

14299. That would be damages to the Government would it not?—Yes.

14300. And they declined to enter into that arrangement?—Yes; I asked them to put a date to it defining the date for the completion of it, but they declined to do that.

Hearsay.

14301. Is there anything else connected with the letting of the contract on section 15 which you can explain, or upon which you have knowledge?—Only from hearsay; I know nothing particularly about it only from hearsay.

14302. Was it from the persons who got the contract?—It was from the parties who sold out the contract.

14303. Do you mean Sutton & Thompson?—No; from Mr. Charlton.

Charlton got two persons to put up \$20,000 for him, but failed to put up the rest of the security.

14304. Was what he said in connection with this matter?—It was: stating what proposition he had made, and what he had done, how he got men in New York to come up here and put up \$20,000 for him to go into contracting, and so on. He got two gentlemen from New York that I knew very well. They came over here to put up \$20,000 in security, and Charlton was to put up the rest in land, and so on; but he failed to do so.

14305. Do you mean that Charlton told you these matters you are describing?—Yes.

Met Senator McDonald in Montreal, and made him a proposition. But he told witness of the arrangement made at Prescott with Charlton.

14 06. Well?—Then Senator McDonald came on ^{and} met him in Montreal and made him a proposition, and he said he went up with him as far as Prescott; there they met Mr. Whitehead and consummated the arrangement.

14307. Mr. Whitehead has said that upon that occasion Charlton got \$20,000, and that Sutton, or Sutton & Thompson, then or about that time, got \$10,000 for withdrawing from their tenders: was it to the same effect that Charlton informed you?—He did not tell me how much he got—how much money he had received.

14308. Is what I have mentioned at all inconsistent with what Charlton has said?—Yes, Thompson told me himself; or—not Thompson—Sutton told me himself—

14309. I am asking you whether it is inconsistent with what I have described?—No; it is not inconsistent with what Whitehead has said.

14310. Is there any other matter connected with this contract of which you have knowledge?—No; there is nothing except what has been conversation among outsiders, and that does not amount to anything.

14311. That would not be material. If it is a statement by any person, who himself had any part in the transaction, we will hear it. What is the next matter connected with the Pacific Railway in which you have been interested?—The next matter was in regard to the Pembina Branch. The Pembina Branch was let. I did not tender for that. I don't think, myself; but it was let to Mr. Kavanagh, and Mr. Kavanagh's son came down to Montreal and came to see me, but I sent him to Mr. Falardeau. Falardeau and myself met together and we agreed to take hold of a piece of the work with him. Mr. Falardeau was to put up the money and to come up with Mr. Kavanagh here and sign the contract. My name was not to be used in the matter, because I did not think it would be of any benefit to us to have my name in the office at that time. So they came up here. This is Mr. Falardeau's conversation with him. I was not present.—

14312. I think that would hardly be admissible if you were not present at all, it would hardly be safe to rely upon that?—I was not present. Mr. Falardeau told me about it, because I was connected with him at the time in the transaction.

14313. Was your name mentioned in the tender?—No.

14314. Mr. Kavanagh mentioned his own name?—Mr. Kavanagh mentioned his own name, and it was declared to him alone, I believe.

14315. Then this arrangement at Montreal was a proposition amongst yourselves to add other names?—This conversation in Montreal was between Falardeau, Kavanagh and myself.

14316. It was a proposition to add other names, was it not?—Yes; Falardeau's name was to be added in the contract with Kavanagh's, and he was to put up the money security, &c., and join in the contract.

14317. The Government declined to permit that addition to the firm, as far as you understand it?—The way I understood about it was this: that Falardeau came up here with the money—

14318. I don't want to know the details, but the result of it was that the proposition was not acceded to?—No; the Government declined to take him.

14319. I can hardly take the particulars unless you yourself were here; Mr. Kavanagh has already told us the particulars, having taken part in it himself. His story was that he had tendered in his own

**Tendering—
Contract No. 15.**

Charlton did not tell witness how much money he got, but what Charlton said was not inconsistent with Whitehead's evidence that \$20,000 had been given to Charlton.

**Pemb. Branch.
Tendering—
Contract No. 33.**

Kavanagh went to witness who sent him to Falardeau.

Falardeau's name was to be added to contract and to put up the money.

The Government declined to let Falardeau go into the firm.

Pemb. Branch.**Tendering—****Contract No. 33.**

name, and he proposed afterwards to the Department to add another new name—this gentlemen whom you have mentioned—but the Department objected to it and that matter dropped; is there anything different from that that you know of?—Yes; a little different. The way I understand it—and I believe I am correct—I believe there was a paper, a protest, served upon Mr. Mackenzie on the transaction at the time, by Mr. Falardeau, in writing, black and white, defending himself.

Falardeau defended himself.

14320. Was there anything different from this feature of the case?—Yes; a little different.

14321. That the Government declined to permit Mr. Kavanagh to add a new name to his tender?—Mr. Falardeau when he came here to see Mr. Mackenzie said to Mr. Trudeau—

14322. I cannot take from you as evidence the history of what took place in your absence?—Then why should you ask me the question whether there was any difference?

14323. I asked you whether you knew anything different?—No; I have told you from the beginning that I do not know anything except what he told me himself—what Falardeau told me.

14324. Then whatever you do know in this instance is from some other person's account?—It is from Falardeau.

**Tendering—
Contracts Nos.
60 and 62, B.C.**

14325. What is the next transaction in which you were interested?—The next transaction was in regard to the British Columbia work.

14326. Which section was that?—Sections A and C—1 and 3.

14327. Where you connected with other persons?—Yes.

Lowest on sections A and C.

14328. Was the tender on either of those sections, of your firm, the lowest as far as you know?—We were the lowest on sections A and C, as far as I know.

14329. Did you get the offer of the contract on these two?—Yes.

Got contract.

14330. Did you take it?—We did.

14331. Was the contract to the same persons who tendered?—Yes.

14332. And signed by them?—The contract was not signed by them, but the work was declared for the same parties that tendered for it, and at the same tender.

Government sanctioned transfer of contracts to others.

14333. How did it happen that the contract was not to the same persons that tendered?—Because there were arrangements made with other parties to take the work and proceed with the work, and the Government sanctioned the change, and the change was made.

14334. On pages 130 and 131 of the Blue Book of 1880, there appears a tender signed by Duncan McDonald, H. McFarlane, A. P. Macdonald, S. M. Loss, A. Charlebois, John Sullivan, P. McRae, William McRae, L. T. Mallette: is this the tender to which you have alluded, do you think?—Yes, that is the same one.

Contract finally given to Onderdonk.

14335. To whom was the contract finally given?—The contract was finally given to Andrew Onderdonk.

14336. This tender is only for one of the sections, is it not?—It is for the whole work.

14337. This one that was awarded to you?—No; the one that was awarded to us was A and C—sections 1 and 3.

Tendering—
Contracts Nos.
60-63, B.

14338. How many sections did you understand the work in British Columbia to be divided into?—Four sections.

14339. Who was the successful tenderer for A?—For A, Duncan McDonald, A. P. Macdonald, and so on.

Duncan Mc Donald and A. P. Macdonald successful tenderers for contract 60 (A).

14340. That is the firm you have just mentioned?—Yes.

14341. Who was the successful tenderer for B?—Goodwin, Smith & Ripley, and Purcell & Ryan.

14342. And who for C?—Duncan McDonald, A. P. Macdonald, and so on.

Ditto for contract 62 (C).

14343. And for D?—And for D, Mr. Kavanagh.

14344. Was it by the consent of your firm that Onderdonk got the contract for both A and C?—Yes.

14345. Did your firm derive any advantage by the transfer?—Yes.

14346. Without wishing to know how the advantage was divided among yourselves, which was entirely a private matter, I wish to ask what the whole value of the assignment was supposed to be, for these two contracts—or two sections?—It was \$100,000.

\$10,000 paid for assignment of contracts.

14347. And was the transfer made upon that basis, that Onderdonk was to pay that?—Yes.

14348. Did he pay any more than that, do you know, for the two?—Not that I know of.

14349. In your experience in contracting, do you know whether it is possible for a person undertaking a large amount of work, such as this, to pay something for the smaller portions of it, so as to have them combined, and still save as much, or make just as much as he would if he had had them separately at the original prices?—Yes; my object in forming that company was to take the whole work, knowing from past experience that the whole work can be done by one company 15 or 20 per cent. less than it can be done by dividing it into four sections, especially in such a wild country as that. It would not make so much difference here in a settled country, but in a country like that location is everything.

One contractor having the whole work could do it 15 or 20 per cent. less than several contractors could accomplish it in sections.

14350. Is more machinery required in proportion to the mileage?—Yes, and plant to supply the piece of work with—plant and hauling that there the distance it has to be hauled. The work divided into four sections could never be done at that price.

More machinery required where work is divided.

14351. Is that opinion as to the advantage of getting a larger work in one contract derived from your experience as a contractor, or is it a new idea?—It is from my experience as a contractor.

14352. Do you know whether similar opinions are entertained by other contractors of experience?—I do not know, but I think so, because I have positive evidence that in large contracts, men who take larger pieces of work can do it much less than by dividing it up, because the controlling power is in one head—one institution.

Men who take large works can work cheaper than small contractors.

14353. Is there any other advantage than this—of plant?—Yes, there is a great advantage in plant, because you can move it from one section, or one cut, to another.

**Tendering—
Contracts Nos.
60-63, B.C.**

Labourers more easily controlled when the work not cut up.

System of letting contracts.

14354. Is there any other material advantage besides this of plant that is as to hiring of men, or any other item?—Yes, you can control the men much better than by dividing up.

14355. Would it be an advantage not to have competition for labourers?—It would, certainly; because any man who would have section 4 need not import a labourer, because he could make sections 1, 2 and 3 import, and he could get them from there by giving five or six cents more a day, and need not import a man; either one of these sections, could be a thorn in the side of the rest. But the system of letting and asking money is wrong—corrupt from beginning to end.

14356. Asking money for what?—Putting up money with tenders, the putting up 5 per cent.

How the system works.

14357. What is there wrong about it?—In the first place you have to put up—supposing you get a piece of work worth \$50,000 or \$100,000—if you put up 5 per cent. on \$100,000, that is probably all the means the contractor had to commence his work on. It makes him poor at once. He has to go into debt to get his plant and tools and supplies. Then another thing is, the moment the system was adopted it made the Board of Works a broker's office—nothing more nor less than a broker's office. They ask you to put up \$5,000, \$10,000, \$20,000 or \$30,000 with your tender. You put it up, and the consequence is you do everything in your power to find out where your tender is. You offer inducements to clerks to do things that they would not do on no consideration; you offer them bribes to get at things that are dangerous. We know at one time a Minister of the Crown had to force open a door to get papers. You take a clerk that gets \$1,000 a year salary, and offer him \$2,000 to get certain information in his office, and there is a temptation for him to break a lock to get it. Under the old system he did not have this, and it relieves the Government of any responsibility as to the decision, as they will give it to the lowest tender, and the consequence is it goes into the hands of capitalists, and they can obtain more favours, &c., than the ordinary contractor could. And we know that for the works that have been let, since this system has been adopted, of putting up 5 per cent. in money with the tender, they have cost at least 25 or 30 per cent. more than they did before. It may not appear so on the bulk sum on the start, but before the work is completed they have cost the country 30 per cent. more than they did before under the old system.

Compelling Government to give contracts to lowest tenderer relieves them of all responsibility.

Contracts cost more by 25 or 30 per cent.

At present temptations held out to clerks to give information.

14358. Did you say under the present system that temptations are offered to clerks to afford information?—Yes, to afford information.

14359. Do you think the country has been damaged by that?—I do.

14360. How?—Well, because there has been talk about corruption and everything of that kind, that makes the people begin to think that everybody connected with the Department of Public Works, and everywhere else, is corrupt.

14361. Are you aware of any instance where the public interest has suffered on that account?—No, I have not; except from conversation and what I have read in the newspapers.

Witness never asked a clerk to give him information but others have boasted of doing this.

14362. Are you aware of any person in any of the Departments giving any information to any one person that the public could not get?—No, because I never asked one in my life, and I would not; but there is other men who have done so and boasted of doing it.

System of letting contracts.

14363. Who has boasted of having done it?—I could not tell you, there are lots.

14364. Name one in connection with the Pacific Railway?—I cannot tell.

14365. Do you mean that you do not know?—I could not name you any person who did it; it's generally in conversation that one gets information from such a source and such a source.

14366. It is as to persons who have said in conversation that I am asking you: name one who has mentioned it?—It is generally conversation at times of lettings.

14367. Name one person who has said that he got such an advantage?—I cannot name you any person, Sir.

14368. You have mentioned that a Minister of the Crown got some information in a peculiar way, was that in connection with the Canadian Pacific Railway?—No, no.

14369. We are only entitled to enquire about the Pacific Railway, so I will not ask you anything further upon that particular matter: are you aware of any person getting information which would assist them in their tenders, connected with the Pacific Railway, from some one in the Department?—Only from hearsay. I know nothing myself; nothing Sir, only from hearsay.

14370. Has it been hearsay from the person in the Department implicated?—No, no, no.

14371. Had you no assistance in making any of those tenders?—Never, Sir.

14372. Had you any means of knowing when you put in your tender whether it was lower than any other tender that was put in?—No; not from any one inside the Department, but I had outside the Department. Contractors came to my room, many of them, and told me their bids and tried to compare bids with me and all those things. That is one way information came to me—men coming voluntarily to my room and comparing bids with each other up to the time of closing tenders.

14373. I was asking you up to the time you put in the tender?—No, after.

14374. I was not asking you about the time after putting in their tenders?—That is the time they get the information, after the tenders are in.

14375. I am asking you whether, up to the time of your putting in the tender, you received any information from any one connected with the Department, either Minister, or assistant, or any clerk, as to the fact that your tender was lower in some items than some other tender?—No; and I would not rely upon any man's opinion on that.

14376. I am asking you now whether you got the opinion, not whether you relied upon it?—I never got the opinion, because under this system the 5 per cent.—putting up the money—if the Government choose they can throw a man off that they do not wish.

14377. You mean unless he puts up his 5 per cent.?—Yes; but supposing there is a great many tenders in, and in a great many cases

Had no assistance from Department in making tenders.

Contractors compare bids.

Got no information prior to putting in his tender.

System of letting contracts.

Present system of tendering leads to tenders being put in for the purpose of being sold.

—but I presume something of the kind has happened—where the moment tenders are opened the work is declared to some one. For instance, the tenders are in and a gentleman goes up to find out where his tender is; he is very anxious to find out whether a man is above or below him, because he puts in his tender for the purpose of selling. There are very few works that have been done by the successful tenderers under this system, but what have been for sale and bartered away since this system has been adopted. Very few persons have gone on and done the work—it is bargain and sale.

14378. Please explain: do you mean that this system of bargain and sale may not exist where the securities are in the shape of bonds as well as where it is in the shape of money deposit?—No.

The way successful tenderers are sometimes prevented from putting up money.

14379. Why not?—The reason is this: the tenders, for instance: a piece of work is awarded to me, or anybody. The moment that piece of work is awarded, the prices are generally known. Then the contractors spread it around that that man cannot put up his money; that he is too low: "I was \$100,000 above him and he cannot do that work." He goes to his friend, who is going to put up the money, and he says: "don't you do it he is too low," consequently they balk him and he cannot do it.

14380. That is under the present system?—Yes.

The old system.

14381. Could not the same thing happen if it was under the other system of security by bond?—No.

14382. Why not?—Because a bond given for public works is only given to show the standing and reputation of the man—of the contractor—because no bond has ever been enforced to my knowledge on public works.

Present system relieves Government of responsibility.

14383. How does it show the standing and reputation of the man, if it is understood not to be enforced?—It is to show the respectability of the securities. Then the Government, under the old system, was responsible for the letting, because the tenders were taken to the Council and opened there, and they made their choice of men to give that work to, and then they were responsible to the House for their decision; but under this system they will say: "We will let it to the lowest tender who has put up his money." They relieve themselves in this way of the responsibility; and the consequence is, that the works actually done under this, when you come to open the books, are 30 per cent. higher than works done under the old system.

14384. Have I understood you properly to say that this system of security by bond instead of by money deposit would not lead to the sale of contracts?—Yes.

14385. I have not understood what reason you have given for this if you have given one?—Well, because it is not known—the bulk sums. They make up their tenders now and put up the bulk sum, and contractors get to work and compare their bulk sums.

Collusion among contractors.

14386. What has that to do with the system of security—the knowing by the contractors of each other's tenders?—It has to do this: because here is \$-0,000, for instance, above me, or \$50,000 above me. He finds that out. His tender shows it. Then he may come to me and say "Drop this and come up to me."

System of letting contracts.

14387. Cannot the contractors tell each other this under the bond system of security as well as under the money deposit system?—No, they cannot; because the Government makes the choice of the contractor.

14388. That is not because of the difference in the system of security?—There is a difference between the security. Now a man makes money out of it. In the other case he could not make money out of it. They did not put up any money whatever in the other case.

14389. I have not been able to follow you in your reasoning: I shall have to ask you to explain again what you mean by saying that the bargain and sale of the contract could not take place under the bond system of security as well as under the cash system of security?—It can; but not to the same extent as it does now. Explains.

14390. Why can it not to the same extent as it does now: is it because contractors cannot tell each other?—No; because under the other system the contractors take the tenders into the Department—there is no putting up only the names of the securities—then the contract is awarded and that is the end of it. If any other man comes to me to get work from me or to buy it out, the consequence is I can take him in with me; but under the old system they never allowed the original contractor's name to disappear. Under the old system the original contractors' name never allowed to disappear.

14391. That is a new difficulty; that has nothing to do with the system of security: there is another regulation, which you say existed formerly, that they would not allow the name of the contractor to change?—No.

14392. You seem to be comparing the old system with the new, but I do not understand the reasoning; one of the difficulties you say is: if a man enters into a contract, when he puts up the security he has no money to go on with?—Yes.

14393. And you think that the result is that the contracts go into the hands of capitalists?—Yes. Tendency to throw contracts into the hands of capitalists.

14394. Do you think it a bad thing that contractors for public works should be capitalists?—Not that it goes into the hands of capitalists, but into the hands of men who do not understand the work, and it is not in the hands of contractors as a rule. You take the amount of work that has been let in the country for the last six, or seven, or eight years, and it has been in the hands of men—very good men, no doubt, all of them good men—but you take the bulk sum that the work was let at, and take the money that they have received for the completion of that work in the final estimate, and it is 30 per cent. higher than such work was done before for. Not an evil that work should fall into hands of capitalists, but into the hands of capitalists who know nothing about work.

14395. I think I understand now what I have not been able to see before, but I will ask you if this is what you mean: do you mean that where persons tendering had to find sureties, that these sureties would not give their names unless it was to persons accustomed to doing that kind of work, and it would not be sufficient to find money only, but a recommendation from some responsible person that they were fit to perform the contract?—Yes; that is it. Present more costly than the former system.

14396. It is not only a money calculation but a capability of performing the work: is that what you mean?—That is about the pith of it. That is one of the benefits of the old system. Old system ensured capacity on part of contractor.

System of letting contracts.

14397. And you think one of the evils of the present system is letting to any one tenderer without any recommendation as to his being a suitable person, so long as he can find enough money to put up the 5 per cent. ?—That is all.

The present system with its large deposit impoverishes contractor and forces him to sell his interests to capitalists.

14398. And his object is not to fulfil the contract but to sell his standing ?—Yes, to sell his position. In our general railroad work and canal work, when the Government pays the monthly estimate, which they do, there is not a great deal of capital required, as a rule. Actually, the sum of money that a man put up with his tender of \$500,000 or \$1,000,000—if there is \$1,000,000 worth of work, he puts up \$50,000. That \$50,000 is ample to carry on his work. If he be allowed to give other security—individual security—that \$50,000 would be ample to plant his work, ordinary work; but the moment he puts up his \$50,000 he has to go into the hands of capitalists to get it or to go to the bank and get it, and it impoverishes him at once. The consequence is he has to dispose of his interest at once to men of standing and influence who can furnish the capital necessary to go on with the work.

14399. Is there any other matter connected with the Pacific Railway upon which you have information and can give evidence ?—Not as I know of, Sir, now.

Tendering—Contracts Nos. 60 and 62, B. C.

No portion of money paid by Onderdonk to witness's firm went outside firm.

14400. Do you know whether any portion of the consideration paid by Onderdonk for these two contracts was given to any person outside of your firm for any service ?—I am certain there was none given as far as we are concerned: but of the rest I could not speak for.

14401. I am only speaking of your firm, whether they set apart any proportion of this amount for any services of any one else ?—No; not a farthing, Sir. I think we were all old enough to do our own business.

Alleged improper influence.

14402. Are you aware of any arrangement by which any one in any of the Departments obtained any advantage in consequence of favours to any contractor on the Pacific Railway, or any tenderer ?—I am not aware of anything of the kind—nothing in the world. I never spoke to any member of the Department in any shape. Whenever I wanted anything to do I went to the Minister himself.

No Member of Parliament to witness's knowledge gained any advantage in connection with contracts.

14403. Are you aware of any Member of Parliament gaining any advantage by any influence in favour of any contractor or any tenderer ?—No; I do not.

14404. Is there any other matter connected with the Pacific Railway on which you could give evidence, thinking we ought to receive it ?—Not as I know of.

System of letting contracts. Letting contracts by bulk sum not correct in principle.

14405. Have you ever considered the relative advantage to the public of tenders made by bulk sum or by prices applied to estimated quantities ?—Yes; I have considered that pretty seriously, and very often too. I look upon the bulk sum as not a correct principle to let work upon—upon the bulk sum.

14406. Do you think it of more advantage to the public that it should be let on estimated quantities and a schedule of prices ?—By the schedule of prices, I do, Sir.

14407. What is your reason for favouring that practice ?—My reason is this: that it is impossible for any engineer to find out what is in the bowels of the earth, any more than for a contractor, and if you

System of letting contracts.

go upon the bulk sum and you come across material that was never anticipated, then litigation commences, difficulty commences; but if you have a schedule of prices for all classes of material that you may come in connection with, then it does away with it all.

14408. You think it is fairer to offer a schedule of quantities which may fluctuate, according as the material may be found, in the execution of the work?—Certainly.

Best system schedule of quantities with prices for each item.

14409. And that these quantities should be applied to prices offered for each item?—Yes.

14410. Do I understand that you think, upon the whole, that that is the most advantageous system for the public?—I think it is, because taking the canal works which have not been let on bulk sum—it has all been let on schedule of prices—and it has all been done economically and very satisfactorily to the public: because no man will do work, if he is a sensible man, if he puts out a dollar and brings back only fifty cents, he will squirm out of it in some way or other; it is human nature.

14411. How does he manage about his monthly estimates, if he squirms out of it?—Monthly estimates: if he does not get them he stops. Location has everything to do with the contract. The location of the work, and where it is has everything to do with the contract and with the price. The great evil now that contractors have to contend with, men who have worked hard and made a reputation in the country, is those Blue Books. They make bogus contractors all over the country that do not amount to anything: they are straw men. They take and open that book (pointing to a Blue Book) and see somebody else's tender there for a piece of work, and see that they did that piece of work for that price, although the same work may be worth 30 per cent. more. Under this system here for the last seven years there has been more contractors than there has been in the last forty years in Canada.

Blue Books a great evil in that they make bogus contractors possible.

In past seven years more contractors in Canada than in forty years before

14412. Has there not been more contract letting during that period?—Well, yes; there has been more contracts let for the last five years than there has been in the same period of time previously.

More contracts let.

14413. Then it cannot be a matter of surprise that there are more contractors?—No; but there are more people in the country too.

14414. Then you think that this system of letting public works is a mistaken one?—It is wrong, and it is no benefit to the community at all.

14415. Do you think any one else suffers by it excepting contractors?—The man that bids on it suffers.

14416. They are contractors?—They are the men who go into it blindfold, and they suffer.

14417. You think it makes an unhealthy competition on contracts?—Yes; they do not do it in any other country. They tried it on this principle in the United States, and they had to go back to the old system taking engineer's estimates and letting it to practical men.

Present system creates unhealthy competition among contractors.

14418. You think the old way is the best?—I think so.

14419. Is there anything further that you think you can give information upon connected with the Pacific Railway?—No.

Building Engi-
neers' Houses—
Contract 3 & A.

OTTAWA, Thursday, 11th November, 1880.

TOUSSAINT TRUDEAU's examination continued:

By the Chairman:—

Explanation as to excess of price over that contracted for \$17,000 instead of \$12,000. 14420. Are you prepared now to explain the expenditure on contract 32 A with LeMay & Blair: it appears to be over \$17,000, while the contract price of the four houses, stated to be built in the contract, was said to be between \$11,000 and \$12,000?—Yes; the abstract of the final estimate is: the erection of four houses and platforms, \$11,299.50; materials burnt at Upsala and Carlstadt, \$1,393.62; materials delivered, \$4,221.54; provisions and camp equipage, \$393.82; labour upon Upsala stations, \$400.97; watching fires at Nordland, \$21—total, \$17,730.45.

14421. You have paid for materials burned: can you explain that item?—The materials delivered were for the construction of four houses which were never finished. A portion of the material was burned by bush fires, consequent upon the operation of the Department in building the road, and it was thought just that the Department should pay for these materials.

14422. These materials which were burned form no part of the next item which you charge as materials delivered, I suppose: you distinguish between the materials burnt and those delivered?—Yes.

14423. Then is it not probable that the materials burned never were delivered but were burned in the hands of the contractor?—The engineer's certificate does not give that information.

Order not to proceed beyond the erection of four houses made after the fire.

14424. Do you know whether the decision not to proceed with this work beyond the four houses erected was arrived at after or before the fire?—I see, from the report signed by Mr. Marcus Smith, dated June 11th, 1877, that he reports the fire of Upsala, and that he recommends that the erection of four houses should be stopped; and as it was on this report the decision was arrived at, I conclude that the order to stop was after the fire.

Payment for materials burnt, &c., made on certificate of Marcus Smith.

14425. Was there any dispute between the contractor and the Department as to the payment for these materials, or was the payment for them taken as a matter of course in consequence of the discontinuance of the work?—The payment was made on the certificate of Mr. Marcus Smith, who was charged with the settlement of the claim.

14426. Have you the original report or a copy of it which you can produce?—No; but I can produce a copy of it.

Ground on which Marcus Smith recommended not to build the four remaining houses stated in his report.

14427. Do you know whether the Department had, before the report of Mr. Smith, in June 1877, considered the expediency of delaying the building of these houses on account of the danger of fire, or was it alone because he recommended it that they were stopped?—It was because Mr. Marcus Smith, who had just recently visited the place, recommended it.

14428. And do you consider this change in the policy of the Department on that subject to be due principally to his personal visit?—It is due to his report.

14429. And what was the report due to?—It was due to information he obtained.

14430. How did he get the information do you think: in other words, have you any doubt that this policy was due to his personal inspection

Building Engi-
neers' Houses—
Contract 33 A.

of the ground and surrounding circumstances?—I have no reason to doubt it.

14431. Will you read that portion of his report of which you appear to have a copy which touches this particular matter—I mean the discontinuance of the building?—Mr. Marcus Smith says :

"I am more than doubtful if it would be good policy or economy to erect those houses so long before the line will be open for public traffic. It was thought that by erecting these at once it would save the expenses of building butts for the accommodation of the engineering staff during the construction ; but we see that they are liable to be destroyed by fire, that they will only be occupied for a year or so during the construction of the line, and will be vacated as the engineers move on with the work. Then comes the expense of some one to take care of them, and it would probably be found, even after the line was open for traffic, that some of those houses would not be required for years as station-houses, for in the rough country between Savanne and Rat Portage there is very little land fit for settlement."

Marcus Smith's
report.

14432. Before this report I understand that four houses of the eight had been either completed or nearly completed: is that correct, and that the report recommends only the discontinuance of four out of the eight?—Yes.

14433. Had any of those four, which had been built or nearly built, been destroyed by fire before this report?—One of the houses at Buda was destroyed before this report of Mr. Marcus Smith was written.

One house des-
troyed by fire
before Smith's
report.

14434. Is there any other matter connected with this contract which you think it necessary to explain?—I produce a copy of Mr. Smith's report, dated 11th of June, 1877. (Exhibit No. 184.)

14435. Is there anything further?—No.

14436. At the time of your previous evidence concerning this contract, the question arose as to the authority which Mr. Fleming had for directing Mr. Hazlewood to enter into the contract: have you any explanation of that now: it appeared to have been done by a letter from Mr. Fleming to Mr. Hazlewood who was then in Ottawa?—I think there is a letter from the Department to Mr. Fleming on the subject, but I have not got it before me.

14437. Will you endeavour to produce it as well as any report upon which it was founded?—Yes.

14438. Have you now a copy to produce of the contract No. 38 with Ingalls?—Yes; I produce it. (Exhibit No. 185.)

14439. Referring to contract No. 40, on which you were not able to give complete evidence yesterday, can you say now what expenditure was incurred on account of extras, or rather for work provided for in the contract, but not in the lump sum mentioned?—The additional works were 180 cubic yards of earth, at 25 cts; ten cubic yards of rock at \$1.50; 117 cubic yards of masonry at \$5; and 467 lineal yards of drain at \$5; these were the prices named in the contract. The extra work proper was "charge for increasing diameter of turn-table to fifty feet, \$200; charge for removing turn-table from Selkirk to Emerson, \$105."

Contract No. 40.
Expenditure in-
curred for extras.

14440. Is there anything further about this contract which you think requires explanation?—No.

14441. Referring to contract 34 can you now produce the letter from the Department to Mr. Beatty accepting his offer?—Yes; I produce it. (Exhibit 186.)

**Transportation
of Rails—
Contract No. 52.**

Let by competi-
tion.

Tenders called
for by circular.

No circulars sent
to Beatty who
before circular
were sent out had
made an offer
and who got the
contract.

Prices quoted by
tenderers \$6 and
\$6.03.

Smith & Keigh-
ley handed over
their tender to
Henry Beatty.

14442. What is the next contract, in point of time, which we have not investigated?—Contract No. 52, for the transportation of rails from Montreal to Fort William. The contract was made with the North-West Transportation Co., and is dated 30th September, 1879.

14443. Was the work let by public competition?—Yes.

14444. Have you any copy of the advertisement or a report upon the tenders?—The tenders were called by circular. There was no advertisement.

14445. Have you a list of the firms to whom the circular was addressed?—Yes. The circular was addressed to Calvin & Breck, Folger Bros., Holcomb & Stewart, Butters & Co., Cooper, Fairman & Co., Thomas Kimling, James Swift, Thomas Dawson, D. McPhie, G. E. Jacques & Co., and Smith & Keighley.

14446. Do these comprise all the steamboat owners or agents known to the Department who would be likely to take the work?—Yes.

14447. Was there not another—the one who got the contract?—Mr. Beatty, the Manager of the North-West Transportation Co., had sent in an offer on the 3rd September, 1879.

14448. Then no circular was sent to him?—No.

14449. Did you treat his offer, made before the sending of the circulars, as a tender competing with the rest?—Yes.

14450. Have you a copy of the circular or any report upon the substance of it?—Yes; I produce a copy of the circular. (Exhibit No. 187.)

14451. Can you state the persons from whom you received any offer, including the previous offer of Mr. Beatty?—Yes; they are given in a report by Mr. Sandford Fleming dated 25th September, 1879.

14452. Can you produce the report?—Yes; I produce it. (Exhibit No. 188.)

14453. Read it?—“Including the harbour dues at Montreal the offers were from Calvin & Breck, \$6.03; from Smith & Keighley, \$6; North-West Transportation Co., \$6; Folger Bros., \$5.03 per ton.”

14454. Do you understand that these were all the offers upon the subject which were submitted to the Department?—Yes.

14455. This report appears to show that Smith & Keighley, of Toronto, offered to take these rails at the same price as the tender which got the contract?—Yes.

14456. Was there any reason for selecting one in preference to the other, or was it by arrangement among themselves that the contract was arrived at?—On the 29th September, 1879, Smith & Keighley telegraphed to the Department:

“If you favour us with contract for transport of steel rails and fastenings, Montreal to Fort William, kindly make contract to Henry Beatty, as he has made arrangements with the Grand Trunk for the prompt transport, and we carry half quantity. Will this be agreeable to you?”

14457. Is the Henry Beatty named here the gentleman who represents the North-West Transportation Co.?—He is the manager of that company.

14458. Then are we to understand that this contract was made in obedience to this telegram from the parties who made the offer at the same rate?—Yes.

14459. Was there any formal contract upon this subject beyond what is contained in those letters, and acceptance of the offer?—No. The acceptance by the Department is dated 30th September, 1879.

14460. To whom is it addressed?—To Henry Beatty, Manager of the North-West Transportation Co.

14461. Is this expenditure for part of the work which Mr. Ryan undertook to perform under contract 48—the first 100 miles west of Winnipeg?—No. It is for Fort William.

14462. Have you a copy of the letter from Mr. Beatty accepting the terms?—Yes; I produce it. (Exhibit No. 189.)

14463. Has the work under this contract been performed?—Yes.

14464. Paid for without dispute?—Yes.

Work performed and paid for.

14465. Is there any other matter connected with it that requires explanation?—I do not think of any at this moment.

14466. What is the next contract?—Contract No. 37. It is with Heney, Charlebois & Flood, for the construction of the Georgian Bay Branch, extending from South River, near Lake Nipissing, to Cantin's Bay on French River.

Railway Construction—Contract No 37.

14467. Was this work submitted to public competition?—Yes.

14468. Have you a copy of the advertisement and any report upon the tenders?—Yes; I produce it. (Exhibit No. 190.)

14469. This schedule is apparently for tenders form A: is there any schedule for any other tenders?—Yes, form B; I produce it. (Exhibit No. 191.)

14470. Have you a copy of the specifications furnished to persons tendering?—I have not got a loose copy of the specifications, but there is one attached to the contract for the execution of the work. I produce the contract. (Exhibit No. 192.)

14471. Was the undertaking of this work authorized by Order-in-Council, or by the Minister alone?—By Order-in-Council dated the 2nd of September, 1878. I produce a copy of it. (Exhibit No. 193.)

Work authorized by Order-in-Council.

14472. What was the principal distinction between form A and form B, proposed for the tenders?—Form A was a subsidy per mile, and form B was by a schedule of quantities in the ordinary form.

14473. On which form was the contract completed?—On the form B—the schedule of quantities.

Work let on schedule of quantities to lowest tenderer.

14474. Then the policy of letting the work upon the basis of the subsidy was not carried out?—No.

14475. Was the contract let on the basis of the lowest tender?—Yes.

14476. Who made that tender: have you got it here?—The tender was signed by Robert McGreevy and John Heney. I produce it. (Exhibit No. 194.)

14477. The time named in the advertisement for receiving tenders was the 29th June, 1878: when were they opened?—They were opened on the 29th of June.

14478. Was there any written report upon the subject by the officers who superintended the opening?—I now produce the original upon which the former Exhibit (191) was based. (Exhibit No. 195.)

**Railway Con-
struction—
Contract No. 37.**

14479. This appears to be a schedule signed by Mr. Page, Mr. Smellie, and Mr. Braun, but I see no report upon the subject beyond the names and figures: was there any report, as far as you know?—
No.

Lowest tender accepted without discussion or report.

14480. Do you mean that the lowest tender was accepted as a matter of course, without any further investigation or discussion?—Yes.

14481. Is there any record to show now when these different tenders for this work were received in the office?—I find that the envelopes in which the tenders were received have not been preserved, and there is no record.

System of recording receipt of tenders.

14482. Has it been the system in your Department to keep any record of the time of the receipt of the different tenders for works, beyond the envelopes—I mean in any book?—No.

Tenders received by Secretary.

14483. Nor of the person who receives each tender?—The tenders are all received by the Secretary.

Laches of clerks as to connecting envelope with tender.

14484. It does not appear to have been the general practice to preserve the envelopes, because in most of those tenders which have been submitted for our inspection, the envelopes are not attached: have you any understanding in the Department upon that subject as to whether they should be preserved always or not?—My instructions to the clerks putting up those tenders, and booking them, are to preserve the envelopes, but I find it has not always been strictly carried out. Sometimes they appear to be missing.

14485. Has this omission come to your knowledge only lately, or have you been aware of it for some time past—that the practice was not carried out?—I have never made any special investigation into the matter.

A great many tenders without envelopes appended.

14486. In the progress of this investigation you have noticed, I suppose, that a great many are not accompanied by the envelopes?—Yes.

14487. Is that the first time that this omission to any extent came to your knowledge?—I have noticed it before.

14488. Has it been corrected since you first noticed it, or has it continued not corrected?—I cannot answer that question without further enquiry.

14489. Do you remember whether you took pains when it first came to your knowledge to give more positive instructions on the subject, or did you still permit it to go on as it had been going on?—I cannot recollect.

14490. Do you consider it a matter of any consequence that these envelopes should be preserved?—Not very important.

14491. Do you mean that it is not important to keep a record of the time of receiving the different tenders, in your opinion?—It would be important to keep a record of any tender which came in after the tenders were opened, or after the date mentioned in the advertisement, but before that I do not think it is important.

Thinks it is better the envelopes coming with tenders should be preserved.

14492. If a difference of opinion should arise on that subject after the time of receiving tenders, do you not think it would be important to have some record to settle the question: or have you taken for granted that such a question might not arise?—I think it is better that the envelopes should be preserved.

**System of re-
cording receipt
of tenders.**

14493. Have you ever known of any complaint on the part of any person whose tender had been rejected, that the successful tender had been put in later than the hour named for receiving the tenders?—No.

14494. Have you any reason to think that there ever was any cause for such a complaint?—No; I am quite certain there was no reason.

Quite certain that no successful tender came after time for receiving tenders.

14495. I suppose you mean that you feel certain of this, because you have perfect confidence in the officer whose duty it is to receive them?—It is because I am generally present, when in Ottawa, when tenders are opened, therefore I can speak with great confidence on that matter. In this particular case here I appear to have been absent from Ottawa, the tenders were, therefore, opened in the presence of other people.

14496. You will understand that I am not speaking of the time of opening tenders, because that would give no indication of the time of receiving them—the mere fact of opening them—but I understand that you have perfect confidence in the officer whose duty it is to receive them, and that, therefore, you are certain that none were received after the time; but if you were not present it would not be from your own knowledge, but from your confidence in that officer, is that so?—Yes.

14497. You, yourself, as I understand, have no personal knowledge of the actual time of the receipt of different tenders?—No.

No knowledge of the actual time of the receipt of any tender.

14498. Therefore it is not from your own positive knowledge that you have come to this conclusion?—No.

14499. Are you able to describe the system of preserving those different tenders from the time that they reach the hand of the Secretary until they are opened, or would it be better for us to enquire of the Secretary himself—I mean particularly as to the custody of the documents between the time of receiving them and the time of opening?—It would probably be better to enquire of the Secretary.

As to system of taking custody of the various tenders suggests that Secretary should be examined.

14500. Has the work under this contract been performed?—No.

**Railway Construction—
Contract No. 37.**
Work not performed.

14501. Are you able to say upon what engineering information, as to quantities, the work was undertaken?—I cannot do so without consulting the engineer.

14502. Was the stoppage of the work authorized by Order-in-Council?—Yes. On the 25th of July, 1879, an Order-in-Council was passed authorizing the Department to notify the contractor that the work would be stopped; and on the 14th of August, 1879, an Order-in-Council was passed annulling the contract, both of which I produce. (Exhibits Nos. 196 and 197.)

Work stopped by Order-in-Council.

14503. Has there been any dispute between the Government and the contractor on the subject of this stoppage?—The contractor has presented a claim which is now under consideration.

Contractors claim in consequence of stoppage is under consideration.

14504. What is the amount of his claim?—I have not got the claim with me.

14505. Are you able to explain the policy of the Government which led to the stoppage of this work?—No.

14506. The contract in this matter appears to be made with persons different from those who signed the tender, will you explain how they came to be the contractors instead of the persons who tendered?—On the 19th of July, 1878, Mr. Heney filed in the Department a letter written by Mr. McGreevy, asking to withdraw from the tender, and on

Contract in name other than those appended to tender.
McGreevy asked to withdraw from the tender.

**Railway Construction—
Contract No. 37.**

Heney asked to have Alphonse Charlebois and Flood's names substituted.

the 1st of August, Mr. Heney wrote to the Department, asking that the names of Mr. Alphonse Charlebois and Mr. Thomas Flood be substituted for that of Robert McGreevy. This course was approved of by the Order in-Council dated the 2nd of September, 1878, already filed.

14507. By the correspondence printed in the Return to an Address of the House of Commons of the 16th February, 1880, it appears that Ripley, Smith & Co. are making a claim against the Government upon the ground that this work has been stopped: have those parties been recognized as persons dealing with the Government—I mean Ripley, Smith & Co.?—No.

14508. Is there any other matter connected with this contract which you think proper to explain?—No.

**Iron Bridge—
Contract No. 56.**

14509. What is the next contract which we can take up now?—It is contract No. 56, with the Kellogg Bridge Co. It is for furnishing and erecting of the iron superstructure of the bridge over Rat River.

14510. What is the amount involved in round numbers?—It is about \$1,400.

14511. How was the work authorized?—Mr. Sandford Fleming, in a report dated November 24th, 1879, stated the facts of the case, and this was approved by the Minister

14512. Was the work let by public competition?—It was advertised.

14513. Have you any report upon the tenders?—The report is already in your hands. It is attached to the paper which I have produced. (Exhibit No. 198.)

Work let to lowest tenderer.

14514. Was the work let to the lowest tenderer?—Yes.

14515. Was it much lower than other tenders?—Yes; much lower.

Work not completed.

14516. Has it been completed?—No; it is not completed.

14517. Why not?—I cannot state that without enquiring of the engineer. The work has not been completed. Further information can be obtained from the engineer of the office.

**Railway Frogs—
Contract No. 57.**

14518. What is the next contract?—Contract No. 57, with the Truro Patent Frog Co., for the supply of 120 patent adjustable railway frogs, with signal frame and switch gear.

No public competition.

14519. Was there public competition for the work?—No.

14520. How was the agreement arrived at?—The circumstances of the case are fully explained by Mr. Sandford Fleming in a report dated 11th November, 1879, which I produce. (Exhibit No. 199.)

14521. I see that this report states that frogs and switch gear were required to be used at Fort William, and that what had been previously obtained from another maker had cost: frogs, \$30 each, and bars and switch gear, \$56.50 each; and that these contractors offering to supply them at a less price, the Minister approved of the order to the present contractors; was there any further discussion upon the subject than what appears to be mentioned in this report, or do you know of any other reason for the matter being carried out as mentioned?—I do not know of any other reason.

Acceptance of work confirmed by Order-in-Council.

14522. Have you any further correspondence on the subject which you can produce?—I produce the Order-in-Council confirming the

**Railway Frogs—
Contract No. 57.**

acceptance. (Exhibit No. 200.) I produce also copy of the correspondence on the subject. (Exhibit No. 201.)

14523. What was the amount altogether involved?—About \$12,000.

14524. Has the contract been fulfilled?—Yes.

14525. Has there been any dispute upon the subject?—No.

14526. Is there anything further on this matter which you can explain?—No.

OTTAWA, Friday, 12th November, 1880.

TOUSSAINT TRUDEAU's examination continued:

By the Chairman:—

14527. Are you prepared to take up contract 53?—It is for the supply of 30,000 tons of steel rails with a proportionate quantity of steel fish-plates, and bolts, and nuts, delivered at Montreal. The contract is with the Barrow Hæmatite Steel Co., Limited.

**Purchase of
rails—
Contracts Nos.
53 and 55.**

30,000 tons of steel
rails.

14528. What is the date?—The date of the contract is the 30th August 1879.

14529. Was this work offered to public competition?—Yes.

**Work offered to
public competi-
tion.**

14530. In what way?—By public advertisement.

14531. Where?—In England.

14532. Have you a copy of the advertisement?—I have; and I produce it. (Exhibit No. 202.)

14533. What authority was there for procuring these rails?—The authority of an Order-in-Council dated 13th June, 1879.

**Rails procured on
authority of
Order-in-Council.**

14534. Had there been any report from the engineer upon the subject before this order?—Yes, there was a report by Mr. Sandford Fleming, Chief Engineer on the line, dated June 7th, 1879.

14535. What is the substance of this report?—The substance of this report was the recommendation to purchase 30,000 tons of rails, one-third to be delivered on the 1st of October, 1879; one-third on the 1st June, 1880; one-third on the 1st of October, 1880.

**Fleming recom-
mends purchase.**

14536. Can you produce this report and recommendation?—I produce Mr. Fleming's report, also the Order-in-Council. (Exhibit Nos. 203 and 204.)

14537. Do you know why these rails were purchased to be delivered at Montreal instead of in England; I think the same course was followed in the previous purchase for those rails which were coming to this part of the Dominion?—It was thought that the people making the rails could find cheaper means of conveyance from their respective ports.

14538. How many tenders were received offering delivery at Montreal?—Seventeen.

14539. You mean for rails?—For rails, bolts and nuts.

14540. What was the price in the lowest tender for rails, and who made it?—The lowest tender for delivery at Montreal was from John Wallace & Co.

**Lowest tender
for delivery at
Montreal from
John Wallace
& Co.**

**Purchase of
Rails—
Contracts Nos.
53 and 55.**

14541. At what rate?—Delivered on the 1st October, 1879, £4 15s.; for the delivery on the 1st June, 1880, £4 17s. 6d.; for delivery on the 1st October, 1880, £4 17s. 6d.

Other tenderers and their prices from £4 17s. 6d. to £5 5s.

14542. Who made the next lowest tender, giving similar particulars?—The second lowest is from the Barrow Steel Co. for delivery on the 1st October, 1879, £4 17s. 6d.; for delivery on 1st June, 1880, £5; for delivery on 1st October, 1880, £5 2s. 6d. The third lowest is from Guest & Co. for delivery on the 1st October, 1879, £4 17s. 6d.; on the 1st June, 1880, £5; on the 1st October, 1880, £5 5s.; and the fourth is the West Cumberland Co. for delivery on the 1st October, 1879, £4 19s., and for delivery on the 1st June, 1880, £5 2s.

14543. Did they make no offer for delivery in October, 1880?—There is no price named in their tender.

14544. Are the tenders offered by the other parties less advantageous to the Government than these four which you have named on the subject of rails?—Yes.

14545. I see that the next two contracts which were completed after 53 are also upon the subject of rails, did they arise out of this same lot of tenders?—Yes.

14546. Contracts seem then to have been made with three out of four of these tenderers?—Yes.

Wallace & Co.'s tender accepted but they refused to sign contract.

14547. But no contract with Wallace the lowest tenderer; can you explain the reason for it?—Messrs. Wallace & Co. are not manufacturers of rails; their tender was accepted, but they refused to sign the contract. I produce a report by Mr. Fleming dated the 1st October, 1879, explaining the circumstances of the case up to the date of his report, and the Order-in Council dated 6th January, 1880, ordering that the suit commenced against Wallace & Co. be discontinued. (Exhibits Nos. 205 and 206.)

Contracts awarded in England where Government represented by Sir Leonard Tilley and Sir Charles Tupper.

14548. Was the awarding of those contracts decided in Canada, or in England?—In England.

14549. And who were there representing the Government?—Sir Leonard Tilley and Sir Charles Tupper.

14550. Was the Chief Engineer there also?—Yes.

14551. Have you any original or copies of the correspondence with Wallace & Co., upon the subject of this offer of theirs, and the refusal to execute the contract?—Yes; I produce it. (Exhibit No. 207.)

Of 45,000 tons 34,000 for application to Canadian Pacific Railway.

14552. What was the whole quantity of rails covered by these three contracts?—45,000 tons, but there were 11,000 tons intended for the Intercolonial Railway. The quantity to be applied to the Canadian Pacific Railway was 34,000 tons.

14553. At the time of asking for tenders was a quantity so large as that recommended to be obtained?—In Mr. Fleming's report the quantity is stated at 30,000 tons for the Canadian Pacific Railway.

Quantities increased by negotiations subsequent to tender.

14554. Was the offer of the Barrow Co., which appears to be the lowest originally, for the quantity which they afterwards contracted to supply, or was it increased by subsequent negotiations?—It was increased by subsequent negotiations.

Purchase of
Rails—
Contracts Nos.
53 and 55.

14555. What was the quantity which they originally wanted to supply?—15,000 tons.

14556. Was the supplying of the increased quantity awarded to them before the next contract was offered to Guest & Co.?—The Barrow Co. was informed, on the 25th July, that the Minister accepted their offer for 15,000 tons, but they were asked whether they could deliver any more at the same price in that same year. The same acceptance for 10,000 tons was sent to Guest & Co. on the same day.

14557. You mean a similar acceptance?—Yes; a similar acceptance.

14558. Then it must have been by subsequent negotiations that the quantity to be supplied by the Barrow Co. was increased from 15,000 tons to 30,000 tons as the report upon the contract shows it to have been: can you say when that negotiation commenced for the increased supply?—On the 30th July, 1879, a letter was received from the Barrow Co. or their agent stating that they were willing to enter into a contract for 30,000 tons.

30th July, 1879, the Barrow Co. express their willingness to enter into a contract for 30,000 tons.

14559. At the price of their lowest tender, or was there any change in the price for this increased quantity?—At the same price. They say "double the contract on the same terms and prices as those already accepted by you."

14560. To whom was this addressed?—To Mr. Sandford Fleming.

14561. Was this a voluntary offer on their part, or was it in answer to some proposition on the part of the Government: is that shown in the correspondence?—In the first communication dated 25th July, already referred to, Mr. Fleming, on behalf of the Minister, says: "Can you deliver more at same price this year?"

25th July, Fleming on behalf of Minister asked Barrow Co. if they could supply more rails at same price that year.

14562. Then this offer of the company appears to be a qualified answer to that question: is that as you understand it?—Yes.

14563. Can you say when it was decided to accept this offer for the increased quantity?—It was accepted by letter to the Barrow Steel Co. dated 30th July, 1879.

14564. That was the day following their offer?—No; it was the same day as they offered.

14565. From what place was the Barrow Co.'s offer?—The letter written by the Barrow Co. on the 30th July, does not appear to be dated from any particular place; other letters written on behalf of the company are dated Clarges Street, Piccadilly, London.

14566. Do these contracts cover any other materials than the rails?—Yes; fish-plates and bolts and nuts.

Fish-plates, bolts and nuts covered by contracts as well as rails.

14567. Did the offer to supply these articles rank in the same way, as to prices, as the offers to supply rails?—Not precisely; but very nearly.

14568. Is the offer for these materials, irrespective of rails, more favourable to the Government than the offers which were accepted?—The offers for fish-plates should not be separated from the offers for rails. The fish-plates must be made to fit the rails.

Fish plates should come from the firm supplying rails.

14569. And are they always supplied by the same contractor who supplies the rails?—Yes.

14570. Then bolts are sometimes contracted for separately, are they?—Sometimes.

**Purchase of
Nails—
Contracts Nos.
53 and 55.**

14571. As to bolts: can you say whether the price for them, offered by any tender which was not accepted, is lower than the prices for bolts in the tenders which were accepted, to an extent which would vary the relative rank of the tenders as a whole, both for rails and plates and bolts?—No, I cannot answer at this moment, but I shall get a statement prepared.

14572. Was there any claim for any extras on any of these contracts, such as packages or any other item of that kind?—There was a small claim made by the Barrow Co. in connection with the packing and oiling of the bolts. The case is reported on by Mr. Fleming and explained in the report dated the 12th of January, 1880.

14573. What was the amount of this claim in round numbers?—About £300 sterling.

14574. Were these cases of a different character from those which had been previously used in the transportation of articles of a similar kind?—In his report, Mr. Fleming says that in the conditions attached to the face of the tender, prepared by him in Ottawa, clause 16 sets forth: "That the bolts and nuts must be done up in such parcels and such manner as will secure them against loss in transportation;" and in the specification which was subsequently prepared, when he was in London, the following words were inserted defining the manner necessary to secure them against loss in transportation, namely, "that the bolts and nuts are to be heated and dipped to prevent rust; and packed in strong, iron-bound cases, each to contain not over two cwt." The Barrow Co. claim that the customary method of packing bolts and nuts is in coarse bags. The claim was considered and allowed.

14575. Do you know whether this practice, claimed to be the common one, had been the one formerly adopted—I mean of transporting these articles in bags?—For short distances; but Mr. Fleming says in his experience a great loss results from this mode, because the bags become torn in handling and the contents drop out.

14576. Then Mr. Fleming reports that this is a proper claim to be allowed, as I understand you?—Yes.

14577. Have these contracts been fulfilled—53, 54 and 55?—Contract No. 53 is not completed; but 54 and 55 are completed.

14578. Is there any dispute upon the subject of contract 53?—No.

14579. Is there any other matter connected with either of these rail contracts which you wish to explain?—No.

14580. Is there anything further on the subject which you consider ought to be investigated?—No; but I put in contracts. (Exhibits Nos. 202, 209, 210.)

Claim £300 by
Barrow Co. in
connection with
packing and oil-
ing bolts.
Claim allowed.

Contract 53 not
completed.
Contracts 54 and
55 completed.

REYNOLDS. THOMAS REYNOLDS, sworn and examined:

**Purchase of
Rails.**

By the Chairman:—

14581. Where do you live?—In London, England.

14582. Have you had any connection with any of the transactions of the Canadian Pacific Railway?—Yes, I have.

14583. Which was the first?—I think the first was in 1874, when I came out for the Ebbw Vale Steel and Iron Co., of South Wales.

**Purchase of
Rails.**

14584. On page 9 of a Return to an Order of the House of Commons, dated 2nd March, 1876, appears, a copy of a letter signed Thomas Reynolds jun. ; will you please look at it and say if it is from you?—Yes.

14585. This seems to be an offer made by you on behalf of two separate companies?—Yes: the Ebbw Vale and the Aberdare companies.

14586. Each for 5,000 tons of steel rails and necessary fish-plates and bolts and nuts; the price from the first named company is apparently £11 sterling and from the second named company £11 5s.: do you remember whether the offer of either of these companies was accepted?—The first, the Ebbw Vale, was accepted, but not the Aberdare.

14587. You were in Ottawa at this time?—Yes.

14588. Do you remember whether there was any offer on the part of any one connected with the Government to increase this quantity of 5,000 tons at the price of your tender?—I was asked if the Ebbw Vale Co. would increase their quantity of 5,000 tons, and I cabled to England, but they refused.

14589. Do you remember if there was any correspondence on the subject, or was this a verbal communication to you?—Verbally, I think.

14590. Do you remember by whom?—I am not quite sure, but I think it was through Mr. Fleming. I am not quite sure of it.

14591. No transaction was completed on account of the Aberdare Co.?—None whatever.

14592. Did you return to England shortly after this letter?—Yes.

14593. What is your occupation?—Civil engineer.

14594. Are you connected with the sale of iron materials?—Iron and steel, and everything in connection with railways and engineering works.

14595. Have you been in England most of the time since this transaction?—Entirely, excepting the month or so which I take to come out, as a rule, to Canada for a holiday in the winter.

14596. Have you kept yourself well acquainted with the fluctuations of the market for these materials?—Yes; our business, of course, forced us to do so, because we were continually in the market.

14597. Do you know what the tendency of the market was in the fall of 1874 and the beginning of 1875?—Downwards.

14598. Was there a marked difference in the price or only slight?—It fell away gradually and steadily.

14599. Would this fluctuation affect the prices of nuts and bolts as well as of rails?—Yes.

14600. To the same extent proportionately?—Very nearly, I should say.

14601. Compared with the market of November, 1874, what would you say was the state of the market in March, 1875, for nuts and bolts?—It was weaker.

2nd March, 1876,
made offer on
behalf of Ebbw
Vale and Aber-
dare Co.'s, 5,000
tons severally at
£11 or £11 5s.

Ebbw Vale Co.
refused to double
their order.

Witness's occupa-
tion: Civil
Engineer.

Tendency of
market in fall of
1874 and begin-
ning of 1875,
downwards.

In March, 1875,
market weaker
than in 1874.

**Purchase of
Rails.**

Since 1874 markets have fallen steadily up to July, 1879, when they touched bottom.

Rose violently after July, 1879.

Prices paid under above contracts the lowest ever paid.

Comparison of prices of rails from November, 1874 to March, 1875, with subsequent prices shows that they were lower between March, 1875 and July, 1879.

Rails thought to have touched bottom in November, 1874.

14602. Do you mean that the prices were lower?—Prices were, I should think, a couple of pounds a ton lower—possibly more.

14603. Could you describe, in a general way, the changes in the markets from year to year since then; of course I do not mean with precision at all, but the main tendency?—Since 1874, the fall of 1874, I think the markets have fallen steadily until last summer.

14604. Have they risen since that?—Last summer about July they touched the bottom: not the summer of this year, but last July twelve months.

14605. You mean July of 1879?—Yes, July of 1879 they touched their bottom—from June to July, 1879, I should think—after which they rose very violently until the end of January this year, 1880, or the middle of February, 1880. They then took a very rapid fall until July of this year, 1880, when prices again rose until the beginning of September; then there was a slight weakening between that and the present time, but only a matter of five shillings or so.

14606. Did you take any part in the transactions which resulted in contracts last year with the Barrow Haematite Steel Co., and Guest & Co., and the West Cumberland Iron and Steel Co.?—Not as far as enquiring for tenders or anything of that sort.

14607. In what capacity?—As inspecting engineer.

14608. How do the prices given at that time compare with the prices given either before or after?—They were about the lowest prices that I think have ever been entered into for steel rails, either before or since, of that weight and quality.

14609. Did you inspect them?—I did.

14610. Were they satisfactory in every respect?—In every respect.

14611. How do the prices of the season from November, 1874, to March, 1875, compare with the subsequent prices of rails?—They have been lower since. Last spring they rose, after the violent rise which took place after July, 1879, to about the same price or very nearly so as they were at in the fall of 1874. That is speaking roughly.

14612. Could you speak as to the price of rails between November, 1874, and January, 1875: were they likely to be got by the Government in January, 1875, as low or lower than in January, 1874?—As low, but the fall may not have been sufficient; was not enough for me to remember it. There may have been a slight fall but no rise; they weakened from November, but I cannot say to what extent by January.

14613. Do you know what the general expectation or understanding in the iron trade was as to the future—I mean what was it during the season I have mentioned, during 1874 and 1875?—In the markets in November, 1874, we thought rails had fallen as low as they could possibly be, and that was their feeling for some time afterwards. They did not think they could make rails at such low prices, certainly not as low as they did afterwards make them—that is, steel rails.

14614. In November, 1874, would it therefore be considered a good time to purchase?—Yes.

14615. Was then the feeling of the trade that the price would be firmer afterwards?—Yes; and manufacturers.

**Purchase of
Rails.**

14616. Could you say about what time that confidence became weakened and there was a disposition to part with them at lower rates?—I fancy it grew gradually as they were forced to fill their books with orders.

Weakening of
confidence.

14617. From about what time would it begin to grow weaker?—Well, I think that as the market fell they considered all the time that it was seeing the lowest price. I do not think they ever expected to get much lower prices than at the time we are judging of.

14618. Then you think the price fell gradually until the summer of 1879?—Yes; just now you asked me if I had anything to do with the purchase, last summer, of 45,000 tons. I had not except as inspecting engineer. It was previous to that I had.

14619. I was aware of it, and I was coming to that in a short time; but first I shall ask if there is anything more which you can explain in the shape of information as to the general market or tendency of markets between November, 1874, and this time?—I do not think more than I have already mentioned.

14620. Can you name any publication that would give the general tendency of the changes in the market of rails and nuts and bolts?—As to papers?

14621. In any shape—papers, or pamphlets, or books, which are considered authoritative by the trade—I do not mean as to the exact prices, but as to the tendency?—There is the paper called *Iron, The Engineer, Engineering*, and the *Iron and Coal Trade Review*, I think all have notices of the market, but whether some of these were in existence in 1874 I cannot say. *Engineering* and *The Engineer* were.

Journals of
authority in iron
trade: *Iron, The
Engineer, Engi-
neering, Iron and
Coal Trade Re-
view.*

14622. Are there any similar publications in the United States upon such subjects, which are considered authorities?—Yes, I think so; but I cannot give the names. I fancy they follow the market more closely than we do.

14623. As a rule, is there a sympathy between the English and American markets?—Yes.

A sympathy be-
tween English
and American
markets.

14624. Then do you think that the American publications would give us information upon that subject as to the general tendency of the rise or fall?—I think very likely.

14625. Have you seen these American publications at different times?—Yes.

14626. Do you know whether they quote English prices as well as American prices?—That I do not know; but I think some of them do.

14627. Had you any further connection with the transactions of 1874 to 1875, beyond what you have described, for this one contract with the Ebbw Vale Co.?—No.

14628. What is the next transaction in which you took any part?—In 1879.

14629. On whose behalf were you acting in that?—I received a cable from Mr. Fleming.

In 1879, Fleming
cabled him to re-
ceive tenders for
5,000 tons.

14630. To what effect?—To obtain tenders for 5,000 tons.

14631. Did that result in any contract?—Yes; 5,000 tons were purchased.

**Purchase of
rails.**

14632. From what company?—Three: the Eblw Vale Co, the West Cumberland Co., and I think, the Barrow Co.

14633. Please look at this correspondence as furnished to us by Mr. Trudeau from the Department of Railways, and if it refreshes your memory describe the transaction as well as you can?—Yes; those are the cables that passed. (Exhibit No. 159)

14634. I understand that competition in this transaction was not invited by advertisement?—No.

Witness selected firms to whom circulars should be addressed.

14635. Did you select the firms to whom circulars were addressed?—Yes.

14636. Was it done on your responsibility and at your discretion?—Entirely.

14637. How were you guided in deciding to whom they should be addressed?—I sent the tenders or enquiries to all the makers who were likely to be able to make delivery within any time required, and who made the rails of the weight required.

14638. Did you omit any who were dealing in rails of the required quality?—I do not think so.

The mode of inviting competition by circular the best.

14639. Can you say whether it would be possible to have got any better offers by any other mode of inviting competition than the one adopted?—No; I think the one adopted was the best.

14640. Do you think it was better than publishing an advertisement in the newspapers?—Yes; because an advertisement simply helps to stiffen the market. If the enquiry goes to all those who are likely to offer at all you save that, and at the time you get the same answer you would if you advertised.

14641. Have you had transactions in the supplying of rails in addition to those with the Canadian Government?—Yes; I am continually. We are in the market all the time, and when we know makers are so full that they cannot compete for deliveries required we do not write to them.

14642. When you say full do you mean full of orders?—Full of orders, or unwilling to quote for such deliveries.

Some makers will not quote more than a short time ahead of delivery.

14643. When you speak of unwillingness to quote for particular deliveries do you mean deliveries at particular times?—Yes; some makers will not quote more than a certain time ahead. If you ask for delivery six or eight months ahead, they will, perhaps, refuse; and if we know they are refusing such deliveries we do not enquire from them, when that is wanted others are full for immediate delivery, and therefore when such delivery is wanted we omit them.

14644. How could you tell whether they were full for delivery at a particular time?—By their answers to us and answers to other enquiries.

14645. On behalf of other purchasers do you mean?—On behalf of other purchasers.

Lowest offer accepted.

14646. In this transaction of 1879, do you remember whether the lowest offer was accepted?—The lowest offer was accepted for the delivery required. I do not remember what the prices were at the present moment, but the lowest offer was accepted.

**Purchase of
Balls.**

14647. The West Cumberland Co. appear not to have taken the whole quantity required, but only 2,000 tons: do you remember why that was?—Because they could not deliver more than that quantity in the time required.

14648. Do we understand that they did not offer to supply more than 2,000 tons?—That I cannot say without seeing the correspondence, because they may have taken the balance after the three others were taken, and I fancy theirs was the same price, and one could not deliver all; consequently the others got the balance, but I do not know which was started with. One of the makers at the price could not take all, consequently he got what he could fill, and the others got the balance at the same price divided between them.

14649. Please look at this parcel of correspondence (Exhibit No. 159) and say if that is the original correspondence on the subject in which you took part?—Yes, it is.

14650. This was transmitted by you to the Department?—It was.

14651. This appears to show that the West Cumberland Iron and Steel Co. took the first contract at £4 19s. per ton; and that the balance of the 5,000 tons—that is about 3,000 tons—was about equally divided between the other two contractors at £5 a ton; is that your recollection?—Yes.

West Cumberland Iron and Steel Co., took first contract at £4 19s. and the balance of 5,000 tons or 3,000 tons were divided among two contractors at £5 a ton.

14652. Is there anything to be explained beyond what appears in this correspondence?—No; I think not.

14653. Have you taken part in any other transaction on account of the Canadian Pacific Railway?—No; I do not think so.

14654. Is there anything further connected with the Canadian Pacific Railway upon which you can give us information?—I do not think there is.

OTTAWA, Tuesday, 16th November, 1880.

JAMES GOODWIN, sworn and examined:

GOODWIN.

By the Chairman:—

**Tendering—
Contracts Nos.
41 and 42.**

14655. Have you been interested in any transactions connected with the Canadian Pacific Railway?—I tendered for sections A and B this side of Winnipeg.

14656. You mean the Pembina Branch?—No; the Thunder Bay Branch, sections A and B.

14657. Did you tender for both sections A and B?—Yes.

Tendered for sections A and B.

14658. And also for the united section called C?—No; there was one section A and B advertised at that time, if I recollect right.

14659. Do you know whether yours was the lowest tender for either of those sections?—No; it was not.

Was not lowest tenderer.

14660. Were you interested in any way in the contracts for either of those sections?—No; my tender was not accepted.

14661. Did you become interested afterwards in any of the contracts?—No.

Tendering—
contracts Nos.
41 and 42.

Asked to go in
with Andrews,
Jones & Co.

14662. Was there any complaint on your part that the contract was improperly awarded?—No; not at all.

14663. Is there anything further about your connection with either of those sections which requires explanation?—No; I was asked by some parties to go in with Andrews, Jones & Co. The Honourable Mr. Macdougall spoke to me and wanted me to go in with them, and I told him I would consider it. He said the time was up and the Government would not wait. I think this was upon a Saturday night or Sunday morning. We had some talk about it on Saturday night, and on Sunday morning he came down to my place and I studied it up, and said I would go up and ascertain whether the Minister would not wait a couple of days. We talked the matter over and he finally agreed to wait two days longer—I think until the afternoon of Tuesday—I would not be very positive, but I think he was to wait until the afternoon of Tuesday. Either Monday evening or Tuesday morning I made up my mind I would not go into it. It required a large amount of money. I recollect going up to his office and went into the Private Secretary's office, and he was either engaged or had gone to Council, but I wrote a note stating that I would have nothing to do with the matter that the Honourable Mr. Macdougall and I were talking about; that is all I know about it.

Wrote to Minister that he would have nothing to do with it.

14664. Do you remember whether that withdrawal was on a Monday or a Tuesday?—I am disposed to think it was Tuesday, but I will not swear positively, I know it was Monday evening that I wrote the note anyhow.

14665. Then had you made up your mind on Monday evening that it was not a transaction that you cared to go into?—Yes; I thought it my duty to write immediately over to the Minister, or see him.

14666. Had you any further connection with that transaction?—No; nothing at all.

14667. Had you any connection at all with the other sections which was tendered for about the same time as section A?—A and B I now speak of.

Tendered for the
whole of sections
A and B himself.

14668. Yes; but Andrews, Jones & Co. had no chance of giving you an interest in section A, it was only section B that was awarded to them?—I disremember that, I believe you are right though. I am not able to swear now whether they had section A or B. I know I tendered for the whole of that section, A and B, myself,

14669. For it as a combined section or separately?—Separately; separate tenders.

14670. Do I understand you to say that you are not able at present to decide whether you had an opportunity of going in on both of those sections afterwards, or only on section B?—If Andrews, Jones & Co. did not tender for section A, of course I could not go in with them for it.

Hon. Wm. Macdougall wanted him to go in with Andrews, Jones & Co. on Contract No. 42.

14671. It may be they tendered for it; but as far as we know at present we have no information that it was ever awarded to them?—Whatever was awarded to them Mr. Macdougall wanted me to go in with them on.

14672. Then is this your recollection that whatever contract was awarded to them, Mr. Macdougall, on their behalf, proposed to you that you should join them on that same contract?—Yes.

**Tendering—
Contracts Nos.
41 and 42.**

14673. And do you say that on Monday, some time, you decided that you would not go in?—Yes; I decided I would not go in, and wrote to the Minister accordingly.

14674. If you had decided to go in would you immediately have been enabled to raise the necessary security if it was decided?—I think I could raise all that was required.

If he had decided to go in with Andrews, Jones & Co. could have raised required security.

14675. Was it proposed that you should raise the money?—I did not say one word as to what I would raise or would not raise; there was not a word said about what I would raise. I don't know the members of Andrews, Jones & Co.'s firm, to my knowledge I never seen them.

14676. Then you had no communication at all with them, it was only with Mr. Macdougall on their behalf?—Only with Mr. Macdougall on their behalf.

Never communicated directly with Andrews, Jones & Co.

14677. Do you remember whether Mr. Macdougall said he was authorized to make such a proposition, or whether it was only a proposition to be carried on further between him and Andrews, Jones & Co., in case the opportunity should be offered as to the extension of time?—He did not say he was authorized, Judge, at all.

14678. He did not say it?—He did not, he only said: "Will you, will you."

14679. Then did you understand that this proposition had come through any authorized channel, from the firm of Andrews, Jones & Co., to you?—I had reason to believe that Mr. Macdougall and them were acquainted, and he simply asked me if I would join in. He did not tell me he was authorized to make any offer, or anything of the kind.

Hon. Wm. Macdougall simply asked him if he would join them.

14680. Did you ever discuss this matter afterwards with any member of that firm?—Not a soul, not one. I would not know one of them if they walked in here to-day.

14681. Do you know Col. Smith of New York?—Oh, very well.

14682. Did you not discuss it with him?—Not a word. I never heard him say a word about it.

Never discussed the matter with Col. Smith.

14683. Had you any complaint to make about section A not being awarded to you?—Well, I think, Judge, that I tendered in a bulk sum; but I am under the impression that my tender in the bulk sum was lower than the tenders according to schedule rates, and I think I did—I don't know, I don't think I did to the Minister—I think I said something to him, but I do not know.

Put in a bulk sum.

14684. Is it your impression now, that besides tendering for A alone and for B alone, that you made one tender to cover both?—I think so, in a bulk sum you know. I said section A so much, and section B so much, to the best of my recollection; but, of course, I put in a bulk sum for section A and section B separately, and so much for section A, and so much for section B. I also put in a tender according to the advertisement. I could not find fault, Judge, you know according to the advertisement in the papers, because they advertised for a schedule of prices. They did not advertise for a bulk sum, so I could not find fault.

Also tendered by schedule.

Had no reason to find fault.

14685. Then you put in no tender for the whole of this distance, about 185 miles?—Yes; I put in a tender for that.

**Tendering—
Contract Nos.
41 and 42.**

Thinks he was as low as Andrews, Jones & Co. on the bulk sum.

14686. But I mean you did not put it in according to the specifications which the Government required?—I put in two tenders, one for a bulk sum and another according to the advertised schedule of prices.

14687. Well, it was on the bulk sum that you think you were lowest?—I think—I am not quite sure—but I think so according to the quantities. I think I was as low as Andrews, Jones & Co.

14688. Did you claim that you were as low for the whole combined distance on the bulk sum as Andrews, Jones & Co.'s offer and Marks & Conmee's offer together?—I do not know about that, Judge.

14689. Without knowing anything about their offer, how did you come to the conclusion that you were lower?—I heard them talking about it afterwards. I did not get any information from the office, but according to the quantities given, Judge, and then, according to my bulk sum, I think I was a little lower. I will not swear positively, but I think my clerk said I was; but then the bulk sum was not according to the advertisement in the papers.

14690. Upon the schedule of quantities and prices did you consider that you were entitled to any contract?—No; they were below me.

Not entitled to contract.

14691. Then, according to the specification and the manner of putting in tenders prescribed by the Government, you did not claim that you were entitled to any contract?—No; I did not claim it.

Declined to go in with Andrews, Jones & Co. in Contract 42 because their prices were too low, and because they were strangers.

14692. Could you explain the reasons why you came to the conclusion that if you had a chance to go in with Andrews, Jones & Co. on section B, you thought it was not advisable to do so?—First, I think, in looking over their tender they had not prices enough in my own opinion, and the next they were strangers to me and I did not like to go in with them. I believe on Monday—that was the day I saw the Minister—that they had not prices enough for that contract.

**Contracts Nos.
60--63, B.C.**

Tendered for sections A, B, C and D in British Columbia.

14693. What was the next transaction in which you were interested?—Well, I tendered for A, B, C and D, in British Columbia.

14694. As to section A, do you know who were the successful tenderers?—A. P. Macdonald and others.

Not entitled to contract for section A.

14695. Did you claim that you were entitled to that contract?—No, I did not.

14696. Have you anything to complain of in the manner in which that contract was awarded, or of the decision on it?—Not a word, Judge; not a word of complaint to make. I think the lowest tender got it in every case.

Makes no claim as to section C.

14697. As to section C, do you know who got that?—I think the same party that got section A.

Nor regarding section D.

15698. Have you anything to complain of concerning the awarding of that contract?—No, Judge, I have not; nor section D either.

14699. Do you know who were the successful parties on section D?—Mr. Kavanagh, I think.

14700. You also tendered for that?—Yes; I tendered for the whole of it.

14701. You have nothing to complain of?—No; not a word, Judge.

14702. You have no reason to think that the contract should have been awarded to you instead of them?—No.

**Tendering—
Contract No. 61,
B.C.**

**Section B awarded to witness,
Hugh Ryan and
Col. Smith.**

14703. On which section did you become a contractor?—Section B; myself, Hugh Ryan and Col. Smith. I don't know whether Ryan signed as Purcell & Ryan; but I think it was Purcell & Ryan and Goodwin & Smith.

14704. You said you were the lowest tenderer on section B?—Yes.

14705. And that the contract was awarded to you?—Yes.

14706. P. Purcell, of Williamstown; Hugh Ryan, of Perth; James Goodwin, of Ottawa; James N. Smith, of Brooklyn, New York?—Yes; those are the firm.

14707. Is there any other person interested in that firm?—No other. I do not know whether Ripley was interested with Smith; he did not sign Smith & Ripley, but only J. N. Smith.

14708. Was there any other person as far as you believe?—No; not as far as I know.

14709. Do you remember about the amount of your tender in this case?—No, Judge, I do not; I forget now.

14710. The Blue Book published in 1880 upon this subject, gives the amount of your tender in this case at \$2,573,640: do you know whether that is about the sum?—I think so. Amount of tender
\$2,573,640.

14711. Have you any reason to think that that is not correct?—I have no reason to think that it is not correct.

14712. Did you execute the contract?—No; I sold out my interest. Sold interest to
Onderdonk.

14713. Was that before the contract was executed?—Well, I think—upon my word I think we executed the contract at the time. I think so, because the Government would not agree—would not acknowledge Onderdonk for some time after.

14714. Was it finally arranged that he should become the contractor instead of you and your firm?—Yes, oh yes. Onderdonk became contractor
at the same
prices.

14715. At the same prices that you were to get?—Oh, the same prices, yes.

14716. In fact he bought your position?—He just gave us so much for our position.

14717. Did you give him your position without any consideration?—Oh, no; I got one-third of \$100,000, less \$1,500.

14718. I do not think it is necessary for us to know how you divided the amount between yourselves, but am I to understand that the contract was parted with upon this basis: that it was worth \$100,000?—Yes, \$100,000, that is it. \$100,000 paid by
Onderdonk to
witness's firm.

14719. And you got such a share of that as was agreed upon among yourselves?—Yes.

14720. You have spoken of a reduction of \$1,500: was that intended, or if not that, any other part of the \$100,000, to go to any outsider for giving you any information or assistance in your tenders?—No; it was one of the members of the firm who considered that we sold too cheap, and kicked over the traces, and would not sign. I told him to fix it up any way. I was not well at the time, and I said: "Fix it up any way, Smith;" and Smith wanted to go away, you know, and I said: "Give him so much."

**Tendering—
Contract No. 61,
B.C.**

14721. I do not want to go into that unless there was something paid for improper assistance?—No; Hugh Ryan got it.

Government re-
fused for some
time to acknow-
ledge Onderdonk.

14722. After this arrangement with Onderdonk, was it finally concluded that the Government should accept him as the contractor and release you?—The Government did not for some time. Well, they were a little uneasy about it, and it was some time before the Government released me, and Hugh Ryan and Smith.

14723. Do you remember whether any influence was brought to bear on the Government to induce them to consent to the arrangement?—No, not a bit; not a bit as far as I know.

14724. Do you know any Member of Parliament who got any advantage by their consenting?—No; not a soul. The only influence I got was myself. I knew the parties in the United States wanted to get the contract in their own names, and I spoke to the Government about it, as I knew they had \$600,000 up at the time.

14725. Do you mean the Onderdonk party?—Yes.

No Member of
Parliament nor
any one connect-
ed with any De-
partment got any
advantage in
consequence of
the transaction.

14726. Are you aware of any person connected with the Govern- ment—I do not mean Members of Parliament, for I have already asked you about them; but in any such office as clerk, or secretary, or other person in the Departments—getting any advantage in consequence of this transaction of selling out?—Not a shilling, to my knowledge; and I swear positively that they did not get a shilling, and they could not well get it without my knowing it.

14727. Who made up the tenders for this successful offer?—I gave the figures to my clerk and other friends, and I said: "These are my figures." Ryan showed his figures, and Col. Smith showed his figures, and out of these we made the tender.

14728. And among yourselves you arranged about the prices?—Yes.

14729. Have you been accustomed to contracting on large works for the Government?—Oh, for thirty years, Judge.

14730. You live in Ottawa?—Yes, I live in Ottawa.

Never got any
information from
any person con-
nected with the
Department.

14731. Besides the opinion of your own firm, or members of it, did you get any suggestion from any person connected with any of the Departments, as to prices?—Oh no, not at all; there was none of their opinions as good as my own, you know. Never; not at that time, or any other time.

14732. They might, perhaps, have a better opinion than you as to what other people had stated about prices, that they might communicate to you: do you not know if there was anything of that kind?—They did not, and never did.

14733. Have you ever received any information from any person connected with any of the offices in the Railway Department, as to other people's prices or tenders?—Not a syllable, directly or indirectly.

14734. Has any Member of Parliament, directly or indirectly, obtained any advantage in consequence of this arrangement with you?—Not a shilling.

14735. Is there any other transaction connected with the Pacific Railway in which you have had any interest?—No; none at all.

Tendering—
Contract No. 61,
B. C.

14736. Is there any further evidence upon matters of the Pacific Railway upon which you can give us information?—No, no more; no more, Judge.

14737. Do you know of any person else who has obtained any advantage in any of the contracts or tenders upon the Pacific Railway, through any officers of the Department, either Ministers, Members, or clerks?—I do not know, Judge, any at all; I do not see what information they could give them.

Knows of no case where a clerk or Member of Parliament has given anybody special information.

14738. Have you any opinion as to the advantage or disadvantage of carrying on the four contracts in British Columbia by one person instead of by four separate individuals?—One can carry them on cheaper, Judge; I should not wonder, but they can carry them on may be 10 per cent. cheaper.

Advantage of concentrating large work in a single management.

One contractor can carry on the four contracts 10 per cent. cheaper than four separate contractors could do.

14739. For what reason?—You have got to go to nearly as much expense to carry on one section as to carry on the whole. Of course you will want more machinery for the whole, but not much; not much difference. Mr. Keefer knows that. Oh, no; I would say certainly for my part, I think I would save 10 per cent. on the whole by having the whole of the contracts. There are a great many things might clash—a hundred things might happen.

14740. Then, do you mean that the advantage which Onderdonk has gained, by having them altogether, will more than balance the amount he has paid to other persons in order to get the whole contract?—That is hard to say how it will turn out. I am not sorry for being out of it anyhow, but he certainly can do it cheaper by having the whole of it.

14741. Could he do the whole four, do you think, cheaper than four separate individuals could do it, by a sum as much as \$200,000 or \$300,000?—Most decidedly. I think it is better to him than \$200,000 at least; in other words, I think it will cost \$200,000 or \$300,000 less by one man doing it than by four.

Onderdonk's having the four contracts is a saving in the management of the four of \$200,000.

14742. Is there any other matter connected with the working of such contracts which you can give us information upon?—No, Judge, there is not; I do not know anything about it.

14743. Upon the system of letting contracts perhaps your experience might be useful: could you give us some information on that subject as to the best modes in the public interest, because if you know the contractor's side you may probably know the other side?—Judging by the Intercolonial Railway, I think it is better if the Government had contractors that they could rely upon to finish their work. It would cost the Government less, as you will see on the Intercolonial Railway.

System of letting contracts.

Better for the public the contractor should be men the Government could rely on.

14744. Do you mean that the ability and standing of the men as contractors ought to be considered as well as the prices?—Yes; because in the end the Government has got to pay the price.

14745. Have you ever given your attention to the advantage or disadvantage of letting work upon estimated quantities and a schedule of prices?—I scarcely understand that.

14746. Well, against a bulk sum, that is one system. You know that jobs are sometimes let by bulk sum, and at other times they are let at estimated quantities, the engineers placing them, knowing pretty well what quantities will be taken of the different kinds of material; then

System of letting contracts.

Better to have tenders by schedule of prices than by bulk sum.

tenders are invited, based on that estimate, asking for offers to fix the prices for each kind of material—that is what I mean by estimated quantities and a schedule of prices: have you ever considered which of those systems would be more advantageous to the country?—I think the schedule of prices would be most advantageous to the Government and all parties, because you must make a very accurate survey to tender by the bulk sum, and it is very difficult to do that on railway work.

14747. Have you considered whether it would make any material difference to the public interest, whether those quantities should be estimated closely, or only in a very loose way?—If you work at the schedule of prices it does not matter so much; of course it is measured according as the work progresses. According as the work goes on the engineers measure it very accurately.

14748. Is there any other subject connected with contracting and the interest of the two parties—I mean the public on the one side and the contractor on the other—which you can give us any information upon?—I do not know as I can, Judge. I think if the Government would choose a party that was thoroughly responsible, and that their engineers approved of, I think it would be better than to give it to parties who fail, and do not do the work.

14749. You think the ability to put up the deposit is not always a safe means of judging?—No, it is not; as a general thing in the end the Government pays for it.

14750. Is there anything further connected with the Pacific Railway upon which you can give us evidence?—Not a word that I know of, Judge.

HAGGART.

JOHN HAGGART, M. P., sworn and examined :

Contract No. 15. Alleged Improper Influence.

By the Chairman :—

14751. Where do you live?—At the town of Perth.

14752. Are you a Member of the House of Commons?—Yes.

Never had an interest directly or indirectly in a contract.

14753. Have you had any personal interest in any of the transactions of the Canadian Pacific Railway?—I never had, or in any other contract with the Government, directly or indirectly.

14754. Have you been interested in any offer that was made, tenders or anything of that sort?—Never.

On Committee of Public Accounts in 1879 and 1880.

14755. Were you on the Committee of Public Accounts either in 1879 or 1880?—I was on the Committee of Public Accounts both years.

14756. Do you remember that in the year 1879 a matter connected with Whitehead's contract, or what is known as section 15, was before the Committee for consideration?—I moved the appointment of the Select Committee to enquire into that matter.

14757. Had you been taking an active part in investigating the subject?—Yes, previously.

Object of moving for Committee of Enquiry.

14758. Was there any particular matter connected with it which you were anxious to investigate, or was it for general information upon the subject?—I saw, from the returns of quantities furnished to the House,

that there had been a large change in the character of the work; the quantities of some kinds of work had largely increased, and it was for the purpose of finding out what was the reason of the change.

14759. Was that a substitution of earth embankment for trestle that you allude to principally?—Earth embankment for trestle work principally.

**Contract No. 15.
Alleged improve-
ment influence.**

Found that substitution of earth work for trestle had a marked effect on the price.

14760. I suppose you found that that had a very marked effect upon the total expenditure?—Yes.

14761. And was it with a view of ascertaining the particulars of that expenditure, or the mode in which it had been authorized, that you were directing your mind to?—I was informed previously that it was impossible for the contractor to do the trestle work for the prices which he had received, that he had large prices for doing the earth work, and that the earth work was substituted for trestle work. I received the information from different parties to that effect, and that there had been a change in the gradients of the road which would result greatly to the benefit of the contractor, and it was to enquire into the reason of those changes that I took the action I did.

14762. Do you mean, in other words, whether his interest had been considered more than the public interest?—Yes, exactly.

14763. Did you see Mr. Whitehead during that investigation before the Committee?—I saw him before the Committee.

14764. Did you have any conversation with him, except before the Committee?—I had none.

Had no conversation with Whitehead except before the Committee.

14765. Had you any communication from him directly or indirectly?—Never until afterwards. I went up on the train with him to his work and had a conversation with him on the train.

14766. After what?—After the House had rose

14767. Then before the Committee's action had ended you had no communication with him?—No, never. I never had a conversation with Whitehead.

14768. He informed us in giving evidence in Winnipeg that he was led to understand that the contract might be taken out of his hands on account of your action, and might be let again?—Yes.

14769. And that he had certain dealings upon the basis of that understanding?—Yes.

14770. Did you know whether he had any reason to think that—I mean did you know about that time?—No, not about that time. I learned afterwards from Mr. Whitehead's son—that is the first knowledge that I had upon the subject—that Mr. Whitehead was annoyed. I met Mackintosh once in the street, and he said Mr. Whitehead was very much annoyed at my action in reference to the matter, and he told me he said I had no ill-feeling against him, and it would be all right. Afterwards I saw Mr. Whitehead's son, and he told me that Mackintosh had been threatening the old man with me; that I was following him, and that he had got large sums of money from him in consequence.

First learned from Whitehead's son that Whitehead was annoyed.

Heard the same from Mackintosh.

Again heard that Whitehead had been threatened with witness as one determined to follow him.

14771. That information you say reached you after the action of the Committee had ended?—Oh, yes; long afterwards.

Contract No. 15.**Alleged improper influence.**

Such intimations had no effect on action of Committee.

14772. Had that anything to do with the action of the Committee?
—It could not have.

14773. Had you any such idea as that in your mind?—I had no such an idea. I had no feeling against Mr. Whitehead at all in the matter; none whatever.

14774. At the time Mr. Mackintosh spoke to you as you say, in the street or somewhere upon the subject, did he lead you to understand that it would be to his advantage if you would deal more gently with Mr. Whitehead than you would otherwise do?—He never mentioned the subject to me at all.

14775. Without mentioning the subject, did he from his conduct or allusions?—No; I think I had four or five parties along with me when I had the conversation with him.

The Committee over before the conversation with Mackintosh took place.

14776. Did you not part with Mr. Mackintosh, impressed within your own mind at that time with the idea that it would be to his advantage if you dealt more gently with Mr. Whitehead than you otherwise would deal with him?—You remember, Mr. Chairman, the House had rose; the Committee had reported before I spoke to Mackintosh at all.

14777. That I have not understood yet; that is new information?—The House had rose and the Committee had reported before I remember of having a conversation at all with Mr. Mackintosh.

Remembers no such conversation at lunch as Mackintosh referred to.

14778. Mr. Mackintosh does not give the evidence exactly in that direction?—Yes; I have read his evidence, but I do not remember having such a conversation as he refers to at all at lunch.

14779. He led us to understand that it was while the Committee was sitting, and while Whitehead knew that these questions were being pressed by you, that he met you at lunch and had the conversation?—I do not remember ever having such a conversation with him.

Never parted from Mackintosh with the impression that it would be to Mackintosh's advantage if he were to assist Whitehead.

14780. Do you remember ever parting from Mackintosh after a conversation, or after a meeting, with the impression on your mind that it would be to Mackintosh's advantage for you to assist Whitehead in any way?—Never.

14781. Or to withhold your pressure upon the investigation?—I never had any conversation with him until after the investigation was all over, that I remember of.

14782. I understand your evidence to be to that effect, but I am returning more than once to the subject because possibly when I mention Mackintosh's evidence it may refresh your memory?—Yes, yes.

14783. That is why I take the liberty of repeating the question?—Yes, yes.

No conversation with Mackintosh until after the House had risen.

14784. Now do you say that at no time during that Session of 1879 were you led to understand that Mackintosh would be benefited by your dealing more leniently with Mr. Whitehead than you otherwise would?—I never remember having a conversation with Mackintosh at all on the subject until afterwards.

The conversation with Whitehead's son also after the Session of 1879.

14785. When was the conversation with Charles Whitehead: was it after the Session of 1879?—Yes; after the Session of 1879.

14786. Were you also on that Public Accounts Committee in 1880?—Yes, in 1880.

**Contract No. 15.
Alleged improper influence.**

14787. That was after the conversation with Charles Whitehead, the Session of 1880?—Yes; it was after the conversation. I do not think it was after the conversation I had with Mr. Whitehead that I learned of Mr. Mackintosh receiving the money.

14788. That is what I mean: now which do you say, that you heard from Whitehead before or after the Session of 1880 that Mackintosh had got notes from his father?—I think it was this summer that I learned that. Summer of 1880, first learned that Mackintosh had received money.

14789. Did you press the investigation in 1880 about the Whitehead contract?—I do not think it came up at all. Whitehead's contract not before Committee in 1880

14790. That was not one of the matters before the Committee in 1880?—No.

14791. And has your dealing with this subject at any time been affected either on the Committee or as a Member, or as an individual, by the impression that Mackintosh was being benefitted by gifts or promises or advances from Whitehead?—None whatever.

14792. Are you aware of any person in any of the Departments of the Government being benefitted by any transactions with others connected with the Pacific Railway?—No. Has heard of no Member of Parliament or person connected with the Departments receiving money improperly except Chapeau.

14793. Either as Minister, Member or clerk or secretary?—No; nothing that I have heard of, except Mr. Chapeau's matter.

14794. Do you know of anything, as far as he is concerned, beyond what has appeared in the papers arising out of the evidence before this Commission?—Nothing.

14795. Have you any other information which you could give us by way of evidence concerning the transactions of the Pacific Railway or any of them?—Well, I am pretty thoroughly acquainted with the whole of the transaction, I should say, in reference to it between Winnipeg; and the letting of the contracts, the manner in which they were awarded and everything of that kind, I know everything pretty generally about it.

14796. Is that knowledge which you have derived from investigating the records of the Department?—Partly so, and partly from conversations from Ministers and other things that way.

14797. Was there any particular conversation that you think you could enlighten us upon?—Well, no; nothing particular.

14798. Have you heard any Minister say anything about the letting of those contracts, about which there have been rumours of improprieties?—I have had conversations with them on the subject. There are charges of improprieties in reference to the letting of contract B. I have had conversations with Ministers on the subject. Contract No. 42,

14799. In any of those conversations have you been led to the impression that private interests were at any time considered rather than public interests?—No, none. I may explain especially the principal charge of impropriety was with reference to section B. There was one party—I may be mistaken in the names, but it strikes me Morse & Co. were the lowest tenderers; the contract was awarded to them. Morse & Co. the lowest tenderers.

14800. That appears to be correct?—Yes; and that Andrews, Jones & Co. were the next, and Fraser & Pitblado were next. Morse & Co. failed to put up the whole of their securities; the contract was then

Contract No. 15.**Alleged improper influence.**

Alleged that sufficient time was not allowed Andrews, Jones & Co. to put up securities.

awarded to Andrews, Jones & Co., and the allegation was made that there was not sufficient time allowed them to put up their securities. I have had conversations on that subject, if I remember rightly, with different Ministers, and the reason assigned by them for not giving it out to Andrew, Jones & Co. and passing it to Fraser & Pitblado—

On enquiry found that the Department was justified in its course.

14801. Have you learned anything which leads you to think that any private interest was improperly considered?—No; I have not. From all I have learned from their conversations they were perfectly justified in doing it. The reason assigned for the passing of Morse's contract was that the sureties were not put up. The reason that Andrews, Jones & Co. were not awarded the contract, and the short time being allowed, as I understood from them, was that the engineer reported to the Minister of Public Works that the time was getting late and that the work would be delayed a year if the sureties were not put up. Another reason that it was not given to them was that they put up no security; that the security that they had put up at all was the security that the lower tender, Morse & Co., as I understood it, had left in the hands of the Government; and it was transferred from them to the other party which would be, in their opinion, very wrong for the Government to allow or connive at—that is to allow a lower contractor to drop out and allow his security to go to another. That was one of the reasons, and that they did not put up their security. Something to that effect the conversations were.

It was pointed out that the money put up by Andrews, Jones & Co. was the security of Morse & Co., and that the reason was passing away and despatch was necessary.

14802. I do not know whether you have noticed that in the Blue Book of 1880 there is a Report of the Committee of the Privy Council, approved of the 5th of March, 1879, as to the awarding of this contract?—No; I never read it that I remember of. (After looking at the book): I never read it before. I understood from conversations with Ministers, if I remember rightly, that Morse & Co. failed to put up their security, and that was one of the reasons why their tender was dropped; that Andrews, Jones & Co. failed to put up their securities, and that was one of the reasons why theirs was dropped, and that the security that they had put up was the money that Morse & Co. had put up as security was transferred to Andrews, Jones & Co.; that the time was getting late, and that there was only ten days allowed them of some short time, because if the contract was not awarded the work would be delayed nearly a year, from the report of the engineer. It was something to that effect was the reason assigned by the Ministers.

14803. This reason which you have mentioned, namely, that what money was put up in support of Jones & Co.'s offer was really put up by Morse & Co., who had made the lower tender, appears for the first time to have been given by any Minister in this evidence of conversation which you are now giving?—Yes; I understood so in conversation.

14804. Can you say which of the Ministers gave you that as one of the reasons?—If my memory serves me rightly it was the Minister of Railways.

14805. Was it during the Session of 1880?—Well, I don't remember; I think so.

14806. One of the successful parties, J. J. McDonald, mentioned that same reason as one which probably influenced the minds of the Ministers, but it does not appear anywhere in the records, either in a report of the Privy Council, or any other resolution or minute?—Yes.

Contract No. 15.
Alleged improper influence.

14807. Do you know whether any one else was present when that was mentioned as a reason, besides the Minister of Railways and yourself?—I should think there was some one else present. These were all private conversations that I had with them on the matter—just casually talking over it. I had been up over the work and seen it, and had conversations with them on the matter.

14808. You were not interested in the work individually?—I am not interested individually in any contract or sub-contract with the Government, nor never was. Not interested in any contract or sub-contract.

14809. Then was your going over the work for public business?—It was partly for amusement for myself. I was going up to Manitoba, and at the request of one of my own constituents, who is one of the contractors himself, he asked me to take a look at the work for him.

14810. Is there any other matter upon which you can give us information connected in any way with the transactions of the Pacific Railway?—I do not know. There is nothing particular that I can give you. I am pretty well acquainted, as I told you before, with the whole of the work that is going on there; and if there is anything that would strike you—

14811. Everything that has struck me I have asked you about; I am in hopes that you, having given a good deal of attention to it, might be able to suggest some subject?—No, nothing particular. As to my idea of the location, the gradients and curvature, and everything else of that kind, the plan of constructing it, and all that, I might give opinions; but not being a scientific person they would not have much force.

14812. If there is any particular point of that kind to which you would like to draw our attention, so that we might ask professional men upon the subject, we would be very glad to know it; but at present I do not know that it would be very wise to ask persons who are not professional men, in what respect their opinion differs from that of the engineers?—I would like particularly to mention, while I am before this Commission, that I see a charge made in one of the Winnipeg papers that I was connected with Ryan in his contract, that he was losing by his contract, and through my influence with Sir Charles Tupper I got the contract cancelled. I never had, as I said before, any interest whatever with Mr. Ryan, or any other contractor. **Contract No. 48.**
Never had any interest with Ryan.

By Mr. Keefer:—

14813. Which Ryan?—John Ryan. I was not aware but what he was going on to complete his work when I was up there, and the first mention I had of the contract being cancelled was seeing it in the public press. I wish also to state, as emphatically as I can—because there have been insinuations in some of the papers, especially a paper published in my own county, that I was connected in some way or other with these matters—that I am in no way connected and have no interest in any contract or sub-contract; that I have never received a cent from any contractor or any other person for any services in connection with the Pacific Railway, or any other matter, as a Member of Parliament; that I know of no one that has, unless from the statements of Mr. Whitehead and Mr. Chapleau—no one that has had or ever has received anything. First heard of Ryan's contract being cancelled through the public press. —

**Contracts Nos.
15 and 42.**

Alleged improper influence.

Witness's knowledge respecting Chapleau's demand and Mackintosh receiving money.

By the Chairman :—

14814. When you say from their statement, do you mean from the statement as appears from the evidence before us?—I was aware that Chapleau had made a demand before I saw it in evidence before you, and I was aware of Mackintosh receiving those notes from Whitehead's statement and from a conversation with himself afterwards, after I saw Whitehead. Perhaps I had better mention the whole matter in connection with it, how I came to know it. I was walking up the street with Whitehead in Ottawa, and he asked me if I knew Mackintosh. I said that I did. Said he: "I would like very much to see that man." Said I: "I will introduce you to him if we see him." After some further conversation he told me that he had received large sums of money from his father. He mentioned it—I think the sums mentioned in the papers are correct. I asked him if he was certain about it. "Oh, yes, I am certain," said he, "about that, because when I was managing the business up there I paid a couple of the drafts myself;" and Mr. Bain, his solicitor, was there at the time, and he told me that he was going to get Mr. Bain to make Mackintosh deliver up the notes to him. Afterwards I had a conversation with Mr. Mackintosh, and stated to him in reference to what Whitehead had been saying. He stated that it was all nonsense as to the amount; that he had received a small sum for the purpose of assisting him in his paper, and after further conversation another time with him, I said: "That seems a large amount to receive as assistance for the newspaper;" and then he told me he was a partner of Whitehead's. Mr. Chapleau, I understood, from some of the contractors in section B, had made a demand upon them for some money that had been promised him by John J. McDonald before the evidence was given.

Conversation with Mackintosh as to his relations with Whitehead.

14815. Is there anything else which you wish to explain?—Nothing else.

14816. Is there any other matter which you consider it your duty to call our attention to, either for investigation now while you are here, or investigation by calling others?—Not that I remember of.

OTTAWA, Wednesday, 17th November 1880.

J KAVANAGH

JOSEPH KAVANAGH, sworn and examined :

**Tendering—
Contract No. 63,
B.C.**

By the Chairman :—

14817. Where do you live?—In Ottawa.

14818. Have you had any interest in any transaction connected with the Canadian Pacific Railway?—Yes, Sir.

14819. What was the first?—I do not hardly understand the question.

Tendered for section D, British Columbia.

14820. What was the first transaction in which you had any interest, I mean first in point of time?—Section D, of British Columbia.

14821. You had no interest in any other of the works before that time?—No, Sir.

14822. What interest had you in that: were you one of the parties who made the tender?—Yes, Sir.

Tendering—
Contract No. 63,
B.C.

14823. Who were interested in the tender besides yourself?—Francis Kavanagh, Michael Kavanagh, and my father, Timothy Kavanagh.

14824. Do you remember whose names appeared on the tender?—I do.

14825. Whose?—Timothy Kavanagh and Michael Kavanagh.

14826. Were they your father and brother?—Father and son.

14827. Your father and your son?—No; my father and my brother.

14828. Do you remember how you arrived at the prices which were used in making this tender?—I was not present when the figures were made up.

No knowledge of how figures in tender were made up.

14829. Do you know who took the principal part in making them up?—I do not.

14830. Do you know where they were made up?—I do not.

14831. Were you in Ottawa at the time?—I was not.

14832. Was it understood before the tender was put in that you were to be interested in the transaction?—Yes, Sir.

14833. Did you understand before the tender was put in that some others of the firm had the authority to use such prices as they thought proper?—No.

14834. Then, was it understood that you were to revise the prices before it was put in?—No.

14835. Upon what terms then were you interested in the tender before it was put in?—The terms were that my father and my brothers were tendering for the contract.

Father and brothers of witness could use what prices they liked and bind him.

14836. Had they the privilege of using any prices they liked and binding you?—Yes, Sir.

14837. Then although those prices were arrived at by some of the firm in your absence, you considered yourself bound by them?—Yes.

14838. Was there any understanding or arrangement to that effect before the prices were put in?—No, Sir.

14839. Where were you at the time that this tender was made up and put in?—In Winnipeg.

14840. Are you aware whether any information was obtained from any person connected with any of the Departments, by other members of your firm, as to the prices which should be attached to those tenders?—I am not.

14841. Have you any reason to think that any such assistance was given to any one connected with this tender?—No, Sir.

14842. Did you come back to Ottawa soon after the tender was put in?—About ten days.

14843. Was the contract awarded to your firm?—Yes, Sir.

14844. Do you remember about the amount of your tender?—I do.

14845. How much was it?—\$1,800,500.

Amount of tender
\$1,800,500.

14846. Was it the lowest tender, as you understood?—I believe so.

14847. After the contract was awarded did you execute it?—No, Sir.

**Tendering—
Contract No. 63,
B.C.**

Sold out to Onderdonk.

14848. Why not?—We sold out the contract to Mr. Onderdonk.

14849. When the tender was put in by your firm had you any serious intention of carrying on the work, if you should get the contract?—Yes, Sir.

14850. Had arrangements been made among yourselves by which you would be able to carry it on?—Not before the tender went in.

14851. After the tender went in did you make such arrangements?—No; I did not.

14852. What arrangements were made then, or do you know anything about that?—I do.

Arrangement for going on in case contract fell to witness's firm.

14853. What was the nature of the arrangements?—The arrangement was that there was a person to advance security for me for a certain length of time; at the expiration of that time if I did not redeem the security, the contract fell to him.

14854. Was that any person connected with the Government in any way?—No, Sir.

14855. Or any Department?—No, Sir.

Neither Member of Parliament nor any one connected with Department had any connection with contract.

14856. Or any Member of Parliament?—No, Sir.

14857. Had any person in Parliament or connected with any of the Departments any chance of being connected with your contract at any time?—No, Sir.

14858. Did you put up the deposit required with your tender?—Yes, Sir.

14859. What was the amount of that?—\$5,000.

14860. Did you put up the further deposit required at the time you were awarded the contract?—No, Sir.

14861. Then, before the contract was actually awarded, your firm had made no arrangements for capital enough to carry it on?—No, Sir.

14862. Would your firm have had capital enough to carry it on without outside assistance?—No, Sir.

Price paid for interest \$15,000 clear.

14863. What was the amount of the consideration paid for the assignment by your firm of the contract?—\$15,000 and our own cheque back.

14864. Then you got \$15,000 clear?—\$15,000 clear.

14865. Mr. Onderdonk was the assignee, was he not?—I could not say.

14866. With whom did you make this arrangement by which you got this \$15,000 and your cheque back?—Mr. Onderdonk.

14867. Was it to Mr. Onderdonk that you assigned the contract?—Yes, Sir.

14868. Who had the authority to arrange the price which Mr. Onderdonk was to pay?—I had.

Witness sole negotiator with Onderdonk.

14869. Did the others of the firm leave it to you entirely?—Yes, Sir.

14870. Did you yourself take part in the negotiation with Onderdonk?—Yes.

14871. Was there any person else assisting you?—No, Sir.

14872. Did any person get any portion of this \$15,000 besides your firm—I mean any person connected with any of the Departments, or Government, or Parliament?—No, Sir.

**Tendering—
Contract No. 63,
B.C.**

**No reason to
believe that in-
formation was
got from any one
in Department.**

14873. Have you any reason to believe that any information came from any of the Departments which assisted in making up the prices of this tender?—No, Sir.

14874. Have you been accustomed to contracting?—No, Sir.

14875. You have had no experience of that sort of business which would enable you to give an opinion of the different kinds of contracts or carrying them out?—No, Sir.

14876. Was there any person else besides the four persons you have named, interested in the result of this transaction?—No, Sir.

14877. Did you say whether any person else was present during the negotiations between yourself and Onderdonk about the price?—I think my brother was; my memory does not serve me rightly.

14878. Do you remember any person else who was not of your firm?—Present?

14879. Present?—No; my memory does not serve me.

14880. I think I asked you before if any person else took part in the negotiations between yourself and Onderdonk and you said no?—No.

14881. I am asking you now whether any person else was present who took no part in the negotiations?—No, Sir.

14882. Is there any other explanation which you wish to give concerning this transaction?—There is not.

14883. Are you aware of any other matter connected with the Canadian Pacific Railway upon which you can give evidence?—No, Sir.

14884. Were you interested in any way in the tender made by your father for completing the Pembina Branch?—No, Sir.

JOHN H. MULHOLLAND, sworn and examined:

MULHOLLAND.

By the Chairman:—

**Telegraph—
Construction.
Contract No. 1.**

14885. Where do you live?—In Winnipeg, Manitoba.

14886. How long have you lived there?—I have lived there since the fall of 1874.

14887. Do you say you still reside there?—Yes.

14888. Have you had any connection with any of the contracts of the Canadian Pacific Railway, either in the construction of road or telegraph?—I was foreman for Mr. Whitehead in 1874 for about three months, and the next winter I was foreman for a sub-contractor under Sifton & Glass, and had charge of the camp, cutting out the line.

**January 7th, 1875,
sub-contractor
cutting out line.**

14889. You mean the telegraph line?—Yes, I started there in January.

14890. That would be January, 1875?—Yes.

14891. What was your duty?—I had charge of the camp for some of them on the telegraph line, and we cut the line out—the timber out—clearing I suppose you call it.

**Telegraph—
Construction.
Contract No. 1.**

14892. Do you mean you had charge of the chopping party?—Yes; and I had charge of the camp generally. I had two foremen under me, and I looked after the supplies, and had charge of moving and running the camp generally.

14893. Over what extent of country did that party operate?—About 80 miles from Selkirk that season this party worked.

14894. Was that the first work that was done on the telegraph contract as you understood?—That was the first work, commenced in December, but I did not go with them in the beginning of the work.

14895. How long did you remain under employment with Sifton, Glass & Co.?—In connection with that party I returned in April to Winnipeg, and was not doing anything until the 1st of June, and I engaged with Mr. Sifton for a year to go back on the same work.

During first winter line cut nine miles in Narrows of Manitoba Lake and wire put up from Winnipeg to Selkirk.

14896. During that first winter what progress was made upon the contract?—The line was cut nine miles further in the Narrows of Manitoba Lake—cut out full width. That would be 116 miles from Selkirk, and the wire was put up from Winnipeg to Selkirk.

14897. While you had charge of it the first season?—Not under my charge. The wire was put up before I went on to the work from Winnipeg to Selkirk. Sullivan had charge of three parties, and he was a sub-contractor. He had three different parties on the line between the Narrows and Selkirk, and the party that was at the Narrows did nine miles on the west side of the Narrows and then came back and worked towards Winnipeg again—towards Selkirk.

14898. You are speaking now of the first winter's work?—Yes.

14899. Was Sullivan a sub-contractor?—Yes.

14900. What had he to do?—He had the benefit of certain prices from Sifton & Glass to cut the line out and burn the timber?

14901. Had he the putting up of the poles and the wires?—No he had not that contract.

14902. It was only the clearing of the line?—Clearing.

14903. Were any poles put up during that first winter?—None but between Winnipeg and Selkirk.

14904. Then you know nothing of the manner in which the line was constructed during that first winter?—There was no construction only that piece—that was only twenty or twenty-one miles.

14905. You say you went back under a year's engagement, commencing about June, 1875?—Yes.

14906. What duties did you undertake then?—Putting up the wire—putting in the poles and putting the wire on them.

No poles put up save between Winnipeg and Selkirk.

Witness in charge from Selkirk to the Narrows.

14907. Had you charge of the whole of that work, or was your party a subordinate one?—I had charge from Selkirk to the Narrows of Lake Manitoba.

14908. How many men under you?—About twenty-four; there would be sometimes less and sometimes more.

14909. Was it part of your work to get out the poles, or had they been already got out by contract?—I had to get out about fifty miles of them the winter before under Sullivan.

Telegraph—
Construction.
Contract No. 1.

14910. They had been got out on the spot that was cleared?—Yes; the intervals I filled up on my way back to Winnipeg, in the spring of 1875.

14911. Besides the clearing, then, you had to procure and save the poles ready for the line?—We did save them; where ever there were good poles we did save them.

14912. What sort of poles would you call good poles?—We were instructed to take them out according to the engineer's instructions.

14913. Do you remember what the instructions were?—I think they were to be twenty-two feet long and four inches at the top end—I am not very sure about it, but I think that is it, at the little end four inches. Instructions as to quality and size of poles.

14914. Do you mean that nothing under twenty-two feet long was cut for poles?—That is what I cut were that long. I think all the poles were that length. There was a contract let from Shoal Lake to Selkirk that was taken out that winter by another party, a sub that would be.

14915. Who was he?—Sullivan let the contract to some farmer who lived near the line. They got out the poles and delivered them.

14916. You saw those poles?—Yes; I put them up next spring.

14917. What sort of poles were they?—They were good poles.

14918. Were they all twenty-two feet long?—Yes.

14919. Do you mean that you did not use in the construction of that line, between Winnipeg and that point that you name west of the Narrows, any poles shorter than twenty-two feet?—No; we did not. I did not put up the line further than the Narrows; that was done by a man named Wynne.

14920. Do you say that as far as the Narrows the poles were all of the height required by the specifications?—Yes.

14921. What about the thickness?—They were all good poles that we got. All good poles.

14922. You mean good as to size?—I think they were all up to the specification. We had no object in doing anything else.

14923. Is that the reason you think they were all up to the specification, because you had no object in doing anything else?—I made it an object to have them so, I was in charge of it.

14924. Did the specifications name any particular kinds of wood?—I never saw them, I only got my instructions from Mr. Sifton.

14925. Did your instructions name any particular kind of wood?—He told us to put up any kind of poles that we could get. If we could get tamarack and spruce we were to use it, and if we could not we were to use poplar. Told to put up any kind of wood they could get, tamarack if possible; if not poplar.

14926. You say that if you got tamarack or spruce you were to put it in?—Yes, wherever we could get them.

14927. You mean that they were to be put in in preference to any other kind of wood?—Yes.

14928.—Did you get them to any extent in that country?—Not to any extent; I don't think we got any.

**Telegraph—
Construction.
Contract No. 1.**

The wood used :
white poplar.

Work completed
excepting gap at
Dog Lake and the
Narrows.

As far as Shoal
Lake good agri-
cultural country.

Only in two
places was there
difficulty in get-
ting earth deep
enough for poles.

Found earth
enough in
muskegs.

Always struck
bottom and
braced poles.

14929. Then what kind of wood did you use?—Poplar—white poplar.

14930. Did you complete the construction, as far as the poles were concerned and the wires, up to that point (the Narrows) during the season of 1875?—No; I left a gap at Dog Lake and the Narrows, itself not completed.

14931. And with the exception of these gaps?—I had it all complete except those two places.

14932. What sort of country was it between those two points?—The country as far as Shoal Lake is a very handsome country, and a good agricultural country, but it is heavily timbered—about one-third of it.

14933. Do you mean one-third between Selkirk and Shoal Lake?—Yes. I suppose there would be sixty cords on an acre of that in some places that we cut through it.

14934. Of poplar?—Of poplar—large poplar, sometimes two feet across the stump. There was about seven miles of a belt of timber that way.

14935. There was no difficulty in getting earth deep enough to make a good footing for your poles?—In two places there was, but then it was only about a pole in a place. We had to pick down into the loose rock with the crowbars—we always had crowbars for that purpose—and planted the poles and then braced them. It is a ridge of loose rock and it comes up to the surface.

14936. Where was that?—I think it must be about ten miles from Shoal Lake.

14937. East or west?—In one place it is east of Shoal Lake, and another place the same thing occurred I think; but it was only in one or two poles.

14938. Did you come through any muskegs east of the Narrows?—Yes; but we did not have any difficulty. I drove a cart across them all with the wire—distributed the wire off the cart, with an ox.

14939. Did you find earth enough there for your poles?—Yes.

14940. Did you get them down deep enough?—Yes; we put them to the bottom sometimes—that left the poles a little short where they were got out just twenty-two feet long; but not so short that they would allow the wire to touch the ground.

14941. Do you mean that over these muskegs the poles would sink down so deep?—In some places they would go eight feet through the surface of the muskeg, and would leave fourteen or sixteen feet of the pole.

14942. Over those spots which were swampy did you get a firm foundation for the poles?—We always struck a hard bottom, and we braced the poles with good braces and fastened them. We always cut a little nick in the pole for the brace, made the brace to fit it nicely, and nailed it with a five inch spike pressed nail.

14943. What would those braces be made of?—Poplar.

14944. You say you struck hard bottom: did you dig into that hard bottom at all?—No; we could only judge of that by the way the pole would strike it.

14945. What was above that?—It seemed to be mud.

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14946. Then you did not dig through those places at all?—No, it would go down, it would only be probably in two or three poles at a time. The bottom of the swamps seemed to be undulating at times and only deep in places, but none of it was so deep that there were only a very few poles in the muskegs that would go down deeper than was necessary, according to the specifications.

14947. I am trying to find out now the kind of hold that you gave to these poles in the earth, whether it was only in mud or in some firm earth that would require digging over the muskegs: did you put them down in the mud until you came to a hard bottom, and then leave them, or did you dig into the hard spot below?—We put the pole into the hole we dug, and they would sink to hard bottom themselves.

14948. Did you put them into some holes that you dug?—Yes.

14949. You dug into the mud: is that what you mean?—Yes; Dug into mud, but there was generally sod on the top.

14950. Then below the sod it would be soft oozing mud?—After you would go down into the deep places it would be very soft in the bottom, so soft that the poles would sink down themselves.

14951. Do you mean without resistance, or had you to drive them down?—We had not to drive them. The poles would find the bottom. In the soft places the pole would find the bottom by its own weight.

14952. Of its own weight?—Yes.

14953. And when it struck the hard bottom you left it in that shape?—Yes. There was one swamp the men used to break through, it was so brittle, for about half a mile.

14954. You mean the surface was brittle?—Yes; but it was only about three feet deep. It was like a floating bog, and they found gravel and stone at the bottom very hard where they broke through.

14955. As to this soft spot do you say you would put the pole through the floating surface and far enough down until the end of it struck the hard bottom?—Yes.

14956. And if this floating surface moved it would displace the pole?—It would not move because it was a sod from one side of the marsh to the other. It was floated in that way, that it seemed to be water under it. It was supposed to be the source of the Jack Fish Creek, this moving cold spring.

14957. What time of the year did you put up those poles?—I started the 8th of July. Putting up poles from 8th July until 10th October

14958. How long did you continue?—To about the 10th of October.

14959. Were the poles put over this distance during that season of the year with the exception of those two gaps you have named?—Yes.

14960. They were not put in during winter then?—No.

14961. We have been led to understand from some of the witnesses, that some of those poles were altogether insufficiently supported, for the reason they were put down in winter time through the ice?—I did other work beside this, which they probably had reference to, at Mossy River. The engineer came over this while I was on it—while I was near the Narrows—Mr. Middleton, and he was very well pleased with it. He said it was very satisfactory work.

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14962. That was before October, 1875?—It was about the 1st of October. I was only about ten days there afterwards; and I had letters from Mr. Sifton saying that the reports in Mr. Rowan's office were very satisfactory.

All the poles up
before ice came
on.

14963. Speaking of this section that you have been describing—I mean as far west as the Narrows—do you say that none of those poles were put up through the ice?—None of them through the ice. Of course it was in the summer season.

14964. Then any evidence to that effect is not correct?—Not in regard to that; because it was done before the ice came in the fall.

14965. Did you afterwards take any part in putting up the poles over those gaps which you had at first omitted?—I did at the Narrows.

14966. When was that?—I did at Dog Lake too. That was in the spring of 1876.

14967. Then you continued your engagement, did you, as long as that with Mr. Sifton?—No; it was before the year ran out. My year expired the 1st of June, 1876.

14968. When putting them up over those gaps did you put them up through ice?—No; I put them up after the ice was gone out.

Ice goes away
earlier in Nar-
rows than in the
Lake.

14969. In the spring of 1876?—The ice goes away in those places earlier than it does in the lake. There seems to be a current through the Narrows that cuts the ice away about a month earlier.

Poles put up
through ice by
other persons.

14970. It was not through the ice that you put up these poles either at Dog Lake, or through the Narrows?—No; they were put up by another party; though I saw them there when I came down.

14971. Did you not have the charge of putting them up there in the first place?—Not of those that were put up there in the first place.

Put them up after
they had been
swept away by
ice.

14972. I understood you to say that you did afterwards put up those poles?—Yes; after they were swept out by the ice.

14973. Not when they were first constructed?—No.

14974. Did you find afterwards that they had been put up in the ice and had been swept away with it?—I was there when they were swept away. When I came down—I moved from Mossy River to the Narrows in April.

14975. Did you find that they had been put up in the ice?—Yes; I saw them there before the ice moved.

14976. Had they been sufficiently put up?—They were put up according to Mr. Rowan's instructions.

14977. You heard him give the instructions?—No.

14978. You saw them in writing?—I think I did, I would not be positive. I saw the man and I asked him what authority he had for putting them up by driving piles and fastening the poles on with iron strips. He said they had had instructions from Mr. Rowan, and had been made an allowance for that.

14979. Do you know how far these piles had been driven into the bottom below the water?—I think they were driven until they struck the rock.

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14980. Do you know how far that would be through the mud, or the earth, or whatever was there?—I did know then, but I could not tell you now. It would not be very far I think. The rock—the loose rock—crops out all round that country.

14981. That is what I am trying to discover, whether there was any- Poles not driven far enough down and would not stand the ice.
thing to drive them into above the rock; for, of course, if they were only driven through the mud until they touched the rock the ice would displace them?—I do not consider they were driven far enough down; at any rate the poles would not stand it as the ice would break them.

14982. At any rate the construction was not sufficient?—That was not good construction.

14983. You say that after they were swept away you put them up again?—I provided a line but not in the same place.

14984. You went round those waters?—I went a mile to the north and crossed on to Rapid Island, on the west side of the Narrows.

14985. Did you go around this water stretch and get a better foundation for the poles?—Yes, we didn't put any in the water. We put some in the swamp, but it was like the usual swamp and they were braced well. Of course the poles were put down a long depth. There was not very much to do. We had only to chisel out the ice, and there was not any frost in the ground below. We chiselled out the holes in the swamps—the ice and water frozen on the top. Chiselled out ice.

14986. Then did you remove the earth with spade or shovel?—We removed it with a shovel.

14987. How deep?—Four feet.

Removed earth four feet deep.

14988. Would you count in water in that four feet—I mean the water between the surface of the muskeg and before you struck the earth?—Six feet. Yes, but there was a good deal of water in the holes. The water would come in after we would dig the hole.

14989. You do not understand me: you say you went down four feet?—Yes.

14990. I am trying to ascertain whether you went down four feet from the surface of the ice or four feet from the surface of the earth when you struck it?—I did not go through any ice except on the frozen surface of the muskeg. It was water and land together I may say.

14991. Did you count that water and land together as part of the four feet?—Yes; because the grass was growing on top of it. In measuring the four feet counted water and earth together.

14992. Was that material anything like solid earth or was it mud, or almost liquid?—We found good bottom for both the braces and the pole. It was not the same as the shaking bogs. It was firmer, and had a good bottom.

14993. The worst roads in the world have good bottoms when you get down to them; I am not speaking of the bottom?—It was stiff clay after you got down, probably in some places two feet, you would find very stiff clay.

14994. I am asking you now if this material over the top which you begin to count as your four feet at this particular place was liquid, or half liquid, or solid earth?—There was grass growing on it.

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14995. Do you think it was liquid or solid?—I would not consider it liquid by any means. It was firm enough for grass to grow on it, and I consider it land.

14996. I am not asking you whether you consider it land: you have before described a place where you said that on the top it was floating, and after you got below it was liquid?—This was merely a marsh on the shore of the lake, differing altogether from the shaking places and kept wet by the tides and winds from the lake.

14997. When you were digging holes for your purpose would it fill up or leave firm sides for the poles to go down into?—We had to fill in the clay just as usual.

14998. Would they fill up before you put in the poles, or would they stand without?—No; it would not fill up. It was a firm hole and clean.

Put poles in and
braced them over
Dog Lake.

14999. As to Dog Lake, what do you say about your placing poles on that stretch: you went to the south side did you not?—No; we put the poles in and braced them up.

15000. Over Dog Lake?—Yes; the first time we put them in a little too early. There was some ice in and it tore them down. Then I put them up again with long braces after the ice went out.

15001. What time of the year was that?—That was just before I left the line in May.

15002. How deep is that place?—Six feet; it is not deep.

15003. Do you mean six feet of water alone, or water and mud?—Of water.

Below about six
feet of water
earth.

15004. Then below that six feet of water what material would there be?—It is usually earth.

15005. Did you find out what material it was—did you remove any of it?—We did not move it; we could not get at it. I suppose it was like the prairie outside of it, when it was under the lake.

Fixed poles by
sharpening point
and letting it
take as good a
hold as possible.

15006. How did you fasten the poles in that material?—Only by sharpening them, and letting them take as good a hold as they could in the bottom.

15007. Then would you apply any pressure to make the poles go down deeper than they would of their own weight?—We could not apply much pressure.

15008. Did you? That is the question I am asking you. Not could you, but did you?—No; we could not. This was only a temporary line, supposed to be; because the other had been knocked out, and I did this to provide, in the meantime, for getting the wire to work.

Not considered a
permanent con-
struction.

15009. That was not considered to be a permanent construction?—No; I would not recommend it myself, and I did not.

15010. Did you see that that temporary line, which you say had been put up, was afterwards removed and a more permanent one established?—I did not. I left the 1st of June.

15011. Did you take any part in the construction of the line under Sifton after that?—I did not.

15012. Have you been over the line since that—over the portion that you constructed, or any other portion, so as to obtain a knowledge

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of the way in which it was finished?—I was not over since, but before that I was over all the line, 100 miles, from the Narrows west as far as Duck Mountain.

15013. You mean Porcupine Mountain?—I call it Duck Mountain.

15014. Touchwood Hills?—Duck Mountain is what we always call it.

By Mr. Keefer :—

15015. That is Northcote?—No. I was not as far as Northcote.

By the Chairman :—

15016. How was the line constructed between the Narrows and Northcote, or Duck Mountain, as you call it?—I saw Mr. Wynne building the line. He constructed forty miles of it, and he was doing it according to his instructions.

15017. Do you know what his instructions were?—The same as mine.

15018. Did you see them?—No, I did not.

15019. Then you do not know that they were the same as yours. Tell us what you saw?—I saw the poles were the same as I had got out, and the holes were dug as well as my own four feet down in his work. I saw this at different times as I passed up and down the line, and I made a note of it, because I was doing the same kind of work.

Line constructed
in other parts as
witness had done
his part.

15020. Did you see that he was digging the holes to the depth of four feet?—Yes.

15021. The wire had not been put up at the time you came along?—He was putting up the wire as he went along.

15022. Did you see the men at work?—Yes; occasionally as I passed. In the first place I said I thought it was four feet we had to dig them—I mean according to my instructions.

15023. I am not asking you what your instructions were, because it gives us no information about what was done. I am asking you what you saw on the ground with your own eyes?—I cannot say positively that it was four feet, but they were put down as deep as they had to be put down.

Could not swear
the poles were
put down four
feet deep.

15024. How do you know that without knowing what had to be done?—I knew it at the time.

15025. Did you see the instructions?—I knew what my instructions were.

15026. Did you know what his instructions were?—Only that they were the same as my own; he was doing the same as I was doing, and I had done my own according to Mr. Sifton's instructions, that the specifications called for.

15027. Have you any information to give us about what you saw yourself on the ground, without referring to some instructions that were given to him?—What were given to me I can give you.

15028. To tell us what were given to you does not help us: can you tell what sort of poles you saw there?—Yes.

15029. What sort of poles?—Good poles, just as good as I got.

15030. What wood were they made of principally?—They were all poplar, I did not see any others.

Poles principally
of poplar

Telegraph
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15031. Over that portion which you have been describing west of the Narrows were there many water stretches?—There were none except one very close to the Narrows. Mr. Wynne did not put them up there. I put them up the next spring in the same way as the others by sharpening the poles, putting them down and bracing them.

15032. Without any artificial pressure but just the weight of the poles?—Exactly.

Crane River
Swamp.

15033. Were there any swamps upon that section of Wynne's?—There was one very bad swamp, the poles went down a good piece, it was about a mile long, that is the Crane River Swamp.

15034. Do you know how the poles were fastened through that?—They were distributed and I put them up.

15035. How did you arrange them?—I put them up in the usual way. We put them down as far as we possibly could put them, and they would sink some; after that they would go down through the depth of hole we dug.

15036. Would they be sharpened?—I am not sure about that.

15037. Do you remember whether the bottom was considered soft enough to be easily penetrated by the foot of the pole, without being sharpened?—There were some poles that would go further than others. I could not say that there were some poles that would go down further than the holes we dug in the muskeg.

15038. Was it the usual practice to dig holes in the muskeg?—Yes, we never did it in any other way; we always dug a hole.

When hole made
water would run
in; the muskeg
would stand.

15039. And was the material liquid enough sometimes to fill up those holes, or were they left with distinct, well shaped sides?—Nothing would ever run in but water. The muskeg would always stand. It is a kind of a gluey nature.

15040. Did you pass over that section of Wynne's at any time afterwards to see whether these poles had stood well, the following year, for instance?—No, Sir.

15041. Have you any knowledge of your own as to the manner in which those poles stood, beyond one year after they were put up?—Nothing only from hearsay.

15042. Was J. L. Conners employed upon this work at any time while you were there?—He was not.

15043. Do you know him?—I know him; yes.

15044. Do you know, of your own knowledge, anything about his connection with this work?—Nothing; only from conversation with him.

15045. What did he say about it?—He said that he had charge of the repairs from Duck Mountain. I think he said to Shoal Lake, or from Shoal Lake to Duck Mountain. Shoal Lake is about forty-five miles from Selkirk.

Conners' descrip-
tion of the way
poles put up
through Dog
Lake correct.

15046. He describes the poles as being put up through Dog Lake, as I understand it, upon light tripods fastened by wire, is that the description of the work which you have put up there?—I think it is; it must be that he has reference to.

Telegraph-
Construction-
Contract No. 12.

15047. Have you had any experience as to the working of the lines in winter in this respect, that the wire when it falls upon the ice will permit of circuit, but in summer in the water it will not: is that correct?—Yes; we had no difficulty in the spring of the year as long as it was frosty weather. I had an operator there with me in the spring of 1876.

15048. Have you any knowledge of the ordinary life of a poplar pole?—Yes; from observing them between Winnipeg and Selkirk. I know that they were renewed after being up three years between Winnipeg and Selkirk. I supplied some of them.

Life of poplar
pole, three years.

15049. You mean that they had to be removed, that a pole after three years would not be useful?—They were beginning to fall after three years.

15050. Over this section of country which you have described as far west as Duck Mountain, can you say whether spruce or tamarack poles, or either of them, could be had within reasonable distances by drawing them?—We put up a great many spruce and tamarack from Mossy River to Duck Mountain, very little of any other timber between those two points. It is called Dauphin River on some of the maps, it runs from Dauphin Lake to Winnipegosis Lake, sixty-three miles from the Narrows of Lake Manitoba.

Many spruce and
tamarack poles
put up from
Mossy River to
Duck Mountain.

15051. About what distance do you say it is from Mossy River to Duck Mountain?—I put it up forty miles west, and we put on very little of any timber but spruce and tamarack; we found them easily, except in a couple of places where we had a difficulty in getting them, and we did not put them in.

From Mossy
River to Duck
Mountain forty
miles.

15052. Is this Mossy River the water between Dauphin Lake and Winnipegosis?—Yes.

15053. How was it east of that, from there to Selkirk, I think you said that was all poplar?—All poplar.

15054. And from this point westward as far as Northcote, near Duck Mountain, you say that was all either tamarack or spruce?—All but a few poles.

15055. Which is the better of the two, tamarack or spruce?—Tamarack.

Tamarack better
than spruce.

15056. How much of the tamarack did you use in that section?—I could not say, I think we had more spruce than tamarack.

Used more spruce
than tamarack.

15057. Much more?—Yes; I think that we did not find a great deal of tamarack.

15058. Then, when you mention tamarack and spruce together, as having been used to a great extent, you mean that very little of it was tamarack?—I do not think there was much, I am not very sure now.

Not much
tamarack used.

15059. Tamarack is a very much better wood than spruce, is it not?—Yes, I think so.

15060. The life of it I believe is two or three times as long?—I have seen tamarack used twenty years and still have a very hard core in it.

Tamarack lives
more than twenty
years.

15061. What is the ordinary life of spruce?—I could not say, I have not had much experience of it.

**Telegraph—
Construction.
Contract No. 1.**

15062. Is spruce very much better than poplar?—It is said to be much better by the people there.

15063. On this line from Mossy River east to Selkirk, are you able to say whether tamarack could have been obtained by drawing it a reasonable distance?—I think I am. I never could find out that there was any tamarack anywhere within fifty miles of it; even at that distance it could not be had. Mr. McLeod, the engineer, came over the line while I was building at Mossy River. I forget his first name, but he is one of the engineers on the Pacific Railway; he came over to inspect it.

15064. Is there any other matter within your knowledge about the manner in which this line has been constructed or maintained, upon the Sifton contract, which you can give us by way of evidence?—I do not know of any just now. Mr. McLeod reported very favourably to me. He said he was very well satisfied at the way I was doing the work at that time, when I asked him.

15065. Did any of your line—I mean the line which you put up over the swamps—give way before you completed it, so as to require replacing?—It did not. I was ill, or I would not have left the line at the time. I had a very severe winter. I think I could have kept it in repair if I had been there.

Dog Lake, fresh water; Shoal Lake, alkaline.

15066. Do you remember whether the waters about Shoal Lake or Dog Lake were fresh, or salt, or alkaline?—Dog Lake is fresh, Shoal Lake is alkaline. The south winds of the Manitoba Lake flood the Dog Creek, and the water spreads over the country about fifteen miles from Dog Creek.

15067. Is there any other matter connected with the Canadian Pacific Railway upon which you can give us information?—I do not know of any.

15068. Is there any further explanation which you wish to give of the evidence that has been already given?—Not that I can think of just now.

SUTTON.

R. T. SUTTON, sworn and examined :

**Telegraph—
Tendering.
Contract No. 4.**

By the Chairman :—

15069. Where do you live?—At Brantford.

15070. Have you had any connection with any transactions on the Canadian Pacific Railway?—Yes.

15071. Which was the first?—The telegraph from Fort William to Fort Garry.

Fort William to Fort Garry.

15072. This work was let by public competition, was it not?—Yes.

15073. Did you make a tender?—I did.

15074. In your own name?—In the name of Sutton & Thirkell.

15075. What Thirkell was that?—Thirkell, of Victoria—he was at that time; he is not in Canada now.

15076. R. J. Thirkell?—No; W. J. He used to be in the drug business in Lindsay.

Let by public competition.

Telegraph—
Tendering.
Contract No. 4.

15077. Look at Exhibit No. 12, and say if that was the tender that was made by you and Thirkell?—Yes, it was one of them. (Looking at the document): That is not the one that I referred to, though, Judge.

15078. This is not the one?—No; the one I referred to is from Thunder Bay to Fort Garry; that is the only one I have had.

15079. That is attached to the paper which you have been looking at (handing the paper again to witness)?—Yes; this is added to it.

15080. Is that the tender upon which your contract was awarded?—Yes, Sir.

15081. Was Thirkell interested jointly with you in it?—No; he was assisting me in it that was all, and he went away from the country, so I took up the tender myself.

Thirkell left country and witness took up the tender himself.

15082. Had he left before the matter was finally arranged?—Oh, yes.

15083. So that you alone were in this country at the time that the contract was awarded, is that what you mean?—Yes, Sir.

15084. Have you had any communication from him since confirming you as sole proprietor?—No.

15085. Was it taken as a matter of course when he left that you would be the sole proprietor?—Certainly.

15086. Was there any arrangement between you and the Department by which the Government agreed to his being dropped out of the transaction and you remaining sole proprietor?—No; there was not. I had nothing at all to do with the Government about the matter. That contract was not carried out. It was Sutton & Thompson's contract that was carried out, and I resigned on that. If you will take the notes on that you will see that I threw it up altogether and took up the Sutton & Thompson contract.

Not Sutton & Thirkell but Sutton & Thompson's tender that was acted on.

15087. How did you communicate to the Government that this one was abandoned?—I done that through Oliver and Davidson; they were the ones that got the contract.

Abandonment of the Sutton & Thirkell tender effected through Oliver and Davidson who got the contract.

15088. Did you know how information was given to the Government that Sutton & Thirkell would not carry out their tender?—Only from sending in a letter in which I refused to carry it out.

15089. Did you send in such a letter?—Yes.

15090. In your own name?—Yes.

15091. Did you yourself forward it?—No; I gave it to Mr. Oliver.

15092. Then you do not know whether it ever reached the Government?—I do not know anything about that. I could not tell you any more than that I handed it to them.

Witness gave letter refusing to carry out tender of Sutton & Thirkell to Oliver.

15093. To whom did you give that letter?—To Mr. Oliver; Oliver, Davidson & Co.

15094. Was it to Oliver or Davidson?—They were both together; but I think I handed it to Mr. Oliver.

Handed this letter to Oliver at the same time as he agreed to sell out the Sutton & Thompson interest to Oliver, Davidson & Co.

15095. And that was a communication addressed to the Government to the effect that Sutton & Thirkell would not complete their tender?—Exactly. That is about the substance of it.

**Telegraph—
Tendering.
Contract No. 4.**

Had meanwhile
learned from
Oliver and David-
son that Sutton &
Thompson were
the next lowest
tenderers to Sut-
ton & Thirtkell.

15096. Was that after you had arranged with Oliver, Davidson & Co. to sell out to them?—Yes; it was at the same time.

15097. Up to the time that you communicated that information to the Government that Sutton & Thirtkell would not carry out their tender, had you been informed that Sutton & Thompson were the next lowest tenderers?—I think I was.

15098. From whom did you get the information?—I think it was from Oliver and Davidson.

15099. Had you had any direct communication from the Government to that effect?—No; up to that time the only communication I had was with Mr. Braun.

15100. At the time that you and Oliver, Davidson & Co., or some one on their behalf, first met together for the purpose of negotiating this transaction, had you been informed that the next lowest tender was that of Sutton & Thompson?—I am not sure, but I think not. I am not sure. It is some time ago; but I think not.

Approached
Oliver and David-
son on the Sutton
& Thirtkell
tender.

15101. You think that you approached them with the view of selling the contract without knowing that Sutton & Thompson was the next lowest after Sutton & Thirtkell?—Yes; I think it was on the Sutton & Thirtkell affair I approached them.

15102. When you approached them on the Sutton & Thirtkell affair it was with a view of disposing of your own interest?—No; it was with the view of their going in with me.

15103. Do you mean as joint contractors?—Yes. I was to take an interest in with them, and I did all through.

15104. Yes; but what you did afterwards was in consequence of a different transaction: I mean on your approach?—No. My arrangement on the start was to take an interest in the contract with them, and I did do so.

15105. But that arrangement on the start was proposed to be upon the basis of the Sutton & Thirtkell tender?—Precisely.

The offer on the
Sutton & Thirt-
kell basis
accepted.

15106. Do you know whether your offer to give them an interest in the Sutton & Thirtkell tender was at once accepted by them, or was the negotiation delayed?—I think it was accepted there.

15107. Where was it?—In Toronto.

15108. Had you appointed a meeting at Toronto?—No; I had Judge McMahon with me before that, and through family matters he had to retire, and I had only three days to pick up somebody else, and I met Mr. Oliver and closed the matter with him.

15109. Do you mean that you met him accidentally in Toronto?—I did meet him accidentally, but I came down for the purpose of getting a partner.

15110. But not that particular partner?—No.

15111. Well, when you arranged, as you say you did, at the first interview with Mr. Oliver that he was to take an interest with you in the Sutton & Thirtkell contract, was any one else besides Mr. Oliver to be interested?—Yes; Mr. Davidson was there.

15112. Was he present?—Yes.

Telegraph—
Tendering.
Contract No. 4.

15113. Any one else?—No; we just met them in Toronto.

15114. Well, at that interview was it closed that Oliver and Davidson were each to become interested in your tender in the name of Sutton & Thirkell?—Yes, I think so. It was closed as far as the verbal arrangement was concerned.

At first interview agreed that Oliver and Davidson were to be interested in the Sutton & Thirkell tender.

15115. I mean the understanding between you, was it finally decided?—Yes.

Witness retained one-fourth interest.

15116. What interest did you retain?—One-fourth.

15117. Did you know how long after that it was before any formal documents were drawn up, either between you or between this new firm and the Government upon the subject?—I think it was immediately they came down, I think either that same night or the next. It was almost immediately at any rate. We came down to Ottawa on the matter because there was only three days to close it up, if my memory serves me right.

Immediately witness, Oliver and Davidson went to Ottawa.

15118. Did you come down with them?—Yes.

15119. And Mr. Oliver?—Yes.

15120. And Mr. Davidson?—Yes.

15121. Who did you see upon the subject?—Nobody. I did not go near the Department at all.

Witness did not go near the Department.

15122. Who drew up the document between you three partners?—That was done by Mr. Braun afterwards; we only just made a verbal agreement at that time.

15123. Then your verbal agreement was reduced to writing after the transaction was carried out with the Government?—No; I do not think that it was. I think that the arrangement was—I think we came down to see if it could be held over a few days, to get things in shape. Then that was closed up, but I could not tell you whether our agreement was closed at that time, before or after we signed with the Government. I could not tell from memory.

15124. Was it closed between yourself and Oliver and Davidson, on the one part, and the Government on the other, while you were here in Ottawa?—No; I think not. I think it was in the fall of 1874, and it was the spring of 1875 before the contract was signed.

These negotiations in fall of 1874.

Spring of 1875 before contract signed.

15125. Was the arrangement between this new firm and the Government settled verbally while you were here at Ottawa?—I think it must have been, because we went back after the arrangement to get things in shape. There had to be securities put up and some stocks; money had to be put up afterwards before the contract could be signed.

15126. Do you know who was acting upon the part of the Government in so arranging the matter here at Ottawa?—No.

15127. Were you not present?—No.

15128. Who took charge of it then on your behalf?—I took charge of it myself, when I was here.

15129. But you were not present, you say?—No, not with the Government; there was no necessity for it, they made arrangements with the Government what stock they had to put up, and when the contract should be signed. It was unnecessary for me to be present.

**Telegraph—
Tendering.
Contract No. 4.**

Oliver and Davidson made all arrangements with Government.

15130. Then who did take part in the negotiation with the Government upon what was necessary?—I do not know of any one but Oliver and Davidson; they went up together.

15131. Went up together where?—To the Department.

15132. What time of the year would that be?—(Looking at a letter which he took from his pocket): That must have been in December, I think, Sir.

15133. When you left Ottawa did Oliver and Davidson accompany you?—Yes.

Oliver and Davidson went in with witness on the Sutton & Thirkell tender.

15134. And was it understood, when you left Ottawa, that the arrangement had been accepted by the Government?—Oh, yes; I do not think there was any doubt about it as far as that was concerned. The only question was as to whether the security would come up, otherwise the Government were satisfied that the work would be carried out.

But at Ottawa it was arranged that the Sutton & Thirkell tender should be laid aside and the Sutton & Thompson tender taken.

15135. And this was the arrangement: that these two parties should go in with you upon the Sutton & Thirkell contract?—That was the arrangement I made in the first place; but I think down here the arrangement was changed I am not sure where it was changed, but that the Sutton & Thirkell tender should be set aside and the Sutton & Thompson one taken.

15136. Did you take any part in the negotiations with the Government by which the new tender of Sutton & Thompson was to be substituted for the old one of Sutton & Thirkell?—None whatever.

15137. Do you know who did take part in that arrangement?—I do not.

15138. When you came down here, I understood you to say that you all came down prepared to carry out the Sutton & Thirkell arrangement?—No, you misunderstood me. I did not say that I came down to make arrangements to carry it out.

15139. I mean willing to carry it out?—Yes; this had been left in abeyance for some time.

15140. Had you come down to make arrangements to carry out the Sutton & Thirkell tender?—I am not sure that it was changed before that.

15141. But up to that time—the time of your reaching Ottawa—there was no refusal upon your part to carry out the Sutton & Thirkell tender, was there?—I think not; I think it was not before that; I am not sure about the date of that correspondence; it should have been with the Department because I did not keep it.

No doubt but that they all went to Ottawa to carry out the Sutton & Thirkell tender.

15142. Have you any doubt about this, that you all came to Ottawa with the view of carrying out the Sutton & Thirkell tender?—I think not; I think that is correct.

15143. That you did come for that purpose?—Yes.

15144. And you say you are not certain as to the time that a different arrangement was arrived at; that was that the Sutton & Thompson tender should be adopted instead of the Sutton & Thirkell tender?—I could not say.

15145. Can you say whether that new arrangement was adopted without your being present?—I am not sure it was.

Telegraph—
Tendering.
Contract No. 4.

15146. But was it brought about by the negotiations of Oliver and Davidson, or some of them?—I cannot tell you that. That I do not know.

15147. But it is a matter in which you were pecuniarily interested; do you not know who acted on your behalf in bringing it about?—They were acting in their own interest.

15148. But they were acting in yours too, because you had the one-fourth interest in the contract?—That was all the same to me; I did not have anything to do with it myself; I took it all in.

15149. You understood that it was the higher tender that was adopted?—Yes. The higher tender adopted.

15150. And you had a part in the higher tender as well as this one?—Yes.

15151. When you came down to Ottawa, had you any knowledge of this: whether the Sutton & Thirtkell tender was next below the Sutton & Thompson tender?—I cannot tell you that.

15152. Did you know whether there was any intervening tender between those two or not?—I could not tell you from memory whether I knew it coming down that time or not. It is some time ago.

15153. Did you say that Davidson was here at Ottawa upon that occasion, all the time that you were here?—Yes.

15154. Did you take any part in any negotiations with the persons who had made lower tenders than you had?—No. Witness took no part with any persons who had made lower tender than he.

15155. Waddle & Smith, for instance, or any of those people?—No.

15156. Was your first bargain with Oliver, Davidson & Co., that you should retain one-quarter interest in the contract?—I think that was it all the way through; there was no change in it.

15157. Was there not some change in it afterwards?—No.

15158. Did they not give you a sum to pay Thompson?—Yes, but that had nothing to do with the contract; that was part of the arrangement. Oliver and Davidson gave witness a sum to pay Thompson which was charged to the firm.

15159. I am asking if that was not part of the arrangement?—That was included in the quarter interest.

15160. Did you not get a quarter interest besides this sum of money?—No; the arrangement was that that was a charge against the works.

15161. They advanced so much money to you out of your share?—No, out of the general fund; it was to be a charge on the works.

15162. So that besides giving you a quarter, the new firm stood the payment for the purpose of getting rid of Thompson's interest?—No; it was charged on the works, and part of it had to come out of my one-quarter interest.

15163. That was against the funds of the firm, was it not?—Yes.

15164. What amount was given to him?—I do not remember exactly what the amount was.

15165. Was it \$800?—I think the expenses and all connected with it was \$800—the sum of \$800 was paid out of the firm; it was not all paid to Thompson. \$800 paid out of firm, but not all given to Thompson.

Telegraph—
Tendering.
Contract No. 4.

15166. What was it paid for?—There were other expenses attached to it.

Witness made an arrangement with Thompson and paid other expenses with balance.

15167. What other expenses?—Expenses travelling back and forward. I was to take \$800 out of the firm to pay Thompson off. I made my own arrangement with Thompson, and paid other expenses I had with it.

Thompson only helping witness.

15168. Was Thompson a partner with you in the Sutton & Thompson tender to the full extent of one-half, or was he only helping you?—That is all.

15169. His name was added merely to give strength to the firm, was it not?—That is all.

Not a full partner

15170. But between yourselves he was not a full member?—No, decidedly not.

15171. And out of this money which the new firm—yourself and Oliver; Davidson & Co.—advanced, you say you satisfied him for his helping you?—I satisfied him and took an assignment of it. He is a man I have known for twenty years. I frequently got his name and paid him for it, that is all.

15172. Then the real arrangement between you and him was that he was to help you as far as he could to get the contract, but he was not to continue a partner and get a half interest in the results?—We have always had an arrangement of that kind. I have used his name and paid him for it all along.

Used Thompson's name and paid him for it.

15173. Then you have used his name for your own object, with the intention of paying him for it: is that what you mean?—That is what I mean exactly.

15174. Then this tender in the name of Sutton & Thompson was really intended at the time to be for your own benefit, excepting that little payment to him?—Yes.

Under Sutton & Thompson's tender \$590 for wooded section

15175. What was your tender for the wooded portion of section No. 5?—No. 5 was \$590 for the wooded section.

15176. Is that the section for which you got the contract?—Yes.

\$435 for prairie.

15177. What is your offer for the prairie portion?—It shows here: "Prairie, \$435."

15178. In this arrangement with Thirtkell, was it not understood originally that Thirtkell was to help you pretty much in the same way that Thompson was to help you?—Yes; I had no other arrangement with him until he left the country.

Thirtkell was precisely in the same position as Thompson.

15179. I am speaking now of the substantial understanding between you and him; was it not to this effect: that he should allow you the use of his name for your own purpose, and really for your own benefit principally?—Yes, I always paid him for anything of that kind. I considered I was under an obligation to pay him for anything he had done.

Not intended that Thirtkell should be a permanent partner.

15180. It was not intended in this arrangement with you that he should be a permanent partner?—No.

15181. So that when you assumed the sole proprietorship of the Sutton & Thirtkell offer, it was in accordance with the substance of your understanding with Thirtkell?—Decidedly.

15182. Now what was your offer under the name of Sutton & Thirkell, for the wooded portion of section 5?—It shows there, \$530 (pointing to tender).

Telegraph—
Tendering.
Contract No. 4.
Sutton & Thirkell tender \$530 for wooded and \$275 for prairie.

15183. And for the prairie portion?—\$275.

15184. Did you know that section 5 had been awarded to another person, at one time, before you got information that the Thirkell tender would be accepted?—Yes, I had. I think I understood at the time that there was another party had the contract, and I had almost forgotten all about it until he dropped out, for I had supposed the thing was closed until I got a telegram from Mr. Braun.

Had understood that contract was let to another tenderer.

15185. Do you remember now whether it was before you left Ottawa upon that occasion when Oliver, Davidson & Co. came with you, that you learned that you were getting the contract upon the Sutton & Thompson tender, and not upon the Sutton & Thirkell tender?—I do not; I could not tell you where I first got that communication.

15186. Was there any change in the terms between you and the firm in consequence of this higher tender being the basis of the contract with the Government, instead of the lower one?—No.

Witness retained one-fourth interest under Sutton & Thompson, as he had under the Sutton & Thirkell agreement.

15187. You still retained the same interest, a quarter?—Yes.

15188. Then you had an interest in that contract all the time?—Yes.

15189. Have the matters of the firm been closed respecting that contract?—I think it is not quite closed up yet between the Government and us.

Thinks contract not quite closed up with Government, but as between members of firm, witness let the others carry it on and he received his one-fourth interest.

15190. But between yourselves?—Yes; we have arranged between ourselves. Mr. Oliver carried it all the way through. I did not touch it. The arrangement was that I should let them carry it through, and they were to furnish me with accounts as to what was done.

15191. Do you mean that you were to get your share in the profits?—Yes.

15192. But you were to take no active part in the management?—No; not at all.

15193. Do you remember your partners telling you who this arrangement was made with at Ottawa, that it was to be on the Sutton & Thompson tender?—No; I do not.

Does not remember his partners telling him with whom they made the arrangement that the work was to be let on the Sutton & Thompson tender.

15194. Did you not discuss that between yourselves?—No; I should not have asked them any question if they said it was arranged.

15195. But sometimes partners have such confidence that they tell without being asked?—I don't remember any such conversation about it.

15196. But I understand you to say that they arranged it and you took no part in it?—They arranged, but I took no part whatever in it.

15197. The only part you took was in the profits?—Yes.

15198. Do you know the difference between these two tenders—the Thirkell tender and the Thompson tender?—I see there is a difference, but I never figured up.

Government paid a higher price for the works under the Sutton & Thompson than they would have done under the Sutton & Thirkell agreement.

15199. You understand, I suppose, that by the substitution of the Thompson tender for the Thirkell the Government paid a considerably higher price?—Well, yes; I think it is a little better contract.

**Telegraph—
Tendering.
Contract No. 4.**
The tender acted
on was not the
best for the
public.

15200. Do you mean a better contract for the public?—No.

15201. Do the public gain anything by it?—No; I don't think so.

15202. Is there any other matter connected with that telegraph contract that you wish to explain?—None that I know of.

15203. Is there any other matter connected with it upon which you can give us further information than you have given?—No; not that I know of.

15204. Where does Mr. Davidson live now?—In Toronto, I suppose.

15205. He lived there at that time?—Yes.

15206. And was he a contractor at that time?—He was a lumber merchant at that time and contractor.

15207. Where does Mr. Oliver live?—He lives in Ingersoll and is very sick. He has not been well for some time.

15208. He has not been considered able to transact business or to have a very good recollection for some months past?—No.

Oliver not fit to
be called as a
witness.

15209. Do you think if he were called as a witness, that he would be able to give us satisfactory information?—No; I do not.

15210. Mr. P. J. Brown was a partner of Oliver & Davidson's?—Yes.

15211. Then Oliver, Davidson & Brown had three-fourths of this contract and you had one-fourth?—Oliver, Davidson, Brown & Wells were the firm.

15212. Where does Wells live?—He is in Ingersoll.

15213. Among them they had three-fourths, and you had one-fourth?—Yes.

15214. They had the management?—Yes; the sole management of it.

**Tendering—
Contract No. 15.**

15215. Is there any other transaction of the Canadian Pacific Railway in which you have been interested?—Section 15.

15216. That work was let by public competition, was it not?—Yes.

15217. Were you interested in one of the tenders?—Yes.

15218. I think it was advertised more than once, do you remember whether you tendered upon each occasion?—I think I did, but I am not sure as to that.

15219. The work was awarded upon the last invitation of tenders, was it not?—Yes.

15220. Upon that occasion did you tender?—I did.

Tendered in
name of Sutton
Thompson.

15221. In what name?—Sutton & Thompson.

15222. Was that the same Thompson who was connected with you in the other matter?—Yes.

Thompson not a
partner but only
helping witness.

15223. And was it upon a similar arrangement, namely, that he was helping you for your own benefit?—Yes.

15224. Was he, by your understanding, to be permanently interested as a partner?—No.

15225. His name was added for your assistance only?—Yes.

15226. Was there any understanding between yourselves that he should be compensated for it?—Yes; before I made any arrangement

Tendering—
Contract No. 15.

with Mr. Whitehead I settled with him and took an assignment from him.

15227. Were you aware that other firms had been awarded the contract, one after another, before you got it?—I was.

15228. Which was the first firm to whom it was awarded?—I really forget now, but I know there were other firms.

15229. Some of the reports upon the subject show that Macdonald & Kane were interested in the contract : did you have any arrangement of any sort with them upon the subject?—None whatever.

15230. Directly or indirectly?—No.

15231. Then next came Martin & Charlton; did you have any arrangement with them?—None whatever. Knows nothing about the payment of money to Charlton.

15232. Directly or indirectly?—If you say indirectly, Mr. Whitehead's evidence would show that he bought them out, but I know nothing about the transaction in any shape.

15233. If he bought them out, was it on your account in any way?—No, none whatever; I knew nothing about it at all.

15234. I suppose you were selling at that time, you were not buying, were you?—Yes, I was selling at that time. Witness was selling at that time himself.

15235. But the contract was not made between you and the Government—that is between you alone and the Government?—No.

15236. Had you parted with your interest in the contract before it was signed and executed?—At the same time, just about the same time.

15237. Did you not arrange with Mr. Whitehead that he should be the sole proprietor before the contract was executed?—Decidedly.

15238. Do you remember whether the application to have Whitehead's name inserted in the contract was made as if you were still interested, although you had actually parted with your interest?—I do not know I am sure; I really do not think I have got your question.

15239. Well, I will explain more fully to you. The application made to the Government by Whitehead was that his name should be introduced into the contract as if you and Thompson were still interested, and he only had a part of it?—Well, it did so appear; and I signed in the assignment from Thompson. I assigned for Thompson and myself with the understanding that our names should be removed from it.

15240. Then the contract with the Government, although it contained the names of yourself and Thompson, was not in accordance with the arrangement between yourself and Whitehead?—No, it was in accordance for the time being; it was to remain there for, I think, three months and the sureties—my sureties too. The signature of Sutton & Thompson to contract not in accordance with the real understanding with Whitehead, namely: that Sutton & Thompson were to have nothing to do with the contract.

15241. But the substantial arrangement between you and Whitehead was that you were to have no part in the contract?—Decidedly.

15242. Neither profit nor loss?—No.

15243. And if your names remained, was it upon the assurance, on his part, that they should be removed in a short time?—Yes; I had an agreement with him that they should be removed. Witness had an agreement with Whitehead that the names of Sutton & Thompson should disappear at an early day.

15244. Have you that agreement with you?—No; I have not.

**Tendering—
Contract No. 15.**

15245. Have you some letter with you?—No; I have not. I took some memorandum about the date of the contract, that is all. To make sure I had to go over to the office this morning to see the book.

15246. Do you know whether any understanding had been arrived at between Whitehead and the Government that your names could be removed within any definite period?—I did not know what the arrangement was.

Took Whitehead's
promise and Sen-
ator McDonald's
guarantee.

15247. Did you take his promise for that?—I took his promise and a guarantee.

15248. By whom?—By Mr. McDonald.

15249. Do you mean Senator McDonald?—I do.

15250. His brother-in-law?—Yes.

15251. Have you that understanding still?—I had; but Mr. Braun wrote me that the names were removed, so there was no longer any object in keeping it.

15252. Then what did you do with that agreement?—I do not know. I am not sure but I destroyed it; I have not seen it since, because it was no use.

15253. Was Charlton present at the time that the payment was made to you by Whitehead, or by McDonald for him?—No.

15254. Where was it made?—Payment was made to me in Brantford.

15255. You had your lawyer with you at the time, had you not?—Yes.

15256. And who were there on the other side?—I do not remember all who were there.

Senator McDon-
ald and White-
head present
when witness was
paid \$10,000 for
his interest.

15257. I mean upon the Whitehead and McDonald side?—None but the two, I think, Sir.

15258. What was the amount?—\$10,000.

15259. Was there anything further to be given to you afterwards?—No.

15260. Was that the full consideration?—That was the full consideration for everything, expenses and everything.

15261. And from that time had you any interest in the profits or losses of the contract?—Not a cent.

Witness settled
with Thompson.

15262. Was Thompson a party to that arrangement?—Yes; before they made this arrangement I bought out Thompson and settled with him, and then made my arrangement with the others, and took the risk and responsibility.

15263. Do you remember whether Thompson was present at the time it was closed?—No; he was not.

15264. Do you remember whether he signed the contract with the Government afterwards?—No; I had a power of attorney to sign for him. Just after I bought him out I took power to sign his name.

15265. You took a power from him which authorized you to sign his name with the Government?—Exactly.

15266. And after that you executed it, I understand, on his behalf?—Yes.

Tendering—
Contract No. 15.

15267. Or rather in his name?—Yes.

15268. Since that time have you, by any new arrangement, been interested in the results—the profits or losses—of the contract?—Not a cent.

15269. That ended your connection with it completely in substance?—Yes.

15270. On the 27th November, 1876, a letter in one of the Blue Books appears over your name—Sutton & Thompson—addressed to the Minister of Public Works, stating that you had been informed that Green & Co., by some means, had discovered an error or omission in your tender about rip-rap?—Yes. Error about rip-rap.

15271. Do you know by what means they discovered that error?—No.

15272. Did you ever ascertain?—No.

15273. Did you ever try to ascertain?—No, I did not.

15274. Who were Green & Co?—They were a firm in New York.

15275. Had they any agent there that you know of?—No.

15276. How were you aware that they had discovered that error?—I think I got that information through Whitehead.

15277. Do you remember telegraphing, in January, 1877, to Mr. Braun, that there was no truth whatever in the statement that you or any one on your behalf paid Charlton & Co., or Charlton individually, any sum of money for withdrawing their tender on this section?—I do; I remember it now that you read it, but I did not remember it before. January 7th, 1877 telegraphed Braun that there was no truth in the assertion that he or any one on his behalf paid Charlton a sum of money for withdrawing their tender.

15278. Do you remember sending such a telegram?—I think I did.

15279. That was true?—That is true, every word of it.

15280. It was not you who were paying Charlton, or any one on your behalf?—I did not know that Charlton was receiving anything from Whitehead except on rumour, and that is no knowledge.

15281. In a Return addressed to the House of Commons in the year 1877, on the subject of the awarding of this contract for section 15, at page 34 appears a letter from your firm, dated Brantford, 16th October 1876, in these words:

“Hon. ALEXANDER MACKENZIE,
“Minister of Public Works, Ottawa.

“Sir,—In the event of our tender for the construction of section 15 of the Canadian Pacific Railway being accepted, we desire to have associated with us, in the contract, Mr. Joseph Whitehead, of Clinton, contractor.”

—Yes; that was sent.

15282. At that time, your desire to have him associated with you in the contract was not because you were to be associated with him in the work or profits, but for the object which you have already described, was it not?—That is all.

15283. Was it merely for the purpose of your name remaining there, the substance of the agreement being that he alone was interested?—Decidedly.

When, in 1876, witness wrote to Hon. A. Mackenzie that his firm desired to have Joseph Whitehead associated with them, the object was to set out to him.

**Tendering—
Contract No. 15.**

Senator McDon-
ald put up a
cheque for \$80,000
and witness's
personal sureties
went on bond,

Whitehead & Mc-
Donald agreeing
to replace them.

In the negotia-
tions Senator
McDonald "took
the financial
part."

Witness a con-
tractor.

15284. Did you take any part in the furnishing of the securities which were put up by Senator McDonald afterwards?—At that time, no. I put up my own sureties at the time. I had to put them in and furnish securities, but he put up \$80,000 of a cheque. I saw the cheque when he put it in.

15285. That relieved securities?—No; that was the first thing he did. Then I had to have my personal sureties go on the bond for three months, and they agreed to replace them.

15286. Who was it suggested the propriety of the names of Sutton & Thompson remaining on the contract, although the understanding was really that Whitehead alone was to be interested?—I could not tell you; but Mr. Whitehead requested me to let it be done, and I could not see any objection, as I was safe.

15287. Was that suggestion made at the time of the payment of the money at Brantford?—No, it was before that. It was when they made their arrangements on the subject.

15288. Who were present when you made your arrangement, before the payment of the money at Brantford?—I do not remember who was there.

15289. Where was it?—I had a dozen meetings with him before I made arrangements with him.

15290. With whom?—McDonald and Whitehead.

15291. Where were they then?—I met him in Toronto, and I met him here, and I met him in Brantford. Whitehead was here several times.

15292. What part did McDonald take in the negotiations?—I think he took the financial part, principally.

15293. Did he take any part in the negotiations with you, as to the price which should be paid?—Yes, when he was paying it; that's all. It was he who paid it. Whitehead made this arrangement.

15294. Did he take any part in bargaining as to the price that should be paid?—No; he did not. Now I understand your question.

15295. Have you ever had any experience in actual work under contracts?—Yes.

15296. What sort of contracts?—Railroads.

15297. How much experience?—I have been at it, off and on, for about eighteen years.

15298. Have you been a contractor?—Yes.

15299. Were these works in this country?—Yes; some of them.

15300. Then your business, connected with contracts, has not been altogether selling them, but sometimes carrying them out?—Yes.

15301. What was the amount of the contracts which you carried out?—I have had several contracts.

15302. Were they large or small?—Moderate sized contracts.

15303. In arriving at the prices upon the tender which you put in in this case, were you assisted by any person connected with any of the Departments?—No.

Tendering—
Contract No. 15.

15304. Were these other contracts that you speak of with the Government or with private railway companies?—With private railway companies.

15305. Were these arrangements proposed by Whitehead or McDonald to you before you knew that the contract would be awarded to you?—Decidedly.

Whitehead & McDonald proposed to buy him out before he knew he would be awarded the contract.

15306. At the time that the proposition was made to buy you out, do you say that you, yourself, had not any information that your tender was next lowest to Charlton's?—No; at the time that this was made, Charlton was expected every hour to put up his money. I had no idea that he would have to step out; and I had no idea that he would have stepped out, but that he would have carried out his arrangement according to the public press, from day to day.

15307. But up to that time, when you closed with Whitehead, you were not informed that your tender was next to Charlton's?—No; I did not know where it stood at that time until Whitehead was buying me out.

Until Whitehead was buying him out did not know that his tender stood next to Charlton's.

15308. Whitehead knew better than you did, did he?—He must have. I supposed that Charlton had the contract. He stayed here three months—I think it was three months.

Supposed Charlton had the contract.

15309. Did you say that Senator McDonald was present at any of the times when Whitehead was discussing with you the price that you were to get?—No; I think not. I think McDonald was only there in making the agreement. I think the price and preliminaries were arranged between Whitehead and myself. I do not think McDonald was there.

15310. Did you ever have any conversation with Mr. Whitehead in which he led you to understand how he was aware of your rank among the tenders?—No; he did not. I do not remember. He knew where they stood, that is all I knew of it; at least, he told me that.

Whitehead knew how the tenders stood.

15311. Have you ever been called as a witness before any of the Committees of Parliament on this subject?—No.

15312. Is there any other matter connected with this contract 15 which you wish to explain?—No; nothing I can remember of.

15313. Is there any information which you can give us on the subject by way of evidence?—No.

15314. Is there any other matter connected with the Pacific Railway in which you have been interested?—No.

15315. Or upon which you can give us information?—No other matter upon which I can give information that I know of.

15316. Had you examined the territory covered by section 15, before you tendered?—No; but I had a party that went over it for me.

Before tendering for section 15, got a person to go over the ground.

15317. And did he give you information upon the nature of the ground and material to be worked?—Yes.

15318. Did that information help you in arriving at prices?—Decidedly.

15319. Is there anything further?—Nothing more that I know of.

**Transportation
of Rails—
Contract No. 28.**

TOUSSAINT TRUDEAU'S examination continued:

By the Chairman:—

15320. When you were giving evidence on a former occasion we got an idea that the contract called No. 28 in Mr. Fleming's report of 1880 was, in fact, a continuation of contract No. 18: is that correct, or was it an entirely new proposition and agreement?—The agreement may be considered a new one.

First document
Kittson's letter
offering to per-
form the work.

15321. What is the commencement of the negotiations upon which contract 28 is based?—The earliest document I find is a letter from Mr. Kittson, General Manager of the Red River Transportation Co., dated 19th April, 1876, offering to perform the work.

Rails carried at
same price as
under contract
18, but additional
price for carriage
of rolling stock,
&c.

15322. Is that work similar to what had been performed under contract 18?—It was for the carriage of rails, and at the same time the price per ton, as named in contract 18; but it contained an additional price for the carriage of rolling stock and other articles.

15323. Is the transportation between the same points as in contract 18: I believe they both start from Duluth?—Yes.

15324. The point of delivery in this proposition of Mr. Kittson's, if north of St. Andrew's Rapids, is not to be reached excepting upon certain conditions named in his letter: are those conditions the same as the conditions named in contract 18?—No; not exactly.

15325. Does the letter upon which contract 28 is based allude to the price named in contract 18; or does it mention the price without any reference to contract 18?—The letter of 1876 mentions the price without reference to the letter of 1875.

15326. Was the work to be done under the new proposition of 1876 recommended by the engineer?—Yes; by letter dated 13th May, 1876, from Mr. Fleming.

15327. What is the date of Mr. Kittson's letter offering to do the work?—The 19th of April.

Kittson proposed
to do the work
before the Chief
Engineer recom-
mended its being
done.

15328. Do you know how it is that Kittson proposed to do this work for the Government before the Engineer-in-Chief recommended it to be done?—There is no record of any communication with Mr. Kittson, and I do not know of any.

Work similar to
that Fuller &
Milne offered to
do by their letter
of April, 1875.

15329. This work in contract 28 is similar, is it not, to the work which Fuller & Milne offered to do by their letter of April, 1875?—Yes.

Fuller & Milne
were not written
to nor was there
any competition.

15330. Do you know whether they were written to, or whether any competition was invited in 1876, before this work was awarded to Kittson?—They were not written to.

15331. Was there any other competition that you know of as to this 1876 work?—No.

15332. Do you know about the amount, in round numbers, involved in this contract of 1876?—No. It is all included in the amounts returned on contract 18, already given to the Commission.

15333. As I understand contract 18, given in 1875, in the month of May, was to carry 5,000 tons at \$15 per ton American currency, which would be about \$75,000: now the whole amount apparently involved in 18, in Mr. Fleming's report of

**Transportation
of Rails—
Contract No. 28.**

1880, which, as you say, includes the expenditure on contract 28, amounts to \$218,550 : do you think that the difference between this \$75,000 (American currency) and the whole amount I have named, is the result of this contract 28?—Yes.

15334. Are you able to say now at what rate (Canadian money) you paid per ton under these contracts—I mean what discount was taken off on account of its being payable in American currency; or, if not, can you furnish us with the particulars at a later day?—I can give them at another time.

15335. Is there anything further about this contract 28 which you think it necessary to explain?—No, not at this moment.

15336. What is the next contract on which you are prepared?—Contract No. 43, with Joseph Upper & Co., dated March 12th, 1879, for equipping and working the Pembina Branch of the Canadian Pacific Railway, between Selkirk and Emerson.

**Operating
Railway—
Contract No. 43.**

Joseph Upper
& Co.

Equipping and
working Pem-
bina branch
between Selkirk
and Emerson.

15337. Was that work let by public competition?—No.

15338. How was the arrangement arrived at: what was the beginning of the negotiation?—In 1879, during the construction of the Pembina Branch, it was thought desirable that the railway should be used, and as the Department had no rolling stock on the works, it was thought desirable to work the line by contract, and the Chief Engineer pointed out that the same men who were building the line and ballasting it were the only persons who could, with any degree of safety, work the line. It was under those considerations that the contract was given to Upper & Co.

Reasons why con-
tract was given
to Upper & Co.

15339. Were they invited to name their best terms, or did the Government make a proposition to them, in the first instance?—The first written document I find is a letter from Joseph Upper, dated the 27th February, 1879, offering to perform the service.

15340. Was it submitted to the Engineer-in-Chief for his report upon the terms?—Yes, Mr. Fleming reported on the 3rd March, 1879.

15341. Was the decision upon the transaction by the Minister, or by Order-in-Council?—It was by Order-in-Council, dated 13th March, 1879.

Work authorized
by Order-in-
Council.

15342. At what time was the contract dated?—The date of the contract is 12th March, 1879.

15343. Has the equipment and working of the branch been carried on under the contract?—Yes.

15344. Up to what time?—Up to the 10th February, 1880.

15345. Why was it not carried on longer than that?—Because it was cancelled by Order-in-Council, dated 28th January, 1880, to take effect on the 10th February, 1880.

Contract cancel-
led by Order-in-
Council, February
1880.

15346. Was this Order-in-Council based, as far as you know, upon any report of the Engineer-in-Chief upon the subject?—I shall enquire.

15347. Is there a dispute now existing between the Government and the contractors upon the subject?—Yes, there are certain accounts which are not yet adjusted.

15348. Is it the Government which is making a claim against the contractors, or is it the other way?—The contractors state that they have a claim against the Government.

Contractors
make a claim.

**Operating
Railway—
Contract No. 43.**

15349. This contract arose out of a previous agreement between the Government and some parties working this road, did it not?—It was more a contemplated agreement, which was not executed. It was an agreement not executed.

15350. With whom was that contemplated arrangement?—It was with George Stephen, representing a controlling interest in the St. Paul and Pacific Railway Co.

15351. Was that contemplated arrangement reduced to writing?—Yes.

15352. Can you produce it, or a copy of it?—Yes; I produce it. (Exhibit No. 211.)

15353. Has there been any claim on account of this contemplated arrangement not having been fulfilled—I mean by or against this St. Paul and Pacific Railway Co.?—No.

Claim of contractor still under consideration of Department.

15354. In what state is the matter relating to the dispute between the Government and these contractors, Murphy & Upper: has it been referred to any person, or is it under consideration?—The matter is yet under the consideration of the Department.

15355. Have you the correspondence which led to the agreement: the reports, or any of them, and the Order-in-Council, which you can now produce, and the agreement itself, or a copy of it?—Yes; I produce them. (Exhibits Nos. 212—217.)

15356. Is there anything further relating to this contract which requires explanation at present?—No.

OTTAWA, Thursday, 18th November, 1880.

MORSE.

G. D. MORSE, sworn and examined:

**Tendering—
Contract No. 43.**

By the Chairman:—

15357. Where do you live?—In Toronto.

15358. What is your occupation?—Cattle exporter.

15359. Have you been interested in any of the transactions of the Canadian Pacific Railway?—I was.

15360. What was the first transaction in which you were interested?—I tendered with some others for sections A and B of the Pacific Railway.

Tendered for sections A and B near Cross Lake.

15361. There were sections A and B in British Columbia and sections A and B near Cross Lake, which of these was it?—It was at Cross Lake.

Marpole, Nicholson & Thompson interested with him.

15362. Was there any other person interested with you in the tender?—Yes: Mr. Marpole, Mr. Nicholson and Mr. Thompson.

15363. What Mr. Marpole is that?—Mr. Marpole, of Barrie.

15364. Is he here?—This gentleman here.

15365. What Mr. Nicholson?—Mr. Frank Nicholson, of Toronto.

15366. What Mr. Thompson?—Mr. Thompson, of Toronto—A. J. Thompson, of Toronto.

Tendering—
Contract No. 42.

15367. This Exhibit No. 70 appears to be the original tender made by your firm, please look at it: is Mr. Thompson's name mentioned as one of the persons tendering?—He is only mentioned here as security, I guess. That is the tender.

15368. That is the same Thompson who was interested as a partner?—Yes, Sir.

15369. Was any other person interested as a partner whose name does not appear?—No, not in this.

15370. Not at the time of tendering?—No, Sir.

15371. Did you understand that your tender was the lowest for this work on section B?—Yes, Sir.

15372. Was the contract awarded to you?—It was the lowest on section B and A, and it was not awarded to us.

Tender lowest for work on sections A and B.

15373. Not awarded to you on section B?—On section B; they divided C, and gave us section B, the worst half, which we did not require.

C was divided into sections A and B, and B given to witness and his partners, which they refused, regarding it as the worse section.

15374. At present I am asking you whether it was awarded to you on section B?—It was latterly.

15375. Was it awarded to some person else before it was awarded to you?—No; not to my knowledge.

15376. Then the first awarding of the contract on section B, was to you as I understand?—Yes; but we did not tender for it alone, we tendered for A and B together.

15377. Do you say that you made no separate tender for section B?—No, we did not.

15378. Look at this exhibit and say whether that is a separate tender for B?—If you could divide it I suppose it reads in that way.

15379. Do you mean that you made the tender in some way that it does not read?—I mean to say we put in a tender for A and B, and taking A from B left C, that was what we understood.

15380. Don't you think that you are mistaken and that C contained the whole distance, and that taking A from C left B?—Yes, that is it; I was mistaken. That is correct.

15381. I propose to ask you some questions about one section alone, if you can disconnect them in your mind?—It is so long since that I have paid any attention to it, and I have no notes of anything connected with it.

15382. Did you make a separate tender for section B?—I do not understand that we did at all.

15383. Then do you mean that you never wished to have a contract for section B alone?—No.

15384. You mean you did not wish for the contract for section B alone?—No, Sir.

15385. But was not the contract on section B awarded to you by itself?—Yes, it was; but we declined to accept it.

15386. Did you mention any grounds for declining to accept it?—The grounds were that we thought they had taken the best portion from our contract—from our tender—and we did not wish to take the worst portion of it at the lowest price.

**Tendering—
Contract No. 42.**

Offered to take section B without section A being attached.

15387. Do you understand that in this tender, which has been shown to you, you make an offer to take the work on section B without any condition that it shall be attached to section A?—Yes; I think that is what it is.

15388. You say that in this offer there is no condition of that kind that you shall also get section A?—That is what we expected to get.

15389. I am asking you now whether in this document which you or your firm signed, you offer to take section B without section A being attached to it?—Yes; it seems like it to me.

15390. Then in substance you withdrew because the Government would not accede to another condition, that is that section A should be attached to the work?—Yes.

15391. Do you know when you put in this tender for section B alone whether you made any deposit on this tender alone by way of security that you would fulfil your tender?—I know we made a deposit on both of them, but whether we made a deposit on the whole or part, at once I do not remember.

15392. Was your deposit returned to you?—Yes.

15393. Then as far as section B was concerned I understand your evidence to be this, that you declined to take section B alone?—Yes, Sir.

Withdrew from offer.

15394. And withdrew from your offer to do so?—Yes.

15395. There is some correspondence substantially to that effect in the Blue Book published in 1880, please look at page 17: I wish to ask you whether that correspondence is in substance what you understand to have taken place at that time?—Yes, Sir.

Contract No. 41.

15396. Do you know whether you tendered for section A, that is further east than this last mentioned section—I mean did you tender for it by itself?—We did tender for it.

Tendered for section A by itself.

15397. You understand that section A is not the whole section, it is not the westerly part of the whole section, but the easterly part of the whole section, do you say you tendered for that by itself?—Yes; the easterly part

Amount of tender \$2,335,037.

15398. Do you remember the amount of your tender?—I think I have it here, \$2,335,037.

15399. Was that for finishing it in 1881 or 1882?—It was three years. I think it was. I am not certain about that now.

15400. In what name did you make that tender?—In the same as the other was.

Marks & Conmee tendered for section A at \$2,203,896 to finish in 1882, and \$2,300,196 to finish in 1881.

15401. From the return made in this Blue Book of 1880 it appears that the firm of Marks & Conmee tendered to build section A, of which we are now speaking, for \$2,203,896, to finish it in 1882, or \$2,300,196, to finish it July, 1881: your tender was higher than either of those it seems?—I did not understand that our tender was higher than theirs at the time, of course.

15402. You understand that \$2,335,000 is higher than \$2,300,000?—Yes; that is all correct there.

Morse & Co. lower tenderers therefore than witness's firm.

15403. If the sums I have named there are the proper sums mentioned in the tenders, they are lower than your tender for section A?—Yes.

Tendering—
Contract No. 41.

15404. You say you did not understand at the time that the tender of Marks & Conmee was lower than yours?—No; I understood ours was the lowest tender there was.

15405. From whom did you understand that?—From Mr. Shields; and Mr. P. G. Close came down, and they informed us at the hotel that that was the case, that ours was the lowest tender.

But Shields & Close (mistakenly) told witness and his partners that theirs was the lowest tender.

15406. Were Mr. Shields and Mr. Close interested with you in any way about this matter?—No, Sir.

15407. Was either of them interested with you in the tender for Section B?—No, Sir.

15408. Had they made any arrangements with you as to becoming your surety or either of them?—No; they had not made any arrangements to become security for us.

Contract No. 42.

15409. Did either of them make any arrangement of that kind?—No.

15410. Were negotiations upon that subject going on between you and either of those gentlemen?—There was at the latter part of the matter.

15411. At the latter part of what matter?—When the contract was awarded to Andrews, Jones & Co.

When contract was awarded to Andrews, Jones & Co. negotiations with Close to be security commenced.

15412. Was that the first time that you and Mr. Close had been negotiating for his being surety for you?—Yes; that is the first time about his becoming surety for us.

15413. What negotiations had been going on before that upon the subject of either of those contracts?—Well, the understanding was that Mr. Shields and Mr. Close could get us the contract if we were not more than \$100,000 higher than anybody else, and in lieu of that we were—they wanted us—to give them 3 per cent. on the gross amount which we refused to do, but we offered them 2 per cent.

Negotiations with Close & Shields concerning both sections A and B.

15414. Concerning which contract was this negotiation?—The both of them, both A and B.

15415. Was that in the combined form know as section C?—Yes, Sir.

15416. You did make a tender for the whole distance under the name of C, did you not?—Yes; that is what I understood it was put in for.

15417. Was it for the combined section C then that this negotiation was going on between you and your firm on the one part, and Shields and Close on the other part?—Yes.

15418. The proposition, as I understand you, from them was that they were to endeavour to get you the contract for the whole section C, and that if they succeeded they asked 3 per cent. upon the whole sum or 3 per cent. of the profits?—No; on the gross amount.

15419. And you offered them 2 per cent.?—Yes.

15420. Did the negotiations all through on that account?—Yes; they did fall through.

15421. Was there any further negotiation between you and either of those men upon the subject of either of those contracts?—No; not when we were separate, that is after we joined Andrews, Jones & Co. in their tender.

Tendering—
Contracts Nos.
41 and 42 (C).

15422. For the present we will not touch that subject. I wish to ascertain first of all about your own firm's interest?—There was nothing further.

Amount of tender
for both sections
\$5,937,732.

15423. Speaking now of your tender for the whole line, or under form C, do you remember the amount of your tender?—I think I have it here—\$5,937,732.

15424. Did you make two distinct tenders?—I thought all the time that it was in one tender, but perhaps it was in two.

15425. Did you understand, when you were informed by Mr. Shields and Mr. Close that your offer was the lowest on both, that it was this offer for the combined section which was the lowest?—Yes.

15426. You do not mean that you understood that your tenders were the lowest upon each of the separate sections?—No; I understood it was the lowest tender.

Understood that
tender was lowest
on combined
sections.

15427. On the combined section?—Yes.

15428. Did you understand at that time that, although your offer was the lowest for the combined section, the lowest offers for the separate sections when added together would be at a smaller sum than you had offered to do the combined section for?—I did not, Sir.

15429. Did you understand the contrary to that, or did you hear anything about it?—I understood nothing about it; nothing more than that our tender together was the lowest tender.

15430. For the whole section?—Yes.

Did not know
that the two
lowest tenders for
the separate sections
to finish in
1881 amounted to
less than his
firm's tender for
the sections
combined.

15431. Did you not understand from some one, either connected with the Department or otherwise, that the two lowest tenders at the highest rate, namely, for finishing it in July, 1881, upon the two separate tenders, when added together amounted to a smaller sum than you offered to do the combined section for?—No, I did not.

Lowest offer for
section A to finish
in 1881, \$2,300,196;
and for section B,
\$3,467,506, making
\$5,767,702, against
the offer of wit-
ness's firm of
\$5,937,732.

15432. The Blue Book of 1880 upon this subject shows that for section A, the easterly part, the lowest offer of Marks & Conmee, to finish it at the earliest period and at the most expensive price, was \$2,300,196; and that for section B, at the highest price, to finish at the earliest time, the lowest offer was \$3,467,506, those two together making \$5,767,702: now, you say your offer for the combined sections would be \$5,937,732?—That is right.

15433. Now, if these were the lowest figures for the separate sections and at the highest price—because they were to be finished at the earliest time—then the aggregate of these prices you understand to be some \$160,000 less than your combined offer, do you not?—I do.

15434. Then you do not understand, and, as I take your evidence, never did understand, that the offers for the separate sections together were higher than your offer for the combined sections?—No, Sir.

15435. Can you understand or explain now why in addition to making your offer for the combined sections, under form C, you made the separate offer for section B, if you did not intend to take it alone under any circumstances?—Well, if we made it of course we made it; that is all about it. There is nothing further to be looked at.

15436. Not to be looked at, but there is something further to be explained?—If we made them separate I suppose we made them

Tendering -
Contract No. 42.

separate; but I supposed we made them altogether. It is so long since that I do not remember these things. After I got through with it I thought I would turn my attention to something else.

15437. Although you do not remember it, perhaps your memory is refreshed on looking at the documents, and I ask you why you made a separate offer for section B if it was not your intention to take it alone?—I cannot explain it I assure you, because I do not remember it.

Cannot explain why they made a separate offer for section B, although his recollection is that they did not intend to take it.

15438. After you declined to fulfil your tender for section B was it proposed that you should be interested in section B; the same section, at a higher price?—Yes.

Having declined to be interested in section B it was proposed that they should be interested in it at a higher price.

15439. What was the nature of this negotiation, and with whom was it made?—With Andrews, Jones & Co.

15440. What was the substance of the negotiation?—We made an arrangement with them, if we would give up our section B—our contract—that if they got it we was to join in partners with them, and they were to have one-half, and we were to have one-half.

Arrangement to give up their tender for section B, and to join with Andrews, Jones & Co., and take half.

15441. Then that was made, as I understand it, before you decided to withdraw from section B alone?—Yes.

15442. Now, can you explain your reason for withdrawing from section B?—Well, it was because we thought as we put in for the two, and we thought we was the lowest on both, that if we could not have our choice we would not take the harder part and at the smaller price.

15443. But before you carried it into effect by withdrawing, as I understand, you made an arrangement with the higher tenderer that you should be interested in his higher price?—Yes.

15444. And after making that arrangement you decided to withdraw from section B?—Yes.

15445. To what extent were you to be interested with Andrews, Jones & Co., if they succeeded in getting the contract?—One-half.

15446. Did you understand at that time that their tender was the next highest to yours?—Yes.

Understood that Andrew, Jones & Co.'s tender was next to theirs.

15447. How did you understand that?—Well, just from common conversation that was going about.

15448. Was it known at that time, or generally understood among the persons who had been tendering, that there was no intervening tender between you and them?—Yes; that is what we all understood, that there was no tender between theirs and ours.

15449. Then you thought it safe to throw up your tender for section B if they were to get the next highest price?—Yes.

15450. With whom did you make that arrangement?—With a Mr. Jones and Mr. Smith.

Made arrangement with Jones & Smith.

15451. Was Mr. Smith present at the time that arrangement was made?—Yes; and a document was drawn up to that effect.

15452. Where was that?—Down at the Windsor House.

15453. In Ottawa?—Yes.

15454. Mr. N. F. Jones and Col. Smith of New York?—Yes.

15455. Were they both present?—Yes.

**Tendering—
Contract No. 42.**

15456. Was any one else present on behalf of that firm?—No.

15457. Who were present on behalf of your firm?—Myself, Mr. Marpole, Mr. Nicholson, and I fancy Mr. Thompson was there; I am not certain.

15458. Have you that document?—No, Sir.

15459. Was the substance of that arrangement with your firm, that the firm of Morse, Nicholson & Co. should be interested in the Andrews, Jones & Co.'s contract to the extent of one-half?—Yes; one-half.

15460. Irrespective of the number of individuals; for instance if your firm was to have a larger number of individuals than their firm, you were not therefore to have a larger interest?—No.

15461. But each firm had one-half?—That is right.

Agreement drawn up and completed before they withdrew from their position of lowest tenderer.

15462. And this arrangement was completed before you formally withdrew from your previous or lower tender?—Yes; we had a little agreement drawn up first, and then we had one very fully drawn up after—after we understood we had got the contract.

15463. After having made that arrangement with the New York firm of Andrews, Jones & Co., did you remain in Ottawa looking after the interest of the joint firm?—No, I did not; I went home that evening.

15464. Did any one else remain in Ottawa?—Yes; Mr. Nicholson did.

15465. And the New York firm, or the members of it who had been here, also went away I suppose?—Yes; that evening.

Nicholson represented joint firm at Ottawa.

15466. And who remained in Ottawa looking after the interest of the joint firm?—Mr. Nicholson.

15467. Did Mr. Marpole remain with him?—No; he went home with me.

15468. No person but Mr. Nicholson?—That is all.

15469. Do you know whether there was any arrangement at that time, that Mr. Nicholson, or any one else here in Ottawa, would have the right to use the name or sign the name of the whole firm of Andrews, Jones & Co., in negotiations with the Government?—No; I should think not.

15470. Will you look at this letter dated March 5th, and say if you know whose handwriting it is?—I do not know whose handwriting this is.

15471. Will you look at this letter dated March 3rd, and say if you know whose handwriting it is?—I do not know the handwriting at all.

15472. Look at this letter dated March 1st, and say if you know whose handwriting it is?—No, I do not.

Immediately on completing arrangement with Andrews, Jones & Co., received intimation that contract had been awarded them.

15473. Do you know how long it was after you had completed this arrangement with Andrews, Jones & Co., to share with them, before you received the intimation that the contract had been awarded to them?—I think it was the same afternoon; it was a very short time, I know.

15474. Do you know what day of the week, or what day of the month it was?—I think it was on a Thursday; I could not say what day of the month.

Tendering—
Contract No. 42.

15475. At that time Col. Smith and Mr. Jones were still in Ottawa, I suppose?—They were; but they left that evening for New York.

At that time Jones and Col. Smith at Ottawa. They left immediately for New York.

15476. But I mean at the time that they were first informed that the contract had been awarded?—Yes.

15477. And they left the same evening?—The same evening as I did.

15478. Do you know whether, on that same day, any one on behalf of the firm of Andrews, Jones & Co. wrote to the Department asking for an extension of time?—I could not say; I fancy that Mr. Jones did, but I am not sure.

Thinks Jones wrote to Department asking for extension of time.

15479. Do you know whether any arrangement was made that the answer to that application—if there should be an answer—could be opened by the member of the firm who had been left, Mr. Nicholson?—No; I do not think so.

15480. Do you know of any arrangement by which the answer to that application could be opened by some person here at Ottawa?—No, Sir.

15481. Do you know whether the Government was asked to direct their answer to any particular place or person here, for Andrews, Jones & Co.?—No; for I am not perfectly assured that there was a letter written to them, asking them to do so.

15482. When you were informed that the contract had been awarded to Andrews, Jones & Co., were you also informed of the time during which they had the opportunity of putting up the deposit?—Yes; I think it was either three or four days—three days, I think it was.

Three days given to put up the money.

15483. Do you know of any steps being taken, either by the old members of the firm of Andrews, Jones & Co., or by those new members of your firm, to put up the deposit within the time mentioned?—Yes; they went home for that purpose, to put up \$100,000, and we went home for the same purpose to Toronto.

The Toronto and New York men went home to find money to put up.

15484. When you say they, do you mean the New York men?—Yes.

15485. When you say we, do you mean the Toronto men?—Yes.

15486. What was done?—We put our money up, and on a Saturday morning, I think it was, or Friday night, we got a telegram from this Mr. Smith, that they had declined going into the arrangement.

The Toronto men put their money up, but on Saturday morning received telegram from Smith that the New York men declined to go in, whereupon witness put up \$50,000 more.

15487. Was that on Friday or Saturday?—I think it was Friday evening; I put up \$50,000 more then.

15488. How much had you put up before that Friday evening?—\$100,000.

15489. Do you think you had put up \$100,000 before that Friday evening?—Yes.

15490. And after this, do you think you put up another \$50,000?—I do not think anything about it, I know I put up \$50,000, and would have put up another \$50,000, but I had got word up from Ottawa that our time had run out.

15491. Did the putting up of this deposit, which you speak of, occur in Toronto?—Yes.

Tendering—
Contract No. 49.

15492. Through your efforts?—Yes.

15493. Were you looking after that part of the business?—I was—that is, Mr. Marpole and I were looking after it.

15494. With what bank did you make the first deposit?—The Bank of Montreal.

15495. Who was the manager of that?—Mr. Yarker.

15496. Have you the telegram you received from Andrews, Jones & Co.?—No; I destroyed everything in connection with it myself.

Saturday at four or six o'clock the limit of the time, before which time witness thinks he had deposited \$150,000.

15497. Do you know what day was mentioned as the limit of the time during which a deposit could be put up?—I think it was on Saturday at four o'clock—either four or six o'clock. I think it was Saturday.

15498. And how much do you think you had deposited before that time?—\$150,000.

First deposit, 1st March, \$48,950.

15499. In this Blue Book to which I have before alluded, at page 21, appears a copy of a telegram from Mr. Yarker in these words "Ottawa, 1st March, 1879," that being as I understand it, the date of receipt here in Ottawa :

" To the Hon. RECEIVER GENERAL :

" A deposit of \$48,950 has been made by A. L. Thompson for your credit, account contract section B Pacific Railway."

Do you think that is the first deposit that was made?—Yes.

15500. That was made by Mr. A. L. Thompson?—Mr. A. J. Thompson.

15501. That is the first deposit to which you have alluded?—Yes.

3rd March (two days after witness thinks it was made) second deposit \$48,950.

15502. Now the next deposit which appears to be mentioned in this Blue Book is communicated by Mr. Yarker in the same way, and is dated on the 3rd March, that is two days after the time you think it was deposited, and it is in these words :

" Hon. RECEIVER GENERAL.

" A deposit of \$48,950 has been made by G. D. Morse for your credit account, contract section B, Pacific Railway.—ANDREWS, JONES & Co."

That is dated as being received in Ottawa, on the 3rd of March?—Yes.

15503. Have you any receipt or any evidence to show that this sum was deposited before that time?—No.

15504. Because according to your recollection that was also deposited on the 1st March?—I have nothing to show that it was deposited either on the 1st or 3rd.

The third deposit not sent in as word came it was too late.

15505. But you did state a little while ago, that you had \$150,000 deposited on the 1st of March?—The other \$50,000 was not sent forward, because they sent word that it was too late.

15506. What do you say about the second \$50,000, was it deposited actually on the 1st of March, or two days afterwards?—I would not say it was on the 1st of March, or two days afterwards, but I know it was deposited within the time—that deposit was.

15507. Is it your recollection now that you had deposited as much as \$100,000 before the time named by the Government had expired?—Yes.

15508. And do you say you have no receipt, or other evidence of that, so as to show the exact time?—No, not one.

Tendering—
Contract No. 42.

15509. Why do you think now that it was on the 1st of March, or before the time named by the Government had expired?—I could not say it was on the 1st of March. I do not remember having said it was the 1st of March.

15510. Or before the time named by the Government had expired?—Because, after I got this money put up, I got a telegram from Mr. Smith that he had declined—Mr. Smith and Mr. Jones—and then we had not time to get the balance of the money up to secure the matter, and I completely gave it up for some few hours. My partners came back to me and wanted me to try again and get the money up, and I made the attempt, but did not get through with it. The time was too short.

As to whether \$100,000 of the deposit was put up in time, i.e. on the 1st of March.

15511. Assuming for the present that your recollection is correct, as to the fact of your depositing the money—the second \$50,000—within the time named by the Government, that is to say the 1st of March: are you aware whether the fact of that deposit was communicated to the Government by yourself or any one on your behalf?—It was, by Mr. Yarker.

15512. Well, in the same Blue Book, at page 22, appears a letter in these words:

“BANK OF MONTREAL, TORONTO, 3rd March 1879.

“SIR,—I have the honour, at the request of Mr. G. D. Morse, to enclose our deposit receipt \$48,950, which confirms my telegram of this date. In the event of your not using the receipt, I have to request you to return it to me.

“I have the honour to be, Sir,

“Your obedient servant,

“GEORGE W. YARKER.

“To the Hon. Receiver General,
“Ottawa.”

Letter from Manager, Bank of Montreal, confirming telegram of the 3rd of March.

In that he mentions the fact he had telegraphed on the 3rd of March, which is two days after the time named as the limit by the Government: are you aware that before that any communication had been made to the Government of this fact of the deposit by you?—No.

Not aware that any notice previous to the telegram of the 3rd March ever sent to Government.

15513. Have you any means now, beyond what appears in this Blue Book, of showing when the Government were informed of the fact of that deposit of the second \$50,000?—I have none whatever.

15514. In this arrangement between your Toronto firm and the New York firm known as Andrews, Jones & Co, was any person to become interested besides the persons whose names you have given?—No, Sir.

15515. Was Mr. F. Shanly at any time interested?—Yes, he was with our party in Toronto.

F. Shanly interested with the Toronto firm.

15516. Then you were mistaken in saying that no person else was interested?—Yes; he was to become interested at Toronto but there was nothing fixed.

15517. Do you know of any arrangement by which Andrews or Jones, or any member of that firm, agreed that Mr. Shanly should be interested in their tender?—It was not in their tender at all, it was on our behalf. They had nothing to do with our share of it, I do not suppose, and there was nothing definite about Mr. Shanly's. He was merely to become an engineer on the staff.

15518. Was he to be interested in the partnership as a partner?—No, Sir; at least I did not understand it as such, for there was very little spoken about it.

Tendering—
Contract No. 42.

15519. You say you were about prepared to deposit the third \$50,000 when you got some telegram?—That it was too late.

15520. From whom did you get that telegram?—The Minister of Public Works.

On 5th March, notified that contract was awarded to Fraser, Grant & Pitblado.

15521. There is a copy of a telegram on the 25th page of that same Blue Book in these words :

“ G. D. MORSE, Esq., Toronto.

“ OTTAWA, 5th March, 7.30 p.m., 1879.

“ Council to day awarded section B to Messrs. Fraser, Grant & Pitblado.

“ CHARLES TUPPER.”

Is that the substance of the telegram that you received?—Yes.

15522. Now that appeared to be on the 5th March, four days after the time named?—Yes.

This telegram received before they were prepared to put up the third \$50,000.

15523. That must have been before you were prepared to put up the third \$50,000?—Yes; if that is the case it must be so.

15524. I understood you to say, in the earlier part of your evidence, that you had put up about \$150,000 within the time named by the Government?—Yes, I suppose it was; but I am wrong, as it was \$100,000 up and \$50,000 ready to go up.

15525. The fact of this \$100,000 being up at the time would depend upon your recollection being correct as against Mr. Yarker's letter, because he names the 3rd and not the 1st?—I do not recollect the date the contract was awarded to Jones, nor do I remember how many days we had to put the money up.

15526. Do you remember what day of the week it was which ended the time limited by Government?—I fancy it was on Saturday, but what date I could not tell you.

15527. That agrees with the story in the Blue Book?—Yes.

As to whether the second \$50,000 was deposited in time, i.e., on the 1st of March.

15528. The 1st of March was on the Saturday: now do you say that you deposited that second \$50,000 with Mr. Yarker in Toronto, on the Saturday?—No; I deposited it with the Imperial Bank.

15529. By the notice of it you say it came through Mr. Yarker?—No, not from the Imperial Bank; the first was deposited by Mr. Thompson.

15530. In the Montreal Bank?—Yes; and the second was deposited by myself, and the third I had ready in the Imperial Bank.

15531. Now let us go back to the second deposit, you say you made that yourself?—Yes.

15532. With whom did you make that deposit?—With Mr. Yarker; the second \$50,000 I mean. Do you mean that or the one Mr. Thompson deposited?

15533. The second \$50,000 by any one?—Mr. Thompson's was deposited first and mine second.

15534. Let us speak of yours: with whom did you deposit it?—With Mr. Yarker.

15535. I thought you said it was with the Imperial Bank?—No; I am not speaking of the third \$50,000.

Tendering -
Contract No. 42.

15536. Then as to the second, you deposited that with Mr. Yarker?
—Yes.

15537. Do you say that was deposited on the Saturday?—I think it was deposited either on Friday night or Saturday morning, I do not know which.

15538. Was that deposited the same day as you deposited the first \$50,000?—I think the first was deposited either Thursday or Friday, I do not know which; that was Mr. Thompson's deposit.

15539. The first telegram on the subject of any deposit made by Mr. A. J. Thompson was from Mr. Yarker, according to the Blue Book, and it was received in Ottawa in the afternoon of the 1st of March: now do you know whether the second deposit made by yourself and not by Mr. Thompson was made on the same day?—I think it was made on the very same day; I am not positive on the matter.

15540. Did you take any steps to communicate the fact of that deposit, or indeed of the first beyond what Mr. Yarker did?—No.

15541. Did you leave the communication of the fact of the deposit entirely in his hands?—Yes.

Left communication of deposit in hands of Yarker

15542. Have you any writing or letter on this subject which you can produce?—No.

15543. Either connected with the arrangement between you and Andrews, Jones & Co., or the negotiations with the Government?—No; I have not a scrap of paper in connection with that.

15544. Are you aware that any others of your firm have any such papers?—No.

15545. After making those deposits which you have described, did you take any further part in the negotiations on the subject?—No.

15546. Do you know whether any members of your firm or any one of them did?—I fancy that Mr. Nicholson did; I am not sure.

15547. Is he here?—I think he is in the town: in this city.

15548. Did Mr. Shields or Mr. Close, when they were speaking to you about your tender—the lowest tender on the combined section C—tell you how they were informed that yours was the lowest tender, or did either of them?—No, Sir; not that I remember.

15549. Did you say that one of your reasons for withdrawing your separate offer for section B—I mean the firm of Morse, Nicholson & Co., alone—was that you understood your prices were too low?—No; we never understood that at all.

Never understood that prices intended for section B were too low

15550. In your letter on page 17 of the Blue Book of 1880 you say that in view of the decided opinions of the engineer of the Department, that your prices for rock work on section B are below the actual cost, and that therefore you have concluded to withdraw so much of your tender as relates to section B: now, did you get any such information as that from the engineer of the Department?—I could not say. The party who wrote that letter could answer that better than I could.

15551. Who wrote that letter?—I suppose it was Mr. Nicholson; he was the man who was conducting the whole matter here, and that is the reason why I know very little about this matter.

**Tendering—
Contract No. 43.**

Marpole a railway man and Nicholson a contractor.

15552. Had any member of your firm been previously engaged upon contracts on railways?—Mr. Marpole had been a railway man, I suppose, all his life, and Mr. Nicholson has been engaged in contracts all his life.

Witness not a contractor.

15553. Have you been yourself?—No; I have not.

15554. And you would not be able to give any information about the ordinary mode of working contracts and so on?—No; not the slightest.

**Contracts Nos.
41 and 42 (C).**

15555. When I was asking you before about your tender for the combined section C, I had not the original document; it is here now, and I will show it to you: is that the tender which you made for section C?—Yes.

15556. Is the amount which you have named the correct amount?—There are two different numbers.

Tender for the two sections A and B to finish in 1883, \$5,699,645; to finish in 1882, \$5,937,670.

15557. Read distinctly please the separate amounts for which you offered to do the work, finishing it at the different times named?—One is to finish it in 1883 for \$5,699,645, and the other is to be finished in 1882 for \$5,937,670.

15558. You speak of those dates as the respective times at which each was to be finished at the respective prices, but an earlier date, I believe, was named to finish it so far as to permit of the passage of trains, which was one year earlier than each of those dates?—I think it was. That would be in 1881 and 1882, respectively, ready for the passage of trains only.

15559. Is there any other matter connected with this section B or section C, which you wish to say, either by way of explanation or in addition to what you have already said?—No; I have nothing further to say about it.

15560. Is there any other matter connected with the Canadian Pacific Railway upon which you can give us material information?—No; I am not posted enough to give you anything further than what I have told you.

Contract No. 43.
Witness and his partners men of means.

15561. Were the members of your firm, Morse, Nicholson & Co., men of capital?—I had a little capital myself, and I think we were both pretty well fixed.

15562. Do you think there was strength enough to carry on the business?—I think so; otherwise we would not have undertaken it.

15563. And some of the members had been accustomed to works of this kind?—Yes; two of them. The other two was not.

15564. Did you take part in the negotiations with Mr. Close as to his being one of the sureties?—No, Sir.

Negotiation with Close as to being security.

15565. Who negotiated that with him?—Oh, that was just at the very last day; the only negotiation we had was with regard to his becoming surety.

15566. Where was that negotiation?—In Toronto.

15567. Who took part in it?—I did, and Mr. Marpole. I could have had the security from another party, but he seemed to be anxious to go my security for a small amount. It was only for \$10,000, and he wished me to wait a few minutes, and that few minutes turned out to be three or four hours, and then it was too late for the

Tendering—
Contract No. 49.

bank. Then he came back and said if I would sign this paper to give him 2 per cent. on the whole—2 per cent. I think it was—on the gross amount of section B, that he would become my security; otherwise he would not. So that was the end of his friendship and mine.

15568. Was Mr. Shields with him in that?—No. Mr. Close went up from his own office; we were remaining in his office at the time; and he asked me to wait two or three minutes. He went out, and I supposed he would be back every minute, and he went up to Shields' office and remained there until it was too late.

15569. Was that, as you understood it, the last day upon which you could put up the money upon the Government terms?—This was on the Saturday, I think. I am almost certain it was on Saturday. It might possibly be on the Monday.

15570. But he was leading you to understand that he might possibly help you in the amount of security required until the last hour was up?—Until the last moment; yes. If this was Monday, I understood from Mr. Nicholson if I had got the security up I would have been in time—that was my partner—if it was Monday. You say I am two or three days out, because I remember giving it up two or three times on account of the short time, and he telegraphed up from here for me to go on and get the security, as there would be no trouble getting the contract if I had the money.

Nicholson telegraphed there would be no difficulty in getting the contract if they had the money up.

15571. Who telegraphed you that?—Mr. Nicholson.

15572. I understand you to say now that you are not quite sure whether you made these deposits within the time which was originally named by the Government, or within the time which you thought afterwards Mr. Nicholson had informed you would be sufficient?—Both of these deposits was in the time.

15573. In the time named by the Government?—Yes.

15574. And you were preparing this third deposit in consequence of Nicholson's communication that the time might be extended?—Yes. If Jones and Smith had gone on we would not have had any trouble at all. I just want to say that I made a mistake respecting Mr. Shanly. I said he was not a partner; but I find I made a mistake.

By Mr. Keefer:—

15575. He was to have been a partner?—Yes. He was to have \$10,000 out of the profits, and we were to pay him \$5,000 a year, that was it; and I wish to state that I never received a cent on account of the Pacific Railway and that I never paid one.

F. Shanly was to have been a partner with \$10,000 out of the profits, and \$5,000 a year.

By the Chairman:—

15576. Do you mean that you never paid for any information derived from any person connected with any of the Departments?—No; not one fraction.

Never paid money for any information.

15577. Or any assistance of that kind?—No; not a cent.

15578. Did I understand you correctly when I supposed you said, that after you got information from New York that Andrews, Jones & Co. would not go into the transaction, that you proceeded to put up, or to prepare for putting up, some of the deposit which they were to have provided?—Yes; that is the last \$50,000 that I was telling you about; that was their money that they ought to have put up.

**Tendering—
Contract No. 42.**

15579. Why did you think that you had an opportunity of putting up their part of the deposit?—Because, as I told you, Mr. Nicholson was here, and he sent me word to put the money up, and that we would get the contract.

15580. I understood that you and Mr. Nicholson were both present when you arranged the terms of this matter with Mr. Smith and Mr. Jones?—So we were.

15581. Well, in that arrangement, was it understood that when they failed to put up the deposit required from the New York branch of the firm that you were to become interested in the whole of the contract?—I could not say. It will show itself in the writing.

15582. Where is the writing?—I could not tell you; but it is likely Mr. Nicholson can tell you all about it. I did not keep track of it; but he was here.

15583. You are aware that Mr. Nicholson has the writing?—I do not know that he has it; but he knows where it is. I do not think he has it.

15584. But did you not know, when you proceeded to put up the balance of the deposit which the New York branch had failed to put up, that it was on the understanding that you should take their interest in the whole of the contract?—I understood it from my own partner, Mr. Nicholson, but nobody else.

**When New York
branch of firm
backed out be-
lieved that his
firm stood to get
the whole con-
tract.**

15585. Then you believed, in consequence of the failure of the New York branch of the firm, your old firm became interested in the whole of the contract?—Yes.

15586. In fact that you stepped into their position?—Yes.

**Necessary there-
fore to put up
\$200,000.**

15587. And in order to secure the advantages of the position, it was necessary for you to put up the whole of the deposit, not only the first half, which you originally proposed, but the whole amount?—Yes; the \$200,000.

15588. And by doing that you would then become the sole proprietor of the tender and the contract on it for section B?—Yes.

15589. Is that understanding in accordance with what you considered took place when you and Mr. Nicholson, and Colonel Smith, and Mr. Jones, were all present negotiating on the subject?—Yes.

15590. Is there anything further which you would like to explain?—Nothing further that I can think of at all.

15591. Do you remember whether, at this negotiation between yourself and Mr. Nicholson, and Colonel Smith, and Mr. Jones, there was any understanding that if they failed to put up their half, and you, in consequence, became entitled to the whole of the contract, that they should, nominally, be still the contractors in entering into any agreement with the Government?—No; they were not.

15592. Were these details not discussed?—I do not think so.

Contracts Nos.
41 42 43 44

RICHARD MARPOLE, sworn and examined :

By the Chairman :—

15593. Where do you live?—At Barrie.

15594. What is your occupation?—A railway man.

15595. Do you mean contracting for railways?—No, not contracting, running chiefly—at present as agent.

15596. Have you had any experience in contracting or constructing?—Not in this country, I haven't.

15597. In any other country?—I was connected with a contracting firm in England.

15598. Have you been long in this country?—About eight years.

15599. Were you one of the firm of Morse, Nicholson & Marpole?—Member of firm of Morse, Nicholson & Marpole, and tendered for sections A and B.
Yes; that is my name connected with them.

15600. You were one of the firm tendering for sections A and B?—Yes.

15601. Had you any interest in any transactions of the Pacific Railway before that time?—Nothing before.

15602. Who composed the firm?—G. D. Morse, Frank Nicholson, A. J. Thompson and myself, at that time.
Original firm Morse, Nicholson, Thompson & witness.

15603. And afterwards?—Mr. Shanly; Mr. Thomas Watts was understood to have an interest with us.
F. Shanly and Thomas Watts to have an interest.

15604. Were not these two last named gentlemen interested originally when you tendered for the two sections?—Mr. Watts was, but not in any capacity, and not to any extent.

15605. His interest was undefined?—Undefined.

15606. There was an understanding that he was to have some sort of interest?—Yes, some sort of interest; he figured up the tenders.

15607. Do you mean that he attached the prices?—Well no; I assisted him in attaching the prices, but he made out the tender as it was put into the Department. It is his handwriting that you have there.

15608. You mean this tender for section B?—Yes; that is Mr. Watts' writing.

15609. His name does not appear on this tender: he was not an acknowledged partner at that time?—He was not acknowledged, of course.

15610. You were present to-day when Mr. Morse was giving his evidence?—I was.

15611. The Mr. Thompson you name is the same Thompson who appears as one of the sureties?—Yes; A. J. Thompson, of Toronto.

15612. What is that first name before Thompson's, as one of the sureties?—P. G. Close.

15613. Is that the Mr. Close mentioned by Mr. Morse?—That is the same Close.

15614. Then, in addition to the arrangement of putting up the money about the time that the Government period was expiring, he had been originally one of your sureties upon the tenders?—Exactly, yes.
Close originally one of the sureties.

**Tendering—
Contracts Nos.
41 and 42.**

15615. Did you take any part in arranging with him to become one of these sureties?—No further than what Mr. Morse has told you; I was present at the first interview that I am aware of between Mr. Morse and Mr. Clcse.

15616. Was that at the time the period named by the Government was expiring?—No; that is before we put in the tender at all. Mr. Morse was under a misapprehension there.

**Negotiations
with Clcse.**

15617. Then, according to your recollection, there was some arrangement with Mr. Clcse about being a surety before the time that Mr. Morse describes?—I cannot say exactly that he was to become a surety, but I was present the day that same subject was brought up, as to his receiving 2 per cent. on the gross amount of section B; but I understood the matter had been discussed before between Morse, Nicholson, Clcse and Shields. I do not live in Toronto, and I was only present at that one interview.

15618. Was that interview before the Government had named any time for the putting up of the deposit?—It was before the tender was put in.

15619. Mr. Clcse was present on that occasion?—Mr. Clcse and Mr. Shields were both present.

**Negotiations
with Clcse &
Shields.**

15620. What was the understanding on that occasion when Mr. Shields and Mr. Clcse were present, besides other members of your firm?—They asked us to sign an agreement giving 3 per cent. on the gross amount of section B, and we declined it. Afterwards, on consultation, they agreed to give him 2 per cent.—Morse did.

15621. You agreed to offer them 2 per cent.?—We agreed to offer them 2 per cent.

15622. Was that offered?—Yes; it was offered.

15623. And accepted?—Yes; and accepted.

15624. Then they agreed to become sureties upon the understanding that they were to get 2 per cent.?—Excuse me, I do not know anything at all about the surety as far as Mr. Clcse was concerned, but I understand that to be the matter, that he would not become surety unless a *quid pro quo* was made in some form.

15625. Were you present at any interview with Mr. Clcse and Mr. Shields, when it was arranged that either of them was to be a surety upon any condition whatever?—The question of suretyship was not discussed when I was present, but the agreement was drawn up for all that.

**Agreement with
Clcse & Shields.**

15626. There is a written agreement?—There is a written agreement.

15627. Who has that?—That is more that I really can tell you, but Mr. Nicholson has a copy.

15628. When did you see it last?—I have not seen it since I was in Ottawa, nearly two years ago. I have taken no interest in the matter since.

15629. Do you say that your understanding is that that agreement referred not only to being a surety but to having an interest in return for their influence in getting the contract?—I understood that to be the matter.

Tendering—
Contracts Nos.
41 and 42.

15630. Did you understand it to refer to Mr. Close and Mr. Shields, or only to one of them?—Mr. Close and Mr. Shields.

15631. That they would be able to influence some person—the Government or some one on behalf of the Government—to procure this contract for Mr. Morse?—I fully understood that when the agreement was signed.

15632. In return for that influence they were to get 2 or 3 per cent. on the gross amount?—They were to get 2, decidedly. Shields and Close to get 2 per cent.

15633. And that agreement was reduced to writing?—It was reduced to writing; yes.

15634. Did you see that agreement yourself?—I signed it as one with Morse and Nicholson.

15635. Was it also signed by Close or Shields?—It was dictated by Shields and signed by Close, but not by Shields. Agreement signed by Close not by Shields.

15636. You were present when Shields dictated it?—I was present when Shields dictated the whole substance of it.

15637. Do you remember whether Shields appeared as a party in that document, or whether Close was nominally the only one of them a party in it?—Close was the whole party mentioned, Shields took care to keep himself out of it.

15638. Was not your firm mentioned?—I am speaking of Shields.

15639. I am asking you whether Close was the only person mentioned on that side of the bargain?—No; Shields was mentioned in the first negotiation we had.

15640. But in the writing was Close alone mentioned as the party who was to procure the contract for you, and get the 2 per cent.?—Close alone.

15641. And the other side of the bargain was made by your firm, as a whole?—As a whole. The two parties to the bargain: Close and witness's firm.

15642. Was the bargain mentioned contained in that writing carried out?—It was not carried out, we never got section B.

15643. It fell through?—It fell through, of course, when we rejected the offer of the Government.

15644. Then no claim upon either side of the bargain against the other side has arisen?—No claim at all has arisen. No claim has arisen on agreement as the contract was not taken.

15645. I see the name of Mr. Walker Morley, of Toronto, as one of the sureties to this tender: was there any bargain with him of any kind?—No bargain whatever, he was simply a surety.

15646. Did you understand which portions of this work you tendered for—I mean your firm?—Yes, I think I did.

15647. How did you understand it?—We tendered for section B by itself, and also sent in a tender for section C, which embraced both sections east and west. Tendered for section B separately, also for both sections A and B under the Title C.

15648. That is both A and B?—Both A and B.

15649. Did you understand that your tender for section B was a conditional one that you should also get with it section A, or drop it?—Oh, no; we never understood anything of the kind.

Tendering—
Contracts Nos.
41 and 42.

Morse not correct
in describing the
tender for
section B as
conditional.

Understood early
that the work
was not to be let
as section C.

First official in-
formation which
reached firm was
the announce-
ment that section
B had been
awarded them.

Relative position
of tenders known
all over Ottawa.

Shields knew the
position of the
tenders the same
night it was
broached on the
street.

Thinks the facts
regarding the
tenders were
known through

15650. You were present to-day when Mr. Morse said he thought that was understood at the beginning?—Yes; I was present when Mr. Morse made that statement.

15651. Was he correct about that?—He is not correct; of course his mistake is a likely one, under the circumstances.

15652. Then your understanding is that, at the beginning, you made two distinct tenders: one for the whole distance which is called C, and the other tender for the westerly portion called B?—Yes.

15653. And that the portion called B was not subject in any way to any condition that you must necessarily get section A with it?—It was not on the face of it.

15654. I suppose you understood early that the letting of the whole work in the shape of the tender C was not to be carried out?—We understood that very early; yes.

15655. What was the first intimation you had upon the subject of your tenders from the Government?—The first intimation I am aware of, from official sources, was the awarding of section B to us; anything else was mere rumour carried through Shields and Close.

15656. Were Shields and Close in Ottawa at the time the awarding of this contract was going on?—They were here some weeks before, and I fancy they were here some three weeks afterwards.

15657. They gave considerable attention to the matter?—Yes; they gave considerable attention to the matter.

15658. I suppose, before you got the official intimation that the contract was awarded to you, you had some idea about the relative position of the tenders?—It seemed to be pretty generally known all over the city how they stood.

15659. Where did you first get any information on that subject?—From Mr. Shields.

15660. Did he tell you how they ranked?—Well, he merely told us so far as our own tender is concerned; I understood him to say we were the lowest for section B and lowest for the whole.

15661. Did he state to you how he got that information?—Well, he professed all along to be in close communication with the Department, the first interview I had with him. That was the night before the tenders were put in; I was only here some two days.

15662. How long after you first heard from Mr. Shields of the rank of the tenders did you get the official communication upon the subject?—I should fancy it was fully a week. Mr. Shields, if I remember aright, had it the same night the thing was broached on the streets.

15663. Do you mean the same night that the tenders were opened?—That same evening the matter was discussed on the streets.

15664. And was the information which was to be had publicly upon the streets correct information?—It turned out to be so afterwards.

15665. Was it upon the same day that you say Mr. Shields told you?—That same evening.

15666. Was it after the information could be got upon the streets that Mr. Shields told you, or did you hear from him before the information could be got on the streets?—I would not like to charge my mind

with that; but I fancy the thing was known through the Russell House before he spoke to me, to the best of my recollection.

15667. Have you any reason for any opinion as to the manner in which this information was communicated from persons in the Department in the Russell House or on the streets?—I have not at all.

15668. Do you remember the day of the month or the day of the week up to which tenders were to be received?—I think it was up to the 30th of January they were to be received, to the best of my recollection.

15669. And was it on the 30th of January that this information could be had upon the streets, or in the Russell House?—It was the night of the day we put in our tenders, whatever day that was.

15670. In a paper printed by order of Parliament in 1879, relating to those two sections, on the first page appears a report from the Engineer-in-Chief, dated February 1st, 1879, in which he says that these tenders were opened at two o'clock in the afternoon of the 30th January, 1879, in the presence of Mr. Trudeau, the Deputy Minister, Mr. Marcus Smith and Mr. Braun and himself—Mr. Fleming: have you any reason to think that any information which you describe as having been circulated as early as the evening of that day—I mean the 30th of January—came from any of these parties?—I have no reason whatever to believe it. We accepted Mr. Shields' story as being true, of course.

15671. Then what was Mr. Shields' story?—That our tenders were the lowest for section B and for the whole.

15672. But he did not state to you how he received that information?—No; he did not volunteer any statement of the kind.

Tendering—
Contracts Nos.
41 and 42.

the Russell House
before Shields
spoke to him.

The night of the
day the tenders
had been put in
their relations
known on the
streets.

Accepted as correct
Shields' account
that their tender
was the lowest for
section B and for
the whole.

WILLIAM McRAE, sworn and examined :

McRAE.

By the Chairman :—

15673. Where do you live?—Lockport, New York.

15674. What is your occupation?—Contractor on public works.

15675. Have you been long engaged on such business?—Yes, for a great many years—over thirty years.

15676. Have you been interested, or are you interested in any works connected with the Canadian Pacific Railway?—I am not now, Sir. I was interested in one contract for a short time.

15677. Which was that?—I think it was sections B and C of the Canadian Pacific Railway.

15678. In British Columbia?—In British Columbia. Yes.

15679. Did you become interested at the time that Mr. Onderdonk became interested?—I became disinterested when he came in. I was one of the parties that sold out to him.

15680. With which of the original tenderers were you interested?—I was with A. P. Macdonald, Duncan McDonald, L. M. Loss—my partner. There were ten of us altogether.

Contracts Nos.
60 and 62, B. C.

Had been inter-
ested in a con-
tract for B and C
(really A and B)
British Columbia.

**Tendering—
Contracts Nos.
60 and 62, B.C.**

15681. Did you take any part in making up the tenders originally?
—Yes.

Tenders made up
in the Windsor
Hotel, Montreal.

15682. Where were you at that time?—At Montreal. We all met at Montreal at the Windsor Hotel.

15683. You did not become one of the actual contractors then, you parted with your interest before the contract was signed, as I understand?—Yes.

15684. You disposed of your position to Mr. Onderdonk?—Yes, before the contract was signed.

15685. In making up the tenders had you any information from any one connected with any of the Departments here as to the expediency of putting down particular prices, or as to the prices attached to other persons tenders?—Not any, Sir; no.

No assistance
from any Member
of Parliament or
any one connect-
ed with Govern-
ment or employed
in the Depart-
ments

15686. Had you any assistance of any kind, directly or indirectly, from any person connected with the Government or Parliament, or any of the Departments, upon that subject?—Not any, Sir. We made our tender in Montreal before we came up here, several days before we came up. I had no acquaintance with any members of the Departments.

Contract assigned
to Onderdonk for
\$100,000.

15687. We do not wish to enquire into the way in which your firm divided among themselves any consideration that was paid for this transfer to Mr. Onderdonk, but we wish to know upon what values, as a basis, the whole contract was assigned?—\$100,000.

\$10,000 each.

15688. Was any portion of that \$100,000 to be given to any person outside of the contract, for any assistance of any sort?—I could not speak for the others; there was none of mine. I got mine in a draft on the Bank of Montreal, and I went down there and got it cashed and took it home with me. What the others did I do not know. But I did not learn of any. I think they all got their money, \$10,000 apiece. There was ten of us; and I do not think there was any of it paid out to anybody, except our expenses coming up here.

15689. Is there any other matter connected with the tender for this section, or for the disposing of your interest to Onderdonk, from which you can give us information?—I cannot think of anything, Sir, at all; any more than after we were notified that we were the lowest tenderers on two sections we learned—I did not myself, I did not speak to Onderdonk at the time—but I learned from some members of our firm that Onderdonk wished to buy out our interest in the work, and he offered a less amount than \$100,000 in the first place, but finally he came up to \$100,000, and on that basis we all agreed to sell. Some of us hung out at first, but finally we all agreed to come in at \$100,000.

One contractor
doing a large
work can do it
cheaper than
three or four
contractors can
do the same
work divided
into sections.

15690. Have you given your consideration to the subject of letting contracts in small portions, or in large portions, so as to be able to give any information as to which is the least expensive to the contractor; for instance, in this matter, do you know whether it was likely that Onderdonk, by having all the sections together, could save as much expenditure as the bonuses he paid to all the contractors whose position he bought?—That would be my experience, that he could. If we had received all the work I do not think we would have sold out; but he having a section between us, or some other party having a section between us, we were not so anxious to go there as we would if we had

succeeded in getting the whole work; and he represented to us, and I do not know but what it is true, that he could do the work cheaper than us, having been acquainted with railway work on the Pacific slope, and knowing how to manage the Chinese labourers, that he could make money out of it when we could not. I think that is the main talk I had with him after we had sold out to him, when we were talking of the large amount of money that he had given us; he thought it was more than it was worth to us, but he could get it out of the contract, knowing the work in that country and having facilities for doing it, and great wealth.

15691. Irrespective of his peculiar advantages can you offer any opinion on this question, whether one man, having the whole four sections, could probably do the work at less expense than four individuals having the four separate sections?—My judgment is that he could.

15692. Could you say to what extent, or what percentage, or nearly? —I could not safely say that, but I know that there would be a great advantage in it, for various reasons.

15693. Did you visit the ground yourself before making any tender? —No, Sir, I did not; some of our company were over the ground before.

15694. Is there any other matter about those particular sections, or any other matter connected with the Pacific Railway, upon which you can give us information?—There is nothing that I can think of, Sir. I am willing to answer any questions that you ask me, but I cannot think of anything, and I do not know of anything.

15695. You say that you could not name with accuracy the saving that would be effected by one man having the whole work rather than four men having it in separate portions: could you give us anything like an idea of the percentage, or something near it?—I might make an approximate guess at it—merely a guess—and that would depend some on the situation. Altogether I should think it would be a difference of about 5 per cent.

15696. Is there anything further upon which you can inform us on those subjects that you know of?—Nothing that I know of, unless you draw my attention to something. I do not know what you want really, and I know so little—

15697. We hardly know ourselves, for we are depending a good deal upon the witnesses telling us what we have to learn: is there anything else that you think of?—No; there is nothing.

R. T. SUTTON'S examination continued:

By the Chairman:—

15698. Could you state more definitely than you did, when you were last giving your evidence, the time at which you came to Ottawa, together with Oliver and Davidson, intending to carry out the Sutton & Thirkell tender?—Well, I think I stated yesterday that it was the 17th or 18th, and I am almost positive that is the date; it is in the neighbourhood of the 17th or 18th.

**Tendering—
Contracts Nos.
60 and 62, B.C.**

Onderdonk's
view of the trans-
action.

The Concentra-
tion of work in
hand of one con-
tractor would
save 5 per cent.

SUTTON.

**Telegraph—
Tendering.
Contract No. 4.**

On the 17th or
18th of December,
1874, came to Ot-
tawa with Oliver
and Davidson.

Telegraph—
Tendering.
Contract No. 4.

15699. Was it shortly after Judge McMahon telegraphed in your behalf to the Government that he wanted a day or two, or a short time, to put up the deposit?—It was immediately after that, at least two or three days. I think you will find Mr. Braun's telegram to me giving me my short notice to carry it out.

15700. In one of the Returns prepared for the House of Commons, a telegram from Thomas B. McMahon appears dated 9th December 1874, in these words :

Telegram from
Judge McMahon.

"I fell on Monday afternoon and sprained my ankle, but the doctor says I can go out to-morrow. Will leave to-morrow by afternoon train for Ottawa."
And that is directed to Mr. Braun, the Secretary?—Yes; I am almost sure it is about the date I gave you.

15701. I will also mention some other dates and communications which will perhaps make you even more certain. I wish you to give us the best information you can?—Thank you.

15702. On December 12th appears a telegram to Sutton & Thirkell, Brantford, from Mr. Braun, Secretary, in these words :

Telegram from
Braun to Sutton
& Thirkell.

"Unless you come between this and Wednesday next, Minister will pass to next tender."
—That is the telegram I referred to.

15703. Then, on 16th of December, 1874, a telegram appears to have come from you, in your own name, to Mr. Braun, Secretary, in these words :

Telegram from
Sutton to Braun,
16th December,
1874.

"In consequence of personal and family illness of one of my partners, I would request Minister to allow three days to replace them. Will close this week, sure. Answer."

You said yesterday that in consequence of one of the persons being associated with you not being able to come forward, you went to Toronto to look up some person in his place?—Yes.

15704. And that having found another person you came on to Ottawa?—Yes.

Almost certain it
was on 18th Decem-
ber, 1874, he
visited Ottawa
with Oliver and
Davidson.

15705. Can you say now, in view of those circumstances, with accuracy, the time that you visited Ottawa, in company with Mr. Oliver and Mr. Davidson?—I cannot give you any better information than I have, and I am almost sure it was on the 18th.

15706. At what hotel did you put up?—I think it was at the Daniel's Hotel.

15707. Did Mr. Oliver and Mr. Davidson put up there at the same time?—I think so, at Daniel's Hotel—the Windsor.

15708. How long did they remain here?—I do not think we stayed longer than one day, I think we left the same night.

15709. There appears to be no document among the records of the Department assigning your interest to Oliver, Davidson & Co. : do you know whether there was any such document, or anything of that sort?—I think not. We first went into partnership together in the arrangement. Mr. Oliver was to carry it on, and I was to hold my interest.

Oliver the princi-
pal man to
arrange with
Government.

15710. Then with whom did you leave it to arrange with the Govern-
ment to get the contract?—With Oliver and Davidson. Mr. Oliver
was the principal man in it.

Telegraph—
Tendering.
Contract No. 4.

15711. He arranged whatever had to be done on that subject?—Yes; and I do not know but I signed an agreement. I am not sure as to that; but if it is, it has slipped my memory. I do not know but that I signed such papers, as it was in the interest of the parties to sign, because they asked me to sign them.

15712. Is there anything further that occurs to you as being proper to mention?—Nothing that I know of.

RICHARD MARPOLE's examination continued:

MARPOLE.

Tendering—
Contracts Nos.
41 and 42.

15713. *Witness*:—I might add, Mr. Chairman, from my knowledge of Mr. Shields as to his veracity, I do not think he was in possession of any decided information, except what he gathered round the hotels, and such as I had got myself before I met him.

By the Chairman:—

15714. Do you mean to lead us to understand that although he represented that he had some advantage in the shape of information, which others had not, that you do not believe he had any such advantage?—I came to that conclusion after I met him the second time.

Believes that Shields had no advantage in shape of information which others had not.

15715. Do you remember about what time you, being away from Ottawa, were first officially informed that the Government had awarded you the contract on section B, or were you aware of it from some other source at the time that you were so officially informed?—I was advised direct by Mr. Braun by wire.

First informed that his firm had received contract by telegram from Braun.

15716. Were you aware at that time?—I was at Barrie. I returned to Ottawa two days after the tenders were in.

15717. Had you made any arrangement by which you, individually, should be advised in case your firm should be awarded the contract?—No, I had not.

15718. Do you know how it happened that you had a communication of that kind?—Well, I understand that Mr. Braun enquired for Mr. Nicholson as to where Morse was. Morse was in Toronto and I was in Barrie, so that all the members of the firm received the intimation.

15719. Do you remember the date?—I really could not charge my mind, but I fancy the 18th of February to the best of my recollection.

15720. In the Blue Book of 1880 upon the subject, the first communication to that effect appears to be dated the 20th of February, if you will look at it, page 17?—That would be the correct one. That would be the date of my message that came to me from Toronto afterwards. It was the 18th or 20th. I have seen the Toronto one, but I never saw the one that was delivered at Ottawa.

15721. Did you take any part in discussing the matter with other members of your firm before you gave the formal intimation to the Minister of Public Works that you withdrew your tender and declined to enter into the contract?—We had several conversations as to the tender, or as to the opinion of the engineers that we were too low, generally expressed by all the contractors; and I might add that the figures that were in were none of mine, nor were they put in with my sanction either. Properly the tender for section B—the figures that

Before withdraw-
ing discussed
prices fully.

**Tendering—
Contracts Nos.
41 and 42.**

were brought to Ottawa—were considered higher than those. I have them with me—the very sheet.

Actual figures
filled in by Watts.

15722. Who was it took it upon themselves to alter these figures?—Mr. Watts filled them in, but so far as I can learn it was at the instigation of Mr. Shields who appears to have been mentor in the whole transaction.

15723. Where does Mr. Watts live?—In Winnipeg, at present—Mr. Thomas Watts.

15724. He was one of the partners?—He was, in an undefined way, as I said before.

15725. Who else of your firm was down here at the time the figures were finally put to the tenders?—Mr. Nicholson and Mr. Watts were here and Mr. McCormick, but he was not a partner; he was interested with us in a sense.

15726. Had the tenders been signed in blank so that other figures could be added to them?—Yes; the tenders came up here in blank, signed. I brought the figures with me here, and I have them here with me now.

Witness had
desired to have
other figures put
in tender which
would have
amounted to
\$4,022,158.80.

15727. What would be the result of the figures which you thought were the proper ones if put in the tender?—If you will allow me I will produce them. They would be \$4,022,158.80. That is the original as it was done in Toronto.

15728. Will you produce the original document in which those figures appear?—That is it with the figures on it as they were done in Toronto. They were actually figured from it as you see on the back. (Exhibit No. 218.)

These figures are
for completion by
1883.

15729. These figures which you have named are only intended to apply to one column of the schedule, that is for the completion by the 1st of July 1883, and ready for the passage of through trains by the 1st of July 1882?—Yes; that is the only one we intended putting in at the time.

Conjectures that
Shields led them
to tender under
both columns of
schedule.

Shields advised
them to lower
their contract.

15730. Have you ever understood why it happened that in Ottawa your firm decided otherwise, and made their tender for both columns, that is to be furnished one year earlier than the time which you had decided to apply for?—My impression is that it was from the representations made by that man Shields. I was told so repeatedly. In fact, I was present one night when he came there and advised us to put it down.

15731. Where was that?—At the Windsor Hotel.

15732. In Ottawa?—In Ottawa; the night before the tenders went in.

15733. What reason did he give you for advising you to alter the figures and put it in in this way?—His chief reason was that the agreement we had with Close would be all right, even supposing we were very much lower than any one else; that in the working of it we would have advantages which he never described to me, but which were considered by Mr. Nicholson as sufficient.

15734. He led you to understand that he would bring influence to bear by which you could get advantages over other tenderers?—Yes, in construction.

Tendering—
Contract No. 42.

15735. And in addition to construction also in the acceptance of tenders?—Yes; also in the acceptance of tenders.

15736. Did he explain to you how this was to be accomplished?—Not to me.

15737. Do you know whether he explained it to any of your firm?—I believe he did to Mr. Nicholson.

15738. Has Mr. Nicholson told you so?—He told me nothing to the point. He never defined it as I wish he had done.

15739. Do you know from what engineers the information came that your prices were too low?—Before we were awarded the contract?

15740. Yes?—Some of our engineers had an interview with Mr. Shanly (referred to in the Blue Book) before we were awarded the contract at all; so, of course, the thing would be openly discussed there, and the opinion of engineers would be very easily got.

15741. But Mr. Shanly was not one of the engineers in the Department?—No.

18742. In your letter you say that the view of the engineers of the Department was that your prices were low for rock work?—Exactly.

15743. Which engineers of the Department?—Mr. Fleming and Mr. Marcus Smith. I think the Blue Book contains a reference to that; or rather Mr. Fleming's first paper in this connection. That is the one, Mr. Chairman (handing in a printed return).

Fleming and Marcus Smith had said their prices were too low.

15744. On page 11 of the paper printed in 1879, by order of Parliament, Mr. Fleming alludes to the extreme lowness of the rates in your tender?—Exactly.

15745. Besides this allusion in this report, had you ascertained that he had given the same information to any person on your behalf?—Except from what took place, and the conversation he had with our engineers.

15746. This letter which appears on page 11 is a report by Mr. Fleming to the Minister of Public Works: it does not follow that that opinion would be expressed to other people?—No; but then, of course, in the questions that were put to the engineers they had no doubt in their own mind that they considered the figures too low, both Mr. Smith and Mr. Fleming.

15747. Then you think that the engineers acting on your behalf in conversations with Mr. Fleming came to the opinion that he thought they were too low?—Yes.

The engineers of Morse & Co. gathered from Fleming's conversation that prices were too low.

15748. Then is that what you alluded to in your letter of the 25th, when you declined to go on with the work?—That is what we alluded to.

15749. Was this letter of the 25th of February, declining to go on with the work, written with your concurrence?—I wrote it myself.

15750. Where were you at that time?—I came to Ottawa expressly to withdraw.

15751. For that time did this letter end your interest in section B as a party interested?—No; it did not. If I remember aright that letter was not put in until the following day.

**Tendering—
Contract No. 42.**

Before declining contract an arrangement had been made with Andrews, Jones & Co. to join in their tender which was higher

15752. Before putting in the letter, I suppose you mean to the Department?—To the Department.

15753. Had you some understanding with Andrews, Jones & Co. upon the subject of being interested in their tender?—We had on the night of the 25th—the night I arrived in Ottawa.

15754. Who took part in those negotiations?—Nicholson, Morse, Thompson, myself and Mr. Jones and Col. Smith.

15755. What was the substance of that arrangement?—That we were to join in in their tender, which was a higher one.

It was \$418,436 higher.

15756. Do you know about how much higher: do you remember the amount?—I make it \$448,436.

15757. Then, before withdrawing formally from your own lower tender, you had agreed to become interested in the higher tender to the extent of \$448,000 and over?—Yes, we had.

Witness's firm to have had a half interest.

15758. To what extent were you to be interested?—To one-half.

15759. When I say you, I mean your firm, is that what you mean?—Yes.

15760. The number of persons composing each branch of the firm made no difference in the whole proportion; you were to get one-half, the Toronto branch and the New York branch one-half?—Yes.

15761. You have mentioned particularly as a reason for withdrawing from your lower tender that the rock prices were very low?—Too low.

Andrews, Jones & Co.'s price for rock (including borrowing as well as excavation) 36 or 38 cts. higher than Morse & Co.'s.

15762. Do you know how much higher this other tender which you agreed to take was as to the rock price?—Taking the borrowing as well as the excavation proper, I think it was somewhere about 36 or 38 cents.

15763. Difference?—Yes, that is the average rock borrowing and actual excavation. I have not figured it up, but to my mind it will run that way.

15764. Then, on that one item alone there would be a large difference in the aggregate?—A very large difference.

Written agreement.

15765. Was the agreement by which these two firms were to be combined reduced to writing?—Yes; it was reduced to writing that very night.

15766. Have you a copy of the writing?—I have not. In fact I made a copy myself, but I never saw it since it passed out of my hands into Mr. Nicholson's.

15767. Who dictated that agreement?—Col. Smith was there, and Mr. Morse. It was all discussed between us.

Arranged that in the event of Andrews, Jones & Co. not putting up their share of deposit the whole contract should belong to witness's firm.

15768. It was signed upon that occasion; but after that was it reduced to a more formal agreement?—It was reduced to a more formal one afterwards, and we also bound Mr. Jones that in the event of his not putting up their deposit the whole contract would be ours. In fact it was equivalent to an assignment.

15769. Do you mean this: that if the New York branch failed to put up their share, which was half the deposit, that the Toronto branch should become the sole proprietors of the contract, and might put up the whole of the deposit and own the whole contract?—That was

fully understood when we left here; that was the full intent of the agreement.

Tendering—
Contract No. 42.

15770. Was there any arrangement made at that time as to this event happening: whether then the New York firm should lend you their name to complete the contract with the Government or not?—No. Mr. Jones and Col. Smith were very sanguine; but as they were Americans, we thought we should bind them before we parted, having no hold otherwise.

From 25th February (one day before declining contract under their own tender) witness's firm interested to one-half in a higher tender with the chance of being interested solely.

15771. Then from that evening of the 25th February, which, as I understand you, was the day before you notified the Department that you would not accept your own tender, you became interested to the extent of one-half in Andrews, Jones & Co.'s tender, with the chance of being interested to the whole extent?—Yes, to the whole extent.

On the 26th learned that contract had been awarded to Andrews, Jones & Co.

15772. How soon after that evening of the 25th of February did you learn that the contract was awarded to Andrews, Jones & Co?—It was on the 26th. I received intimation just immediately after our withdrawal went in—the same evening.

15773. On page 18 of the Blue Book of 1880, appears a letter signed by the Minister: please look at it, and say if that is the substance of the notification to you, or rather to the firm of Andrews, Jones & Co.?—Yes; that is the substance of what I saw in the Windsor Hotel, in Col. Smith's hands.

15774. Can you describe shortly what was done by the different members of the new combined firm after getting that notice?—As to security?

15775. Anything that you think proper to describe?—I left here in company with Mr. Morse and went to Toronto and assisted him there in getting up our portion of the security.

15776. Did both leave the same evening?—Yes.

15777. Do you know whether the New York branch of the combined firm also left?—They left the same evening as we did—I should say Mr. Morse, Mr. Thompson and myself.

15778. Then you proceeded to Toronto to procure the deposit, I suppose, as quickly as you could?—As quickly as possible.

Proceeded to get security as quick as possible.

15779. At that time of leaving your object was, I suppose, to get one-half of the whole deposit?—Col. Smith was so sanguine, and Mr. Jones, that we never expected to receive any more than one-half of the whole contract.

15780. Were you aware before leaving for Toronto, on the 26th, that a letter was written from Andrews, Jones & Co. asking for an extension of time?—Yes; I was aware of that the same evening, before Mr. Jones left for New York, that a letter was written by Mr. Jones, as he considered the time was too short after their arrival in New York.

15781. Did you understand, before Col. Smith and Mr. Jones left on the evening of the 26th, as a matter of fact, that no person had ever agreed to put up their share of the deposit, and that it depended upon the report which they would personally make whether a decision would be made by any one to help them to the deposit?—You mean their portion?

15782. Their half?—When they left here the full understanding was that they would put it up. There was no question at all as to their ability to do so.

When Jones & Smith left Ottawa understood they would put up their security.

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Col. Smith's evidence that the putting up of the New York firm's half of the security depended on the decision of some one to whom Col. Smith was to report, contrary to the understanding between witness's firm and Smith and Jones.

15783. Col. Smith in his evidence says that at the time that he left, it had never been decided by any one in New York who was able to put up the money, that it would be put up, but that that decision would depend upon the report which he would personally make when he arrived in New York, and upon that report some person would decide whether he would furnish the deposit for their part of it, was that contrary to your understanding?—Very contrary.

15784. You supposed at that time, that there was no doubt upon the subject, that it had been previously arranged?—We thought it had been previously arranged.

15785. Without conditions?—Without conditions, as Mr. Smith came over for the purpose of putting up that deposit.

15786. Were you aware that Andrews & Jones had written two days before that, to the Secretary of the Department, that they were prepared to put up their 5 per cent. deposit immediately and commence operations at once?—No; I was not aware of it until I saw it in the Blue Book.

Understood that Nicholson was to take charge of any communication from the Department regarding the contract.

15787. Do you know whether any arrangement was made as to the answer of the Government upon the application for the extension of time, being left at any hotel or other place for Andrews, Jones & Co.?—I understood that Nicholson was to take charge of any communication. Looking at the assignment that we had from Mr. Jones—I should say conditional assignment.

15788. Did Mr. Nicholson remain behind you in Ottawa?—He remained behind here for several days.

Time for putting up security Saturday afternoon, and witness on hearing that American firm had failed to put up their half gave the matter up.

15789. Can you say now how soon after your leaving for Toronto you became aware that the Government declined to extend the time?—The time was up on Saturday at four o'clock to the best of my recollection, and I left Toronto on that Saturday afternoon, when I heard that the American element had not come forward. In fact I gave the thing up, I was not in Toronto then until the Tuesday following, so that anything that occurred in the meantime was without my knowledge.

15790. What time on that Saturday did you leave Toronto?—I think it was three o'clock when I left Mr. Morse.

15791. Did you see Mr. Morse shortly before you left?—I left him then somewhere near the Bank of Montreal. The train leaves very near there.

On the morning of Saturday, Thompson had put up \$50,000 and Morse was negotiating with Yarker for another \$50,000.

15792. Were you aware how much had been deposited on account of your firm up to the time that you left Toronto?—In the morning of that Saturday Mr. Thompson had \$50,000 or close to that, and Mr. Morse was negotiating when I left for another \$50,000 with Mr. Yarker, of the Bank of Montreal. This was on Saturday and after banking hours, so that any notification from Mr. Yarker would not reach here until Monday, I should say, the 3rd.

15793. Did you understand before you left, about three o'clock on Saturday afternoon, that anything more than one deposit of \$50,000 had been made on account of this contract?—There was only one when I left, but the other was fully arranged for.

15794. Do you mean arranged for between Mr. Morse and some of his friends, or arranged for between him and the banker?—Between

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him and the banker as I understood it. I was not present with him with Mr. Yarker in the last two hours in Toronto.

15795. I understand you to say that you gathered from Mr. Morse's account of it that he had arranged with the banker to secure the second deposit of \$50,000, but you did not understand that from the banker himself?—No; I never had any conversation with Mr. Yarker.

15796. Did you know whether there was an arrangement as to communicating the fact of that second deposit to the Government, made for that day?—I did not, for the reason I explained, that I had given the thing up from the moment I discovered that the American element had dropped out, and returned home.

15797. Do you mean that you did not think it was likely that the balance of the deposit would be secured?—No, I did not think that; but I did not think that the balance of the security could be secured on Saturday, and it struck me that the Government would not grant any extension to us, who were supposed to have no connection with Andrews, Jones & Co.

15798. Do you mean to say that from the fact of Andrews, Jones & Co. no longer appearing as a firm interested in the contract that it was not likely that the Government would award it to your firm—Morse, Nicholson & Co.?—That they would not grant any further extension or any further favour.

15799. Do you say you took this view because Andrews, Jones & Co. were no longer interested under their own name?—Exactly.

15800. Why do you think that the effect of that firm dropping out of it, in name, would affect your chance?—Well, I presumed that the Government would not very likely agree that the lower tender should be interested with the higher one, particularly in a matter of that kind. When Mr. Morse received an intimation from Mr. Nicholson that the Government would not grant Andrews, Jones & Co. any extension, it struck me that they would not give it to us, when they would not give it to the original tenderers.

15801. When do you say you next saw Morse, or learned anything further about the matter?—I saw Morse on the Tuesday following; we received an intimation from Ottawa, whether authorized or not I do not pretend to say.

15802. From Mr. Nicholson?—From Mr. Nicholson, that if we put up the money before four o'clock on Wednesday, there would be a chance. If I remember aright it was Tuesday night I arrived in Toronto. I then discovered that Mr. Thompson had gone on to Ottawa, which lessened our chances of making the necessary deposit.

15803. Do you mean that you counted upon his assistance in Toronto as being more effectual than in Ottawa?—Exactly, for the second deposit; that he should do what he had done before—that is, raise \$50,000, and Morse and myself would look after the other.

15804. Do you know whether any further deposit was actually made on that Wednesday?—No; but it was arranged for with the Imperial Bank on the Wednesday night solely through Mr. Morse. But Sir Charles Tupper telegraphed Mr. Morse that the Council had awarded the contract to Fraser, Grant & Pitblado, and the matter was dropped. I think you have a copy of the message there, Mr. Chairman.

Witness did not think balance of security could be put up on Saturday, and thought it unlikely that the Government would give his firm as the representatives of Andrews, Jones & Co. an extension of time.

When the Government would not extend time for original tenderer, witness thought they would hardly extend it for a lower tenderer who had joined in with the higher.

Nicholson telegraphed that if money put up before four o'clock on Wednesday there would be a chance of getting contract.

Deposit not arranged for until Wednesday night meanwhile telegram announced that the Council had given contract to others.

**Tendering—
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15805. You will find on page 25 a message from the Minister to G. B. Morse, and it is dated on the 5th of March?—I rather think it would be on Wednesday to the best of my recollection.

15806. Did you say that was the day upon which you had been led to understand from Mr. Nicholson that it was possible for you to make the deposit and still have a chance for the contract?—That was the day—on Wednesday.

15807. But the deposit had not been made before the telegram was received?—That was in answer to Mr. Shanly's message to Sir Charles Tupper, asking him to direct his answer to Mr. Morse. Wednesday was the 5th.

The third deposit of \$50,000 never actually made.

15808. Then, as I understand you, the third deposit of \$50,000 never was actually made to the credit of the Government?—No, it never was actually made. It was arranged for, as Mr. Shanly says in his message.

15809. Mr. Shanly's message, as I understand it, is that this deposit will be made the next morning, which would be the 6th?—"Will be ready to complete the required deposit."

15810. That would be on the morning of the 6th?—Yes.

F Shanly interested.

15811. Had Mr. Shanly become interested by some arrangement with your firm?—Yes.

F. Shanly to have had \$10,000 out of profits and \$5,000 a year.

15812. Is your recollection the same as Mr. Morse's, that he was to have \$10,000 of the profits besides \$5,000 a year?—\$10,000 out of the profits, not as a bonus; the figures were submitted to him for his approval, and he fully concurred in the opinion of Toronto friends, that it was safe, and he decided to go in with us.

15813. If there were profits he was to get \$10,000 out of them, and at all events \$5,000 a year?—Yes; \$10,000 out of the profits, and at all events \$5,000 a year.

15814. This arrangement with Mr. Shanly was made, I suppose, entirely with your Toronto branch of the firm?—Entirely with the Toronto branch.

15815. You supposed, did you, at that time, that under your previous arrangement with Mr. Jones and Mr. Smith, in Ottawa, you had become interested in the whole of the contract, and you could deal with any portion of it as you thought proper?—Exactly.

15816. That is, provided the extension of time was granted by the Government?—Yes, if the extension was granted.

15817. Can you produce the letter of the Secretary of the Department acknowledging the notification that you declined to enter into the contract?—Yes; I produce it. (Exhibit No. 219.) You will observe, Mr. Chairman, that he has the 25th on that, which shows that our letter did not reach him until the 26th.

Took no further steps to obtain contract after receiving Minister's telegram on the 5th.

15818. Then did you take any further steps towards procuring this contract after you got that notification of the 5th of March, from the Minister?—No, I did nothing further; in fact I returned home that same Wednesday night.

15819. Had you acquired any personal knowledge of the work on the ground, before you made the tender?—No, I never was there, but Mr. Watts had been all over section B.

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15820. What was Mr. Watts' occupation?—I could not tell you, but I think he was in the Government service at the time that he went over the ground.

15 21. Do you remember in what capacity he was in the Government service?—No.

15822. Is there any further information about this contract B which you can give us?—No; nothing further, except to say, as Mr. Morse has said, that we received nothing and gave nothing to anybody, and that the mishap that occurred to us is perhaps more through our own fault than anything else.

Witness's firm neither received nor gave money to any one.

15823. Is there any other matter connected with the Canadian Pacific Railway upon which you can give us information?—No; I have tendered two or three times since, and that is all.

15824. Have you any complaint to make upon any of the tenders at any time not being accepted?—No; they never were the lowest, so that I could not make any just complaint.

No complaint to make.

15825. Is it upon the British Columbia sections that you have tendered since?—No; it was on the first 100 miles west of Winnipeg, and on the second 100.

Contract No. 48.

15826. And in either instance were you the lowest tenderer in your opinion?—No.

15827. Is there anything further?—No.

ANDREW McCORMICK, sworn and examined :

McCORMICK.

By the Chairman :—

Contract No. 42.

15828. Where do you live?—Toronto.

15829. What is your occupation?—Builder.

15830. Have you had any experience in railway works of any kind?—No, Sir; I have been working on them. I never had any job of my own.

15831. Have you had any interest in any of the transactions on the Canadian Pacific Railway?—There was nothing definite settled on between the firm and myself.

15832. Were you present to-day when Mr. Marpole and Mr. Morse gave their evidence?—I was.

15833. In what way were you to be interested?—I was to get a position on the road, something concerning my own business, on salary, and, I suppose, some part of the profits if there had been any; there was nothing definite settled, but there was some understanding to that effect.

Witness had an undefined interest in Morse & Co.'s tender.

15834. With whom was this understanding made?—With Mr. Morse and Mr. Marpole and Mr. Nicholson—verbally.

15835. Was it decided what proportion you should have of the profits?—No.

15836. Was it decided in what shape you should be interested, whether as a person employed, or as a partner?—I understood I was

Thinks he was to have got part of the profits.

**Tendering—
Contract No. 42.**

To have been paid for his services besides. to go in partly as a partner like, to get part of the profits, besides being paid for my services.

15837. Did you take any part in making up the tender?—No; I was by when they were making it up, and had some little to say in it.

15838. Do you mean the one Mr. Watts made up?—Yes.

15839. Were you in Ottawa?—Yes.

15840. Was it made up in Ottawa?—It was made up in Ottawa, in the Windsor Hotel.

15841. Did you take any part in the bargaining with Andrews, Jones & Co.?—None, Sir. I was not there at that time; only what I heard, that is all I know about it.

Had no right to decide whether contract should be taken or not. 15842. Had you any right to decide whether any contract should be taken or not upon any of these tenders?—No; my name was not mentioned on the tenders.

15843. But by the understanding between you and those other gentlemen, Mr. Marpole, Mr. Morse and Mr. Nicholson?—I had a voice in it.

15844. But was it agreed between you all that you had any right to decide whether any contract would be taken at all, or not?—No; I suppose not. My name was not mentioned on the tender; of course they could sell, or do as they liked without me.

Present at negotiations with Shields and Close. 15845. Can you give us some information upon the subject of these negotiations or bargains?—I was by when Mr. Shields and Mr. Close made this suggestion: that if they gave them 3 per cent. on the gross amount they could secure the contract, and have the job in their own pocket, then it would be their own fault for losing it. Three per cent. on the gross amount, and besides the supplies. Groceries is their own line of business, I think. I was by when Shields and, I think, Close and Boulton was by with this document. They had this document. I did not read it, but I heard it read—to that effect—that they wanted 3 per cent. on the gross amount of the whole contract.

Boulton present who said he would leave the hotel. 15846. What part was Mr. Boulton taking in the matter?—I do not know whether he done it in his profession, but he was by, and he and Nicholson had some words, and he got up and said: "He would leave the hotel if he was to be insulted that way."

15847. Who said he would leave the hotel?—Mr. Boulton.

15848. What did you hear Mr. Boulton say on the subject?—I heard them reading this paper over, wanting this before they would secure the contract for them—Nicholson and Marpole.

15849. What did you hear from Mr. Boulton?—I heard him say he would leave the hotel, the same as if some insult had been offered to him.

15850. Did you hear him say he had been insulted?—No; I could not say. I was not paying particular attention at the time.

Boulton made no proposition regarding the bargain. 15851. Did Mr. Boulton make any proposition as to the terms of this bargain which was proposed?—I do not think they did; they did not at that time in my hearing.

15852. You say they did nothing: I am asking you about Mr. Boulton?—No; nothing in my hearing.

Tendering—
Contract No. 48.

15853. Did you understand my question?—Yes. “Did Mr. Boulton make any suggestion to them as to what he was getting or anything,” and I said: “Nothing in my hearing.”

15854. That was not my question: about what Mr. Boulton was getting. I am asking you whether he made any suggestion as to what any person should get?—Nothing more than what was on this paper he had; whether he wrote it himself or not I do not know.

15855. Do you mean that he made any suggestion before he read the paper, or was it in only reading the paper?—He had the paper in his hand reading it.

15856. Did Mr. Boulton appear to you, as a looker-on, to be taking any part in this matter on his own account?—No; perhaps he might be in his profession, for all I know, as a lawyer.

15857. Of course he might be: I am asking you whether he appeared to you, as a looker-on, to take any part in this transaction on his own account—on his own behalf?—He seemed to be the party who held the paper in his hand reading it.

15858. Well, knowing as you do that he was reading it, did he appear to you, as a looker-on, to be taking any part in this bargain on his own behalf?—I do not know whether he was there on Shields and Close's behalf, or he was acting as a lawyer. I could not say.

15859. Did you not hear the paper read?—Yes; but I did not understand it.

15860. Were you not sober at the time?—I was sober. I never was drunk in my life; but I did not pay much heed to it.

15861. Were you paying any heed to what was going on?—Not after I heard what it was.

15862. While you were hearing what it was, did you pay heed?—Yes; I heard that it was to give them 3 per cent. on the gross amount.

15863. To give whom?—Those parties that were buying—Close and Shields.

15864. Then don't you know now, when you say Close and Shields, whether any proposition was made by Mr. Boulton on his own behalf?—No, I do not.

15865. Did you hear any proposition made on his own behalf?—No; all I heard was that he threatened he would leave the hotel if he was to be insulted, but what the insult was I could not say.

15866. Have you ever seen a copy of this document since?—Never since.

15867. Have you any means of knowing what were the contents of the document, except your memory?—In fact, I never bothered any more about it.

15868. Do you mean to say you never bothered any more about it?—No, I never did.

15869. Was the document signed upon that occasion?—No, it was not.

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Parties parted without coming to an understanding.

15870. Then did the parties part from each other without coming to any understanding?—I believe they did. Morse and Nicholson said they would not be a party to it, and I advised them not to myself.

15871. Had this paper been prepared before you went there, or was it prepared while you were there?—No, they brought it prepared.

15872. Who brought it?—I think Mr. Boulton and Mr. Shields and Mr. Close. I do not know whether it was prepared at the Russell House or not, but they came to the hotel where we were staying, at the Windsor, with it.

15873. Had you heard before that meeting at the hotel that night anything of this subject, either as to the preparation of the paper, or as to the substance of the agreement?—No.

15874. That was the first and the only occasion upon which you heard them talking about it?—Oh, I heard talk among themselves that these men were to have some interest, but I did not know what before that.

15875. Among whom was that talk?—Among Marpole, Nicholson and Morse, that Close and Shields were to have some interest for their influence for trying to secure them the job. I do not know exactly what it was, but at that time when they thought that they were the lowest tender I suppose they wanted to get it signed and made satisfactory, that such would be the case.

15876. Do you know whether that paper was afterwards signed?—I do not think it was, Sir.

Never saw any paper connected with this contract signed.

15877. You never saw any paper signed concerning this subject?—No, I did not.

Nicholson told witness to go and notify Sir Charles Tupper that they would not take section B without section A, but that they would take A alone.

15878. Is there any other matter connected with that transaction which you can explain?—There is about the letting of the contracts. Mr. Nicholson told me to go over and see Dr. Tupper and notify him verbally that we would not accept one section without the both; but if they were going to divide it we would take A, and also they were notified by the solicitor. The firm never intended to take one part.

15879. Who was it told you to notify Dr. Tupper?—Mr. Nicholson.

15880. And did you do as you were told?—Yes, I saw Dr. Tupper and Sir John Macdonald.

Gave the notification but received no answer.

15881. And what did you notify them?—I notified them that the firm would be satisfied if they were going to divide it, and to take A; but that they would not take B without A, verbally.

15882. Did they answer you?—Well, I could not say; one way I suppose they spoke to me, but not officially.

15883. Did they answer you upon this subject, whether you could get A?—No; they did not.

15884. Where were they when you notified them?—Dr. Tupper was in his office, in this building over here, and Sir John was in his office in the other building.

15885. Do you know what time that was?—I think it was in the forenoon.

15886. Do you know what time of the week or month?—I could not say.

Telegraph—
Contract No. 42.

15887. Do you know what month it was?—I think the contract was let some time in February, and it was some time in January, it was.

This notification made some time in January.

15888. You think it was some time in January that you notified Sir Charles Tupper and Sir John Macdonald?—Yes.

15889. And you say you went to notify Sir Charles Tupper and Sir John Macdonald at the request of Mr. Nicholson?—Yes.

15890. And to the effect that you have mentioned, that they would take A if they wanted to divide the sections, but they would not take B?—Yes.

15891. Do you know why he thought it was proper to send you with a verbal message instead of sending it in writing?—I do not know, but I suppose they thought that we were pretty well acquainted.

15892. Who were pretty well acquainted?—Sir John, Dr. Tupper and myself. I told them after that I thought it would be better to notify them by letter.

15893. Did you understand that he, Nicholson, thought that the effect of your being pretty well acquainted with those gentlemen, would enable you to convey the fact, that the Nicholson firm did not mean to take B, better than if they had notified them in writing?—Yes; I suppose so.

Reasons why he thinks Nicholson sent notification through him instead of writing.

15894. He thought they would understand it better, because you were pretty well acquainted?—Yes.

15895. Do you know whether it was suggested that that perhaps would be a good plan to get A, because you were pretty well acquainted?—No; I did not suppose it would.

15896. Do you know of any other proposition made on the part of Nicholson & Co. to get section A, except in this conversation of yours?—No.

15897. Was nothing more said in this interview between you and those Ministers, except what you have described?—Nothing more to my knowledge.

Nothing happened in his interview with Ministers save that he gave them notice of the withdrawal of Morse & Co. from section B.

15898. I suppose you do not know whether they got section A, do you?—I do not think they did.

15899. Do you know whether that conversation at the hotel, when Mr. Boulton was present, was before Col. Smith went to New York?—Oh, yes; it was before ever there was any of their names mentioned in the firm.

Conversation at which Boulton was present took place before Col. Smith went to New York.

15900. Was it before the tender was put in?—No; I think it was after the tender was in. Shields and Close came down and told them that they were the lowest tender, for the whole, I think it was.

15901. Then it would be after the date for receiving the tenders?—Yes.

15902. Did you ever see that document since, that was read over that night?—I did not to my knowledge.

15903. Is there anything further about this negotiation or bargain, or anything connected with sections A or B, that you can tell us?—Not that I am aware of.

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15904. Is there any other matter connected with the Pacific Railway upon which you can give us information?—No; I never bothered about any of them since.

15905. Did you say that Mr. Marpole was present at that meeting?—I believe he was, to the best of my knowledge, in the hotel.

MARPOLE. RICHARD MARPOLE'S examination continued:

**Contracts Nos.
41 and 42.**

By the Chairman :—

15906. Have you heard the evidence of the last witness?—Yes.

15907. Were you present at that meeting when Mr. Close, Mr. Shields and Mr. Boulton were there?—Yes, I was.

The proposed arrangement with Close & Shields.

15908. Will you describe what the arrangement was which was proposed to be entered into then?—It simply relates to that agreement that Mr. Morse referred to in his evidence as an agreement made in Toronto covering the tender for the whole of C. I must explain to you, Mr. Chairman, the agreement in Toronto related to C only when it was discovered that we were the lowest for section B, or previous, they wanted us to alter the agreement to cover the whole section.

Understood that Boulton simply drew out agreement.

15909. Will you explain what part Mr. Boulton took in that matter?—I fancy, from what I understood from Mr. Shields, Mr. Boulton simply drew out the agreement. A new agreement would, of course, have to be drawn out. As far as I can learn, he took no further part than that. They would require a witness at the Windsor, Mr Morse declining, and Mr. Nicholson and Mr. Boulton had some words about it, but I do not remember exactly what was the tenor of it.

Boulton made no proposition on his own behalf.

15910. Was any proposition made by Mr. Boulton on his own behalf?—No, never; he said very little, except he stood there with the agreement. Mr. Shields did all the talking as he has always done.

15911. Was there any other proposition at any time, to your knowledge, either upon that occasion or any other, to the effect that Mr. Boulton should be interested in any way in this transaction?—Not to my knowledge.

15912. Or that the result of them should benefit him?—Not to my knowledge. I never spoke to Mr. Boulton until then concerning the contracts.

Not aware of any benefit to a Member of Parliament or officer of the Department.

15913. Are you aware of any offer in any shape, directly or indirectly, by which any Member of Parliament, or any officer of any of the Departments could be interested in this contract or in any other contract of the Pacific Railway?—No; not at all.

15914. Or in any tender?—No; nor in any tender.

15915. Is there anything else that occurs to you which ought to be explained?—Simply that I have heard Mr. McCormick's answers, and I fancy his visit to Sir Charles took place after the tenders were in, and not in January as he states. Of course, that is the only correction I have to make.

15916. Is there anything further that you wish to state?—Nothing further.