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ROYAL COMMISSION
ON
SHELL CONTRACTS

COMMISSIONERS:

The Honourable Sir WILLIAM MEREDITH, Knight, Chief Justice of Ontario.

The Honourable LYMAN POOLE DUFF, Justice of the Supreme Court.

SECRETARY:

J. A. RITCHIE, Esquire, Barrister-at-Law.

MINUTES OF EVIDENCE.

PART I



OTTAWA
PRINTED BY J. DE L. TACHÉ,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1916

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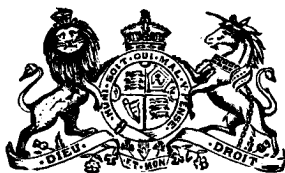
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TABLE OF CONTENTS.

	PAGE.
Preliminary Proceedings	1
Evidence of—	
Mr. David Carnegie	20
Recalled	1449
Mr. Thomas W. O'Neill	330
Sir Alexander Bertram	331
Recalled	1447
Recalled	1478
Mr. John Fosbery Orde	381
Mr. W. Lyon Brown	421
Mr. Thomas Cantley	446
Recalled	685
Mr. George W. Watts	469
Mr. Rufus L. Patterson	508
Mr. Lloyd Harris	554
Mr. Wilfrid Judson Hawkins	615
Mr. John A. Harris	644
Mr. William I. Banfield	689
Mr. Edwin B. Cadwell	709
Mr. Benjamin F. Yoakum	789
Recalled	956
Mr. Thomas Benson	819
Col. Frank D. Lafferty	831
Mr. C. Greville Harston	853
Mr. John William Borden	877
Mr. Joseph Wesley Flavelle	885
Mr. Charles B. Gordon	917
Col. J. Wesley Allison	1043
Recalled	1130
Recalled	1353
Mr. Ebenezer Carnegie	1092
Recalled	1344
Major-General Sir Sam Hughes	1193
Mr. Alexander Fowler Riddell	1280
Mr. Thomas A. Russell	1283
Major-General Henry Smith	1335
Miss Mabel G. Edwards	1349
Mr. William McBain	1354
Mr. Wilfrid I. Ohmer	1360
Mr. Edward F. Sise	1388

TABLE OF CONTENTS

	PAGE.
Mr. Joseph D. Hathaway	1393
Mr. Arthur Kirby	1402
Mr. Melville P. White	1412
Col. Herbert J. Mackie	1420
Argument by—	
Mr. Hellmuth	1486
Mr. Carvell	1495
Mr. Johnston	1562
Mr. Ewart	1577
Mr. Lafleur	1615
Mr. Henderson	1631
Mr. Atwater	1656
Mr. Laffamme	1663
Mr. Nesbitt	1677
Mr. Markey	1697



ROYAL COMMISSION

OTTAWA, April 19, 1916.

FIRST DAY.

The Royal Commission appointed to inquire into certain contracts made by the Shell Committee, met on the morning of Wednesday, April 19, 1916, at Ottawa.

PRESENT:

The Honourable Sir WILLIAM RALPH MEREDITH, Knight, Chief Justice of Ontario.

The Honourable LYMAN POOLE DUFF, Justice of the Supreme Court.

By direction of Sir William Meredith, the Commission was read:—

ARTHUR.

[Seal.]

CANADA.

GEORGE the FIFTH, by the Grace of God of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, King, Defender of the Faith, Emperor of India.

To all to whom these presents shall come, or whom the same may in any wise concern,

GREETING:

WHEREAS in and by an order of Our Governor General in Council bearing date the third day of April in the year of Our Lord one thousand nine hundred and sixteen (a copy of which is hereto annexed) provision has been made for a full and complete inquiry and investigation by Our Commissioners therein and hereinafter named into the following contracts made by the Committee known as the Shell Committee, hereinafter called the Shell Committee, namely, a contract bearing date nineteenth day of June, A.D. 1915, between the International Arms and Fuse Company, a body politic and corporate, and the Shell Committee; a contract bearing date the nineteenth day of June, A.D. 1915, between the American Ammunition Company, Incorporated, a body politic and corporate, and the Shell Committee; by each of which contracts the Shell Committee agreed to purchase from the respective companies aforesaid a quantity of fuses of the description and upon the terms therein stated. Also a contract constituted by an order bearing date on or about the 16th day of July, 1915, given by the Shell Committee to the Edwards Valve Company of Chicago and accepted by that company, by which order the Shell Committee agreed to purchase a quantity of cartridge cases of the description and upon the terms therein stated. Also an alleged contract between the Shell Committee and the Providence Chemical Company of St. Louis by which contract the Shell Committee agreed to purchase a quantity of Picric Acid, if it should appear that the said Shell Committee has entered into such contract, and each of the said contracts, and into the acts and proceedings of the Shell Committee, whether by themselves or by any other person or persons directly or indirectly, and of the Minister of Militia and Defence, whether by himself or by any other person or persons directly or indirectly in relation thereto or in connection therewith and into

the negotiations therefor, the profits or prospective profits arising thereunder, the disposition, division or allotment of such profits or prospective profits, or of any commission or reward for procuring the said contracts or any of them and as to the persons interested in any such profits, prospective profits, reward or commissions, and generally speaking into all other acts, transactions and matters of every kind relating to the said contracts and each of them. Also to inquire into such other matters relating to the acts or proceedings of the Shell Committee as may be referred to Our said Commissioners by Order in Council from time to time.

NOW KNOW YE, that by and with the advice of Our Privy Council for Canada, We do by these presents nominate, constitute and appoint the

Honourable Sir WILLIAM RALPH MEREDITH, Knight, Chief Justice of Ontario, and the Honourable LYMAN POOLE DUFF, a Judge of the Supreme Court of Canada, to be Our Commissioners to conduct such inquiry, with all reasonable diligence. To have, hold, exercise and enjoy the said office, place and trust unto the said Sir WILLIAM RALPH MEREDITH and LYMAN POOLE DUFF, together with the rights, powers, privileges and emoluments unto the said office, place and trust, of right and by law appertaining, during pleasure.

AND WE do hereby, under the authority of the Revised Statute respecting inquiries concerning public matters, confer upon Our said Commissioners, the power of summoning before them any witnesses and of requiring them to give evidence on oath, or on solemn affirmation if they are persons entitled to affirm in civil matters, and orally or in writing, and to produce such documents and things as Our said Commissioners shall deem requisite to the full investigation of the matters into which they are hereby appointed to examine.

AND WE in pursuance of the Statute in that behalf do hereby further authorize and empower Our said Commissioners to engage the services of such accountants, engineers, technical advisers, or other experts, clerks, reporters and assistants, as they may deem necessary or advisable, also the services of Counsel to aid and assist Our said Commissioners in the inquiry, and also to have and exercise the other powers specified in chap. 28, 2 George V, intituled "An Act to amend the Inquiries Act."

AND WE do hereby require and direct Our said Commissioners to report to His Royal Highness Our Governor General in Council the result of their investigation together with the evidence taken before them.

IN TESTIMONY WHEREOF WE have caused these Our Letters to be made Patent, and the Great Seal of Canada to be hereunto affixed.

WITNESS: Our Most Dear and Entirely Beloved Uncle and Most Faithful Counsellor, Field Marshal His Royal Highness Prince Arthur William Patrick Albert, Duke of Connaught and of Strathearn, Earl of Sussex (in the Peerage of the United Kingdom); Prince of the United Kingdom of Great Britain and Ireland; Duke of Saxony, Prince of Saxe-Cobourg and Gotha; Knight of Our Most Noble Order of the Garter; Knight of Our Most Ancient and Most Noble Order of the Thistle; Knight of Our Most Illustrious Order of Saint Patrick; One of Our Most Honourable Privy Council; Great Master of Our Most Honourable Order of the Bath; Knight Grand Commander of Our Most Exalted Order of the Star of India; Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George; Knight Grand Commander of Our Most Eminent Order of the Indian Empire; Knight Grand Cross of Our Royal Victorian Order; Our Personal Aide-de-Camp, Governor General and Commander-in-Chief of Our Dominion of Canada.

At Our Government House, in Our City of Ottawa, this third day of April, in the year of Our Lord, One thousand nine hundred and sixteen, and in the sixth year of Our Reign.

By command,

THOMAS MULVEY,

Under Secretary of State.

E. L. NEWCOMBE,
Deputy Minister of Justice,
Canada.

P.C. 775.

CERTIFIED COPY of a Report of the Committee of the Privy Council, approved by His Royal Highness the Governor General on April 3, 1916.

The Committee of the Privy Council have had before them a report, dated March 31, 1916, from the Right Honourable Sir Robert Laird Borden, the Prime Minister, respecting the desirability of appointing a Royal Commission to inquire into certain contracts made by a Committee (known as the Shell Committee and herein referred to by that designation) of which General Sir Alexander Bertram was Chairman.

The Prime Minister observes that the Committee was constituted for the purpose of acting for the Government of the United Kingdom (hereinafter referred to as the British Government) and especially for the War Office and afterwards the Ministry of Munitions, in giving orders under the directions and subject to the approval of the British Government, for shells required for the purposes of the present war; and that the expenditure made by the Shell Committee for that purpose was on behalf of the British Government.

The Prime Minister further observes that on the evening of Tuesday, March 28, in the course of a debate upon a motion previously moved by Sir Wilfrid Laurier, Mr. George W. Kyte, one of the members of the House of Commons, made certain observations with respect to the contracts hereinafter mentioned which had been entered into by the Shell Committee on behalf of the British Government.

The Prime Minister also observes that on Thursday, the 30th day of March, he made an announcement in the House of Commons with respect to the matters alluded to by Mr. Kyte, a copy of which announcement is hereto appended.

The Prime Minister considers that having regard to the considerations set forth in the said announcement it is desirable that a commission under Part One of the Inquiries Act be issued for the purpose of making a full and complete inquiry and investigation into the following contracts made by the Shell Committee, namely, a contract bearing date 19th day of June, A.D. 1915, between the International Arms and Fuse Company, a body politic and corporate and the Shell Committee; a contract bearing date the 19th day of June, A.D. 1915, between the American Ammunition Company Incorporated, a body politic and corporate and the Shell Committee; by each of which contracts the Shell Committee agree to purchase from the respective companies aforesaid a quantity of fuses of the description and upon the terms therein stated. Also a contract constituted by an order bearing date on or about the 16th day of July, 1915, given by the Shell Committee to the Edwards Valve Company of Chicago and accepted by that company, by which order the Shell Committee agreed to purchase a quantity of cartridge cases of the description and upon the terms therein stated. Also an alleged contract between the Shell Committee and the Providence Chemical Company of St. Louis, by which contract the Shell Committee agree to purchase a quantity of picric acid, if it should appear that the said Shell Committee has entered into such contract.

The Prime Minister, therefore, recommends that a Commission for the purposes aforesaid do issue under the said Part One of the Inquiries Act directed to the Honourable Sir William Ralph Meredith, Kt., Chief Justice of Ontario, and the Honourable Lyman Poole Duff, one of the Justices of the Supreme Court of Canada, authorizing and requiring them with all reasonable diligence to make full and complete inquiry into the contracts aforesaid and each of them and into the acts and proceedings of the Shell Committee, whether by themselves or by any other person or persons directly or indirectly, and of the Minister of Militia and Defence whether by himself or by any other person or persons directly or indirectly in relation thereto or in connection therewith and into the negotiations therefor, the profits or prospective profits arising thereunder, the disposition, division or allotment of such profits, or prospective profits, or of any commission or reward for procuring the said contracts or any of them and as to the persons interested in any such profits, prospective profits, reward or commissions, and generally speaking into all other acts, transactions and matters of every kind relating to the said contracts and each of them and to report the result of such inquiry with the evidence taken therein. Also to inquire into such other matters relating to the acts or proceedings of the Shell Committee as may be referred to the said Commissioners by Order in Council from time to time and to report the result of any such further inquiries with the evidence taken therein.

The Prime Minister further recommends that the said Commissioners, for the purposes of the proposed inquiry, shall have all powers and authorities which could be conferred upon them by the Inquiries Act, Part One, including the powers and authorities mentioned or described in the eleventh section thereof as the same is enacted by the Act II, George V (1912), Chapter 28, intituled: "An Act to amend the Inquiries Act."

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

F. K. BENNETTS,

Assistant Clerk of the Privy Council.

SHELL CONTRACTS.

PROPOSED APPOINTMENT OF ROYAL COMMISSION.

On the Orders of the Day:—

Right Hon. Sir ROBERT BORDEN (Prime Minister): Mr. Speaker in the course of the debate upon the motion by the Right Hon. Leader of the Opposition for an investigation into the operations of the Shell Committee, I used the following language:—

"Now, what course does the Government propose to take with regard to the motion which my right hon. friend has proposed to this House? As far as the Shell Committee is concerned—I shall speak afterwards of another matter—our proposal is this. We shall direct the attention of the British Government in detail to every charge, allegation and rumour brought up in this House or elsewhere by my right hon. friend, or by any of his supporters with regard to the Shell Committee. We shall further inform the British Government that if an inquiry is thought advisable we are prepared to co-operate with them to the fullest extent, and to issue any commission, take any proceedings, pass any legislation, and do any other act for the purpose of making that inquiry as full, thorough and complete as they deem advisable. But without their consent or approval, we do not propose to enter upon an investigation or inquiry into such expenditures by the British Government."

SHELL CONTRACTS COMMISSION

And further on I spoke as follows:—

"If, however, he or any of his followers has a charge to make against any member of the Government with respect to the Shell Committee, or with respect to anything else, let him or his followers stand up in his place, and on his responsibility as a member, make that charge, and it will be investigated thoroughly and completely."

Again I said:—

"But there is something else to be said, and I repeat that, if my right hon. friend, or any of his followers, has any charge to make against a member of the Government in regard to any of these matters, let him make that charge in distinct and understandable terms, and he will have the investigation so soon as he so desires."

Again I said:—

"So far as our own affairs are concerned, so far as the actions of the members of the Government are concerned, these stand upon a different basis, and as to these I shall be prompt to accept any challenge that my right hon. friend or any of his followers may see fit to make in this House."

If a member of this House desires to make a charge against any member of the Government, or any member of the House, the proper course is for him to rise in his place, make a personal statement on his responsibility as a member of the House, and conclude the statement with a charge. This has not been done, and thus the course which I am about to announce is, strictly speaking, not demanded by any action which hon. gentlemen opposite have taken. No one of them has arisen in his place and taken the responsibility of making a charge in the sense above set forth.

The hon. member for Richmond, N.S. (Mr. Kyte), however, made statements late on Tuesday evening as to the connection of the Minister of Militia with certain contracts entered into by the Shell Committee, and as to enormous profits or commissions arising out of these contracts to certain companies which he mentioned. It is alleged that Mr. J. Wesley Allison had a very large interest in those profits or commissions and it is suggested that through his influence with the Minister of Militia, the Shell Committee were induced to make the contracts in question. The Minister of Militia and Defence had previously stated to the House his close relationship to Mr. J. Wesley Allison, and his great confidence in that gentleman.

Having regard to the considerations, I think it desirable that an inquiry should be made into the fuse contracts made by the Shell Committee with the American Ammunition Company and the International Arms and Fuse Company, and the Cartridge-Case contract made by the Shell Committee with the Edwards Valve Company.

Upon careful inquiry I cannot find that any of the other contracts, out of which it is alleged by the hon. member for Richmond that J. Wesley Allison obtained profits or commissions, were made either by the Shell Committee or by any department of the Government of Canada. However, as it has been alleged that the Shell Committee made a contract with the Providence Chemical Company of St. Louis, that alleged contract will be included.

I therefore propose to recommend to His Royal Highness the Governor General that a Royal Commission shall issue appointing one or more judges to make a thorough investigation into these four contracts and all matters connected therewith.

Since preparing the above statement, I have communicated with the two gentlemen whom I desired to appoint to the Commission, and I have received their consent to act. They are Sir William Meredith, Chief Justice of the Province of Ontario, and Mr. Justice Duff of the Supreme Court of Canada. Two counsel will be appointed by the Government to act with the Commission and to assist them. One of these counsel will be named by the Government; the other will be named by the right hon. gentleman who leads the Opposition. Yesterday I addressed the following cablegram to the Minister of Militia and Defence:

OTTAWA, March 29, 1916.

HUGHES, London.

Following is synopsis of Kyte's statement in Shell Committee debate last evening. (Begins): On May twenty-fifth American Ammunition Company was incorporated. Minimum capital one thousand dollars and maximum one million. On June nineteenth last a contract was made between the Shell Committee and this company for the purchase of two million five hundred thousand fuses. It was signed by E. B. Cadwell as president of company, by General Bertram for Shell Committee and ratified and confirmed by General Hughes "in accordance with authority duly conferred upon me by His Britannic Majesty's Government." There was to be an advance of dollars one million forty-one thousand six hundred on execution of agreement; and dollars five hundred and twenty-three thousand eight hundred during first four months to assist company in financing contract. On June tenth, nineteen fifteen, ten days previously, an agreement had been made between B. F. Yoakum, E. W. Bassick and Cadwell reciting that Shell Committee had agreed to purchase two million five hundred thousand fuses from a manufacturer to be designated by E. B. Cadwell and Company, that Yoakum, Bassick and Cadwell and Company were together instrumental in negotiating and effecting said contract, that Cadwell and Company, Yoakum and Bassick were together entitled to receive as their commission for negotiating and effecting said contract the sum of one million dollars in

the whole being at the rate of forty cents per fuse. The agreement went on to divide this amount four hundred and seventy-five thousand to Yoakum, two hundred and seventy-five thousand to Bassick and two hundred and fifty thousand to Cadwell and Company. The total was to be received by Cadwell and Company in first instance in trust for all Yoakum and Bassick agree to continue to use their best endeavours to bring about the execution and delivery by said Shell Committee of said contract for two million five hundred thousand fuses. Following or annexed to this is an agreement signed by the American Ammunition Company by E. B. Cadwell, president, to cause to be paid to Cadwell and Company forty cents per fuse in accordance with the foregoing agreement if the contract for two million five hundred thousand fuses in such agreement mentioned is granted to us in acceptable form by Canadian authorities. At some date prior to January, nineteen fifteen, J. Wesley Allison and Eugene Lignanti had entered into an agreement to use their best endeavours for their mutual profit to procure as brokers contracts for supplies of exports to certain European countries. Later Benjamin F. Yoakum became associated with them. In September, nineteen fifteen, apparently because it was decided that Lignanti should withdraw, an agreement was made fixing the terms upon which certain commissions and profits should be divided among them. This agreement recites that Yoakum procured contract of June nineteenth for American Ammunition Company from Shell Committee and declares Lignanti entitled to fifty thousand dollars out of payments by company to Yoakum. Kyte asserts Allison and Yoakum were to share together in amounts remaining after Lignanti was paid. Then he alleges another contract procured by Yoakum from Shell Committee for Edward Valve Company to furnish five hundred thousand cartridge cases and that twenty thousand dollars commission less two thousand five hundred paid to Lignanti was to be divided between Yoakum and Allison. Kyte also alluded to many other transactions in which Yoakum and Allison were to receive and divide commissions of very large amounts but on inquiry none of them are found to relate to Shell Committee. (End synopsis.) I propose issuing Royal Commission forthwith to investigate fuse and cartridge case contracts and it is necessary that you return immediately for purpose of inquiry.

BORDEN.

To this I have received the following reply:—

LONDON, March 30, 1916.

Prime Minister,
Ottawa.

Please state to House on my behalf that I have no improper connection with contracts referred to, or any other contracts. If any suggestion to the contrary is made I respectfully demand full investigation by the judicial tribunal presided over by Sir Charles Davidson. I shall sail first available boat.

SAM HUGHES.

I also addressed yesterday a cable to Sir George Perley giving a synopsis of Mr. Kyte's statements in the House in the same words as the synopsis cabled to General Sir Sam Hughes, and concluding as follows:—

The Minister's relation to Allison as described by himself in Parliament is so close that, although the expenditure is by the British Government and although such inquiries are unusual during progress of war, I feel it my duty to have Royal Commission issued forthwith to inquire into matters relating to Shell Committee above outlined, namely, fuse contract with American Ammunition Company and Cartridge Case contract with Edwards Valve Company. Please inform Colonial Secretary.

BORDEN.

I omitted to mention in that despatch one of the contracts to which I have alluded, so I despatched to Sir George Perley this morning a further message:—

OTTAWA, March 30, 1916.

PERLEY, Dominion,
London.

Referring to my message of yesterday the Commission will include inquiry into contracts made by the Shell Committee with the International Arms and Fuse Company and a contract of which we can find no trace alleged to have been made by the Shell Committee with the Providence Chemical Company of St. Louis for picric acid. Please inform Colonial Secretary.

BORDEN.

To neither of these messages to Sir George Perley have I yet received any reply.

Right Hon. Sir WILFRID LAURIER: Mr. Speaker, I regret to have to say to my right hon. friend and to the House that the proposal which he makes is absolutely unacceptable. If there is to be an inquiry, as he admits there ought to be an inquiry, that inquiry is to be made in this high court of Parliament. When Parliament is sitting no other court is acceptable. Therefore I ask for the resumption of the discussion upon my motion.

Sir ROBERT BORDEN: We will appoint a day to resume the discussion, I was not at all sure that any efforts the Government might make would satisfy my right honourable friend; but I am more concerned with the question as to whether this proposal will satisfy the people of this country. I am absolutely convinced that it will satisfy them. I have announced the appointment of two judges whose names, I believe, will command confidence throughout the length and breadth of this country, and I have given to my right hon. friend the right to name one of the counsel to assist that commission. If that does not satisfy him I am sure that any efforts on my part would be absolutely incapable of affording satisfaction to him.

Sir WILFRID LAURIER: There is a way, and that is to grant a committee. That is all I ask; nothing less and nothing more. I again ask to have the discussion on my motion resumed.

Sir ROBERT BORDEN: I will inform my right hon. friend later as to that.

Sir WILLIAM MEREDITH: The inquiry is now open. The first thing will be to ascertain who appear upon the inquiry. I notice a number of counsel here.

Mr. I. F. HELLMUTH, K.C.: The Government of Canada have appointed two counsel to assist the commission in its inquiry, one of the counsel is nominated by the Government, and one is nominated by Sir Wilfrid Laurier, but appointed by the Government. I have been both nominated and appointed by the Government, and my learned friend, Mr. Johnston, has been nominated by Sir Wilfrid Laurier and appointed by the Government. Our duties, as far as I understand them, are to assist the inquiry of the commission by producing anything and everything which may throw light upon and elucidate the special contracts that are referred to, or which in any way have a bearing upon them. I do not conceive that the position, speaking for myself at all events, is to act in the interests of anything but the ascertainment of the actual facts and the truth in reference to this matter, irrespective of who may be implicated, or whether it does or does not implicate any one. I have no instructions from the Government to take any other course than that which is set forth in the commission that has been read, and in the Order in Council. My duty is to assist the commission.

Sir WILLIAM MEREDITH: Does anybody appear with you, Mr. Hellmuth?

Mr. E. F. B. JOHNSTON, K.C.: Yes, I appear with Mr. Hellmuth, but I ask your indulgence before I fully decide upon the course I may take, and for this reason: I received a note from the Premier on Monday, and the question came up as to what instructions would be given. Mr. Hellmuth was here at the time, I was not in Ottawa and I was not able to ascertain really what was required of me. I therefore went this morning to see the Minister of Justice who seems, very naturally, to have some charge of this matter. He was absent, but I saw the Solicitor General. I have received, at this moment almost, a letter containing instructions which I have not had time to consider. But that need not disturb the action of the commission for a moment or stop any action required to be taken for going on with the investigation, for this reason: that whatever is arranged for here will be suitable to myself or to any one who may represent me in the event of there being any difficulty about the instructions. If the case is enlarged for the purpose of taking evidence I feel quite free to say that I will agree with what has been done in that respect.

Sir WILLIAM MEREDITH: Does anybody else appear with you, Mr. Johnston?

Mr. JOHNSTON: No.

Sir WILLIAM MEREDITH: You have no junior?

Mr. JOHNSTON: I have a junior, but not named; Mr. Grant is with me, but that is more or less personal at the present time.

Sir WILLIAM MEREDITH: Is anybody else represented?

Mr. J. S. EWART, K.C.: Mr. Lafleur, K.C., of Montreal, appears with me for Major-General Sir Sam Hughes.

Mr. WALLACE NESBITT, K.C.: I appear with Mr. Laflamme, K.C., for the Shell Committee.

Mr. G. F. HENDERSON, K.C.: I appear on behalf of Mr. J. Wesley Allison, whose name figures in the matter somewhat.

Capt. HAROLD DALY: I appear to watch proceedings on behalf of the Department of Militia and Defence.

Mr. F. B. CARVELL, K.C., M.P.: Up to a few hours ago we had confidently expected that Mr. Johnston would appear here as counsel for the Opposition in general and Mr. Kyte in particular. In view of the position in which he finds himself now, as stated by himself, I desire to appear here as counsel for Mr. Kyte. I hope that things may be so arranged that Mr. Johnston will be able to take that position in its fullest sense. If not, I shall ask to have other counsel associated with me. We shall ask the right to call, examine and cross-examine witnesses, to ask for the production and the right to inspect all papers or public documents bearing upon the case, and anything else that is right and proper in view of the circumstances. I can only say that I sincerely hope that Mr. Johnston will find himself able to take that important position.

Sir WILLIAM MEREDITH: Then the next thing to be done will be to arrange when we shall begin the serious work of the commission—the taking of evidence. Everybody desires that the work of the commission shall be completed as quickly as possible. I suppose that is the wish of everybody concerned. What is your view, Mr. Hellmuth, about when we should meet to examine witnesses and to begin the inquiry?

Mr. HELLMUTH: I should think that perhaps the earliest time at which we could meet would be after the Easter holidays. Friday and Easter Monday are holidays; so that it will be impossible to have witnesses here before Tuesday or Wednesday of next week.

Sir WILLIAM MEREDITH: Would it not be possible to begin on Tuesday?

Mr. HELLMUTH: I do not say that it would not be.

Mr. CARVELL: Speaking especially for Mr. Kyte and myself, both being members of Parliament, it would be very much more convenient if the inquiry could be adjourned until Wednesday. This is the situation: Unfortunately, there is no train leaving the Maritime Provinces on Sunday, and we either have to leave home on Saturday afternoon or wait until Monday afternoon, when we could not arrive, under the most favourable circumstances, before twelve o'clock on Wednesday. Of course, if the commission decides to meet on Tuesday, we cannot have our Easter vacation.

Sir WILLIAM MEREDITH: There is no objection to Wednesday. Counsel will have to double up their work so as to make up for lost time.

Mr. JOHNSTON: What provision will you make for subpœnas? They are most important.

Sir WILLIAM MEREDITH: If you hand in the names of your witnesses to the secretary—Mr. Owens is only acting temporarily, but he may be permanent—the subpœnas will issue.

Mr. JOHNSTON: We had better have the list handed to the Government or to some official, or to Mr. Owens, in order that the Government may have these witnesses produced here. Of course, there is no private individual represented by Mr. Hellmuth or myself who could attend to that.

Sir WILLIAM MEREDITH: I suppose care will have to be taken not to have too many witnesses brought here at the same time. You will have to have them in batches so that they can be examined promptly.

Mr. JOHNSTON: I am more concerned with getting the subpoenas ready. They will have to be printed.

Sir WILLIAM MEREDITH: Mr. Justice Duff will look after that. I am going back to Toronto to-morrow. He has been kind enough to say that he will look after that part of it.

Mr. HELLMUTH: Will the subpoenas be available within a day or so, say next Monday, because I think it will be necessary for some of us to be here?

Sir WILLIAM MEREDITH: There is no reason why they cannot be ready.

Mr. JOHNSTON: Mr. Justice Duff will direct the form to be used, and then they can be issued.

Sir WILLIAM MEREDITH: Will they require the signature of both commissioners?

Mr. HELLMUTH: No.

Mr. JOHNSTON: One, in a former Royal Commission, was sufficient.

Mr. JUSTICE DUFF: They could be signed by one commissioner on behalf of the commission.

Mr. JOHNSTON: Yes.

Mr. CARVELL: Could some arrangement be made by which we could have the opportunity of inspecting documents? That will very much expedite the work. If we come here on Wednesday without having had any opportunity of inspecting documents it probably will mean a day's delay. When we begin here, as far as we are concerned, the first witness we should like to call would be Mr. Flavell, or whoever would be the proper official of the Munitions Board, for the production of documents bearing on the case. We also wish the right to examine and produce certain files and documents in the Department of Militia and Defence. I realize that now I am opening up a pretty broad question, but it is only with the idea of furthering the end in view that I make this request.

Sir WILLIAM MEREDITH: I think the best course is to ask Mr. Hellmuth, or the Department, if he, or it, has any objection to the production of these papers. If it cannot be arranged between counsel, it can be mentioned to the commissioners and they will rule.

Mr. CARVELL: As counsel for Mr. Kyte, will I be compelled to go to Mr. Hellmuth, state to him my case and my desires, and ask his grace to give me this information, or shall I come to this commission and ask it as a matter of right?

Sir WILLIAM MEREDITH: It is very difficult to compel a member for Parliament to do anything, Mr. Carvell.

Mr. CARVELL: No, sir, because whatever the commission says I will respect.

Sir WILLIAM MEREDITH: I suppose, Mr. Hellmuth, you do not want to insist on that?

Mr. HELLMUTH: I do not desire in any way to be looked on as hampering in the slightest degree the fullest presentation by Mr. Carvell, or Mr. Kyte, or Mr. Anybody Else, of any evidence; nor do I desire that I should have to pass upon it at all. I do not want to take that position for one moment. If there are any documents that they desire I do not think it would be at all my duty to say that I have to pass upon them. I would be only too glad to assist in the bringing out of anything that any one either acting for Mr. Kyte or any parties whose names have been mentioned, desire brought out. If they do not want to bring these documents out themselves I will be very glad to bring them out.

Sir WILLIAM MEREDITH: When shall we meet again? Who is going to commence?

Mr. HELLMUTH: As that privilege is mine and as some explanation might be made by me as to the method of beginning, I would say what has occurred to me. Of the contracts in question, two, at all events, were made by the Shell Committee, and they were signed, if my recollection is correct, by Sir Alexander Bertram. I think that Sir Alexander Bertram ought to be called before the commission and ought to explain the circumstances as he knew them. I have not seen him, but these contracts were signed and dealt with by him and we ought to get him to tell the entire story as far as his knowledge of the matter goes, open, of course, to such questions as counsel for anybody choose to put to him. It struck me that that would be the opening. If the papers are all in the possession of Mr. Flavelle, the Chairman of the Munitions Board, I can quite see, as Mr. Carvell has said, that they should be produced here, and Mr. Flavelle, or somebody, would have to bring them here. It may be that a number of these witnesses may want to come voluntarily.

Sir WILLIAM MEREDITH: Mr. Flavelle is a very busy man, and if some other person in his department could bring the documents it might be more convenient.

Mr. HELLMUTH: So long as we get them, yes.

Mr. JOHNSTON: Only that Mr. Flavelle has facts of which he might speak personally. If the matter is left to Mr. Hellmuth and myself as to the order of the business, we will see how these documents turn out, what they are and what should be produced.

Sir WILLIAM MEREDITH: I think it would be necessary to have the contracts first.

Mr. JOHNSTON: Yes, I think Mr. Flavelle is the custodian of the documents of the Shell Committee, as well as of the Imperial Munitions Board.

Sir WILLIAM MEREDITH: Well, you arrange that between yourselves.

Mr. EWART: As far as the production of documents is concerned, I think I can relieve my learned friends of all difficulty. I have no doubt that Mr. Flavelle will allow the Minister to have possession of all the important documents which are needed here for the purposes of this inquiry, and will produce them without subpoena.

Mr. CARVELL: Do I understand they come to the Minister or straight to this commission? We wish the right to inspect certain documents.

Mr. EWART: Quite so; you shall have that.

Mr. JOHNSTON: They must be in the custody of the commission, I should think. However, perhaps we are fighting over trifles.

Sir WILLIAM MEREDITH: If you are not agreed when we meet again we can settle any difficulty.

Mr. JOHNSTON: Mr. Hellmuth and I can settle these questions.

Sir WILLIAM MEREDITH: There is the question of the employment of a stenographer to report the proceedings. Mr. Butcher has very good facilities for reporting rapidly and getting out a large number of copies. Mr. Nield, of Toronto, is also an applicant for the position. Mr. Butcher's idea was that perhaps forty copies would be needed. What is your idea about that?

Mr. HELLMUTH: I should think twenty copies would be sufficient. I would like to have two for myself, because I would like one for my assistant.

Sir WILLIAM MEREDITH: There ought to be no dearth of copies.

Mr. HELLMUTH: Twenty or twenty-five, I should think, ought to be ample.

Mr. CARVELL: I think twenty-five will be quite sufficient.

Mr. HENDERSON: Is it the intention of the commission to sit from day to day?

Sir WILLIAM MEREDITH: Day and night, Sunday and week days, if necessary—not Sundays in deference to my brother Duff here, but with that exception.

Mr. CARVELL: I suppose you will give us Saturday afternoon?

Sir WILLIAM MEREDITH: Well, we will be merciful; it depends upon how you work.

Mr. NESBITT: What hours are the commission going to keep?

Sir WILLIAM MEREDITH: What hours would counsel like? There are a great many more counsel than commissioners—what would they like?

Mr. JOHNSTON: From ten o'clock to five o'clock.

Sir WILLIAM MEREDITH: With an hour out?

Mr. HELLMUTH: An hour and a quarter.

Sir WILLIAM MEREDITH: Between one and two o'clock?

Mr. HELLMUTH: Between one and half-past two. If we could sit from ten in the morning to one, and from half-past two to five—

Sir WILLIAM MEREDITH: You are cutting off a quarter of an hour.

Mr. HELLMUTH: It will be even then a pretty long day. That gives us five and a half hours in a day, and it is an hour and a half longer than a court day.

Sir WILLIAM MEREDITH: You would not like to start earlier in the morning?

Mr. HELLMUTH: No.

Sir WILLIAM MEREDITH: I see it stated that some of the departments begin work at eight o'clock. Well, is it arranged that we shall sit from ten to one and from half-past two to five?

Mr. HELLMUTH: Yes.

Sir WILLIAM MEREDITH: We will meet on Wednesday?

Mr. HELLMUTH: Yes, ten o'clock on Wednesday.

Sir WILLIAM MEREDITH: Ten o'clock Wednesday. That will suit you, Mr. Carvell?

Mr. CARVELL: Yes.

(The commission thereupon adjourned to meet in the Board Room of the Board of Railway Commissioners at 10 a.m. on Wednesday, April 26, 1916.)



ROYAL COMMISSION

OTTAWA, April 26, 1916.

SECOND DAY.

MORNING SESSION.

The Royal Commission appointed to inquire in to certain contracts made by the Shell Committee, met on the morning of Wednesday, April 26, 1916, at Ottawa.

PRESENT:

The Honourable Sir WILLIAM RALPH MEREDITH, Knight, Chief Justice of Ontario.

The Honourable LYMAN POOLE DUFF, Justice of the Supreme Court.

Mr. J. A. RITCHIE was duly sworn as clerk of the court.

Mr. ATWATER: My lord, as I was not present at the opening sittings last week I desire to enter an appearance on behalf of the International Arms and Fuse Company, New York. It is one of the companies that was mentioned in the charges, the subject of this inquiry, as having received a contract from the Shell Committee for 2,500,000 time fuses.

I shall be prepared, my lord, when I have an opportunity, to make a statement in regard to the company.

Sir WILLIAM MEREDITH: Well, who is the first witness?

Mr. JOHNSTON: With your permission, I desire to refer to the statement that I made at the opening a week ago. At that time the matter had not reached the conclusion that might be considered entirely satisfactory to all the parties concerned, and I was rather in doubt at the moment as to what my status in this investigation was or might be. I received a letter from the Solicitor General on the 19th of April, indeed at the same time that the commission met, in which he says:—

“Referring to our conversation of a few moments ago relative to your position as counsel to assist the Royal Commission composed of Sir William Meredith and Mr. Justice Duff in investigating the facts connected with the matters laid before this commission, I wish to state in writing the position of the Government as stated by me in such conversation.

“You have been appointed by the Government at the nomination of Sir Wilfrid Laurier, and Mr. I. F. Hellmuth, K.C., has been appointed by the Government of their own nomination, the desire of the Government and the full instructions of the Government to both of you being to assist the Commission in investigating to the bottom any and all facts connected with the

matters laid before the commission, and in arriving at the whole truth in relation thereto. In so far as the Government is concerned, you shall have the fullest liberty in the method you feel you should adopt in the conduct of your part of the investigation. If you desire to conduct your work as one attacking the Shell Committee, or any member of the Government in the matters concerned before the commission, and to confine yourself solely to such attack, then I have to repeat what I said in the conversation, that the Government has no objection whatever to your doing so, nor is it our desire to place any restraint upon you. In so far as your suggestion of this morning involved the taking up of the defensive position by the other counsel for the commission, Mr. Hellmuth, we must refuse to so instruct him. The instructions to him are the same as those to yourself, namely, to assist by every means in his power in getting at the facts."

I do not read the last paragraph because that relates entirely to a personal matter.

I will put in and file with you as Exhibit 1, or whatever number it may be, a copy of the Honourable Solicitor General's letter to me of the 19th of April, 1916. I will do that some time through the day.

(Copy of such letter to be filed as Exhibit 1.)

Then the matters, of course, have been more or less discussed since the opening, and some little different arrangement has been made in regard to counsel, or rather not as to counsel, but as to assistants. I understand that the policy of both Mr. Hellmuth and myself will be, so far as possible, to exhaust, either in examination or in cross-examination any witness perhaps allotted by mutual consent to either of us, or in such way as we may devise so that there shall not be a multiplicity of examinations in chief and cross-examinations and so forth in order that we may keep the matter within reasonable bounds.

But in order to assist Mr. Carvell, who may not be here owing to personal reasons and sickness in the family, it is necessary that he should have further assistance in regard to the Kyte representations, and my suggestion to him, with which he agrees, is that Mr. F. H. Markey, K.C., and Mr. S. W. Jacobs, K.C., of Montreal, should be at least recognized, not as counsel taking any active part in this investigation, but assisting Mr. Carvell in such a way as he may desire, in order that they may feel that they are not intruding upon the work that is before this body.

Then as to letters and documents that may be filed or that may be used in connection with this matter, we have been unable to get copies, not on account of any refusal on the part of the Munitions Board or the Shell Committee, but because some doubt seems to exist as to what should or should not be produced. I mention this because it may be necessary a little later on when Mr. Hellmuth will put in these documents which we think proper and desirable should be put in, to ask the indulgence of the commission for a time in order to allow us to read such documents and consider them.

Sir WILLIAM MEREDITH: You will have all night to do that.

Mr. JOHNSTON: Of course, we have as many hours in the day as anybody else has, I admit that; at the same time I do not suppose we will gain much—

Sir WILLIAM MEREDITH: We will try and meet your convenience.

Mr. JOHNSTON: I merely mention that so as to make it clear that any adjournment or any time given to us for the purpose of examining these documents will not be looked upon as delaying or unnecessarily interfering with the progress of the commission, the work of which we are as desirous of facilitating as the commissioners themselves can be.

Sir WILLIAM MEREDITH: What was the arrangement about Saturday?

Hon. Mr. DUFF: We had no arrangement.

Sir WILLIAM MEREDITH: There was some discussion about Saturday.

Mr. JOHNSTON: There was some discussion about Mr. Carvell not being able to be here on Saturday. I think that was it. I do not know that it was noted in the report of the proceedings.

Sir WILLIAM MEREDITH: What is the wish of counsel in regard to that?

Mr. JOHNSTON: If I may suggest, I think Saturday afternoon ought to be free. We have got into the habit in Toronto of taking the afternoon for cleaning up things generally, and we look forward to it.

Then Mr. Hellmuth suggests to me, what about Saturday? Saturday is a day that could only be occupied perhaps half the time, and it might be necessary for counsel to leave on Friday night for the purpose of—

Mr. EWART: It is very difficult for us to hear.

Sir WILLIAM MEREDITH: If you would stand back a little further, Mr. Johnston.

Mr. JOHNSTON: I cannot; the next trench is occupied. I say in regard to the Saturday question counsel I think feel, or will feel, that Saturday ought to be allotted to them for their own work and their own pressure of business. It is a difficult matter to be occupied the whole week without suffering very serious loss. Perhaps appointments might be made for that day.

Sir WILLIAM MEREDITH: That might be utilized for the purpose you have just mentioned.

Mr. JOHNSTON: It would be utilized by some of the junior gentlemen who are with me. I am speaking rather more in regard to my own personal attitude, and I am sure Mr. Hellmuth will find lots to do, and all these learned counsel on the other side and at the back of me will find Saturday a very useful day.

Sir WILLIAM MEREDITH: If it is the general wish that we ought not to sit on Saturday, well and good.

Mr. HELLMUTH: I think, Messrs. Commissioners, if we could have Saturday it would not be any loss of time to the work of the commission.

Sir WILLIAM MEREDITH: It never is.

Mr. HELLMUTH: Saturdays, no. Speaking for myself, certainly I would be glad if we could have Saturday, to prepare for our work here, if it were necessary, and possibly to look after other work that one has to neglect during the balance of the week.

Mr. JOHNSTON: The juniors, of course, would do that work to a great extent.

Mr. HELLMUTH: I do not know what are the feelings of the members of the bar on this question.

Mr. EWART: We would like to go and play golf.

Mr. HENDERSON: Personally I should like to go and play golf.

Sir WILLIAM MEREDITH: Then let Saturday be a *dies non*.

Mr. HELLMUTH: In regard to what my friend, Mr. Johnston, has said, he has put on record, quite properly of course, the letter from the Solicitor General; but my friend has not said what position he takes under that letter. I assume that it meant that he would take the position of prosecuting or presenting whatever charges have been made.

I only mention that for this reason, that if that is so, then I am practically without a colleague at the bar in regard to what I conceive to be my duty in the presentation and conduct of this investigation. The only instructions that I have received are to bring out so far as I can all the facts in connection with these matters referred to the commission, and not to act either as a prosecutor or as one to shield anybody, but to bring out in its entirety what I conceive to be evidence. I should think that that could not be the position of any other counsel engaged before the commission, because if any one is appearing for the person making the charges, it obviously would not be the duty of that counsel in any way to show that certain charges were not well founded. I do not mean that he would have to conceal anything, but it would not be his object to bring that out; his object would be to bring out everything that would tend to prove those charges. That also is my object. But my object would also be to bring out anything in the question of fact that would tend to disprove those charges.

Therefore I just mention that before the commission so it may be understood that while I would be glad to have from any of the counsel engaged for any of the parties any information which would be of assistance to the commission, I could receive no information from any one as a matter of confidence. I could not have any witness placed in my hands for examination with any sort of instructions that I was to keep back anything that that witness knew. My position is really as I understand it, Messrs. Commissioners, to assist you and under your directions really, wherever you see fit to give directions, to call witnesses and to bring out the evidence which may elucidate these questions. I would like to make my position clear, if I may, in this matter.

Mr. JOHNSTON: It is rather a difficult question my learned friend has raised, I admit, and the letter is the outcome of that very point presented to the Solicitor General at the time I had my interview with him. I had an interview with him for the purpose of ascertaining just where I stood in regard to the investigation. Now he goes further than Mr. Hellmuth's instructions perhaps go, because he says that the desire of the Government and the full instructions of the Government to both of you being to assist the commission, but he goes on:—

“In so far as the Government is concerned you shall have the fullest liberty in the method you adopt in the conduct of your part of the investigation.

“If you desire to conduct your work as one attacking the Shell Committee or any member of the Government in the matters concerned before the commission and to confine yourself solely to such attack, then I have to repeat what I said in the conversation, that the Government has no objection whatever to your doing so, nor is it our desire to place any restraint upon you.”

Then comes in the question which of course I can quite understand:—

“In so far as your suggestion of this morning involved the taking up of a defensive position by the other counsel for the commission, Mr. Hellmuth, we must refuse to so instruct him. The instructions to him are the same as those to yourself, namely to assist by every means in his power in getting at the facts.”

What that may mean in effect, I cannot say for the moment. I do not anticipate very much difficulty that cannot be settled between Mr. Hellmuth and myself. I do not know that the Solicitor General perhaps quite appreciated the scope of what was in my remarks, or what I intended to say, because I did not intend and do not intend to put Mr. Hellmuth in this position, that he appears in any way as a representative of the Government, defending the Government as such. That of course is not his duty as I understand it, but it may be, as I pointed out to the Solicitor General, that evidence that I should bring before the commission may have the effect of putting—not the Government—but perhaps some member of the Government, or members—upon a sort of qualified defensive. Now if that arises it might be necessary for the

Minister or any one else connected with the Government to be represented by counsel appearing independently on his behalf. But in the meantime of course I should expect that whatever evidence I had in support of these charges I would offer to the commission, call the witnesses and so forth, dealing of course within the scope of the commission as to these contracts that are referred to.

Mr. NESBITT: As one of the counsel for the Shell Committee, I certainly object in the strongest possible way to have anything indefinite as to the course to be taken by my friend Mr. Johnston. I think he must either elect now whether he intends at any stage to appear as a prosecutor, or whether he intends to be simply an assistant to the Commissioners in the elucidation of what the facts are. I think it would be utterly unfair to my clients not to have that position defined now and I must ask Mr. Johnston—subject to your ruling—to say if at any time he does contemplate becoming a prosecuting counsel. If so we ought to know it now. And in that case, as we are expected to hand in every information to the counsel who as I understand, in the course of a Government inquiry, are supposed to produce that evidence, I certainly think that we ought not to be expected to hand that to an opposing counsel, to a counsel whose interests are opposed to those of the clients for whom I appear. I must ask the position to be defined. Mr. Hellmuth has defined a position which enables us at any time to give him any and all information and ask that that information to the fullest extent, without shielding, without reservation, be given to the commissioners. Such would not be the position, obviously cannot be the position that Mr. Johnston desires to take, the attitude which I think he has outlined.

Mr. JOHNSTON: The position which I take, Messrs. Commissioners, is that contained in the letter of the Solicitor General.

Mr. NESBITT: I do not care about the Solicitor General's letter. What position are you taking? It is utterly unfair to ask us to hand witnesses to you if you are at some subsequent stage to attempt to cross-examine.

Mr. JOHNSTON: I should think Mr. Hellmuth and myself would be quite free to cross-examine any of the witnesses put in by the parties represented here.

Mr. NESBITT: Quite so, if we put them in.

Mr. JOHNSTON: The witnesses that I shall call will be witnesses in regard to certain facts and so on, that are necessary for the facts. The question of cross-examination must depend upon the circumstances as they arise. It may be a proper thing, as the Solicitor General says, to cross-examine. It may not. One cannot tell. The instructions that I get under the retainer are instructions that I propose to follow out, subject to direction from the Bench now; but certainly I could not undertake to meet my learned friend's views in any way by tying myself up at the present time, because according to his theory my position would be totally different from that contemplated by the Government itself.

Sir WILLIAM MEREDITH: Haven't you it entirely in your own hands Mr. Nesbitt? If you do not choose to show any documents to Mr. Johnston, you cannot be compelled to.

Mr. NESBITT: But then if he is, so to speak, a colleague of Mr. Hellmuth, I suppose he sits in the same room with him.

Sir WILLIAM MEREDITH: Mr. Hellmuth has repudiated him as a colleague. He says he stands alone.

Mr. NESBITT: I do not understand the attitude as, my friend Mr. Hellmuth on one side of the stage, and my friend Mr. Johnston exactly on the other. I desire that he shall come out in a manly way and take his position in the middle of the

stage. We do not want an enemy in the disguise of a friend, or not of a friend but of an impartial judge.

Sir WILLIAM MEREDITH: Well, proceed, please.

Mr. JOHNSTON: Will you please note that Mr. Gideon Grant is my assistant. I think I mentioned that the other day.

Hon. Mr. DUFF: We had that before.

Mr. HELLMUTH: I propose to call, Mr. Commissioner, Colonel Carnegie.

Sir WILLIAM MEREDITH: If there are any other witnesses in attendance, I suppose they have other business to do, and you might tell them whether they should remain.

Mr. HELLMUTH: I do not suppose it is at all likely that any other witnesses will be required to stay this morning.

Mr. JOHNSTON: I would suggest that Mr. Flavelle be asked to produce papers in relation to his part before the Shell Committee, because it was in relation to those that this contract was made. Mr. Flavelle, I understand, takes the position that whatever you may determine he will obey. Now I think we ought to have all the papers bearing upon this question.

Sir WILLIAM MEREDITH: I suppose the better plan will be to let Mr. Flavelle have the papers ready and then if any question arises about the production of them the commission can rule.

Hon. Mr. DUFF: He means for inspection.

Mr. JOHNSTON: For inspection by myself and Mr. Hellmuth as well. The inspection of both of us.

Mr. NESBITT: Will we be entitled in the same way to Mr. Carvell's papers for inspection?

Mr. JOHNSTON: Mr. Carvell is not a party to this transaction at all.

Mr. NESBITT: He is instructing counsel. He is instructing you.

Mr. JOHNSTON: Mr. Flavelle is a high government official in connection with this very matter.

Mr. NESBITT: He is no government official. He is a member of Parliament.

Mr. CARVELL: Mr. Johnston says that Mr. Flavelle is a government official. I have not got that far.

Sir WILLIAM MEREDITH: Is there any objection, Mr. Flavelle, to that course being taken?

Mr. FLAVELLE: I think there are some of the documents that probably would be privileged documents. Correspondence. I do not know the character of the correspondence between the members of the Shell Committee and the members of the Government. I mean only in the sense of it being a government service. There is a disposition on the part of the authorities in England to ask—not now referring to this investigation, because they know nothing of it officially—that we shall be careful that knowledge of prices and where business is placed and the character of it shall not become available for publication. I would judge that a sweeping order for the production of all correspondence and all papers, should be safeguarded as regards publicity.

Sir WILLIAM MEREDITH: We think the better course would be for Mr. Flavelle to produce such documents as are supposed to be required and then he can be asked as to them and the commission will deal with each document as to which any question arises. Then you will have an opportunity.

Mr. JOHNSTON: The question of course is one of inspection. That is to see what documents are required. The question of publicity really has nothing to do with the matter because these documents are all public now or at least more or less public.

Sir WILLIAM MEREDITH: Do you want practically a search warrant?

Mr. JOHNSTON: No, I do not want that. I want Mr. Flavelle himself to say that relating to these particular contracts these are the documents in the possession of the Shell Committee or the Board.

Sir WILLIAM MEREDITH: I do not think it desirable that those should be handed to you for inspection until the commission has passed upon them.

Mr. JOHNSTON: That is the reason I mentioned it now. I did not want to take that attitude. I thought if permission was given at the present time, with certain restrictions and limitations, it would facilitate matters, because they contain the information.

Sir WILLIAM MEREDITH: There are certain papers that no doubt you and Mr. Flavelle can agree that you may inspect. As to others a question may arise and with those we would have to deal.

Mr. JOHNSTON: That is what I submit as the ground of my application.

Mr. NESBITT: May I suggest that Mr. Flavelle in no sense represents the Shell Committee. He is an entirely distinct person, representing a new board called the Imperial Munitions Board, which was constituted in November, 1915. I do not know what business Mr. Flavelle would have to produce papers from the Shell Committee.

Mr. JOHNSTON: Because he has them.

Mr. NESBITT: I am perfectly content to produce the papers of the Shell Committee before the commissioners or to Mr. Hellmuth. I am not content to put myself—unless compelled—into the hands of any person posing as an impartial assistant who is really a concealed enemy. We may as well understand our position.

Sir WILLIAM MEREDITH: The only question now is: Are the papers in Mr. Flavelle's possession?

Mr. JOHNSTON: Yes. However they got there.

Mr. NESBITT: They are not in his possession, if I may say so, Messrs. Commissioners. They may happen to be in the office he is occupying but they are not in his possession in any sense.

Sir WILLIAM MEREDITH: He looks as if they were in his possession.

Mr. NESBITT: I do not want Mr. Flavelle to assume—until he consults with Mr. Hellmuth at least—that he will produce papers belonging to the Shell Committee.

Mr. FLAVELLE: The attitude we would like to take is that we place at your disposal, Messrs. Commissioners, any documents we have in our possession, and that you shall advise us as to their disposition.

Mr. NESBITT: I am content.

Mr. DAVID CARNEGIE, sworn and examined.

By Mr. Hellmuth:

Q. You were appointed ordnance adviser to what was known as the Shell Committee?—A. Yes, sir.

Q. Have you a copy of the letter by which you were appointed, or have you the original?—A. I have a copy here. I have not the original.

Mr. HELLMUTH: Subject to verification, I have copies which I have obtained. I saw Mr. Carnegie yesterday, and got him to obtain for me copies of any of these documents.

Sir WILLIAM MEREDITH: What is it?

Mr. HELLMUTH: It is a letter dated September 24, 1914.

Sir WILLIAM MEREDITH: From whom to whom?

Mr. HELLMUTH: It is signed by Alexander Bertram and Thomas Cantley, for and on behalf of the Shell Committee. I will read the letter to the commissioners. It is written from the Chateau Frontenac at Quebec, and is dated September 24, 1914. Apparently in the original the year was not put in, so I will just put in 1914 in pencil, because there is no question about it.

Mr. DAVID CARNEGIE,
City.

DEAR SIR,—Acting on the authority of Colonel the Honourable the Minister of Militia and Defence for Canada, we desire to secure your services for the three months next ensuing as Expert Ordnance Adviser to the Shell Committee, and more particularly to advise, aid and instruct the various contractors manufacturing shells under agreements with the Shell Committee, and generally such other aid and advice of a like character as the Shell Committee may require, reasonable remuneration for which service shall be given by the department.

The Shell Committee hope they may have your early intimation of acceptance of the position.

Yours respectfully,

for and on behalf of the Shell Committee,

ALEXANDER BERTRAM,
THOMAS CANTLEY.

(Letter marked as Exhibit No. 2.)

Sir WILLIAM MEREDITH: What does that mean—"Reasonable remuneration for which service shall be given by the department"?

Mr. HELLMUTH: I am coming to that. I will explain that later on.

Q. As a matter of fact, what was your remuneration?—A. I was engaged for three months at \$3,000.

Q. By whom was that paid?—A. By the Shell Committee.

Q. Did you receive anything from the Militia Department?—A. No, sir.

Q. How did you come to be in Canada; you are not a Canadian?—A. No sir. I should like to explain the story if it will not weary the court. I came out to Canada with the object of starting up a company known as the Electric Steel and Metals Company of Welland. That company I had some part in forming about a twelve month prior to that date. The work had just been completed, that is, the erection and installation of the equipment, which I had designed in my office in London, and it was just completed then, and when I arrived in Quebec I was informed that a Shell Committee had been formed. My brother, who was taking part in the company at Welland—

[Mr. David Carnegie.]

Q. That is, Mr. E. Carnegie?—A. Yes, Mr. E. Carnegie. He told me that he had been elected a member of this committee, and that he thought as I had come out to handle this work at Welland for a matter of three weeks, that I should see the committee regarding the work that it had been called upon to do.

Q. Let me interrupt you for just one moment. What experience, if any, had you had in regard to steel work, or work connected with munitions?—A. In 1887 I joined the Government service in Woolwich.

Q. That is, the Imperial Service?—A. Yes sir, the Imperial Service. I was employed in the Torpedo Department there for two years, in the erection and manufacture of torpedoes. I then left to join the Royal School of Mines, London, and was subsequently asked to accept an appointment in the shell department, in a new department that was then being formed, known as the Shell Forging Department. They were at that time installing a new forging plant.

Q. Where was that?—A. That was in the Woolwich Arsenal. I took part in the installation of the forging plant, and subsequently operated the plant, or it was under my charge. From that I gradually went from one stage to another until I was put in charge of the Shell Department.

Q. At Woolwich Arsenal?—A. At Woolwich Arsenal, in the manufacture of all kind of projectiles from cast iron, forged steel, cast steel, armour piercing projectiles of all natures, until the year 1902, when I left the Government service to join a commercial company known as Hadfield's Limited, Sheffield.

Q. Of what nature is that company?—A. It is a steel company engaged in the manufacture of all kinds of forgings, also ordinary steel products, such as tramway work, crushing work, jaws, machinery for mining purposes and the like.

Q. Let me ask you this; when you were at or engaged at the Woolwich Arsenal in the shell production department, was there at that time any fuse production, or the production of fuses?—A. Yes. Woolwich was engaged in the manufacture of fuses, in a separate department over which I had no charge whatever.

Q. Were you in that department or not?—A. I was not in that department, but correlated in so far as we were constantly discussing matters the one with the other regarding the complete shell; the part of the shell I was concerned with was the shell itself, not the fuse.

Q. So that you yourself had not been up to that time engaged in the manufacture, as a manager or overseer of fuses?—A. No.

Q. Then you told me you went into the Hadfield's Limited of Sheffield?—A. Yes, sir. I went in there as Junior Works Manager. That was my first position. I was there two years in that position and was subsequently made Manager of the Works.

Q. From that position where did you go or what did you do?—A. I was appointed to reconstruct the works of Samuel Osborne & Company in the same town of Sheffield, as consulting engineer. They had what they called their rolling mills, high speed steel manufacture, their works where they made steel and steel castings, and their file works where files were produced.

Q. How long were you there?—A. Four years.

Q. What date will that bring us up to?—A. That brings up until 1909.

Q. Then what?—A. Then I left for London, to enter private practice.

Q. Private practice as what?—A. As a consulting engineer.

Q. How long were you engaged in that?—A. Until I came out here. That is my position virtually, a consulting engineer.

Q. So that we have you at all events in 1914 having come out for those three weeks, or a three weeks' job, if I may so call it, at Welland?—A. Yes.

Q. And your brother, who was a member of the Shell Committee, suggested to you that you should see somebody. Take up your story there, please?—A. I may mention that as Sir Charles Ross, whom I had known and for whom I had done some investigation work in regard to steel, or special business, being as I was a steel expert—Sir Charles Ross told me (he knowing my Government connection) that he would introduce me to General Hughes. I said that I had no wish to stay in Canada, that

I had my business at home and did not wish to stay here. But he said it was a duty to the country, and after a good deal of persuasion he asked if I would allow him to give me a letter to General Sir Sam Hughes. I arrived in Quebec on Saturday the 24th, and went to see General Hughes on Monday, and met him. I will never forget that meeting, gentlemen; it was one of the most abrupt interviews I had ever had in my life. He made me feel very small. I am sorry I should have such recollections, but as a matter of fact I can just describe what happened.

Q. Never mind that; what was the result of the meeting? I do not want to interrupt you unduly, but what was the result?

Sir WILLIAM MEREDITH: Perhaps Mr. Carnegie wants to get something off his mind.

Mr. HELLMUTH: Then I shall not stop him.

WITNESS: I should like to picture that scene. I stood away back on a low platform there waiting for His Highness to receive me. There was a crowd of officers there, and he came out and asked each of them what they wanted him for, and he said to come at a quarter past five in the morning or six o'clock in the morning, and so on, and then looked at me and said "What do you want"? I handed him the letter and he went into his room, and I was subsequently called on the stage. At last he said, "Oh, Ross," and wrote down on a card, "See Colonel Bertram," and that was all. What did I know about Colonel Bertram? However, I took the card with me, went to my brother, and said to my brother that "I am not going to see Colonel Bertram. If I am going to be treated like that in Canada I don't stay a day in Canada, not for this business." I have not told this to General Hughes before, but I want to tell him now.

My brother persuaded me, in the interests of Canada (and I say this without any boasting), and I felt at the time that there was no man in Canada that knew shells as I did. I had made shells my business. I had not only written the Institution of Civil Engineers articles on the manufacture of forged steel shells, but on armour plates and armour piercing shells, which papers were printed in the proceedings and are there for anybody to see. I felt that I could be of some value, and from the mere standpoint of duty I said I would go and see Colonel Bertram. That night I went to Colonel Bertram and Mr. Cantley, and showed them the card I had received from General Hughes.

I think General Hughes never even took time to look at the letter, but simply stuck a pin through the card and letter, and said to take the lot. It did not seem to concern him one iota.

After two hours discussion with those gentlemen—Colonel Bertram and Mr. Cantley—two of the finest men ever produced in Canada, they said: "Now, you are the man, you are the man we need. General Hughes, or Sam Hughes (as they lovingly called him) has called a few manufacturers together to manufacture shells; look at the condition of the country; you are the very man to go around to the factories and tell the people how to do it. Won't you do that?" Well, how could I refuse? Next morning Colonel Bertram and Colonel Cantley went to Valcartier Camp, saw General Hughes, and the outcome is the letter you have just read.

Q. Did you go afterwards to Montreal, where the Shell Committee then had their headquarters, and did you receive or were you shown copies of the decoded cypher telegrams that had passed between the War Office and the Shell Committee or General Hughes?—A. Yes, sir.

Q. You gave to me yesterday (and I assume it is correct) a copy of the first cablegram or letter, a copy of a decoded cablegram you had received?

Mr. CARVELL: Where are the originals of the cablegrams?

[Mr. David Carnegie.]

Mr. HELLMUTH: These are the copies given to Mr. Carnegie. The originals were (so I am advised) in the cypher which was used between the War Office, "Troopers" being the heading under which these cables were sent, that is, sent from England signed "Troopers" and addressed to "Militia" here, and in a code, of which I am advised neither myself nor anybody else will be furnished with the key, but they were decoded in the Militia Department, where the code was kept and known, and were then sent off to the Shell Committee.

Mr. CARVELL: That is the point I want to raise. It seems to me we could very well take these as originals, that is, the actual decoding of these cablegrams to the Militia, if we had Mr. Hellmuth's assurance that they are correct.

Sir WILLIAM MEREDITH: They can all be received subject to verification by the papers in the Militia Department.

Mr. CARVELL: Let us understand this. Shall we have the right to verify these with what are called the originals?

Sir WILLIAM MEREDITH: I suppose so.

Mr. JOHNSTON: The original translation?

Sir WILLIAM MEREDITH: The original translation, if there is an original translation anywhere.

Mr. HELLMUTH: I might put it on another ground. Mr. Carnegie receives a copy, which he is told is a cablegram that has been sent from London. Whether it is or not, it is on what he acted.

Mr. CARVELL: And that is what I want to get from Mr. Hellmuth, that he is not bringing that document forward without knowing that it is correct. All we want is an assurance that we are to get it. If this is allowed to go in as evidence, and we have no opportunity of checking it up, it may be that it is correct, or it may not.

Sir WILLIAM MEREDITH: What is the date of the cablegram?

Mr. HELLMUTH: The date is August 24, 1914, and is addressed to "Militia, Ottawa."

"Can you provide or obtain from American trade shells empty shrapnel q.f. guns 18-pounder without cases or fuses. If so what rate delivery could you obtain?—TROOPERS."

(Marked as Exhibit No. 3.)

Q. That was, as I understand from you, the first cable among the cables that were shown to you?—A. Yes, sir.

Q. Or handed to you?—A. Yes, sir.

Q. Or you had the inspection of, or the opportunity of looking at?—A. Yes, sir.

Mr. CARVELL: Could you furnish us with copies of these as we go along?

Mr. HELLMUTH: I have just the two, the one I put in and the one in my brief.

Mr. CARVELL: I think, so far as this particular cablegram is concerned, that it is already a matter of public record.

Mr. NESBITT: I do not think there are any that you do not know about fully, as far as I know.

Mr. HELLMUTH: The answer to that cable is dated August 25, 1914, from Ottawa to "Troopers, London."

"Re yours August 24 concerning 18-pounder shrapnel, can get large quantities from neighbours, speedy delivery, please advise.—HUGHES."

(Marked as Exhibit No. 4.)

Sir WILLIAM MEREDITH: What does the word "neighbours" mean?

Mr. HELLMUTH: From Americans, I presume.

Q. What did you understand by that?—A. From our neighbours the Americans.

Mr. JOHNSTON: Wherever Troopers is mentioned, it is from the English War Office, and those from Militia means that they are from General Hughes.

Mr. HELLMUTH: It means sent through that office, although I have not had any talk with General Hughes up to date, and I do not know whether some of these were sent by the Shell Committee in his name or not.

Mr. JOHNSTON: However, that is what it means?

Mr. HELLMUTH: Yes. Then comes one dated August 26, 1914, from "Militia, Ottawa":—

"Your telegram August 26th. Please cable quotation 100 thousand segment shells q.f. guns 18-pounder shells only. Presume you have detailed drawings and specifications. Can you arrange inspection. Am sending specifications of 15-pounder shrapnel shells, quotation required 100 thousand of these."

(Marked as Exhibit No. 5.)

WITNESS: What is the first sentence?

Mr. HELLMUTH: "Please cable quotation 100 thousand segment shells q.f.?"—
A. Yes, sir.

Q. Then the next, so far as you have been able to furnish me from your copies, is one of the second of September, 1914, from Hughes to Troopers, London:—

"Am arranging Canada Manufacturers turning hydraulic presses to work on shells. Had meeting to-day with number arranging for many more. Already can contract for four thousand shrapnel weekly, delivery to begin in about four weeks' time. This could be increased to more than double that quantity. Believe could produce 75 thousand before November 1st. Do you want shell q.f. empty shrapnel 18-pounder without fuse, as per vocabulary stores 1912, part 2, page 480. Have all details, plans and specifications for 18-pounder, but have none for 15-pounder. Please send letter immediately. Price not determined yet. Please advise."

(Marked as Exhibit No. 6.)

Mr. HELLMUTH: Then on September 3, 1914, the answer to that comes from Troopers:—

"Minister of Militia,

"Ottawa.

"831 cipher (referring to the code). We would require 100,000 shrapnel shells, 18-pr. complete without a bursting charge of powder. Also 100,000 15-pr. shrapnel shells without bursting charge, and fuses for both. We will require plugs. More cannot be ordered now as our production of No. 80 fuses cannot be kept up with manufacture of shells. Wire if you can obtain 100,000 18-pr. cartridge cases by March 28. Specifications and drawings for 15-pr. shrapnel were sent you on the 30th August.—TROOPERS."

(Exhibit No. 7.)

[Mr. David Carnegie.]

Capt. DALY, Assistant Judge Advocate General: I think I should point out now the Militia Department was merely the channel of communication between the War Office and the Shell Committee, and the custodian of the code. That is the only relation they have with the cables.

Mr. EWART: Nothing of the kind; up to this time the Shell Committee had no existence whatever.

WITNESS: May I also say that right until the end of 1915, until the formation of the new board, no code was held in their possession, in the possession of the Shell Committee, and the Militia Department was simply the channel pipe through which the committee acted.

Mr. HELLMUTH: Yes, but at the time that these cables which I have read were sent I think there was no Shell Committee?—A. Oh no; I beg your pardon.

Q. That is quite clear. Col. Carnegie, I want to make this quite clear; up to the date we have got to in these cables you were not there, but you found these cables handed to you when you came in?—A. Yes.

Q. You are not speaking of your own knowledge in regard to the sending of these cables?—A. Exactly.

Then on the 5th September, 1914:—

“Troopers, London.

“No. 112. With reference to your telegram of 3rd September, 831, will answer regarding cartridge cases for 18-pr. q.f. guns as soon as possible.—HUGHES.”

(Exhibit No. 8.)

Q. You found among the papers when you were appointed written as you say—we will get the original of this—written in blue pencil by the Minister of Militia this note:—

Valcartier Camp, 7-9-1914.

Col. Alexander Bertram,
Thomas Cantley,
George Watts,
Col. Lafferty.

} Committee on Shells.

SAM HUGHES.

(For action. S. H.)

(Exhibit No. 9.)

You found this telegram, again subject to verification among these papers, from Valcartier Camp, Quebec, apparently no date, to Col. Bertram, Chateau Frontenac, Quebec:—

“Kindly add the name of E. Carnegie to your committee. That will make five of you.—SAM HUGHES.”

(Exhibit No. 10.)

Mr. CARVELL: It seems the Shell Committee has been furnished with a copy of the whole file; we might be treated in the same way.

Mr. HELLMUTH: Yes.

Mr. NESBITT: The Shell Committee own the file.

Mr. HELLMUTH: I did not furnish it.

Mr. NESBITT: We gave this, and I at the same time requested that another copy be got for you. I cannot do better than that.

Mr. CARVELL: No, only to get them.

Sir WILLIAM MEREDITH: Well, let us get on, please.

Mr. HELLMUTH: Then on September 9th:—

“Minister of Militia, Ottawa.

“954 cipher. Awaiting your telegram No. 112, can you supply 25,000 boxes of 18-pr. ammunition *vide* para. 1 of 5376 list of changes in war material; also projectile boxes each to hold six shells for the 100,000 shrapnel 15-pr.—TROOPERS.”

(Exhibit No. 11.)

Then on the 10th September a telegram to Troopers apparently signed Hughes, No. 121 cipher:—

“Have organized committee of manufacturers of shells. They guarantee 20,000 by 1st November and 30,000 monthly thereafter; may be able largely to increase this amount.”

(Exhibit No. 12.)

Then the 11th September, 1914, from Hughes to Troopers, London, England— I leave out about the cipher:—

“Regarding shells; have discovered one firm Canadian General Electric which guarantees alone to manufacture by the 1st January 100,000 either 18-pr. or 15-pr. and 100,000 monthly thereafter. Important to know will you want more than the 200,000 already placed.—HUGHES.”

(Exhibit No. 13.)

Then, September 12, Troopers to Minister of Militia:—

“Your telegram No. 121, we still await your quotation for 100,000 18-pr. shrapnel shells with plugs; 100,000 shrapnel shells 15-pr. with plugs, 100,000 cases for 18-pr. and boxes as in my telegram 954, 9th instant.—TROOPERS.”

(Exhibit No. 14.)

Then on September 17th a cable from Troopers to Militia, Ottawa:—

“Reference your cipher telegram 130, telegram repeated as requested. Are you able to reply now to my cipher 1000 of the 12th re manufacture of 18-pr. shells, etc.—TROOPERS.”

(Exhibit No. 15.)

Then on the 18th September cable from Hughes to Troopers:—

“Reference your cipher September 17, Committee reports price of 100,000 shrapnel 18-pr. as per your cablegram specifications will be \$8.55 each delivered at Montreal, 20,000 by November 1, and at least 30,000 monthly thereafter. Usual inspection charges. Shall we proceed? If so, please arrange line of credit through Canadian High Commissioner and in favour of Deputy Minister Militia and Defence, Canada. Specifications 15 pr. just to hand, price later. Please answer. Committee wait.—HUGHES.”

(Exhibit No. 16.)

Mr. EWART: I suggest you ask how much of the shell is completed, whether it is a completed shell or what part of the shell, the \$8.55?

[Mr. David Carnegie.]

Mr. HELLMUTH: The prior cablegrams, and I will have Mr. Carnegie explain the prior cablegrams, showed they were empty shells, ones without fuses or propellants?

WITNESS: I should like to explain just what was included in the inquiry. Here is a shell (producing section of a shell).

Hon. Mr. DUFF: Where is the cablegram he is going to explain?

Mr. HELLMUTH: Exhibit 3 was "Can you provide or obtain from American trade shells, empty, shrapnel Q.F. guns 18-pr." Was that the shell that was being manufactured and sent over on that 100,000?—A. Yes. The shell I have before me represents a complete round with the fuse in it, that is a section of a complete round—you have heard it variously termed fixed rounds, but the common Government term is a complete round of 18-pr. Q.F. shrapnel shells. Here is represented the shell only, it is often referred to as an empty, but that refers simply to the fact of the bursting charge, not a kyte charge, but a bursting charge. This charge consists of black powder and is fitted into a tin cup but the tin cup forms part of the empty shell together with a small steel diaphragm here and a tube connecting what we generally term a brass socket. Surrounding the tube and enclosed by the brass socket and between the diaphragm are the lead balls and the interstices between the balls are filled with resin simply to keep them in compact form under fire. The empty shell therefore consists of the steel framework known as the shell body; the tin cup, the steel diaphragm, the brass tube, the lead balls, the resin and the brass socket—now, in supplying—

Hon. Mr. DUFF: Without the charge of black powder?—A. Without the charge of black powder.

Mr. CARVELL: Does it also include the copper band?—A. The copper band is included in the shell.

Mr. JOHNSTON: The empty shell?—A. The empty shell but not the fuse; but in place of the fuse a plug is supplied simply to keep the moisture from the tin cup.

Mr. JOHNSTON: Perhaps it would be simpler to tell us what is missing to make a complete shell?—A. The complete shell consists as you see in addition to what I have described of a brass case here it is attached to the under side of the copper band; in the case is the propellant, this is dummy cordite representative of the cords, and the cords are bound together by tape; there is an inner core and an outer core, these are bound together by what we call shalloon tape and is fitted into the case in this way. In addition to the case there is what is termed a primer fitted in the base of the case, a small primer which gives the explosion or lights, shall I say, the propelling charge. That consists of a tiny bit of mechanism here in the base of which is a small copper cap full of composition which when struck by the striker in the gun lights the powder in the magazine sets fire to the cordite, instantly sends the shrapnel shell forward, retaining the case in the gun, which is subsequently ejected. Making the complete round is the fuse, the most difficult little bit of the organism, and here is the complete sectional representation of a complete round.

Mr. HELLMUTH: We won't at the moment have the description of the fuse and how it is made up, although later on we will have to take that up, but the empty shell then, as you have described it, was what had been undertaken according to the cablegrams to be supplied to Troopers by the Militia Department or the Shell Committee?—A. Yes.

Q. That is what is know as the empty shell?—A. Yes.

Q. With plugs?—A. Yes.

Q. On the 18th September this cablegram was sent: "Committee report 100,000 shrapnel 15-pr. shells, price \$8.30 each delivered at Montreal. Assuming proceeds

with 18-pr. first. Can make delivery of 18-pr. already cabled and follow with 20,000 15-pr. November and 30,000 per month thereafter."

(Exhibit No. 17.)

WITNESS: May I explain this cable somewhat?

Mr. HELLMUTH: Yes. A: You will observe here that the reason why this cable went on the same day was because the specifications as referred to in the previous cable of the same date had just come to hand, the specifications for the 15-pr., and that is the reason why they state here on the 18th September that they will make delivery of the 18-pounder in the first place.

Q. Then September 19 comes this:—

Minister of Militia from Troopers, after giving the number of the cipher "With reference to your telegrams No. 132 and 133 we accept the prices as offered for 100,000 each 15 pounder and 18 pounder shells. Please proceed. We trust you will ensure punctual delivery."

(Exhibit No. 18.)

Then on September 22nd there is a cablegram from Troopers:—

"Can you obtain supplies following natures of empty shells? If so, in what numbers and at what price per hundred? A plug will also be required for each shell." Then 4.7 shrapnel giving the paragraph, 4.7 lyddite, 60 pounder shrapnel, 60 pounder lyddite, 6 howitzer lyddite—I am not reading the paragraphs in this.

(Exhibit No. 19.)

Mr. CARVELL: That is six-inch howitzer lyddite?

Mr. HELLMUTH: Yes.

Q. Then on the 24th September, 1914, comes the answer: "Reference your 1154 received September 22nd. The shells can be manufactured in Canada. Send specifications and drawings, also drawings and sets of gauges for manufacture and inspection. State probable quantity required when details of prices and rate of manufacture will be cabled you. It will be necessary for you to send an inspector.—HUGHES."

(Exhibit No. 20.)

Q. Now, I see that it was on that day that you were appointed as Ordnance Adviser?—A. Yes, sir.

Q. When did you enter upon your duties?—A. Immediately.

Q. Then from then out can you tell me whether you knew of the various cables that passed between the War Office or Troopers and the Shell Committee or the Minister?—A. Yes.

Q. I think you told me when I saw you yesterday that there were times that you were away on various trips?—A. Yes.

Q. But apart from that were you in touch from then on with what was being done?—A. Yes, sir.

Q. And these cables that I have put in before the commission were cables which you saw or copies you saw of them when you came into office?—A. Yes, sir.

Q. From that time you knew what had been done?—A. Yes.

Mr. HELLMUTH: I think I ought to make this explanation to the commission; of course, I do not propose to go outside the scope of the inquiry in reference to these other contracts but it is necessary that the position of the Shell Committee and the manner in which their work was conducted should be, I think, given in evidence in order intelligently to understand how any of the contracts that are attacked came to be required, or why they were made, or any reason for the furnishing of these fuses.

[Mr. David Carnegie.]

If I might anticipate I might say that the correspondence and tables will show that at a subsequent date the question came up as to whether not merely the empty shrapnel shell but the complete shell could be furnished from Canada. I am not really giving these cablegrams in order to go into details at all, but to show how these others came about.

"On September 25th reference your 1108 received September 19th. Advance of \$500,000 needed to proceed.—HUGHES."

(Exhibit No. 21.)

· That is to Troopers.

Then on October 7th, coming a little farther on, there is this cablegram to the Minister of Militia from Troopers, "With reference to your 132 and 133 and my 1108, the cipher, please send by mail copies of the contracts made by you on behalf of this department for 18 pounder and 15 pounder shrapnel shells. It is assumed that all shells are being supplied with plugs.—TROOPERS."

(Exhibit No. 22.)

Q. What, at the time can you tell me was done, if anything, when that cable arrived?—A. The Committee consulted with the Judge Advocate who prepared a draft agreement between the four contracting members of the Shell Committee, namely—

Q. You knew that?—A. Yes.

Q. That is to say, we will come to the contract in a moment—when that cable came in the Judge Advocate did that?—A. Yes.

Q. Who is the Judge Advocate?—A. General Henry Smith.

Q. Were you going on with some explanations?

Mr. CARVELL: He could not give evidence regarding the contract; that is a document that will speak for itself.

Mr. HELLMUTH: Of course. Mr. Johnston suggested to me he thought he was going to give some explanation and I did not wish to stop him.

Q. Apparently that contract—the original would be sent to England, I suppose.

Mr. JOHNSTON: A duplicate original ought to be here.

Mr. HELLMUTH: Can the Shell Committee furnish me with the original of that contract dated 1st October, 1914?—A. May I say, sir, that the original is now with the Militia Department, and I have tried to obtain it, but they have it there.

Mr. CARVELL: There would be a duplicate original; there must have been two of them.

Mr. JOHNSTON: Let the original be produced; everybody would like to see the original.

Mr. HELLMUTH: We will have the original produced; meanwhile I can use a copy.

Mr. CARVELL: That is quite satisfactory.

Mr. HELLMUTH: October 1st, this is a copy—may I ask my friend Mr. Nesbitt who is appearing for the Shell Committee, will it be understood that the Shell Committee will produce the original?—

Mr. NESBITT: Produce anything and everything we have.

Mr. HELLMUTH: I mean the original of this particular document.

Mr. NESBITT: If we have got it.

MAJOR GENERAL SIR SAM HUGHES: If the Militia Department has it we will give everything.

Mr. HELLMUTH: This is between Alexander Bertram, Thomas Cantley, George W. Watts, and E. Carnegie of the first part, and Colonel the Honourable Sir Sam Hughes, His Majesty's Minister of Militia and Defence of Canada, acting for and on behalf of His Majesty's Secretary of State for War—

Sir WILLIAM MEREDITH: What is the date?

Mr. HELLMUTH: It is dated 1st October, 1914.

"Witnesseth that the parties of the first part agree to manufacture and deliver to the party of the second part one hundred thousand shrapnel eighteen pounder mark III shells (empty) and one hundred thousand 15 pounder mark VII (empty) subject to the following terms and conditions, and at the following rates:

1. "The said shells shall be made of such materials and components and in accordance with the drawings and specifications hereto annexed, and signed by the parties hereto."

2. "The parties of the first part agree to deliver the said shells as follows, viz: 18 pounder mark III shells"—need I read the dates of delivery?

Sir WILLIAM MEREDITH: No.

Mr. HELLMUTH: Delivery to be made to the party of the second part or to his authorized officers f.o.b. Montreal to the order of the party of the second part.

3. "The shells shall be subject to inspection and such tests as may be required by the party of the second part during the process of manufacture, and shall, moreover, be subject after manufacture completed to inspection and acceptance at the factory by the party of the second part, the approval and acceptance of any one lot of shells shall not be evidence of approval of acceptance of any other lot."

4. "The prices to be paid for the said shells shall be—

For 18 pounder shells, \$8.55 per shell,

" 15 " " 8.30 per shell to be paid within ten days after

the date of delivery subject to certification of the invoices by the authorized officers appointed by the party of the second part.

"In witness whereof the parties have hereunto set their hand, the day and year first herein written.

WITNESS:

D. CARNEGIE.

ALEX. BERTRAM.

THOMAS CANTLEY.

GEORGE W. WATTS.

E. CARNEGIE.

SAM HUGHES, *Minister of Militia and Defence for Canada.*"

(Exhibit No. 23.)

Mr. CARVELL: Have you given us the date of the appointment of these gentlemen as members of the Shell Committee?

Mr. HELLMUTH: Yes.

Sir WILLIAM MEREDITH: 7th September.

[Mr. David Carnegie.]

Mr. CARVELL: And E. Carnegie was added a few days later. Col. Carnegie was appointed to his position on the 24th September, and this contract was made the first day of October.

Mr. HELLMUTH: It is dated, but you will see it does not go forward till a later date. This I see is the letter of December 11, it is a copy of the letter in regard to this contract and another too which I could refer to—this is from Col. Fiset to the Governor General's Secretary, Ottawa.

"Sir: I have the honour by direction to forward herewith for transmission to the War Office two contracts with specifications and drawings entered into by the Minister of Militia and Defence, Major General Sam Hughes, with a Committee consisting of Col. A. Bertram, Thomas Cantley, G. W. Watts, and E. Carnegie, for the manufacture for the British Government of shrapnel shells, boxes for ammunition and projectiles and brass cartridge cases as follows" then follows a list—"I have the honour to be sir, your obedient servant, signed Eugene Fiset, Colonel, Deputy Minister."

(Exhibit 24.)

That is December the 11th, and enclosing the contract, a copy of which I have put in, and another contract which I will come to as we come to the order of it.

On November 10, 1914—I am going back to where I left off, there is this cablegram, it is from Hughes direct to Kitchener, No. 179 cipher. "Reported that order is given for 2,000,000 18-pounder shrapnel to Bethlehem Steel Co. My committee makes shells as cheap and as good. Respectfully request consideration. How many can you give us of these? Prepared also to supply any reasonable quantity up to 6-inch shrapnel or lyddite.—HUGHES."

(Exhibit No. 25.)

A. May I explain here, sir?

Q. Yes.—A. I should like to say that up to this date I had had the opportunity of visiting most of the factories that had consented to go into this work. To begin with, there was a great deal of reluctance on the part of manufacturers to touch the work. It was unknown to them, it was a new industry. The trouble regarding the manufacture of steel and the treatment of the shells had somewhat diminished by this date. The ingenuity, the skill, and what I considered the very marked ability of the Canadian mechanic and manufacturer so impressed me in my movements around Canada that I urged the Committee and I urged the Minister—I had an opportunity of meeting him—to do whatever in his power lay to obtain shells. We in Canada, for I was then part of Canada, realized that there were many other manufacturers who, perhaps unable to discover their own ability, were able to do the work. We had heard that Bethlehem had had these orders, and hence General Hughes' cable to the War Office. Then the reply comes.

Q. Then the reply of November 11 from Troopers:—

"With reference to your cipher, number so and so, how many complete rounds of 18-pounder Q.F. ammunition including propellant and fuses can you supply by 1st of June and at what price?"

(Marked Exhibit 26.)

Then on November 18 from Hughes to Troopers.

"We can supply 18-pounder ammunition complete with shell cartridge case, primer fuse and propellant. Will require drawings, specifications, gauges and sample of fuses before commencing manufacture. Will cable on 19th instant number we can supply by June 1 and also prices.—HUGHES."

(Marked Exhibit 27.)

Now, at that date what knowledge had you in regard to the supply of the propellants and fuses, the other parts in fact which go to make or mark the distinction between the empty and the complete shell?—A. In Canada, practically nil. There was and is now the Dominion Arsenal, at which fixed ammunition of the kind quoted for or referred to in the cables was being made. The cordite was being made by the Canadian Explosives Company in Canada, the primers were made at the Dominion Arsenal, and the cartridge cases were also being made there, but in a small measure. Just let me illustrate the measure. When General Hughes received the first order for 200,000 shells, it would have taken the Dominion Arsenal 11 years to complete the first 200,000 shells, working at its rate of production then. But the Canadian manufacturers qualifications were what I have observed very largely in the West in my travels there, that cherry optimism that comes from British Columbia principally, which enables anything to be done, and we set out, as a committee, determined to overcome any difficulties, believing that the manufacturers were able to do this work.

Q. Now, on November 24th there is a cable to Troopers, London:—

“Referring to your cable 2025 A-2 and our cable No. 181 cipher, can undertake supply 200,000 18-pounder shrapnel shells fixed ammunition including propellants but without fuses and packed in ammunition cases delivered f.o.b. Montreal or Halifax by June 1st. Prices seventeen dollars and sixty-five cents each including boxes. Can also supply further four hundred thousand 15 or 18-pounder shrapnel shells empty packed in ammunition boxes same delivery, price nine and a quarter dollars each, including boxes, not including cost of inspection. Can also supply fuses and will name price on receipt of specification and drawings. Early decision necessary as price raw materials advancing rapidly. Please hasten despatch of specifications, gauges, etc., of 18-pounder cartridge cases and fuses and any other ammunition you may require manufactured in Canada will save time.”

(Marked Exhibit No. 28.)

A—May I explain here, sir, this cable?

Q. Yes.—A. You will observe in the cable we say we are prepared to undertake 200,000 eighteen pounder shrapnel shells, fixed ammunition, including propellants, but without fuses. You will also observe that the previous cables called for particulars of the fuses and samples, after which we would quote a price.

Q. Then comes this reply apparently to that cable from Troopers, 26th November, 1914:—

“Regret that unless price of 18-pounder ammunition without fuse can be reduced to fifteen dollars and that of 18-pounder shells to six dollars we cannot place orders.”

(Marked Exhibit No. 29.)

A. May I speak again, sir? I am sorry to interrupt so often, but I want, gentlemen, you to notice that we have placed a contract already, and that on the face of all the cables we have read up to the present moment there is nothing but a commercial deal between the Shell Committee and the War Office. That is, “regret that unless price of the 18-pounder ammunition without fuse can be reduced”—ordinary barter in commercial dealing—unless price can be reduced, no business.

Mr. CARVELL: This is comment by the witness. We will comment. Let the witness answer the questions and give the documents.

Sir WILLIAM MEREDITH: Well, get on, please, Mr. Hellmuth.

Mr. EWART: Mr. Hellmuth, that is the original contract. (Producing).

Sir WILLIAM MEREDITH: Is that the original of exhibit 23?

Mr. HELLMUTH: Yes, the original of the contract of the 1st of October.
[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: This had better be kept but not put in. Whoever wants to compare it with the exhibit may do so.

Hon. Mr. NESBITT: That had better be compared, if I may suggest, Mr. Chairman, and then handed back, because it is the only original we have.

Sir WILLIAM MEREDITH: Anybody who wants to verify it had better do so.

Mr. HELLMUTH: Can I go on then?

Sir WILLIAM MEREDITH: Yes. Verify that later.

Mr. HELLMUTH: Then there comes a cable of the 2nd of December, 1914, from Hughes to Troopers:—

“Number 196 cipher. Referring to your cable 2287 A-2, November 30th and our cipher 191 27th November. My committee are proceeding with order, prices being fifteen and six dollars respectively not including wood boxes. Please cable confirmation.”

(Marked Exhibit No. 30.)

Now, you will remember, Messrs. Commissioners, that when I put in the letter from Colonel Fiset enclosing the contract of the 1st of October it also spoke of another contract. I am now going to put in the other contract, which is dated the 20th day of October, 1914, and perhaps counsel for the Shell Committee would find the original of that so that it could be compared if necessary. Mr. Nesbitt, will you find the original?

Mr. NESBITT: I will try to. I have not heard of it before.

Sir WILLIAM MEREDITH: Is it between the same persons, between the four members of the Committee?

Mr. HELLMUTH: Between the same four.

That contract is dated the 20th of October, 1914, and is made between the same four manufacturers—I need not read their names again—and Colonel the Honourable Sam Hughes in the same capacity, that is, acting for and on behalf of His Majesty's Secretary of State for War. That contract is as follows:—

“Witnesseth that the parties of the first part agree to manufacture and deliver to the party of the second part twenty-five thousand four round boxes for 18-pounder ammunition para 15276, list of changes at four dollars each, 16667 projectile boxes to hold six 15-pounder shells at one dollar each, twelve thousand projectile boxes each to hold six 18-pounder shells at one dollar each required for shipping 18-pounder shells empty until such time as brass cartridge cases are completed, and one hundred thousand 18-pounder cartridge cases at \$2.25 each.

“18 pounder fixed ammunition boxes to be used to send home the cartridge cases and shrapnel shells ordered.

“Four cases and four shells to be packed carefully in each box to prevent movement.”

“The said boxes and brass cartridge cases to be made of such materials and components in accordance with drawings and specifications hereto annexed and signed by the parties hereto.

“Delivery to be made to the party of the second part or to his authorized officers f.o.b. Montreal to the order of the party of the second part.

“The boxes and cartridge cases shall be subject to inspection and such tests as may be required by the party of the second part during the process of manufacture, and shall moreover be subject to inspection and acceptance at the factory by the party of the second part; the approval and acceptance of any one lot of boxes or cartridge cases shall not be evidence of approval of acceptance of any other lot.

"The prices to be paid within ten days after the date of delivery, subject to certification of the invoices by the authorized officers appointed by the party of the second part."

(Marked Exhibit No. 31.)

Were you in Canada during December?—A. Part of December, sir; I left on the 5th of December, 1914.

Q. You left on what date?—A. On the 5th day of September from New York.

Q. December you mean?—A. Yes.

Q. And when did you return to Canada?—A. At the end of January, 1915.

Q. You returned when?—A. About the end of January, 1915. I think it was about the 23rd, I am not sure.

Q. When you returned from England I understand you made some sort of report?—A. Yes, sir.

Q. And when in England what, if anything, did you do in regard to investigation so far as supplies of shells or ammunition from Canada was concerned?—A. Well, sir, as we had raised the question with the War Office regarding the manufacture of the complete fixed round in Canada, and as we had not then received the drawings or samples of the fuses, I made it my particular business when there not only to press upon the officials at the War Office to obtain more orders for ordinary shells, but also to investigate the latest methods of manufacture of the time fuse, on which we had had communications. I made a very extended report of fuse manufacture as carried on at the Woolwich Arsenal, copies of which are available. I learned then that the number 80 fuse, that the time and percussion fuse used particularly with the shrapnel shell that I have described—I learned that there were many difficulties regarding the manufacture, such manufacture requiring the highest expert ability, particularly in regard to the loading of them.

Q. Perhaps you will now explain what is meant by the time fuse itself and the loading of it.

Mr. EWART: He was going on, Mr. Hellmuth, to say what he did in London. Hadn't he better finish that first?

Mr. HELLMUTH: Very well. I am glad to receive suggestions of any kind.

WITNESS: I met General Sir Von Donop, who informed me that all the facilities in Woolwich Arsenal were open to me. Every assistance was given.

Mr. HELLMUTH: Just one minute. He was what?—A. Master General of the Ordnance directly under Lord Kitchener.

Q. Yes.—A. He gave me facilities to visit the arsenal, and at that time I impressed upon him and upon the other officials in the War Office the necessity of obtaining if possible, an expert on fuses for Canada, particularly in regard to the loading. In my visits to Woolwich I met the manager of the loading department and asked if he could spare a man for us. He told me that at that time their work was just sevenfold that before the War, and they were very short handed. I tried also to secure in the country where they were making fuses, an expert, but failed. I found that the difficulties in the manufacture of mechanical parts were not such as I would fear getting produced by the manufacturers in Canada whose works I had visited. And I should like to say just in this connection that prior to my visit to Woolwich I had seen Colonel Nichols of the Canadian General Electric Company, Toronto, and found that he had in his employ a man named Kirby, who informed me that he had had some experience in the company named Vickers in England, well known to all of us, and that that experience had been in the direction of the manufacture of the number eighty fuse. This encouraged me to hope, if the War Office would grant an order, that we would have some possible basis for beginning fuse manufacture in Canada. I mention this because the story that

[Mr. David Carnegie.]

follows will be understood better when we come to it. But meanwhile at the War Office I was able to impress upon them the value of Canadian manufacture. At that time I took one of these shells with me, not a case, but an empty shell, in fact the first I believe that was made in Canada. I had at that time discussions I think regarding a very vexed problem. Most of you who are familiar with Canadian industry know that at that time with one or two exceptions basic steel only was the product of the steel manufacture in Canada. Basic steel was a steel that had been disregarded by the War Office as a suitable material for shell manufacture, particularly high explosive shells. So that our limitations had to be removed by gradual discussion and clearing the ground and giving the evidence that Canada could make basic steel of equal value to what is known on the other hand as acid steel; simply the names of processes well known in steel manufacture. Anyhow, these two distinct things were before the War Office regarding our products in Canada. Could we produce shells in Canada to meet their specifications? My argument was then, "What does it matter if you call it A, B or C, so long as steel is produced to give the physical tests and the chemical tests?" I am glad to say that they ultimately agreed to the use of basic steel, and basic steel has been produced in Canada for all or most of the shells. I selected instances where acid steel was produced, we have one or two as I say. Then coming to the final question of my interviews at the War Office, it came down to this, that they were encouraged to believe that Canada could do more, and the one thing which they impressed upon me, and which I have put into my report there, was, "If you can produce the complete round you can get any amount of work; but it is the complete round we want." They referred me to our cable in which General Hughes had said, "You are giving to the Bethlehem Steel Company. Why give to them when Canada is waiting for work and anxious to do it?" They pointed out "You cannot make the fuse; they can." There was the answer. And so our endeavour by every possible means was to get the fuse. My report tells the story.

Q. You say you got that when?

Sir WILLIAM MEREDITH: About the 23rd of January he said.—A. This is dated the 20th of January. It must have been about the 23rd. I wrote it while crossing on the Lusitania.

Mr. HELLMUTH: I see that this cable came from Troopers on January 16th, "The offer of 15th instant of Shell Committee to Carnegie accepted for 100,000 rounds monthly 18-pounder ammunition complete without fuses, commencing April 1st for six months, subject to three months' notice. Ammunition must be with high explosive, not shrapnel."

(Marked Exhibit 32.)

Sir WILLIAM MEREDITH: The thing you referred to there has not been put in.

Mr. HELLMUTH: I thought I put that in.

Sir WILLIAM MEREDITH: Was it the 11th of December? What does that say?

Mr. HELLMUTH: "The offer of the 15th instant." Have you got that?—A. A copy of the report?

Q. No, the offer of the 15th.—A. January 16th?

Sir WILLIAM MEREDITH: It refers to an offer of the 15th. The offer is not here?—A. May I explain, sir, that the offer was made verbally by me at the War Office. This is part of my negotiation with the War Office. I was then there.

Mr. HELLMUTH: I see. "The offer of 15th instant of Shell Committee to Carnegie." That would be to you at the War Office?—A. They cabled to me from the Shell Committee, and I presented it personally to the head of the War Office.

Q. Have you got the cable to you? That is what I want, Mr. Carnegie.—A. The Shell Committee's cable to me?

Q. Yes.—A. I don't know whether I have got it. If I have I will present it.

Q. Will you try to find it?—A. Yes, I will try and find it, sir.

Q. The Shell Committee cabled to you and you saw the War Office?—A. Yes.

Q. And then this answer comes?—A. Yes.

Q. Have you got a copy of that?

Mr. STEWART: I have never seen a copy of that.

Mr. CARVELL: The cable must have been before that, because Mr. Carnegie communicated with the War Office on the 15th; it would be prior to the 15th.

Mr. HELLMUTH: Will you look that up?—A. I will look that up, sir.

Q. Then, Mr. Carnegie, I have your report to the Minister of Militia and Defence dated the 20th of January, 1915.

Mr. HELLMUTH: I may say, Messrs. Commissioners, that while I should be glad to furnish all of my learned friends with copies of this report, and of course put in a copy to the commission, I do not know that the report, in extenso, should be published, as there are matters in it that counsel may consider it is not in the public or Imperial interest should be published. We can put in parts.

Mr. CARVELL: So far as we are concerned that is satisfactory.

WITNESS: May I refer to this report, seeing that I wrote it?

Mr. HELLMUTH: Yes.

Mr. NESBITT: May I say that my view of such a subject is that we are entirely in the hands of the commission. We have nothing to keep back. If counsel for the other side see fit to put anything in which subsequently may raise not only a debate but severe comment as to publication, that is for them.

Mr. CARVELL: Messrs. Commissioners, so far as we are concerned we will state our deposition when we have an opportunity of seeing the report. I think we are quite as anxious to protect this country against the publication of a confidential document as my learned friends.

Mr. NESBITT: We assume that.

Mr. HELLMUTH: I do not think that this is a subject that should, nor will it raise any controversy, I assume that everybody, no matter for whom they may be appearing, is at one that nothing that could be of the slightest advantage to the common enemy will be brought out through this commission and made public.

Mr. CARVELL: At least not without consulting Mr. Hellmuth anyway.

Mr. JOHNSTON: I think the report ought to be put in without publication meantime, and then you may say for yourselves what you think and we will all be governed by the ruling of the commission.

Mr. MARKEY: Extracts might be put in.

Mr. JOHNSTON: The commission may say what extracts shall be put in.

Sir WILLIAM MEREDITH: Have you marked the parts of it?

Mr. HELLMUTH: No, I have not, Messrs. Commissioners. I do not know that I am competent to say what parts should or should not be presented.

Mr. JOHNSTON: Give it to the commission and do not read it.

[Mr. David Carnegie.]

Mr. HELLMUTH: I am going to give it to the commission. There are parts of it about which I think there would be little or no question, and with regards to those parts I have no objection.

Mr. CARVELL: Messrs. Commissioners, we do not think that any parts should now be put in until we first have an opportunity of inspection. Mr. Hellmuth or some other gentleman might consider one portion to be important and we might think that if that be used other portions should go with it in order to explain it, so that you can see the necessity for an investigation first.

Sir WILLIAM MEREDITH: The whole document is handed in but it is not given to the public at present.

Mr. HELLMUTH: I am not at present going into it at all. I hand it to the commission without comment.

Sir WILLIAM MEREDITH: Have you not more than one copy of these things?

Mr. JOHNSTON: Mr. Carnegie has another copy and perhaps would let the other commissioner have a copy. It would not be used until the commission has pronounced upon it.

Mr. HELLMUTH: We are not going for the moment, Mr. Carnegie, to examine the report.

Q. Then, Mr. Carnegie, after that return in January who did you see or with whom did you get into communication at all in regard to the supply of fuses or the manufacture of fuses? Who first. I want you to give me all correspondence with everybody you had communication with in regard to fuses from the time of your return or before that and your answers to them.

Mr. NESBITT: May I interrupt you a moment, Mr. Hellmuth? You were asked to postpone the description of the fuses until after he got through with his description of his visit to England. I would suggest that if you now get the description of the fuse it will make more intelligible the correspondence in reference to it.

Mr. HELLMUTH: I am very pleased to accept that suggestion, as I was to accept Mr. Ewart's that I postponed.

Mr. JOHNSTON: It may be difficult to accept both.

Mr. HELLMUTH: Will you kindly give an explanation both of the mechanical parts and of what I believe is technically termed the loading?—A. This is a picture supplied to me by one of the "mushroom" companies in the States.

Q. I would very much rather, Mr. Carnegie, if you will permit me to say so, that you should not make any allusions to either companies or people but would confine yourself—I am speaking to you quite respectfully, to merely giving evidence in regard to it.

Mr. JOHNSTON: Not show yourself a partisan, as you are perhaps doing.

WITNESS: Thank you sir. Will you give me permission, sir, to speak now?

Sir WILLIAM MEREDITH: I do not know what about.

WITNESS: I want to say this—

Sir WILLIAM MEREDITH: What do you want to talk about. Let me understand what it is?—A. I want to talk about this fuse.

Mr. CARVELL: He was going to describe a fuse, I understand.

Sir WILLIAM MEREDITH: That is the question you are asked.

Mr. CARVELL: Describe the fuse.

WITNESS: This fuse is called a number 80 fuse and here is a representation of its section. I do not know if it is visible to the court, but there is a part here silver-tinted, that is the main body of the fuse. The top part is also silver-tinted, which is known as the cap.

Hon. Mr. DUFF: It is certainly not visible to me. If you will turn it this way I may be able to see what you are talking about.

Mr. JOHNSTON: Turn it around. We will be able to see it a little later on. The Shell Committee understand it; we don't, but we will see it later.

WITNESS: Here is the body which is coloured or tinted silver. The cap also. There are two rings here known as the time rings. There is also another ring round the body which is known as the graduated ring. In the middle here and at the top there is a time pellet supported by what is known as a brass stirrup, resting upon the central part of the body. Here is another pellet at the bottom known as the percussion pellet. It supports over a similar stirrup what is known as a ferrule, a brass ferrule. There is a small spring, what we call a creep spring, resting on the top of the pellet a shroud needle. The needle is double ended, one pointing towards the detonator cap which is shown here coloured red, and the other end pointing towards another detonator cap coloured similarly, both caps are filled with a detonating composition which when penetrated on percussion lights immediately and sends a flash, communicates a flash, in the case of the time pellet, to the time rings. Here is a channel through the body and coming to the top time ring. In the case of the flash from here it goes straight through into the shell. I have demonstrated that the fuse is in direct communication with the shell. Here is a shell with the communication here right down, and when that flash passes down it lights the powder and of course throws out the shell with the bullets.

Now for the action of the fuse. On the shock of discharge the inertia of the mass—that mass there and that mass there, which I have already explained is held by reason of a little stirrup, in the case of the time pellet, on the shock of discharge that goes forward instantly while the shell goes forward.

Mr. GRANT: Forward or backward?—A. The shell as it goes forward, this comes backward and this strikes the cap, flashes right down here, burns the composition gradually in the top ring and then gets to the bottom ring and goes right around there and then it goes down to what we call the magazine. The magazine is represented here, dotted in black, in which there is a powder simply to assist the flash in the shell.

At the same instant, that is at the instant of shock of discharge, the inertia of this mass, that is the ferrule, straightens out the bent stirrup as we call it and that goes forward, or backward I mean, and it remains backward until contact takes place between the shell and some body that is struck. Then this comes forward, the needle penetrates the composition, sends the flash down to the shell.

Mr. CARVELL: That is when used as a percussion fuse?—A. The percussion element and the time element are in both cases operative at the same time. But now let me explain that while this drawing shows what we call a direct through, that is to say the communication between the top ring and the bottom ring is made here by reason of that pellet, it is obvious that immediately this is struck and the flash passes there and goes right down there, that there is a very small limit of time, but in actual practice the rings are so made that they can be adjusted from 0 seconds, that is direct through as shown here to 22 seconds. That is to say if we are firing a gun

[Mr. David Carnegie.]

with the velocity of 1600 feet per second and we set the fuse to 22 seconds, it means that before that shell will explode, if it does carry in the air that distance, it will have moved 22 times 1600 feet. But the range is so set here that from 0, from any position, any fraction of a second, at least a tenth of a second, the fuse may be set. That is the top ring, the bottom ring, may be set by the line that is here to any mark on the graduated scale of the platform, so that the shell may burst in 5 seconds, 6 seconds, any number of seconds up to 22. I think that should be clear as to the action.

Mr. HELLMUTH: You said the shell travelling at a certain rate. That velocity would decrease would it not naturally as the shell passed on?—A. Exactly so.

Q. But the object is to have the shell burst at a given point?—A. Predetermined.

Q. So that it shall be either over a trench or over a moving body of troops and that it won't burst in a place where it will do no good or harm, as one may look at it?—A. That is so.

Q. But is it in the loading of the fuse that the difficulty occurs in having each fuse go off at exactly the time for which it is set?—A. It is. I should like to explain that.

Q. The backing, or what do you call it?—A. The loading.

Q. Perhaps you will explain what that is?—A. I will, sir. The powder that was shown in the rings here is known as a special fine grain powder and is loaded under a definite pressure, particulars of which I hope you won't ask me. That pressure is maintained for so many seconds in order that the exact character of the composition may be definitely obtained. The humidity of the air has a very great effect upon the character of the powder itself before loading and when loaded. So much so that the specification calls for a time burning toleration. You know what I mean by a limit of toleration. What they will accept and what they will not accept. That is to say if on trial this fuse should fail to give a result within a prescribed limit of a fraction of a second, the fuse will be rejected. So that it is as you can see obviously necessary that not only the powder be blended correctly but that the pressure and that the capacity, the rings that are used here should be exactly to form. The total capacity of each ring should be exactly to the shape so that the quantity of powder put in, the pressure at which the powder is put in, and also the time at which it is put in should be regarded as exact in every respect. It is there where the largest difficulty has been.

Now let me explain further on this powder point. In England we have had for years certain materials—I won't name them—materials which have not been obtained over on this side—for the composition of the powder, which has made it possible after long experience of blending, to get say within a matter of eight days to three weeks a proper blend for this time proposition.

Over in the States, where they have been making what they call a No. 85 fuse—this is the 85 fuse—practically the same in the outer form but with a slight difference in the percussion element, they have used what is known as mealed powder in contradistinction to a fine grain glazed powder such as used in England. And that has entailed different methods of pressing, different pressures for pressing and different manipulations in order to just get the correct toleration, but even beyond that the American specifications have called for a toleration greater than the toleration called for by the British specifications, and that was one of the difficulties with which we met when we wished to contract for this work. The question of the toleration and the time burning. Hence I want to make this quite clear, that it surrounds this portion here, the trouble that is experienced in the time fuse manufacture. There are other difficulties. I do not know whether you would like me to go into them.

Q. Perhaps as it develops we may have to touch them, but at the moment I think we might leave them and pass on. I wish to ask you one matter. Is it sometimes the fact that the fuse is manufactured in one place and the time rings in another,

or filled or loaded rather in another?—A. That has been done under pressure only, sir. The usual practice is the manufacture of the mechanical parts and the fuse loading under the same head, although not in the same factory.

Q. That is what I meant. Is it done in different factories?—A. Oh, yes. That is so even in Woolwich Arsenal.

Q. The mechanical part and the filling of the fuse would not necessarily take place in the same factory?—A. No, they would not take place in the same factory as a rule.

Q. There would be one place where they would be filled and another where the parts would be manufactured?—A. Yes.

Q. Can you tell me about how many parts there are, roughly speaking, in the fuse itself?—A. In this fuse there are—

Q. Is that mark 80?—A. This a representation of mark 80. In this fuse there are approximately 60 to 70 different parts. If you include the metals, there are about 20 different metals in this fuse.

Hon. Mr. DUFF: 20 different kinds of metal?—A. 20 different kinds of material, shall I say, in it? But the parts I give are those including textile materials such as are used, and the paper that is used and the cloth and the aluminum washers, and the muslin cloth and leather washers. But passing on from the materials and while you have mentioned them, I should like to say that while I have been speaking of the difficulty in regard to the loading, I do not want for one moment to minimize the difficulty in regard to the manufacture of the mechanical parts. Here we have a piece of mechanism made to fine limits such as were uncommon, shall I say, to ordinary Canadian manufacture at the time in question. Limits of a few thousandths of an inch, requiring the greatest skill in the machining, apart altogether from the question of obtaining the particular kinds of material. I need not mention that in dealing with the aluminum, the manufacture of this central body alone—as those who have had any experience with this fuse can tell—that it has to be pressed under a certain pressure so as to close the pores of the material to such an extent that it would be impossible for any unsoundness or any possibility of any unsoundness to occur. That the material of which the rings are made, the brass rings, must be such that the closeness of the grain will not permit distortion of the rings when under pressure in the loading of the powder. Ordinary brass is quite unsuitable for such rings. When I mentioned that in the case of the stirrups alone, depending upon the load test, what we call the arming test, as you can understand, if those stirrups had to straighten out on shock of discharge—a known load—if they had to straighten out on shock of discharge it is necessary that the material must be graded in such a form that the graded load upon the material will be within prescribed limits and so admit of the functioning as we term it in these parts on shock of discharge.

Mr. HELLMUTH: Mr. Carnegie, I have no doubt that you could give us a very instructive account all through but I am afraid, with respect, we will have to pass on from that. At all events you have said enough to show the niceness and delicacy.

Mr. CARVELL: Enough to show that a contract should not be given to a company who never made one.

Mr. HELLMUTH: Now, Mr. Carnegie, let us just pass to the correspondence or the conversations which you had with various persons or companies in regard to this fuse question. Perhaps you will tell me whether you mentioned Lieut.-Col. Nicholls as one that you had seen and I find that you did supply me with a letter which he wrote on the 15th of February and which implies that you must have seen him before. I will put in the letter first and then ask you about what had occurred before.

This letter is dated the 15th of February, 1915, and is written to you, care of the Shell Committee: "Re fuses, I have gone into this matter very thoroughly with [Mr. David Carnegie.]

our people and have come to the conclusion that I would not care for our company to take the responsibility of commencing the manufacture of fuses with the insufficient information that is available to us at the present time. In fact I consider it would be necessary for one or more of our operatives to visit some works in Great Britain where these are being actually produced, in order to get a thorough grasp of the methods of manufacture. As I have written you in another letter regarding the manufacture of small arms, I feel that before we would be warranted in assuming the expenditure necessary to the development of the manufacture of fuses, we would require orders for reasonable quantities extending over a term of several years. Yours truly, FRED. E. NICHOLLS, *President.*"

Now, how long before that, Mr. Carnegie, had you seen Colonel Nicholls?—A. I explained, sir, that before going to any I had seen Colonel Nicholls and was introduced to one of his employees named Kirby.

Mr. CARVELL: When did you go to England?—A. December 5th I left for England. I must go back to my report, just to connect the story. I may say briefly that the War Office agreed, after much pressure, to the placing of 20 thousand fuses in Canada as an experimental order. Twenty thousand fuses. And when I returned, amongst the first to whom I mentioned this subject was Colonel Nicholls and I gave him a copy of my report on the manufacture of fuses as carried on at Woolwich Arsenal. I also gave him a sample of the fuses I had taken with me. He suggested that I should visit Peterborough, the works of his company, where he thought at least their facilities were better suited to such manufacture than the other departments of his works. I went to Peterborough, met their managers, left my report, gave them the full particulars regarding the fuses and they considered it. As a result of that the letter followed from Colonel Nicholls declining to undertake with the information that they had there.

Mr. MARKEY: Was that order limited to 20 thousand?

Mr. HELLMUTH: Yes.

WITNESS: We had no order, but I had permission to place through the committee an order if I could find any one in Canada that was prepared to undertake the work.

Mr. HELLMUTH: Let me make that clear. You were authorized to place an order for 20,000 at cost?—A. At cost price.

Q. That is to say the War Office would permit an order for 20,000 fuses to be made here at whatever the cost might be and would pay that cost, so as to give the manufacturer here an opportunity to learn how to make them, and then if he saw fit of course there would be a contract as to the price of the future orders?—A. Just so.

Q. And that was really a sort of bonus, or rather not a bonus in a sense but the War Office taking all chances.

Mr. JOHNSTON: An inducement.

Mr. HELLMUTH: An inducement as my friend Mr. Johnston puts it, for the manufacturer here to enter upon the business, that he might manufacture 20,000 and would get cost for them.

Mr. NESBITT: Would you say they were ready to pay for the experimental education of the Canadian manufacturer?

Mr. HELLMUTH: Let me understand. Would that cost cover the cost of the initial machinery that would be required to manufacture the parts of the fuses?—A. I don't think that was included, sir.

Q. Then would it be of any advantage to say to a manufacturer, you can get cost for 20 thousand fuses, if he had to spend say a million or more in putting up a plant?—A. Well, that was obviously a poor proposition. That is what I put up to the War Office. I said, what is the good, it is like playing with the thing to offer me 20 thousand.

Q. So that Mr. Nicholls understood—I want to know if this is so; I do not want to put anything to you and I do not want you to answer me unless it is so, but wasn't it so that Mr. Nicholls' views as expressed to you, I am speaking merely of the letter, was that the initial outlay was so enormous and the result so doubtful that he would not care to undertake the manufacture of fuses in his factory?—A. That is so, sir, clearly.

Mr. JOHNSTON: What do you say the cost of the initial plant would be?—A. That depends entirely on the size of the order.

Q. For 20 thousand?—A. For a 20 thousand order, I cannot say.

Q. It might be 200 thousand dollars?—A. Oh easily that.

Q. You were not putting up that proposition to Mr. Nicholls?—A. Well, it was a foolish proposition in a way of course.

Mr. HELLMUTH: Let me understand that. If Mr. Nicholls had had the intention of taking up—or any manufacturer, I won't say Mr. Nicholls—an intention of taking up that manufacture of fuses, he would know that the experiment, for it was only an experiment as to the first 20,000 he manufactured, and they turned out no good, that he would be paid for them?—A. Oh yes.

Q. But he had to make the original outlay on his own account?—A. Yes.

Q. But he could play with 20,000 fuses?—A. That is so.

Q. Without it costing him anything.

Mr. CARVELL: Mr. Nicholls was a pretty wise man I should say.

Sir WILLIAM MEREDITH: We will adjourn now until half-past two.

(Noon adjournment from 1 o'clock to 2.30.)

AFTERNOON SESSION.

(Resumed at 2.30 p.m.)

Mr. JOHNSTON: I was going to mention, Mr. Commissioner, that the report which was presented to you just before rising is I think the same report as was read, with certain eliminations and modifications, by the Premier to the House; so that to that extent there is no objection to its going in. It appears in Hansard.

Hon. Mr. DUFF: It is not in the statement made by the Prime Minister at the time he announced the appointment of the commission. It is in his speech on the motion.

Mr. JOHNSTON: In 1915.

Mr. HELLMUTH: Soon after the declaration of war. It is a long report, which I do not need to read.

Sir WILLIAM MEREDITH: Are you content that it should go in as the report?

Mr. HELLMUTH: It is not, so far as I have seen, the report in regard to the fuses—which is of course a rather material portion, although I may be wrong there.

Mr. JOHNSTON: He said "If my honourable friend would permit, I would like to have it included in Hansard as part of my speech."

Mr. NESBITT: Mr. Carvell says it is not the same document at all, and I do not think it can be.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Proceed with the witness in the meantime.

Mr. HELLMUTH: Now, Mr. Carnegie, I put in a letter to you from Mr. Frederick Nicholls and your reply of the 17th I will put in next. It is a letter of February 17th, 1915, to Col. Frederick Nicholls, Canadian General Electric Co., Toronto, Ont.:—

“Dear Sir:

“Thank you for your letter of the 15th inst. I regret to learn that you do not consider it advisable to undertake the manufacture of fuses or small arms ammunition under the present conditions. I quite agree that it would be advisable to have either an expert fuse maker from England or that one or two of your operators should visit that country and go into the manufacture very thoroughly before commencing manufacture on a large scale. As you have decided not to undertake this work, I am going to recommend that experiments be made at the Dominion Arsenal, Quebec, for the manufacture of fuses, and if the proposals we have made in our Armaments Report are received favourably by the Minister, the question of fuse and cartridge manufacture on a large scale would have to be fully considered.

“Yours very truly,

“D. CARNEGIE.”

(Letter marked as Exhibit No. 35.)

The next letter you have furnished is a letter dated February 22, 1915, from Mr. Nicholls to you; apparently you were at Ottawa and it was written from Toronto.

“Dear Mr. Carnegie:

“I have yours of the 20th instant.”

I thought the one I read was dated the 17th. I have not got that letter, Mr. Carnegie?

Sir WILLIAM MEREDITH: Have you the letter of the 20th of February from yourself to Mr. Nicholls?—A. No, sir. There is one here to a Mr. Ashworth.

Mr. HELLMUTH: That may be it, because it is clear that the letter refers to something I have not got. If I have not got it I would like you to find that letter.

Sir WILLIAM MEREDITH: Have you it there, Mr. Carnegie?—A. Yes, sir.

Mr. HELLMUTH: That is not it. This is the letter from Ashworth which returns a sample fuse, which I did not think it was worth while mentioning. It does not bear on the question here. I want to get the letter you wrote of the 20th to Col. Nicholls.—A. Well, sir, if I can find it you shall have it.

Q. I propose to put it in when I can get it, but it has not been furnished me yet?—A. If I can find it I will furnish it to you.

Mr. HELLMUTH: I may say, Mr. Commissioner, that I asked Mr. Carnegie to furnish me with copies of all letters, not only to Col. Nicholls or to some other gentleman to whom I have letters, but all letters in regard to this matter of fuses, and I understand that some he has not yet obtained.

Q. Is that correct?—A. That is right, sir.

Q. Some from a Mr. Harris also. I again repeat that I want copies of all letters, no matter to whom they may have been addressed, or from whom they may have come, in regard to this fuse matter. I cannot get these letters from the parties themselves, except in that way. If of course you should not be able to produce them, we will have to try and get them from some other source.

I will put in meanwhile this letter:—

“I have yours, of the 20th inst., *re* manufacturing of fuses, and note that both yourself and the Minister of Militia are anxious that we should start manufacturing

them at Peterborough. It is of course true that we have excellent facilities there, as I think you saw, our old lamp factory, which could be devoted to that purpose; but at the same time I am absolutely of the opinion that it would be unfair to my company to commence the manufacture unless we had a definite understanding as to how we were to absorb our costs.

"You will readily understand that it would be an expensive matter to develop the manufacture of fuses, and if by any good chance the war were to end in the near future, there would no longer be any extraordinary demand for fuses, and we would probably be left with the equipment on our hands and have to absorb the expenses of our engineers, etc., who have been detailed for this development.

"It would be necessary for one of our engineers to visit Great Britain for the purpose of investigating the manufacture not only in the arsenals but also in the plants of some of the private corporations, and would probably have to hire one or two or three men expert in the manufacture and bring them over here. This would take time and money, and I feel that it would be necessary to have some definite guarantee before we could undertake this work although I believe that perhaps we could ultimately develop the manufacture better than any other concern in Canada. There are so many conditions that a manufacturer has to contend with. For instance, we claim, and I think you are aware of the fact, that the inspection of the shrapnel shells being manufactured in Canada is altogether different in the Montreal district to what it is in our own factory, and we have been subjected in my judgment, to a great loss unnecessarily, and therefore I am not disposed to engage in any further emergency work when we have to deal with unknown conditions.

"If the department are anxious for us to manufacture fuses I would repeat my previous proposition, namely, that we will provide the facilities and engage in the manufacture, they paying the actual cost of the development for the first 20,000. By the time these are turned out the manufacture will have been established and we would then be in a position with a full knowledge of the facts to negotiate a contract for making future quantities.

"With kind personal regards,
"Yours sincerely,

"FREDERICK NICOLLS,
"President."

(Letter marked as Exhibit No. 36.)

- I notice there, Mr. Carnegie, that Mr. Nicholls says that "If the department are anxious for us to manufacture fuses I would repeat my previous proposition, namely, that we will provide the facilities and engage in the manufacture, they paying the actual cost of the development for the first 20,000."

I understood you to say before lunch that the Imperial authorities had been willing to pay the cost of the first 20,000; did Mr. Nicholls, by that or by what he told you in conversation, imply that he would go to the expense of creating a plant if the first 20,000 were paid for?—A. In conversation, sir, with Colonel Nicholls, I laid out just what I understood to be the terms as expressed to me by the War Office Officials. The terms were that they would provide an order of 20,000 fuses, the cost of which would be met; that is, I understood from them that it would be the manufacturing cost according to a certain accounting system, so that the cost could be registered for manufacturing, such as the cost of labour, the cost of materials, the cost of gauges, and the overhead expenses entailed. But how far the total cost of plant was involved, I could not say.

Sir WILLIAM MEREDITH: Is there anything, Mr. Hellmuth, in the word "development" as used there?

[Mr. David Carnegie.]

Mr. HELLMUTH: I wish to find out what was meant, Mr. Commissioner.

Sir WILLIAM MEREDITH: I should have thought that the word meant the capital expended necessary to initiate the plant.

Hon. Mr. DUFF: The cost of preparation.

Mr. HELLMUTH: It says "We will provide the facilities and engage in the manufacture, they paying the actual cost of the development"—

Q. Was Mr. Nicholls' proposition, as the Commissioner has put it, that the War Office or the Imperial authorities should pay for the cost of the development of plant necessary for the production of them?—A. I understood so.

Q. And you understood that the War Office was merely going to pay the cost of the manufacture?—A. That is so, sir.

Q. You answered that letter on the 27th of February, 1915. The letter is addressed to the Canadian General Electric Company, Toronto, Ontario.

"Dear Sirs:—

Attention Colonel Fred. Nicholls.

"I apologize for not having acknowledged receipt of yours of the 22nd instant, which awaited me on my arrival at Ottawa last Tuesday. Unfortunately, I left it in Ottawa, and only had it returned to me this morning.

"I quite understand your position on the subject of fuse manufacture and until some definite course is outlined, it might be advisable to keep out of the manufacture of this delicate piece of mechanism. I should not, however, be disposed to give up the idea of ultimately taking up the manufacture of fuses.

"I regret very much to hear of the difficulties you are experiencing with regard to inspection. I believe Major Ogilvie intends going into the matter very fully with you and I hope some satisfactory settlement may be arranged

"With kind regards, I remain,

"Yours very truly,

"D. CARNEGIE.

(Letter marked as Exhibit 37.)

After that had you any further correspondence or interviews with Colonel Nicholls in regard to this fuse matter, about that time—if it was very much later I do not want to have it now, because I rather wish to follow this in chronological order; at that time did you have any further communications with Colonel Nicholls?—A. Not as far as I know.

Q. Understand me; I want as far as I can, Mr. Carnegie, to follow this matter in chronological order, even if we have to leave one of the parties who may have approached you or you approached and come back to him after you had seen other people.

Then on the 16th of March apparently this cablegram, which I want you to explain, was sent to "Troopers, London, Eng.", signed "Shell Committee":—

"We have now proposals for manufacturing in Canada of number 80 filled fuses at rate of five thousand per day commencing four months from date of contract. Are you prepared to consider order?"

(Marked as Exhibit No. 38.)

I want the answer to that first. The answer came on the 20th of March, 1915, from the War Office:—

"3655 Cipher A-2.

"Your 294 of March 17th. The War Office is prepared to consider your offer for number eighty fuses but would like to know your opinion as to the likelihood of

the company being able to secure suitable powder for time rings and otherwise meet the conditions of specification, also the possibility of their commencing delivery in four months."

(Marked as Exhibit No. 39.)

I am going to ask you, what were the matters you had in mind when the cablegram of March 16, 1915, was sent?

In many cases, Messrs. Commissioners, when they speak of the cablegram of the 17th, it means a cablegram sent from here on the night of the 16th, received there the next morning.

What was it that enabled you—if I may ask that—to send a cablegram to say that you were prepared to consider this?

First of all, I will ask you this, were you responsible for these cablegrams?—A. Yes, sir. The cables are the outcome of the meeting I had at Montreal with a Mr. Edmund Bristol of Toronto, and a Mr. H. W. Fenn, or W. H. Fenn, of the manufacturing and Contracting Company of Wilmington, Delaware. They came together, explained verbally that they had certain proposals to put before the committee, having heard that fuses, or having heard that we were considering the manufacture of fuses in this country.

Mr. Fenn informed me that he had behind him, or working in association with him, a Major Penfield—I do not suppose I am wrong in mentioning his name—he is an officer in the American Army, and associated with one of the arsenals, or was at that time or prior to that time.

Mr. NESBITT: I anticipate, Messrs. Commissioners, that there will be information obtained from various high ordnance officials of various foreign governments. I think it desirable that their names should not be mentioned. The matter had nothing to do with any of these things. One or two of the ordnance officers of the United States would get into most serious trouble if found advising in regard to this matter, and I think therefore that their names should not be mentioned.

Sir WILLIAM MEREDITH: Is it necessary, Mr. Johnston, to have the names mentioned, from your standpoint?

Mr. MARKEY: The gentleman is no longer with the United States Government; he is now Works Manager of the Remington Arms Company.

WITNESS: I did not know that, sir.

Mr. NESBITT: But some are still high up in the American Ordnance Department.

Sir WILLIAM MEREDITH: If there is anything in what you have said, Mr. Nesbitt, the Press should not report it.

Mr. HELLMUTH: However, Mr. Carnegie, if you have occasion in the future to speak of anybody connected with any foreign Government, who may have been advising you, you may say that somebody connected with some foreign Government, without even mentioning what Government, had seen you, and if the commissioners choose to consider that there should be no privilege, you may disclose it, but not otherwise.

Q. What took place?—A. Mr. Fenn was the manufacturer in question, and Mr. Edmund Bristol was the one who introduced the manufacturers as persons skilled in the manufacture of fuses. I told Mr. Fenn at the time that any proposal he made, and any representation that I made on his proposal to the War Office could only be regarded in the light of a tentative matter, because necessarily investigation would be followed by a cable that I sent to the War Office, that is to say, my position was this, first I would say to the War Office that we have a proposal, and were they prepared to consider it?

[Mr. David Carnegie.]

We were too busy then to go into investigations before we knew the mind of the War Office in the matter.

Q. I see that on the 21st of March, 1915, you got a cable back from the War Office—No, you sent a cable to the War Office on March 21st, 1915, as follows: "We are investigating supply correct composition for time rings eighty fuse also ability of firm to commence delivery in four months. Have other proposal before us for immediate manufacture in Canada of American fuse same as being supplied to you by U.S.A. We are satisfied of the ability of this firm to carry out its agreements. They guarantee to deliver four thousand fuses per day under direct supervision of the inventor American fuse and other experts who have actually manufactured fuses commencing delivery three months from date of contract. Orders must be for one million fuses subject to the first twenty thousand proving satisfactory. Price each packed in cases f.o.b. Montreal, five dollars sixty cents.—DAVID CARNEGIE."

(Marked as Exhibit No. 40.)

Is that the cablegram you sent?—A. Yes, sir.

Q. You say "Have other proposal"; you told me of the Fenn proposal; what was this proposal?—A. This proposal was from Dr. Harris, who represented then the Standard Asbestos Company of Toronto. He with a Mr. Cushing and a certain officer came to Montreal, and we heard their story.

Mr. CARVELL: You may mention the other officer's name; he is a West Point man, not an employee. He is in private life, private practice.

Mr. HELLMUTH: Do you know what his practice is?

Mr. CARVELL: He is an industrial engineer.

Mr. HELLMUTH: They say that the gentleman you mentioned is not in any official position?—A. No.

Q. Was he then?—A. He was then, I believe.

Q. You understood so?—A. I understood so, sir, anyway. They came, and having heard also, as Mr. Edmund Bristol had heard, that we were anxious to get fuses, they put a proposal before us.

Q. I think I have that proposal, have I not? Did you not give it to me?—A. No, sir, I don't think so. This has reference to the letters I was trying to obtain, but have not yet obtained.

Q. And you have not got it?—A. I have not got it.

Hon. Mr. DUFF: Was the proposal made in writing?—A. Yes, sir, it was made in writing.

Mr. HELLMUTH: What was the date?—A. As far as I remember the date of the correspondence, March 19th, was the date of a written quotation from Dr. Harris. I believe it was signed by Dr. Harris.

Q. But the date of the interview?—A. The interview was previous to that.

Q. Can you tell me how long before?—A. I cannot really tell you how long it was before.

Q. Your cable was dated the 21st of March, 1915, and it was before that, of course?—A. It would be before that.

Q. But how much before, you cannot say?—A. I cannot say.

Q. That is one of the letters I asked you to let me have, and which you said you had written to get copies of?—A. We have actually lost the correspondence in our office. You will understand that we have had three different offices since we came together as a committee, and the correspondence has been somewhat muddled—perhaps I should not use that word.

Q. You received on the 25th of March, 1915, a cable from "Troopers," as follows; "Minister of Militia, Ottawa. 3741 Cipher A.2. Your 298 of March 22nd. We should prefer the No. 80 fuse for use with H.E. shell. This is a slightly modified form. The price is very high indeed. Please wire what can be done.—TROOPERS."

(Marked as Exhibit No. 41.)

Then there was apparently sent in the name of the Militia this cable reply to "Troopers" of March 29th, 1915.

"313 Cipher. Reference to your 3741 cipher A. 2. Will quote amended price on receipt of drawings, specifications, and sample of fuse for high explosive shells, but could not commence delivery under six months. Reference our cable 298 cipher 21st March. We can supply fuses American design with aluminium body and brass time rings filled complete adjusted to same weight as No. 80 fuses, prices \$5 each. Deliveries 4,000 per day commencing three months from date of contract for one million.—MILITIA."

(Marked as Exhibit 42.)

Mr. CARVELL: Three months for the American fuse. The British fuse would be six months?

WITNESS: I think so, sir.

Mr. HELLMUTH: Q. Were you a party to the sending of that?—A. Yes sir. I sent that.

Hon. Mr. DUFF: The No. 80 fuse is this fuse (sample)?—A. Yes, sir.

Q. That is, the time fuse?—A. Yes, sir, the time fuse.

Q. And the suggestion is the time fuse was to be used as a high explosive?—A. Yes, sir.

Mr. NESBITT: They are both time fuses, as a matter of fact.

Mr. HELLMUTH: Q. The letters from Mr. Fenn are of a little later date. I am trying to follow this chronologically, as near as I can. Then I find a cablegram from the Premier to the High Commissioner, the Hon. George Perley, addressed to Hon. Mr. Perley at London, England. The cablegram is dated at Ottawa, 7th April, 1915:—

"Have sent following cable through Governor General to Lord Kitchener:—
(begins):

"Had conference to-day with Colonel Bertram, Chairman Shell Committee, who informs me that Canadian factories are capable of turning out forty thousand and possibly fifty thousand high explosive eighteen pounder shells per day. The experience gained during the past six months has enabled factories to reduce cost and Colonel Bertram is satisfied that if four or five million additional shells are ordered by War Office, price can be considerably reduced and made satisfactory. Colonel Bertram also states that order for first two hundred shells was completed one month in advance time stipulated. One hundred forty-six factories in all now engaged upon work and certain plants such as Canadian Pacific, Grand Trunk and Intercolonial Railways could greatly increase output if desired. (Ends.)

"The work afforded by the manufacture of these shells which has been most efficiently carried on by Colonel Bertram and his colleagues on the Shell Committee has afforded employment for thousands Canadian workmen. I hope if necessities War Office continue a further order as suggested may be given in immediate future.
—BORDEN."

(Marked as Exhibit No. 43.)

[Mr. David Carnegie.]

You know of this?—A. Yes sir. This cable was sent when I was in British Columbia.

Q. Then you did not know of it?—A. I did not know of it, not at the time.

Q. But you knew of it afterwards?—A. Yes.

Sir WILLIAM MEREDITH: What does that have reference to—shells without the fuses?

Mr. HELLMUTH: No, with the fuses.

Sir WILLIAM MEREDITH: It does not say so?

Mr. HELLMUTH: It does not say so, but we will see what it leads up to in a short time.

That was followed by a cablegram of April 14th, 1915:

“Secretary of State for War, London, England.

“With reference to my cable April 7th. Stop. My committee prepared to undertake 4 to 5 million additional 18 pounder shrapnel and 18 pounder high explosive complete ammunition with fuse to be divided as you think proper, prices shrapnel \$18.00 and high explosive \$17.50 each. Deliveries to run concurrently with those already promised as follows: In July 150,000, August 400,000, September 450,000, October 500,000, November 700,000, December 700,000, January 700,000, February 700,000, March 700,000. Stop. Many factories are already equipped with gauges etc., for manufacturing the above.—MILITIA.”

The reason I put this in is that it is necessary here. It looks as though the sender of this cable had sent the cable that had been sent by the Premier.

Hon. Mr. DUFF: It was really a cable to the office.

Mr. HELLMUTH: Yes, Mr. Commissioner. I could not put this in without connecting it up. You will see that it is connected with the cablegram of the 17th.

(Marked as Exhibit No. 44.)

Now comes the answer to that, which is dated the 17th of April, 1915, from “Troopers” to the Minister of Militia.

Q. Were you here when that was sent?—A. I beg your pardon.

Q. Were you here when that was sent—in Canada, I mean?—A. I was in Canada. I was in British Columbia.

Q. Had you gone out there?—A. Yes, sir.

Q. On an inspection tour?—A. On a commission on the question of refining copper and zinc in Canada.

Q. You found these cables when you returned?—A. Yes, sir.

Q. This is a cable of the 17th of April, 1915, from “Troopers” to the Militia:—

“Minister of Militia, Ottawa.

“4091 Cipher A.7.

“Your telegram No. 105 Code. Can. Shell Committee divide five million rounds complete ammunition as follows:—

“One-third 4.5” Lyddite howitzer;

“One-third shrapnel 18-pr.;

“One-third high explosive 18-pr.;

and what price 4.5”?

“Presume propellant included? Is it cordite or nitro-cellulose?

“Fuse for shrapnel must be twenty-two seconds, but for H.E. graze fuse.

“Where will fuses be obtained? We are apprehensive of interfering with existing orders in the United States.

“TROOPERS.”

(Marked as Exhibit No. 45.)

Mr. HELLMUTH: The fuse for shrapnel had to be 22 seconds. There is nothing said about Lyddite howitzer.

Mr. CARVELL: Both the Lyddite and the 18 would be high explosive.

Mr. HELLMUTH: There was a little confusion about that, which we will look into when we come to it afterwards.

Q. The answer to that was also sent in your absence. It is dated April 23rd, 1915. "Troopers, London, England:—

"352 Cipher. Your 4091 cipher A.7.

"Shell Committee prepared to divide five million rounds complete ammunition as suggested, one-third each 4.5 Lyddite Howitzer, 18-pr. shrapnel and 18-pr. high explosive.

"Will supply 4.5 Lyddite at sixteen dollars fifty cents including shell complete with case primers, etc., but not including propellant.

"Will quote prices on propellant when you give us details asked for in Shell Committee cable to Director of Army Contracts, April 21st."

I am going to stop for a moment there. Have I got that of the 18th?—A. I have not got it here.

Q. Will you get it, because I want everything you can get.

"Will quote prices on propellant when you give us details asked for in Shell Committee cable to Director of Army Contracts, April 21st.

"Propellants in 18-pr. shrapnel and 18-pr. high explosive will be cordite—fuses will be made to suit your requirements and will be obtained from large organization in United States, who will move their plant to Canada later.

"Will not interfere in any way with existing orders in States.

"MILITIA."

Will you tell me, please, what plants or organizations there were in the United States that you would get it from, and who would move their plants later to Canada, at that time, the 23rd of April, 1915?—A. I understand, Sir, that this reference—

Q. You were not here?—A. No, but I can explain it. I understand that this reference was to the proposal that Dr. Harris made with regard to the supply of fuses of American design, and immediately this matter was concluded General Bertram got in touch with Dr. Harris.

Q. General Bertram will give his own evidence, but you can tell me what you understood was the result?—A. The result was that on the day of my return, the 26th of April, these men were there to meet me and discuss the proposition.

(Cablegram April 23rd, 1915, marked as Exhibit No. 46.)

Q. The next cable is dated April 27th, 1915, so you can now give me whom you met and what took place?—A. On my return I found Dr. Harris, Mr. R. L. Patterson, and a Mr. Hoyt, who was I understood the legal adviser of a company in the United States known as the American Machine and Foundry Company, and they set out the proposal that they had been in touch with certain manufacturing companies in the States who had undertaken, if a order were placed, to do the mechanical parts of the fuse. You will understand what I mean by that, the mechanical portions, the mechanical parts, and that they had been negotiating with the Duponts, one of the principal explosive manufacturers in the United States—I think I am right in saying that they are among the principal ones, as they have been long in that work; they told us that they had had negotiations on the fuses.

Q. Of the time rings?—A. Of the time rings. On that day we took their particulars, and subsequently, being hardly satisfied regarding the loading end of the proposition, I suggested that I should go to the States and investigate more fully the loading proposition.

Q. So that at that time you had seen Dr. Harris and Mr. Patterson?—A. Yes, sir,

[Mr. David Carnegie.]

Q. Dr. Harris is the gentleman you spoke of as with the Toronto Company?—
A. That is so Sir.

Q. Was he at that time living in Toronto or in New York?—A. I believe his address was then New York.

Q. I see on the 27th of April 1915, the day after you had returned, a cable was sent;

“Troopers, London, England.

“355 Cipher. Reference our cipher 352. May we proceed?

“Urgent.

“MILITIA.”

Were you a party to the sending of that cable?—A. Yes, sir.

(Cablegram marked as Exhibit No. 47.)

Q. What was the explanation, if you have any, of why that cable was sent; it was to proceed, I assume—you may correct me if I am wrong—it was to proceed upon this five million contract, or at all events in regard to the fuses for that?—A. We regarded the contract as a whole, and as far as I could read the cables it did not seem sufficiently definite that the order was actually concluded there.

Q. You say “The contract as a whole”; the contract, if we can call it a contract, or the order?—A. The order.

Q. The order was, to make at a certain price an absolutely completed shell, which included whether it was Lyddite, high explosive or shrapnel, the fuse?—A. That is it, sir.

Hon. Mr. DUFF: And a propellant?—A. No sir. The propellant we had not particulars of for the 4.5 fuse.

Sir WILLIAM MEREDITH: But there was a propellant?—A. There was a propellant for the 18 high explosive.

Hon. Mr. DUFF: The price quoted with reference to the 4.5 lyddite howitzer was exclusive of the propellant?

Mr. HELLMUTH: Yes, but the others were complete shells, as I understand.

Q. I see the answer to that cablegram came on the 28th of April, 1915:—

“Minister of Militia, Ottawa.

“4250, Cipher A. 7. Your ciphers Nos. 352 and 355. Please proceed.

“TROOPERS.”

“Received 10.30 p.m.

“28.4.15.

(Cablegram marked as Exhibit No. 48.)

Then I see, Mr. Carnegie, that on the 30th of April, 1915, you got a telegram which does not appear to touch particularly the contract or the proposal and offer in regard to the five million; you cannot tell whether this has any particular bearing or not. This is a cablegram dated April 30th, 1915:—

“Minister of Militia, Ottawa.

“4317 Cipher A. 2. Your 313 Cipher and our letter of April 5th

“Can you now quote for No. 80 fuse for High Explosives Shells?

“TROOPERS.”

(Marked as Exhibit 49.)

Perhaps you can explain that, because it seems you had not quoted for fuses at all; you had quoted, so far as I can find, up to that date for nothing but complete shells less the propellant in one shell; now you were asked “Can you now quote for No. 80 fuse for High Explosive Shells?” The American fuse was 85. Can you explain that?—A. Yes sir, I can explain that. You will notice that it refers to a cable No. 4317, cipher 32 which I think has been put in.

Q. I hope so; if I have not got it I want you to look for it.

Mr. CARVELL: It is in Exhibits Nos. 40 and 42.

Hon. Mr. DUFF: They were American fuses?—A. The significance of this cable is, that they asked us to quote for a No. 80 fuse for the High Explosive shell, and in the order that had just been concluded they speak of a graze fuse. That is the significance I wish to bring out here.

Q. So that you gathered from that—that is what I want to find out—that the War Office were rather changing their mind as to the type of fuse that they would use in the High Explosive?—A. That is so.

Q. Instead of having a graze fuse, they would have what is called a No. 80 time fuse?—A. Yes.

Hon. Mr. DUFF: Would the percussion work on a graze simply, or would it require a more violent impact than the graze?—A. It would require a slightly more violent impact? That is what I mean. It would require a more violent impact. The graze fuse is supposed to act on a certain angle, say not exceeding three degrees of incidence, whereas a time fuse would require a more violent and direct action.

Q. That is, for the purpose of percussion?—A. That is, the percussion element only, it would have to have a more slight impact and the graze fuse would send it off, and a more direct or more violent impact with the time fuse?—A. Yes.

Mr. HELLMUTH: Exploding on percussion.

Mr. HELLMUTH: I do not know that I should not have proceeded with the other, but I am trying to keep chronologically as things occur and I see on May 1st you have handed me a letter from Messrs. Stewart & Stewart, apparently barristers of Montreal, enclosing you a draft contract for fuses, when I say enclosing you, enclosing the Shell Committee it is addressed to the Shell Committee at the Drummond Building, Montreal and the letter reads:—

“*Re* Contract for fuses.

“Gentlemen,—We are enclosing herewith draft of contract which we think covers the necessary points.

“Kindly advise us of any alterations you wish made and oblige.

“Yours faithfully,

“STEWART & STEWART.”

Sir WILLIAM MEREDITH. What is the date?

Mr. HELLMUTH: That is May 1st the letter is dated. I notice in this copy May 1st is put in in ink, it is not in typewriting, but I suppose that is correct?—A. Yes, that is correct.

Q. I think perhaps I ought to bring this contract to your attention because I think it requires, at least I desire to have some explanation as to what is the meaning of it. It is headed in this way, “Suggested Paragraphs to be embodied in contract”—

Mr. NESBITT: Is that another Exhibit?

Mr. HELLMUTH: No, it is attached to the letter I read of May 1st, and I presume they will both go in as one Exhibit.

Sir WILLIAM MEREDITH: Yes, all one Exhibit.

Mr. HELLMUTH: “Suggested paragraphs to be embodied in contract between the Shell Committee and the Standard Asbestos and Fuse Company Limited, Toronto.”—is that the company in regard to which you said Dr. Harris had spoken to you?—A. Yes.

[Mr. David Carnegie.]

Q. And with which he was connected.—A. Yes.

A. These are the suggested paragraphs: "The contractor undertakes to deliver five million fuses of at least two different designs in accordance with drawing No..... and specification No..... to be supplied by the Shell Committee."

"*Date of Delivery.*—The delivery to commence in four months from date of receipt of drawings and specifications of fuses and gauges.

"The rate to be 5,000 per day, increasing to 30,000 per day in six months. The total five million to be completed in one year from date of contract."

"*Canadian manufacture.*—Preparations are to be made also to manufacture fuses in Canada at the rate of 1,000 per day during the six months, increasing the rate per day to 2,000, 3,000 and 5,000 respectively, during the seventh, eight and ninth months. Deliveries to commence in five months after the receipt of drawings and specifications of fuses and gauges."

"*Price.*—The price of \$4.50 to include the fuse complete with cover and tin packing case as per specifications and drawings. Fuses to be packed and delivered f.o.b. contractor's works."

Terms of Payment.

"Payment to be made by Shell Committee on receipt of invoices from contractor accompanied by certificate from Chief Inspector of Arms and Ammunition that the fuses have been accepted.

"An advance payment equal to two-thirds of the cost of the finished fuse to be made to the contractor on completion of the mechanical parts of manufactured fuses not exceeding one million under the whole contract. The same to be delivered to the loading contractor's factory or factories all ready for loading.

"Such advance payment is not to constitute an acceptance by the Shell Committee of the fuses, but the contractor is still bound to fully complete the fuses in accordance with the terms of the specifications and contract."

Examination and Proof of Fuses.

"Examiners will be sent to the factories where the fuses are manufactured and loaded for the examination of the fuses under the direction of the Chief Inspector of Arms and Ammunition, Quebec, whose decision will be final. Steps to be taken to assure rapid and efficient examination and proof of fuses."

"Fuses to be proved at Quebec or at any other place or places designated by the Chief Inspector of Arms and Ammunition."

Cancellation of Contract.

"The Shell Committee reserves to itself the right to cancel the contract, if after six months from the date of receipt of drawings and specifications of fuses and gauges deliveries of fuses have not been made at the rate stipulated. It being understood that time lost by the contractor, caused through strikes, and acts outside human control would be added to the six months named in this paragraph."

Fair Wage Clause.

"This contract is made on the understanding that the recognized standard or current rates of wages of the district be paid for all classes of labour employed in the manufacture of any part of the articles named in this contract."

Interference with Existing Contracts.

"This contract is placed on the understanding that the contractor will not knowingly interfere with existing contracts with the British War Office or the Allies."

Then there are further conditions of contract about the order number being distinctly shown on each invoice and settlement each month, etc."

(Exhibit No. 50.)

Q. Who gave the instructions first of all for the preparation of a draft contract, or perhaps to be more accurate, paragraphs that could be inserted in a contract that

might be come to with the Standard Asbestos and Fuse Company?—A. Because in this way, sir, at the interview we had on April 26th notes of our interview were taken, paragraphs were dictated by myself to my secretary, and the following day we asked Mr. Stewart, of Stewart & Stewart, to call at the office, and I had then an interview with Mr. Stewart, outlined the proposals they made with the result that—

Q. Yes, so that so far as you call to mind, and correct me if I am unfairly stating it, those paragraphs in the suggested contract covered what you thought or considered were the terms of the proposal by Dr. Harris?—A. Yes.

Q. For the company?—A. Yes.

Sir WILLIAM MEREDITH: For whom were the Stewarts acting?—A. For the Shell Committee.

Q. And they therefore got their instructions necessarily I take it, from you?—A. From General Bertram and myself.

Hon. Mr. DUFF: I do not suppose it is of any particular materiality, does the phrase "mechanical parts" mean everything with the exception of the filling mixture for the time ring?—A. Filling mixture and that associated with it.

Q. Such as lead?—A. Yes, and the paper and the felt cloth and all the parts that are required in conjunction with the filling.

Q. On May 1st I see that you sent a telegram which is signed by apparently yourself, Carnegie, Shell Committee—I do not know whether it meant Carnegie Shell Committee, or Carnegie for the Shell Committee, but that is how it is signed, to Troopers, London, England:—

"Reference recent contract with Shell Committee for shells and fuses. Regret that company who undertook to load fuses now declines to work to specifications. Recommend now accept instead No. 85 fuse same as American Locomotive Co. has undertaken to supply you. Cannot find any company now willing to load 80 fuses without English expert assistance. Reply, Militia, Ottawa."

(Exhibit 51.)

Sir WILLIAM MEREDITH: What is the date of that?

Mr. HELLMUTH: May 1st.

Q. Let me make it clear, while you received this letter of May 1st from Stewart and Stewart with a draft of paragraphs of the contract you had given them the instructions after your interview of the 26th April?—A. Yes.

Q. On May 1st what had you learned, if anything, as that cablegram implies about the company declining to do it?—A. I went to New York, sir, and followed the inquiry to DuPonts, I went personally to DuPonts; that was on the morning of May 1st.

Q. The same day as this cable?—A. The same day as this cable was sent from New York.

Q. You sent this?—A. I sent this from New York. I went to DuPonts to investigate, as I stated previously I was not satisfied with the information they had given regarding the experts and the loading facilities were such as to commend to me. When I got to Wilmington and met Mr. DuPont and Capt. Cracy, also Col. Buckner, they said that negotiations they had had with Dr. Harris and his associates had fallen through. They were prepared to go thus far and no further, that they would supply powder of the proper blend as supplied to the American companies making No. 85 fuse.

Q. Not 80?—A. Not 80, but they would not undertake to supply powder to comply with the conditions required in the British specifications for the No. 80 fuse. On my return from Wilmington Dr. Harris met me at the station, not by appointment, and I expressed my displeasure somewhat at being put on a fruitless errand, and he explained to me that he had tried to get in touch with me before going there, but he said that if I came along to the office with him the matter could be fully explained. I went

[Mr. David Carnegie.]

to the office, met Mr. Patterson, met the other expert they had there that I won't name, and Dr. Harris also. They informed me that they were highly disappointed at the trouble that we had been put to in getting this contract partially arranged; at the same time they said that since the DuPont people were prepared to supply powder of the No. 85 quality, that is the American fuse quality, and as the No. 85 fuse had now been produced in the States at the Scovill Manufacturing Co., of Waterbury, they would be prepared to go to the question of the erection of a loading factory and be quite independent of DuPont's if I could get from the War Office some definite instructions that they would allow No. 85 toleration in the question of time burning; so to make sure I telephoned there to Col. Phipps, our British officer in the States who was examining the fuses. I got from him sufficient information to satisfy me that the 85 fuse being made at the Scovill Manufacturing Co. was giving the toleration that R. L. Patterson and Dr. Harris informed me was being given. He referred me to Major Laurie who was at Waterbury. I got on the phone at Waterbury, spoke with Major Laurie, and he said "Yes, that is so, but I would rather you came out and examined for yourself the conditions there so as to satisfy yourself." Immediately after telephoning to Waterbury and Phipps at the Bethlehem I got on the phone with Ottawa, or at least Montreal and Ottawa, but I spoke with General Bertram who was then with General Benson, another member of the committee. I said: "We are up against a stone wall, we cannot move, we have taken a contract on and we cannot deliver the fuses, we must have something," and I had prepared the very cable that is here and read it over the phone to General Bertram, and asked if he agreed. He agreed and I sent the wire off right from New York to the War Office.

Q. That is the explanation of that cable Exhibit 51?

Sir WILLIAM MEREDITH: Is that Mr. Patterson of the Toronto Type Foundry of Toronto?—A. No, sir.

Mr. ATWATER, K.C.: He is in the company that I represent.

Hon. Mr. DUFF: The point of it that you were concerned about or that created the difficulty was in the matter of toleration in the time mixture, was it?—A. Yes.

Q. Not in the design of the fuse?—A. Not in the design of the fuse at that moment.

Mr. HELLMUTH: I see that on May 2nd—I jumped from one to the other, but I think it is really the easiest way to follow it out and see what was done—on May 2nd you received a letter from the Manufacturers Contracting Co., W. H. Fenn, jr.?—A. Yes, sir.

Sir WILLIAM MEREDITH: Who is that letter to?

Mr. HELLMUTH: To Mr. Carnegie himself; it is dated May 2nd. This is a letter from Wilmington, Delaware, to Mr. Carnegie, Shell Committee, Montreal:—

DEAR SIR:—Both Major Penfield, of Bridgeport, and I tried to get you on the phone last evening at the Manhattan in New York, as you directed, but they informed me that you were not registered and they could not find you. Major Penfield telephoned me stating that he had tried to get you for me to write you stating that if you had any doubt as to our having the proper desire, knowledge or power to produce any fuse equal to that of the standard of the United States Government's fuse, he would be glad to have you write him and he would give you over his signature, his full endorsement and assurance of his support of our organization.

"We are sorry your time was so limited that I could not show you more when you were here. We are moving rapidly to production and you must admit from what you saw we have a complete experienced fuse organization assembled under a new well backed company with the best relations.

"In another hour with me yesterday I could have shown you how we not only could assemble your fuses with care and constant precision, but also have now every detailed shop drawings of the machinery with their various constantly duplicating accurate mechanisms that are so necessary to produce uniform constant results. At the present date we have the working shop details of every machine used in a fuse plant either for the testing of the products or the production of the fuse, the shop you saw capable of producing from the drawings and are now assembling our machinery for our first unit. In two weeks we shall be able to test any fuses sent us so we can analyse its possible results, re-load, re-assemble, and finish its parts and re-test it to know its possible limit of production with our powders and what blending will be necessary to obtain proper results.

"We are the only concern in this country to-day that is available to produce from our own drawings the required machinery equipment for the finishing end of a fuse plant as well as having the men available who can teach new hands to use such machines and avoid accidents.

"It seems to us we are exactly what you most need, if you are desirous of obtaining fuses for the use of your Government.

"We can finish our equipment of our home plant, here, especially for your fuse, at once, start production and while this is going on, train our men for a Canadian plant while the machinery is being assembled and trials on the powder is being reached.

"We have formed our company with the most important members of the powder company with us. You have the list and are at liberty to write them if you wish to know their opinion of us.

"This backing is valuable to us in getting results on our explosive supply.

"We have been working perfecting our machinery design and necessary help, all of which is now in readiness to proceed to produce intelligently and without lost motion, and I hope it will not sound too egotistical to say that we are in a position to furnish fuses quicker and as good as any concern in this country to-day that is not filled with orders.

"I am willing for you to divide your order of five million fuses into three parts, giving us one million five hundred thousand, giving any one else one million five hundred thousand, and leave the remaining two million to the company that produces the greatest number of accepted fuses in the first six months after date of signing the contract. As to terms and details of contract these we have discussed, and I am ready to meet your views on anything within reason. You can furnish me the parts or I can obtain them as you wish. The only stipulation is they must be made right to get the results, if furnished to us. We have no doubt that we will furnish you three million five hundred thousand fuses under such terms. Your prompt investigation is welcomed on our statements and powers to produce, as we are being assailed every day by parties bidding on shell contracts, which if we were taken would affect our interest in your order.

"Yours truly,
"MANUFACTURER'S CONTRACTING Co.,

"W. H. FENN, Jr.,
"President."

(Exhibit No. 52.)

That is an apparently very carefully written letter in regard to the powers and capacity of the company to produce fuses. Will you tell me if you can, why that was not taken up—there was no price named?—A. Price named verbally.

Q. What was the price?—A. \$2.50 for the loading and \$4.60, I believe, as far as I remember, for the complete fuse, but if I may explain—

Q. You mean by \$4.60 for the complete fuse that included the loading?—A. Yes, sir.

[Mr. David Carnegie.]

Q. Was that 80 or 85?—A. No. 85 fuse. The letter that you have read followed me to New York, at least I got it when I got back to Montreal. When at DuPont's, investigating the Harris proposal, DuPonts referred me to the company, the Manufacturers Contracting Co., at Wilmington, in the same town.

Q. That is the company that wrote this letter?—A. Yes, the same company, and I went out there and saw Mr. Fenn who showed me the works they had. They were works that had been employed on other manufactures but were now being at that time adapted for the manufacture of fuses, but they had then one loading press installed and some other machinery. I examined there the experts that he produced. There was one foreman whom he said had been employed in the manufacture of fuses, and he also mentioned the name of Major Penfield, whom I had not met nor have ever met, but he wished me to meet him so that I might get some better idea of the trouble that was in my mind at the time, that trouble of getting sufficient expert knowledge brought in to the manufacture to assure myself at least that the work of loading could be done. Now, I was not satisfied with what I saw, I was not satisfied from the point of view of comparison. I had met some of the experts of the other company.

Q. Which company is that?—A. The Harris proposal; and putting the one against the other I was quite satisfied that the Fenn proposal was not equal to it.

Q. And the prices were about the same?—A. From the point of view of loading he mentioned verbally, as I have said, that price \$2.50 for loading, which was very high to my mind at that time.

Q. That fuse was not 80 but 85?—A. 85.

Q. The American Fuse?—A. Yes.

Sir WILLIAM MEREDITH: This was all before that letter I suppose?—A. Yes; it was on the date of May 1st when I was at Wilmington, and this letter was dated May 2nd.

Mr. EWART: Is that the same as the Artillery Fuse Co.?—A. Exactly the same, subsequently the name was Artillery Fuse Co.

Mr. JOHNSTON: What was the objection to the Fenn Co.—what were the specific objections to the Fenn factory?—A. The specific objection as far as I was concerned it was a comparative thing. I wanted the best experts we could obtain to assure myself that the experts would carry out their obligations.

Q. That is a general statement again; what were these specific objections that you had to the Fenn Company?—A. They had one expert as against four or five experts.

Q. Any reason why they should not have four or five?—A. Could not get them.

Q. They had one?—A. Yes.

Mr. HELLMUTH: Let me ask you what experts were there in Canada in regard to the making of the 80 fuse?—A. No experts to my knowledge, sir, except the Mr. Kirby to whom I have already referred, of the Canadian General Electric, who had had experience at Vickers, according to his own statement in the mechanical making of the fuses, and also in some measure the testing of loaded fuses.

Q. What experts in regard to the 80 fuses had you up to that time met in the United States—I am not asking who they were, but how many had you met?—A. No experts sir, whatever.

Q. When you speak of the experts that you saw is what I want to get at, when you speak of the experts that you saw, you said four experts as against one, or three or four against one, did you mean experts in regard to the 85 fuse?—A. Yes, certainly, I am comparing now the 85; no number 80 fuses had been made in the States.

Q. Had no 80 fuses been made in the States under the contracts that the British Government had let through the Morgans?—A. None.

Q. Not at that time?—A. No, not at that time.

Hon. Mr. DUFF: I think you said it was really a question of toleration?—A. Yes, a question of toleration.

Q. Limits of accuracy?—A. Yes.

Q. That was broadly the difference between the difficulty of making 80 fuse and making 85?—A. Yes, I will explain it in detail; the number 80 fuse calls for a time burning of 22 seconds plus or minus .2 of a second; the number 85 fuse, that is the American fuse, calls for a time burning of 22 seconds plus or minus .4 of a second, just double the toleration, and in even in that small measure there, as I found out by phone from Col. Phipps that night before sending this cable to England, I found out that even at the Scovill Manufacturing Co. where they had had this special officer from England helping them all he could get was that they had been bordering on to the .2 but had not got it, and Col. Phipps could not authoritatively say to me that I could depend on any company in the States supplying powder that would give the .2 toleration.

Mr. HELLMUTH: Then I say that on the 6th May you sent a cable, or at least a cable was sent to "Troopers" by "Militia":—

"Shell Committee can proceed manufacture No. 85 fuse but suggest that your acceptance of it made with aluminum body and brass time rings making total weight same as No. 80 fuse." This will save changing shell body design and will allow use of aluminum which can be more easily obtained than brass. Do you agree?"

Was that sent with your concurrence?—A. Yes.

Mr. STEWART: There is one that precedes that; look at the one dated the 7th May, 8076; that should come next, and it is evidently reply to one of May 1st.

Mr. HELLMUTH: Mr. Stewart has called my attention to the fact that I am putting in a cable of the 6th May. Will you come here, Mr. Stewart, if I have got these in the wrong order I will be much obliged. (Mr. Stewart speaks with Mr. Hellmuth.)

It has just been pointed out that although the two cables are dated one of the 7th May and the other of the 6th, it really appears as though those dates ought to be in a sense reversed, because the cablegram of the 6th May refers to the cablegram of the 7th. I ought to put them in apparently as though it was the 7th May and then that of the 6th. The cablegram signed Troopers of the 7th May is "Referring to telegram May 2nd, Shell Committee No. 85 fuse.

"Will accept (providing that?) Mark VI shell supplied.

"This is the only shell for which fuse is suitable."

That is numbered 8076; and the next cablegram from "Militia" says referring your code 8076, although it is apparently dated a day before, May 6th.

Sir WILLIAM MEREDITH: Probably it ought to be the 8th.

Mr. HELLMUTH: May I put a query "8" on this?

(Exhibit No. 53: Cablegram of the 7th May, 1915.)

(Exhibit No. 54: Cablegram dated 6th May, 1915.)

Mr. EWART: There is a cable of May 7 referring to telegram May 2; that should be May 1.

Mr. HELLMUTH: But they got it on the 2nd, and I have explained that all along.

Mr. EWART: Do you know which one it is, because there are two of the first?

Mr. HELLMUTH: I do not know. In sending a cable either from here or from England it was common to refer to the cable as of the date when it was received, not as of the date when it was sent.

Hon. Mr. DUFF: There is no cable dated the 2nd May from the Shell Committee. [Mr. David Carnegie.]

Mr. HELLMUTH: But there is one of May 1.

Hon. Mr. DUFF: Yes.

Mr. HELLMUTH: I do not know that I can accept that as being the 8th, because here comes a reply to that apparently of the 7th. There is some little confusion, perhaps, of dates—"Troopers" to "Militia":—

"Cannot agree to your proposal, as we do not wish to experiment with a new pattern fuse, especially as No. 85 will not fit into the shell you are now making."

(Exhibit No. 55.)

Mr. DUFF: That is the shell they were making under order of the 17th April?—A Referring to the complete shells.

Mr. HELLMUTH: There comes apparently a new fuse suggested from Trooper on the 10th May, when I say new fuse I mean a new number, and a different fuse, I suppose:—

"Will you please quote for fuse 100 for 18 Pr. High Explosive shell."

(Exhibit No. 56.)

Q. What did that mean?—A. We took this to be a definite inquiry for a fuse order.

Q. For a fuse order pure and simple?—A. Yes.

Q. The prior inquiries had all dealt with this five million shell contract in which either the fuses were to be there or you would not get the order?—A. That is right.

Q. Now you take this as an inquiry for a fuse contract pure and simple?—A. Pure and simple.

Q. Nothing to do with that particular five million?—A. Yes.

Q. Is that right?—A. Yes.

Hon. Mr. DUFF: Would that be the same grade fuse you were already supplying in fact?—A. In fact, yes.

Mr. HELLMUTH: I see that the Shell Committee, signed by General Bertram, sent to Major Laurie, Messrs. Scovill Manufacturing Company, Waterbury, Conn., a telegram of the 12th May, 1915: "I shall be obliged if you can send drawings and specifications of fuse No. 100 for 18-pounder high explosive shell."

(Exhibit No. 57.)

Mr. CARVELL: Who is that to?

Mr. HELLMUTH: Major Laurie?—A. He was the British officer that I went over to see; he was the British officer inspecting fuses there, and I inspired this wire and sent it to him immediately we received this cable of the 10th inst. from the War Office asking him, thinking that he would be, perhaps, in a position to give us the particulars, as we had not such particulars at our office.

Q. Then I see at the same time a telegram was sent to J. Pierpont Morgan Co., New York, on the same day:—

"Can you oblige us with copy of drawing of fuse No. 100 for 18 pounder high explosive shell? British Office.

"GENERAL BERTRAM,
"Shell Committee."

(Exhibit No. 58.)

That also I suppose came within your knowledge and concurrence?—A. Yes.

Sir WILLIAM MEREDITH: The same day?

Mr. HELLMUTH: Yes, the 12th May.—A. It was the same inquiry.

Q. The same day an answer came back:—

“General BERTRAM,

“Montreal.

“Drawing fuse one hundred revision April eighth just received send copy to-morrow.

“J. P. MORGAN & Co.,
“Export Dept.”

(Exhibit No. 59.)

Do you remember getting that?—A. Yes, I remember on that date I was still there in the office.

Q. Then I come to a rather extraordinary letter which you have furnished me, and which certainly requires some explanation of what had occurred at that time. When did you go New York about that time, what time in May?—A. I was down on the 1st May I arrived in New York.

Q. Did you stay there?—A. No, sir; I returned on the 5th and went back again on the 13th, arriving there on the morning of the 14th.

Q. Was it when you arrived in New York that you received the letter of May 13, 1915, from C. W. Bennett, Consul General in New York?—A. Yes, sir, Sir Courtenay Bennett.

Q. You got that in New York?—A. I got it at the station on my arrival.

Q. This is the letter:—

“Dear Colonel CARNEGIE:

“May I ask you not to sign any contract for time fuses until you have communicated with me. This is most important in the interests of Canada. My telephone number is Broad 1270.”

(Exhibit No. 60.)

You say that you received that letter on your arrival in New York?—A. Yes.

Q. On the morning of the 14th?—A. Yes.

Q. What do you mean by on your arrival?—A. At the station just as I came out of the carriage.

Q. How is that?—A. The man was shouting the name of General Bertram and Col. Carnegie and had two letters, one to hand to Gen. Bertram and the other to myself.

Sir WILLIAM MEREDITH: Was Gen. Bertram with you?—A. Yes.

Mr. HELLMUTH: You were accompanied then by Gen. Bertram on that trip to New York?—A. Yes.

Q. So that you went down together?—A. Yes.

Q. Did you see Sir Courtenay Bennett at once or did you get into communication with him?—A. I got into communication by phone with him and arranged an interview just after noon.

Q. Just after the noon hour?—A. Yes.

Q. And what occupied you during the morning after your arrival—only if it was in connection with fuse matters?—A. We had arranged to meet the manufacturers who had been introduced to us by Col. Allison.

Q. When did you first meet—I may have to take you back a little, when did you meet Col. Allison?—A. On May 1st on my trip to New York I met him first in connection with fuses, not the first time I had met Col. Allison.

Q. When had you first met him?—A. The first time that I met him was in London about the beginning of January of the same year, 1915.

Q. What business, if I may ask, had you with him when you met him in London in January in 1915?—A. I had arranged to go to Lord Moulton in regard to explosives for Canada, and Sir Charles Ross, who was interested in explosives, asked if I would introduce him to Lord Moulton, I arranged to call at the Burlington Hotel on the morning, I forget the date in January, and while at the hotel waiting for Sir

[Mr. David Carnegie.]

Charles Ross, Capt. Sifton came into the room with us and asked us if he might speak with Sir Charles Ross privately. I left the room and in the adjoining room there was a man sitting there with whom I passed the compliments of the day, and on the return of Capt. Sifton from the conversation with Ross he said "Oh, don't you know so and so?" "No," I said, "I do not." It was Col. Allison. I shook hands; that was my first meeting.

Q. I want to know what business you had with him?—A. No business at all.

Q. Then when did you, if at all, have any business with him?—A. The next business I had with Colonel Allison was on May 1st.

Sir WILLIAM MEREDITH: That is hardly accurate. The first business.

Mr. HELLMUTH: The first business you had was on May 1st. What was that business?—A. I was asked by General Hughes, who knew we had been arranging with Dr. Harris regarding fuses, to call on Colonel Allison on May 1st. General Hughes knew that I was going to the States to investigate the loading proposition, and he suggested that Colonel Allison could put me in touch with manufacturers who would, he thought, bring another element of competition into the question of fuses and bring the price down, that being the main consideration in General Hughes' mind, apart from quality and quickness of output.

Q. Had you up to that time had any conversation or correspondence with Colonel Allison in regard to fuses?—A. None whatever.

Q. And the suggestion was from General Hughes that you should see him in New York when you went down?—A. That is right.

Q. On this morning of the 14th of May did you see Colonel Allison?—A. I had an appointment. I went to the Belmont Hotel and rang him up and said I had been asked by General Hughes to see him regarding fuses. That was after breakfast. He said, "Come over." I went up and saw him.

Q. Where?—A. In the Manhattan Hotel.

Q. Was there any one with him?—A. No one. I told him that General Hughes had asked me to see him, and then I asked if he could introduce me to the manufacturers who could help me in this fuse matter. As I had an engagement to go by the 10.08 train to Wilmington, which I have already described, for the investigation of the Harris proposition, I asked him if he could put me in touch with the manufacturers now. He said he could not—it was then about half past nine—but he said if I would call in the evening after I returned from my visit that he would be in a position to put me in touch with the men in question.

Q. Was General Bertram with you or were you alone?—A. I was alone at that time.

Q. Well then, did you see anybody else on that morning except Colonel Allison?—A. No one. Not at the hotel, you mean?

Q. No. I meant had you any other business in relation to fuses during that morning?—A. Oh yes, sir.

Hon. Mr. NESBIT: What was the date?

Mr. HELLMUTH: The 14th of May, is it not?—A. No, the 1st of May we are speaking of.

Q. Yes.—A. I left by the 10.08 train from New York to Wilmington to investigate—

Q. You told us about that?—A. Yes.

Q. Did you see Colonel Allison that evening?—A. I did.

Q. We have got to go back to the 14th when you got your letter from Sir Courtenay Bennett. When did you see Colonel Allison?—A. I saw him late in the evening after my return from Wilmington and after my discussion with the people at the office of the Harris Company and my cables, my telephone conversations with Colonel

Phipps, Major Laurie and Ottawa and my wire to England, I saw him very late that evening.

Q. Did you see him alone then or with anyone?—A. I do not quite remember that. I think it was alone.

Q. Had he any manufacturers then to produce?—A. Not any, no. I went to see him to find out if he had the men to whom he could introduce me, and he asked me if I would call next morning and he would introduce me to the men.

Q. Then did you call next morning?—A. I did, sir.

Q. Where was he then?—A. At the Manhattan Hotel.

Q. Was this alone or with any one?—A. I called—

Q. Did General Bertram accompany you?—A. No, I was alone, sir. I called and was introduced by Colonel Allison to a Mr. Yoakum and a Mr. Craven.

Mr. CARVELL: This would be on the 2nd of May.

Mr. HELLMUTH: Was General Bertram in New York?—A. No, he was not in New York.

Q. I appreciate that. He had not got down.

Mr. HENDERSON: We are now on the 2nd of May.

Mr. HELLMUTH: I was for the moment mixed. You will pardon me.

Q. Now, when you met these gentlemen, Mr. Allison, Mr. Yoakum and Mr. Craven, what took place, what was the conversation in regard to it? I do not want the time of day; we will pass all that.—A. I asked Mr. Yoakum and Mr. Craven if they knew anything about fuses.

Q. What did they say?—A. They said "No." "Well", I said, "Can you introduce me to the men that do?" They said "Yes, they would." I informed them that I had previously made an engagement to go to the Waterbury Works of the Scovill Manufacturing Company on Monday, so I could not see them on Monday, but could they call at my room at the Belmont Hotel Tuesday morning with the manufacturers. Time was urgent and I must have the men produced.

Q. What day was this?—A. The second of May.

Q. What day of the week?—A. Sunday was the day.

Q. Sunday the 2nd. On Monday you went to Scovill?—A. I went to the Scovill Manufacturing Company at Waterbury.

Hon. Mr. Justice DUFF: Did he make this appointment?—A. I made the appointment for the Tuesday at ten o'clock.

Mr. CARVELL: That will be the 4th?—A. Tuesday the 4th.

Mr. HELLMUTH: Had you seen them in the meantime between the Sunday and the Tuesday?—A. No, sir. Let me see, had I seen who?

Q. Allison or Yoakum?—A. I had not seen Allison, but Craven on the Monday morning. I knew nothing about the way to Wilmington, but he very kindly said he would help me to get my train service over. Unfortunately I lost my train, and he helped me there. That is a detail, but still it is something.

Q. I mean had you any discussion with him?—A. None whatever on the question of fuses.

Q. Then I do not know whether the Scovill enquiry is one that we took up at all. Have we touched on it?—A. Yes, sir, because it has reference to the whole question.

Q. But I say have we taken up what you did in regard to the Scovill Company?

Sir WILLIAM MEREDITH: No.

Mr. HELLMUTH: Then tell me about that. I would like to get this chronologically. Tell me what the Scovill trip was or—

> [Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Is that where this representative was?—A. Yes. I went over to Waterbury with the object of verifying what had been said by Colonel Phipps, the Chief Inspector in the States, and to see what difficulties there were in the manufacture of the number 85 fuse, and if possible to ascertain what assistance could be obtained from the Scovill Manufacturing Company. I met Mr. Goss, who is one of the managing directors of the concern, and also Major Laurie. I went into the matter very fully with them, and asked Mr. Goss then if he would help us by taking on a portion of the contract. I told him what we were after.

Mr. HELLMUTH: You asked him if he would take on a portion of the contract so far as fuses were concerned?—A. Exactly, sir.

Q. That is a portion of the five million shell contract?—A. That is right. Mr. Goss told me that he was obligated to the Bethlehem Steel Company, for whom he was acting as a sub-contractor. He had got his contract from the Bethlehem Company for the number 85 fuses. He was then producing something like 6,000 per day and making a very excellent job of the business. Mr. Goss was interested in my story and in my anxiety, because it was a most anxious time. I felt that we had taken on this shell contract—

Mr. CARVELL: Tell us what you did.

Sir WILLIAM MEREDITH: Do not interrupt the witness. If you have any objection to what he says address the commission, please.

WITNESS: I was saying that the shell contract depended upon our supplying every component part; hence my anxiety. Mr. Goss was so much interested that he said: "I will come into New York with you and see the head of the Bethlehem Company and ask if they will allow us to take on a portion of the contract, so that we may not only take on a small part, but may put our works at the disposal of the other contractors you may find able to take the remainder of the fuse work." Mr. Goss wired afterwards. I left him on my return to New York and he wired afterwards saying that it was quite impossible, they were entirely obligated, their capacity was obligated to the Bethlehem Company; therefore they could not help. That is the story of the Scovill interview.

Mr. HELLMUTH: You finished your morning and came back to New York, that was on Monday?—A. Yes.

Q. Did you do anything in regard to fuses, or contracts for fuses, or investigation in regard to fuses on Monday afternoon?—A. I arrived in New York about 8 o'clock on Monday evening, and, if I remember rightly, Mr. R. L. Patterson and one of the chief officers who had been tentatively engaged were waiting me at the Belmont hotel. Mr. R. L. Patterson—this was Monday remember. On the Saturday—

Sir WILLIAM MEREDITH: Witness, do not go into so much minute detail. Every word of this has to be taken down, reproduced and printed. Now, omit all this mere detail and get to the marrow of the thing.

WITNESS: Mr. Patterson asked me to have a conversation with this officer, so that I might be satisfied that the officer was really capable of handling the loading end of the proposition.

Mr. HELLMUTH: I see. Then had you that conversation?—A. I had that, sir.

Q. Was that an officer who is concerned with the American Government?—A. With the International Arms and Fuse Company.

Q. With the International Arms and Fuse Company now?—A. Yes.

Q. What is his name?—A. Colonel Birnie.

Q. Then we get to Tuesday morning, do we not?—A. Yes.

Q. The 4th?—A. Yes.

Q. And is that the morning you were to meet Mr. Yoakum, Mr. Craven and Colonel Allison?—A. No, Mr. Yoakum, Mr. Craven and the manufacturers.

Q. Well, did you meet them?—A. I met them at ten o'clock, Mr. Yoakum, Mr. Craven and a Mr. Bassick.

Q. And, shortly, if you will, what was the result of that interview?—A. Mr. Bassick asked for time to look into the matter. I explained to him what we required, gave him drawings and specifications, and he asked for some time to look into the matter.

Q. You gave him drawings and specifications.

Hon. Mr. JUSTICE DUFF: That is, you gave the drawings and specifications to Mr. Bassick.

Mr. HELLMUTH: Mr. Bassick. Was Colonel Allison present at that interview?—A. No, sir.

Q. Was that all that took place at that time practically?—A. That is the substance.

Q. Then did you see Mr. Bassick or Mr. Yoakum or anybody else on that occasion while you were in New York?—A. The interview ended about eleven. I went on to Harris to interview a Mr. Allyne, who had undertaken to supply the aluminum parts for the fuses. I wanted to know, seeing there was a scarcity of aluminum, how far the Harris Company had the aluminum to make the fuses, and they had brought a Mr. Allyne, who is president I believe of the Aluminum Castings Company of America, to their offices to meet me. I saw him and he said they had options on material for five million fuses.

Q. That was in connection with the Harris proposition?—A. That is so, sir.

Q. Then did you remain in New York, or did you come home?—A. No, sir. I had arranged with Colonel Birnie the previous night and Mr. R. L. Patterson to visit one of the manufacturing companies that they said would be associated in some way with them in the manufacture if they got the contract. I went with Dr. Harris and with Colonel Birnie to the works of Yale & Towne, Trenton, New Jersey, on the afternoon—

Q. Of Tuesday?—A. Of Tuesday, yes.

Q. You saw those works?—A. Yes.

Q. And after that?—A. I returned to New York and they had brought Mr. Cushing.

Q. Who had?—A. The Harris combination had brought together a Mr. Cushing and also a foreman from one of the departments in the States who had been accustomed to loading for some years.

Q. That is loading 85's?—A. Loading 85 fuses. So with the object of satisfying me that the information they had and the experts they had secured were such as could fulfil the contract if it were placed with them they brought those men together, and on my return from Trenton, New Jersey, I met those men at the Belmont Hotel and interviewed them regarding their capacity or knowledge.

Q. That is all on Tuesday?—A. All on Tuesday.

Q. Now, on Wednesday did you stay in New York?—A. I left for Montreal that evening.

Q. Then you were not in New York—we got back now—from then on until you go down and arrive on the morning of the 14th?—A. The morning of the 14th.

Q. I think the morning of the 14th—you told us what you did in the first part of the morning of that day, did you not?—A. Yes.

Q. Now, you told us you had made an appointment by telephone with the British Consul General. Is that not so?—A. Yes, sir. May I explain.

Q. Yes.—A. During the period of the 5th of May and the 14th of May on my arrival with General Bertram in New York we had had a Shell Committee meeting, at which I reported what I found. They suggested that since the new combination,

[Mr. David Carnegie.]

that is to say, the combination of Bassick, the proposal that I put before Bassick, of Burns and Bassick, of Bridgeport, that General Bertram and I should go down and investigate more fully the proposition as would be set forth on the morning of the 14th. On our arrival there we had a meeting of the manufacturers called together by Mr. Bassick, who had, you see, the time to consider the proposals put before him by me on the morning of the 4th, and he was to lay them out and bring his experts and manufacturers so that we could interrogate them there.

Hon. Mr. DUFF: You did not go into that.

Mr. HELLMUTH: No.

Q. Practically the only interview you had had with Bassick on the previous occasion you told him of the proposal, and he was to see whether he could get manufacturers to take it up?—A. Exactly, sir.

Q. So when you go down on the 14th—and I will get those minutes of the Shell Committee; I thought perhaps I would put them in when General Bertram was called; I do not suppose it matters—you had made your report, General Bertram goes down with you, and now what manufacturers did you meet on that morning?—A. We were introduced by Mr. Bassick first of all to Mr. Cadwell.

Sir WILLIAM MEREDITH: Whom did they meet with Bassick, anyone?

Mr. HELLMUTH: Who was with Bassick?—A. There was Mr. Yoakum. Colonel Allison was there. It was at the Manhattan Hotel. Col. Allison, Mr. Yoakum, Mr. Bassick, Mr. Cadwell, and a Mr. Gladeck, and other manufacturing men whose names I have not got. They are recorded, but I forgot them for the moment.

Q. We will come to that afterwards. You tell who they are in some report?—A. And the object of the meeting was to learn from Bassick what his proposals were. He introduced us to Mr. Cadwell as one who would be the main manufacturer undertaking the contract if it were placed with them and who would be responsible for the loading. Mr. Cadwell had brought with him a Mr. Gladeck to assure us that whatever contract he took for loading would be carried out successfully, because this Mr. Gladeck had been employed by the Bethlehem Steel Company, also by the Scovill Manufacturing Company in connection with the loading of time fuses. Then on the other hand Bassick brought the manufacturers there representing certain companies who were prepared to do the mechanical parts of the fuse, and we interrogated him and I felt, after the morning's meeting, satisfied that Gladeck with his experience could undertake the loading of the fuses under the direction of Mr. Cadwell.

Q. Was any contract or any agreement then entered into with the people?—A. None whatever.

Q. And did you see them again while you were in New York?—A. Yes.

Q. Did you see them before you saw the Consul General?—A. No, sir.

Q. I want to try and follow, so as to shorten it as we go along, as much as we reasonably can, these interviews; I want to get, if I may so term it, the meat of the interview without any of the trimmings. I am requested to ask this, before going on. Mr. Johnston would very naturally, and I should too, like to have the drawings and specifications that were attached to the agreement made on the 1st of October between the four manufacturers and General Hughes. They are made part of the contract and it is said that they were annexed and signed by the parties.

Sir WILLIAM MEREDITH: You are going ahead of the story are you not?

Mr. HELLMUTH: No, this is the first contract.

Mr. JOHNSTON: We would like to look at it to-night. I am asking Mr. Hellmuth if we may have it.

Mr. HELLMUTH: Can that be got?

Mr. NESBITT: Yes. It has nothing to do with the fuse contract.

Mr. HELLMUTH: It has not anything to do, you will quite understand, with these fuse contracts. These were empty shells, but there is no reason why we should not have or see anything that we want to see. I thought for a minute it was connected with that. I understand the General says we can have that.

General Sir SAM HUGHES: You can have it. We will bring anything we have got. If not we can get duplicates of them.

Mr. HELLMUTH: If it were possible to get that this evening I would be glad. The Shell Committee have them I understand.

Mr. JOHNSTON: I would like to have it tonight. The position taken by counsel for the Shell Committee is that they refuse to allow me to inspect any papers of the Shell Committee. I am not able to see them. This document ought to be properly with the Shell Committee. Mr. Nesbitt chooses to take the position that he will not produce anything for my inspection or examination for the reasons he gave me.

Mr. NESBITT: Not until you tell me whether you are Jekyll or Hyde.

Sir WILLIAM MEREDITH: Perhaps he is both. I understand that is your position, Dr. Jekyll and Mr. Hyde, under your instructions?

Mr. JOHNSTON: Not both at the same time, but under my instructions I may shift perhaps from one to the other, I would like to have it if they have got it.

Sir WILLIAM MEREDITH: You were leading up to some denouement that will come to the time of adjournment to keep people anxious until to-morrow?

Mr. HELLMUTH: No, I will be very glad if the commissioners think we had better adjourn.

Sir WILLIAM MEREDITH: You have been hovering about this interview with the Consul General and we have not reached it yet.

Mr. HELLMUTH: No, and I do not know that we will reach it. It has been a pretty long day for a first day.

Sir WILLIAM MEREDITH: Well, ten o'clock to-morrow.

(At 5 p.m. on Wednesday, the 26th day of April, adjourned to 10 a.m. on Thursday, the 27th day of April, 1916.)



ROYAL COMMISSION.

THIRD DAY.

MORNING SESSION.

OTTAWA, THURSDAY, April 27, 1916.

Mr. DAVID CARNEGIE (examination continued).

By Mr. Hellmuth:

Mr. HELLMUTH: Messrs. Commissioners, you will remember that the witness spoke of a proposal that he had had from the Manufacturing and Contracting Company of Canada, Limited, by John A. Harris, President, but that he had not the written proposal here. I am just going back to that, because I have now a copy of that proposal, which is dated March 19, 1915.

Sir WILLIAM MEREDITH: I thought the name was the Standard Asbestos Company?

Mr. HELLMUTH: This is signed "Manufacturing and Contracting Company of Canada, Limited."

Q. Is that the same, Mr. Carnegie?—A. That is the letter, Sir.

(Marked as Exhibit No. 61).

Hon. Mr. DUFF: That is referred to in Exhibits Nos. 40 and 41.

Mr. HELLMUTH: Mr. Carnegie has furnished me with the original. I have a copy, but perhaps I had better put in the original. It is dated from the Windsor Hotel, Montreal, March 19, 1915, and is addressed to the Shell Committee, Drummond Building, Montreal:—

Gentlemen,—We beg to submit the following estimate for Time Fuses; American Fuse Frankford Arsenal Type with Aluminum Parts Cushing Patents, as per sample submitted:—

Lots of One Million, \$5.50 each.

Lots of Two Millions, \$4.90 each.

Deliveries to commence three months after signing of contract.

Quantity per day, when in full operation, 4,000.

Order to be given for the full number required, with an agreement setting forth that if the first 20,000 are proven satisfactory, that our company may proceed to manufacture the balance forthwith until completion of order. The cost of the first 20,000 shall be paid for in lots of 5,000 at the rate of \$6.75 each.

Respectfully submitted,

MANUFACTURING & CONTRACTING Co. of CANADA, LTD.

JOHN A. HARRIS, *President.*

Q. That, Mr. Carnegie, is the offer you spoke of yesterday, or which you told about, of having had a verbal conversation in regard to?—A. Yes, sir.

Mr. HELLMUTH: I thought I would mention this now, that I am waiting for correspondence which has been—I will not say discovered—but recently obtained, in regard to the offers and communications with the Russell Motor Company of Toronto. They have not yet reached me, but in regard to that matter I would like to say, Messrs. Commissioners, that while the Russell Motor Car Company negotiations, and indeed a subsequent contract for fuses, that they are not technically the subject of this investigation, yet, as part of the negotiations took place prior to the contracts actually made with the International Company and the American Company, and as prices are mentioned in that correspondence, I thought it was germane to the inquiry to give those in. Of course the contract is not the subject of consideration under the Commission. Practically the prices there may, and probably will throw some light upon this. I will have to take them perhaps a little out of order, as I have not got the papers here yet.

Q. We were dealing, Mr. Carnegie, with your visit to New York on May 15, and you had told, as far as I can recollect what had taken place on the morning of the 14th, and that you had made an appointment with the British Consul-General after the noon hour; did you keep that appointment with him?—A. Yes, sir.

Q. And did General Bertram accompany you?—A. Yes, sir.

Q. What communication had you with the British Consul-General Sir Courtenay Bennett?—A. Sir Courtenay Bennett informed us when we called that he had heard we were negotiating contracts for fuses; he said that he believed he had some one that could help us, and perhaps give us a lower quotation. We said we would be very glad to meet anyone that could help us, because the matter was urgent, and he immediately called in a Mr. Dowler. I asked Mr. Dowler when he called if he knew anything about fuses, and he said he did not, but that he would introduce us to a manufacturer who would deal with the fuses. He also at the time said that he thought he could get the fuses for about \$3.50 each. We were then talking in the range of \$4.50 each.

As we had arranged to go to visit the works in the afternoon, we said that he could bring the manufacturer to our hotel in the morning, that is, the next morning, and we would discuss the matter there.

Q. That would be the 15th?—A. That would be the 15th. We were then in the 14th.

Q. In the afternoon where did you go?—A. We went to visit the firms of Burns & Bassick, of Bridgeport.

Q. What did Burns & Bassick do at Bridgeport; what sort of concern had they there?—A. They were manufacturing interchangeable parts, principally brass parts.

Q. Of what nature?—A. Of locks and the like. You will remember the new name of E. W. Bassick; he was the principal of the firm at Bridgeport.

Q. How long were you there?—A. We were there about an hour.

Q. Did you or did you not go over their factory?—A. I went over the factory with General Bertram.

Q. General Bertram accompanied you?—A. Yes, sir.

Q. Then you returned to New York?—A. No, we visited also at Bridgeport another factory that the company had named as being suitable for the mechanical contracts.

Q. Do you mean the Yoakum or the Bassick Company?—A. The Bassick.

Q. Bassick had named another company as being suitable?—A. Yes.

Q. What company was that?—A. The Remington Typewriter Company.

Q. You visited its works at the same time, or in the same afternoon?—A. At the same time.

Q. Was that all you did before you come to New York that evening?—A. Yes.

[Mr. David Carnegie.]

Q. Had you any interview dealing with this fuse matter that evening in New York?—A. Now you tax my memory. I cannot just say whether we had or not.

Q. Did you during that afternoon or evening see Mr. Bassick again, or Mr. Yoakum, or Colonel Allison?—A. Mr. Bassick, Mr. Cadwell, Mr. Yoakum and I think a Mr. Shantz accompanied General Bertram and myself to Bridgeport and went over the factory and returned with us.

Q. Was Colonel Allison there?—A. No, sir. There was Mr. Bassick, Mr. Cadwell, Mr. Yoakum and a Mr. Shantz. I only met him the once.

Q. May we say that this closes the matter as far as you are concerned, and as far as your recollection is concerned, of that 15th of April?—A. Yes, sir.

Q. Now we come to the morning of the 16th. On the morning of the 16th did you see Mr. Dowler?—A. Yes, sir; he brought Mr. T. J. Ryan to the hotel.

Q. This is the first time we have heard that name here. Who brought Mr. T. J. Ryan, or who was Mr. Ryan, can you tell me that?—A. He stated that he was a merchant.

Q. Was General Bertram with you?—A. Yes, sir.

Q. Any one else besides Mr. Dowler and Mr. Ryan?—A. No, sir.

Q. What took place between you in regard to fuses?—A. I asked Mr. Ryan if he was a manufacturer, and he informed me of course that he was a merchant, but would introduce me to the manufacturer.

Q. I thought you said a moment ago that Mr. Dowler said he would introduce you to a manufacturer?—A. Yes, sir. That was our pleasant surprise.

Q. How much further did you pursue that?—A. The interview lasted perhaps twenty minutes. Mr. Ryan stated that he had a connection—directly or indirectly I forget which—with the Recording and Computing Manufacturing Company of Dayton. I am not quite sure about the designation of the company.

Q. Recording and computing?—A. Manufacturing Company, of Dayton, Ohio.

Q. How were you, if at all, to get in touch with the factory, what was the outcome shortly of the conversation with Mr. Dowler and Mr. Ryan?—A. Mr. Ryan informed us that he could not get the manufacturers over until Monday—we were at Saturday morning—and as Sir Courtenay Bennett had informed us that this was an avenue through which he thought we might get fuses more cheaply and satisfactorily we, out of courtesy really to Sir Courtenay Bennett waited over until the Monday.

Q. Sometimes people transact business on Sunday; did you do any business on Sunday?—A. I think not, sir, but if you will allow me just to tell what I did on the Saturday; immediately after Mr. Ryan left he mentioned a company which I had heard of; Mr. Ohmer, I had heard of, and I understood from the conversation that Mr. Ohmer was making fuses for the Russian Government in connection with the Canadian Car and Foundry Co. of Canada's contracts. Having met the Russian Military Attaché at Washington previously I thought at once that I had better get in touch with him to find out whether the statements made by Ryan were satisfactory. I found that Colonel Goloninski was at the Vanderbilt, and I rang him up, could not get him, but having to go on to Baltimore that morning on other business—

Q. Connected with fuses?—A. No sir, other business of copper bands. On my return about 8.30 to New York I went to the Vanderbilt to try and find Colonel Goloninski, with a view to ascertaining just what the Dayton Company had done in the way of fuses. He was not in, but I left him a note. I got no reply; but on Monday morning General Bertram and I met a Mr. Clerque with whom were two Russian Officials. He introduced us to them, and we learned that they were over with the object of testing fuses made by the company in question.

Sir WILLIAM MEREDITH: Is that the Dayton company?—A. Yes, the Dayton company in question.

Mr. HELLMUTH: Is that Mr. F. H. Clerque who was at Sault Ste. Marie?—A. I believe so.

Q. These two Russian officials you say were over in that connection?—A. From Russia with the object of testing the fuses made by the company in question. I asked Mr. Clerque if that company had any additional facilities for making fuses other than those for which they had obligated themselves to the Canadian Car and Foundry Co., and he said no, he did not believe that Senator Currie would give any permission—

Q. You are introducing another name; what has Senator Currie to do with it?—A. Senator Currie was the President and I believe is still the President of the Canadian Car and Foundry Co. who had undertaken contracts for complete shells including fuses, and they had sub-let that contract for the fuses to this company at Dayton, Ohio.

Hon. Mr. DUFF: That is they had a contract with the Russian Government?—A. Yes, with the Russian Government.

Mr. HELLMUTH: For the complete shells, and they had let this fuse part of it to the Dayton Co.—A. That is so.

Q. What more, if anything, about that?—A. Mr. Ryan brought Mr. Ohmer to us about 4 o'clock that afternoon, and having now before us the fact that it was not likely that we could get the assistance of the Dayton company we heard perhaps more intelligently what he had to say. I asked Mr. Ohmer what facilities they had. He told me that up to the present they had only tested in their own works some of the experimental fuses they had made, but had not made any fuses in quantity, nor had they had any passed by the Russian officials who were the final inspectors.

Q. Mr. Ohmer being the manager of this Dayton company?—A. Yes, sir.

Q. Anything further?—A. I asked Mr. Ohmer if Senator Currie, under whose contract he was working, if he gave permission to manufacture fuses at what price or on what conditions they would undertake a contract. He said that the condition under which he was working with Currie was that of a cost and percentage basis, that is to say, they had a certain percentage added to their workshop and overhead charges on the manufacture of the fuses, and if he were in a position to undertake fuses for us he would prefer working on that basis. I told him that I did not think we could consider such a basis, but if he found that it was possible to make the fuses on what other basis would he work? Could he give a flat price? And after some conversation he said the lowest price he could undertake the work for was \$4.60.

Q. What fuse was that?—A. That was the No. 80 we were then talking of.

Q. Time fuse?—A. Mark No. 80 time fuse.

Hon. Mr. DUFF: It was not the No. 80 fuse he was making for the Russian Government?—A. No, sir, it was a time fuse but not the No. 80; it was their own design.

Mr. HELLMUTH: Had he or had he not made any No. 80 time fuse?—A. No, sir.

Q. He was making time fuse for the Russian Government but that was their own design?—A. Yes, sir.

Q. Do you know what that fuse is known as technically?—A. I do not know what the name is, but he had a sample with him, and its characteristics were very much the same as the No. 80 fuse, two time rings, and the main things were the same.

Mr. EWART: Brass or aluminium?—A. No, I think principally aluminium; of that I am not quite certain now at this moment.

Mr. HELLMUTH: Did that practically end the conversation or interview, or was there anything more?—A. That was the substance of the interview.

Q. Was it to be taken up again or did it finally drop there?—A. He was to make inquiries whether Senator Currie could give him the opportunity of taking on a contract for us.

Q. Anything more in New York?—A. Nothing, sir.

Q. You returned to Montreal or Ottawa?—A. I think it must have been Montreal; yes, we returned to Montreal.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Did he go back at all to the Consul?

Mr. HELLMUTH: Did you go to see the Consul again?—A. Oh, no, sir.

Q. I want to know whether the Consul, outside of the introduction to Mr. Dowler, had anything to say in reference to the contracts that he understood you were negotiating for these fuses with anybody else?—A. He said that he believed that we could get them at a lower price.

Q. How did he know what the price was that you were getting them at?—A. I do not know how he knew apart from hearsay, and I believe that Dowler, to whom he introduced me, had had some connection with the people who were working, with the people with whom we were working, at least I gathered that from the conversation, otherwise he could not have known that our price, the price that was being quoted, was higher than he was in a position to offer.

Q. Did you discuss prices with the Consul General?—A. Oh, yes, sir.

Q. What prices did you discuss with him?—A. We were discussing around the region of \$4.50.

Hon. Mr. DUFF: You said Dowler probably had some connection with the people with whom you were working; do you mean with Bassick?—A. No. It is subject to correction, but he mentioned that T. J. Ryan, that he was associated with, had some connection with Yoakum, mentioned Yoakum's name, and that was why I gathered that there was some connection somewhere in that respect.

Q. The next matter that I find among the papers with which I have been furnished is a letter to you from Mr. T. J. Ryan of the 18th May, 1915; is there anything outside of what we may have to deal with, that is the Russell Motor car matter, between this visit to New York and this letter received I suppose on the 19th or 20th from Mr. Ryan, in regard to this fuse matter—I want to clear as far as I can the ground chronologically?—A. Well, sir, I discovered last night—we have been hunting for the last three weeks all the correspondence—and I discovered last night some correspondence with a General Drain, and it was brought to my recollection that General Hughes introduced me to that gentleman in connection with this question of fuses. The correspondence I hope will be put in this morning.

Mr. STEWART: There is a copy; the correspondence does not start till May 27. (Hands file to Mr. Hellmuth.)

Mr. HELLMUTH: I have not seen this?—A. I have not really read the correspondence myself.

Q. This is a letter sent from 25 Broad street, New York, and dated May 18, addressed to Col. David Carnegie, Drummond Building, Montreal, Canada:—

DEAR SIR,—I have been giving some little thought to the interview Mr. Ohmer and myself had with yourself and General Bertram yesterday afternoon at the Manhattan, to see if anything can be devised to adapt ourselves to fulfilling the contract requirements for the fuses that you may wish to place.

Irrespective of the profit that may be made out of this work, I feel, and I think Mr. Ohmer does also, that the principal thing is to supply these fuses within the time specified and to supply the proper, perfect fuses; and with that in view, do you not think that the plan proposed by him, namely, to supply them at cost price plus a reasonable percentage of profit would assure your securing the fuses in the quantities desired, and also securing the perfect fuses that you of course will require.

If this does not ultimately meet with your approval could any plan be worked out by having us make a fixed price for the fuses and your agreeing to allow a certain salvage on the cost of the building and machinery, for as you know the contract is a short one and for a brief period, and after completion the building and machinery would be to a great degree scrap and of but little value; so some allowance should be made to in some way compensate for that expenditure.

If you will accept the suggestion from me, I might say that I am inclined to think you will serve your purposes better in having your order completed by not letting it be known that such an order is to be given out, for the reason that there is great competition here, both in raw products and machinery, and if such an order is known to be on the market, the controllers of machinery and raw products will boost them to such prices that it will make the cost of the fuses much higher than they ought to be, and particularly so as the time limit is so necessary with you, it is going to practically exact from the buyer the price asked by the seller of the material and machinery. Mr. Ohmer and myself have both agreed to say nothing about this pending order.

If it is agreeable to you, I would like to have any matters relating to this order come through me, for the reason that Mr. Ohmer will not be in New York after today and has so much on his mind on his other contracts, and is not always in one location, and I think the matter could be handled for all interests best by coming through my hands, particularly as the conference originated through me as far as Mr. Ohmer is concerned.

Yours very truly,

T. J. RYAN.

(Exhibit 62.)

Q. Did you reply to that?—A. Yes, sir, I think I did.

Q. I want to pick up to this date, which is May 18, the Russell matter. What was the first interview or communication with the Russell Motor Car Co., Limited?—A. About the beginning of May, sir.

Q. Perhaps this would be the same, because it seems to be. This is a letter from T. A. Russell, written on the Russell Motor Car Co., Limited, letter heading, May 1, 1915:—

Col. ALEX. BERTRAM,
Shell Committee,
Montreal, Que.

DEAR COL. BERTRAM,—I have understood that you are anxious to have the fuses for the shrapnel shells made in Canada.

I have had the matter up with friends of ours in the United States, and believe that I would be in position to have plant laid down here to undertake this work in a very short time. I have made considerable progress on this, and would be glad if you could let me hear from you by return whether there is any possibility of securing business of good volume on the fuses if we laid down a plant here, and were prepared to undertake the delivery of the fuses complete. Also, has any price been set on them as to what could be paid for?

T. A. RUSSELL.

(Exhibit 63.)

Q. Now, does that accord with your recollection in regard to the opening of communications with the Russell Motor Car Company?—A. Yes, sir.

Q. I see the answer to that was not written until the 10th of May, 1915. Can you tell me why the letter was not answered before?—A. It may have been because I was in New York for several days from the 1st of May until about the 6th or the 5th of May, I think.

Q. At all events, had you, between the 1st of May and the 10th of May, when the letter was answered, any interview or communication verbally with Mr. Russell in respect of this matter?—A. I believe they called at the office.

Mr. DAVID CARNEGIE.

[Mr. David Carnegie.]

Q. When you say "they" I would like to know who?—A. I mean Mr. Russell and Mr. Lloyd-Harris.

Q. Were you at the office?—A. Oh, yes, sir.

Q. You believe they did call at the office between the 1st of May and your answer, or Colonel Bertram's answer of the 10th of May?—A. Yes, sir.

Q. Mr. Lloyd Harris and Mr. T. A. Russell?—A. Yes, sir.

Q. Can you fix that definitely, whether that was between that date or whether it was after that date?—A. Between those dates?

Q. I mean between the dates of the 1st and the 10th of May, or whether the interview was after the 10th of May?—A. Before the 10th, sir.

Q. Then perhaps you will tell me what your recollection is as to what took place at that interview?—A. They asked us for particulars of the fuses. I explained to them as far as possible what the manufacture of the fuses meant, the difficulties surrounding the manufacture, and pointed out in particular that the one principal concern was the loading end.

Q. Well, at that time had they—I assume they had not from what I have seen afterwards of this—had they been manufacturing any fuses?—A. No, sir.

Q. Then is that practically all, or is there more of any moment that took place in that interview?—A. As far as I know, not, sir. I gave them as fully as possible all the information required to enable them to investigate.

Q. I see. Were they aware at that time that the Shell Committee had undertaken contracts for 5,000,000 complete shells?—A. Oh, yes, sir; that was the basis of our negotiation.

Q. They knew that?—A. Yes, sir.

Q. This is the answer by General Bertram to the Russell Motor Car Company, dated May 10, 1915:—

In reply to your favour of May 1, regarding fuses, we would be pleased to have you send us your proposition together with all particulars, when we will go further into the matter with you. We enclose herewith blue prints and specification covering the fuse in question number 20590—sheets (1) (2) (3). Trusting to hear from you at an early date.

We remain,

Yours very truly,

A. BERTRAM.

(Marked Exhibit 64.)

Mr. CARVELL: That, of course, would be the time fuse?—A. The time fuse only, sir.

Hon. Mr. DUFF: That is 80?—A. Mark 80—number 80.

Q. Simply number 80. It is not mark 80, is it?—A. No, mark 5.

Mr. HELLMUTH: It is suggested, Mr. Carnegie, that this letter, though signed by Mr. Bertram, might have been dictated by you?—A. That is quite right.

Q. So that really, although these letters are signed by Mr. Bertram the letters themselves were dictated or written by you. This letter itself was dictated or written by you?—A. Yes. As a rule the dictation—

Q. Does not show?—A. No.

Q. Where I find "D.C." on a letter I understand it—?—A. That is right.

Q. Then on May 14 there is another letter from T. A. Russell, and I ask you whether between the last letter that I have read and May 14 you had any further interview with Mr. Russell or Mr. Lloyd Harris, or both?—A. Yes, sir.

Q. When was that?—A. I believe it was about the 12th or the 13th.

Q. And where did it take place?—A. At Montreal, our office.

Q. And who were present besides Mr. Lloyd Harris and Mr. T. A. Russell?—A. General Bertram.

Q. So that on one side there were General Bertram and Mr. Carnegie, and on the other side Mr. Lloyd Harris and Mr. Russell?—A. Yes, sir.

Q. And, shortly, please, what took place in that interview?—A. They came asking for fuller particulars and explaining how far they had gone with their negotiations as far as I remember.

Q. Can you tell me what they told you as to how far they had gone?—A. I can only do it from memory. but I am afraid I cannot give you anything very definite. As far as I remember they indicated that they were looking in the States for some firms to assist them in the work. That is only from memory. As I say, I have not seen the correspondence carefully, lately.

Q. Was there anything definitely done in regard to any verbal promise or arrangement at that meeting?—A. I do not know whether it was at that meeting or a subsequent one when we said—

Q. It was a subsequent one, unless you can fix it?—A. I cannot fix it.

Q. Keep in your mind, please, that I want to know what was done at the subsequent meeting, but I want to try, if I can, to follow this out in its date order. Now, on the 14th of May, 1915, Mr. Russell writes to Mr. Carnegie, Shell Committee, Montreal:—

DEAR MR. CARNEGIE,—I tried to get you on the telephone this morning, but found you were out of the city and would not be back to-day.

Q. You were in New York on the 14th?—A. Yes, sir.

I wanted to ask you if you could give me any sort of introduction to the principal people in the Scovill Company, or if you felt that you could intimate to them that we were working in accord with the Shell Committee, and that you would be glad that if anything consistent with good business policy could be done that would expedite the delivery of the much needed fuses.

I have a plan in mind where we might co-operate with these people, and if so we would possibly be able to do even better than Mr. Lloyd Harris, and I felt like undertaking when we discussed the subject so fully with you yesterday.

If you are able to do anything in the way I suggest with the Scovill people I will very greatly appreciate it.

Yours very truly,

T. A. RUSSELL.

PS.—Perhaps you will be good enough to wire as I expect to leave Sunday.

T.A.R.

(Marked Exhibit 65.)

Now, does that letter recall to you anything in regard to the conversation? You see, it says, "Or if you felt that you could intimate to them"—that is the Scovill people—"that we were working in accord with the Shell Committee, and that you would be glad that if anything consistent with good business policy could be done that would expedite the delivery of the much needed fuses. I have a plan in mind," and so on. Can you tell me, having heard that letter, whether you think what you were going to say in regard to conversation or arrangement did take place before that letter was written?—A. Yes, sir. At the interview—

Q. At the interview before that?—A. At the interview before that on the 13th they discussed with us the possibility of bringing into play the efforts of the manufacturing centres in the States, and it is quite evident from that letter—I do not remember now, but it is quite evident from that letter that they had Scovill in their

[Mr. David Carnegie.]

mind, because they were at the time the only firm who had made a success of the number 85 fuse outside the Frankford arsenal, the Government institution in the States.

Q. You said 85, not the 80.—A. Yes. So that I gather from that letter that they had known of this, that the Scovill people were the only successful manufacturers, and it is just likely that at our interview with them I had informed them of my visit to the Scovill Manufacturing Company on the 3rd of May where I had tried to get them to supply fuses.

Q. As you told us yesterday?—A. As I told you yesterday.

Q. Now, you have not quite answered what I wanted. Had you any discussion along lines of a contract with the Russell people at that interview?—A. Oh yes.

Q. That is what I wanted, please.—A. We were anxious to know—

Hon. Mr. DUFF: This was on the 13th?

A. On the 13th, sir. We were anxious to know how far they could go in the manufacture, and we, as a Shell Committee, were anxious as far as possible to get these fuses made in Canada, that is what we were setting out to do, but the whole question was that we had promised to supply 5,000,000 complete shells at an extraordinary quick time, I think the first was in July—

Mr. HELLMUTH: Pardon me interrupting you, but I do not want to know so much what was in your mind as what you said to Mr. Lloyd Harris and Mr. T. A. Russell. Can you tell me what you said to them?—A. About what, sir?

Q. About making any arrangement with them, if you did say anything.—A. We wanted to get their quotations, sir.

Q. Did you get their quotations?—A. We got a quotation later.

Q. I mean then?—A. Not then, sir.

Q. Then apparently on the 19th of May, following on in order now the two or three matters together, and they dovetail in so, Messrs. Commissioners, that I think it better to follow them in their chronological order.

Sir WILLIAM MEREDITH: They ask for an answer by telegram.

Mr. HELLMUTH: There is no answer by telegram.

Sir WILLIAM MEREDITH: You might not have that with the correspondence.

Mr. HELLMUTH: That is quite true.

Sir WILLIAM MEREDITH: Perhaps you would ask him if there was a telegram.

Mr. HELLMUTH: The letter says, "Perhaps you will be good enough to wire as I expect to leave Sunday."

A. Well, I was in New York when that letter arrived, so there was no reply made to that by wire.

Q. Then on the 19th of May this cable was sent to Troopers by Militia. This is the 19th of May, 1915:—

394 Cipher. Our cipher 367 and your 4506 A.2.

Regarding recent contracts for 18 pounder shrapnel high explosive and 4.5 shells with fuse, are 4.5 and 18 pounder high explosive shells to be fitted with fuse No. 80 over 44?

Fuse manufacturers finding difficulty obtain brass and prefer making No. 80 fuse in preference to No. 85 if time burning toleration of 22 seconds plus and minus point four-tenths is allowed as in No. 85 fuse. Do you agree?

MILITIA.

(Marked Exhibit 66.)

Q. Is that a cablegram sent by you?—A. Yes, sir.

Q. Through the Militia Code?—A. Yes, sir.

Q. This is the first time I have seen this and I would like a very short explanation. What is the meaning of "Fuse No. 80 over 44"?—A. Number 80 over 44 is the name given or the number given to the No. 80 fuse which differs from the No. 80 in its use for high explosive shells.

Q. I want to know just this. Is it in its manufacture a much less expensive or a more expensive fuse than No. 80?—A. Practically the same.

Q. And in its intricacy is there or is there not any difference?—A. No difference.

Q. So that the manufacturer of a number 80 fuse would be competent—may I put it this way—a person capable of manufacturing a number 80 fuse would be equally capable of manufacturing a number 80 over 44?—A. Yes, sir.

Q. We need not spend any time on that then.

Hon. Mr. DUFF: The 80 over 44 would be the fuse that they asked about in the earlier telegram for high explosives, would it?—A. I do not think they asked for this in an earlier telegram.

Q. They did not mention it?—A. They mentioned that high explosive shell.

Q. That would be the same fuse?—A. That is the same thing, yes, sir.

Mr. EWART: Is there a difference in the timing of these two fuses?—A. There is a difference in the timing of these two fuses. I had better explain what the difference is, if I may. The 80 over 44 differs simply in being set at two seconds instead of at nought seconds for what we call a straight through motion. That is to say, in the shock of discharge it would be impossible for the explosion to take place prematurely in the gun should anything happen with the time element to set it off under that shock of discharge.

Q. Does that make a difference in the cost?—A. No difference whatever. It is a mere adjustment on the rate.

Mr. HELLMUTH: Would you tell me whether the 80 over 44 is the same as what I see referred to as 80 mark 5—not 85, but 80 mark 5?—A. It is just the same with that difference I have explained.

Q. Would the 80 mark 5 and the 80 over 44 be the same?—A. The same fuse with that exception.

Q. The 80 mark 5 is equivalent to the 80, is it?—A. 80 mark 5 is equivalent to 80.

Q. The 80 mark 5 and the 80 over 44 are the same thing?—A. Yes.

Hon. Mr. DUFF: This is the 80 adapted to a high explosive?—A. That is so, number 80 adapted to a high explosive.

Mr. HELLMUTH: I just want to refer to this exhibit 66. You say here, "Fuse manufacturers finding difficulty to obtain brass and prefer making No. 80 fuse in preference to No. 85 if time burning toleration" and so on. What fuse manufacturers were finding difficulty in obtaining brass, can you tell me?—A. From the course of the cables, sir, you will see that we had a discussion with the War Office regarding the No. 85 and the No. 80. They said they would allow us to make the No. 85 fuse, that is the American fuse with all brass, if we could change the design, as they said that a mark 6 18-pounder shrapnel shell was the only one to which No. 85 fuse could be applied. We put that up to the manufacturers who had quoted—

Q. I am asking what manufacturers?—A. The Harris Company, now known as the International Arms and Fuse Company.

Q. It was then Harris?—A. Yes.

Q. We must be very careful to distinguish between that Mr. Harris and Mr. Lloyd Harris. They have nothing to do with each other.

Hon. Mr. NESBITT: Doctor Harris.

A. Doctor Harris.

Mr. HELLMUTH: He was one of them. Any others?—A. Mr. Cadwell of the E. W. Bassick Company.

[Mr. David Carnegie.]

Q. Then I come to the answer, because it is in its order chronologically, of May 19, made to Mr. Ryan by Mr. Bertram.
(Marked Exhibit 67.)

Apparently this answer was sent concurrently with a wire, because I see that is the way it starts. Have you got the wire? It has not been furnished to me?—A. It is confirmed in the letter, sir.

Q. I know it is. I am not saying it is not. But I am asking if you have a copy of the wire?—A. I will try and get a copy, sir.

Q. This is May 19, 1915, addressed to Thomas J. Ryan:—

“Dear Sir,—We confirm having wired as follows: ‘Regret are unable consider your proposition fuses, the price being too high. Please thank Mr. Dowler for his wire.’”

Now, I have not got Mr. Dowler’s wire. Will you please note this too?—A. Yes, sir.

“Q. And now acknowledge receipt of your letter of the 18th inst., addressed to Colonel D. Carnegie. We note the contents of your letter and agree with you that we require the supply of perfect fuses immediately.

“Since receiving your letter, Mr. Dowler has spoken with Mr. Carnegie on the ‘phone”—I will have to come back to that—“and we think the situation is quite clear, that from the conversation we had with Mr. Ohmer and yourself on Monday, he was not prepared to undertake the manufacture of fuses without first discussing the matter with Senator Curry, and even if he found he could manufacture fuses for us, that the price for such would be in the region of \$4.60 each.

“His suggestion about undertaking the work on a cost basis plus 5 per cent is not acceptable to us, and as we must close this matter owing to the urgency of the requirements, and we regret we cannot accept your offer.

“We would add that General Bertram and Mr. Carnegie were induced by you to stay over Saturday until Monday to interview Mr. Ohmer, on the understanding that the price of fuses would be in the region of \$3.50 to \$3.75, and we are inclined to think that you did not sufficiently investigate the matter of price when you informed us that the fuses could be done at the above figure.

“Yours very truly,

“ALEX. BERTRAM,

“*Chairman Shell Committee.*”

Q. Is that your letter?—A. Yes, sir.

Q. You dictated that letter?—A. I did.

Q. Will you please tell me when you spoke to Mr. Dowler over the ‘phone? Was it Mr. Dowler in New York?—A. Mr. Dowler in New York. The man introduced to me.

Q. I quite understand that. I suppose it must have been that day because since receiving your letter Mr. Dowler had spoken. Was it the same day?—A. I presume so, because we returned to Montreal on the 18th or 19th.

Q. If you notice, you say that you acknowledge receipt of the letter of the 18th. Now you could not get that until the 19th I assume by post from New York?—A. No, sir.

Q. And you say “Since receiving your letter,” so it was probably the day on which that letter was written. Is that probably correct?—A. That is so, sir.

Q. Then perhaps you will tell me what that conversation was with Mr. Dowler?—A. It was bearing on the question of these fuses.

Q. I understand that, but can you tell me from recollection what you said to him?—A. I cannot.

Q. Or the purport?—A. I can tell you the purport.

Q. Tell me the purport?—A. The purport was that he was backing up the offer he had made for fuses and trying to induce us to look favourably upon Mr. Ohmer as a good manufacturer and one that would do the work in the time he stated.

Q. Then I see you get a cablegram from "Troopers" on the 20th of May, 1915. After referring to cypher number:—

"Are Shell Committee in possession of all necessary drawings of No. 85 fuse and its gauges to enable manufacturer to proceed? Please reply as soon as possible."

(That will be Exhibit No. 68.)

Q. Do you remember the circumstance of that coming in?—A. Yes, sir.

Q. Now I see on the 21st of May you wrote, or at least General Bertram wrote a letter to E. W. Bassick, Bridgeport, Connecticut:—

DEAR SIR,—On behalf of the Shell Committee I hereby grant to you an order for three million fuses at a minimum price of \$4.25 each, to be supplied in accordance with the specifications and drawings which will be forwarded to you later. These drawings and specifications will be either for No. 85, No. 80 modified or No. 80 over 44 fuses, and one or two designs may be desired in connection with this contract.

The terms of payment and other terms of the contract will be on the lines we have discussed with you.

We remain,

Yours very truly,

ALEXANDER BERTRAM,

Chairman, Shell Committee.

Q. Is that your letter?—A. Yes, sir.

Q. Or did you write that letter?—A. I dictated the letter.

Q. I will leave it until General Bertram comes, but I understand that there was a meeting of the Shell Committee before this letter was written. Do you remember that?—A. I don't remember any meeting immediately before this letter.

Q. Perhaps I am wrong then. I may be thinking of the meeting before the contracts?—A. Yes, that is so, sir.

Q. Then did you appreciate or do you understand that this letter is in the nature at least of an option to them for three million fuses at a minimum price of \$4.25?—A. Yes, sir.

Q. Now that is that they won't be less than \$4.25?—A. That is so, sir.

Q. You understood that?—A. Yes.

Q. And was that your intention?—A. That was the intention.

Q. So that you were then practically assuring Bassick—I see that it is addressed to Bassick—that he could rely on receiving an order for three million fuses?—A. Yes, sir.

Q. For which he would be paid not less than \$4.25?—A. Yes, sir.

Q. What writing, if any, or what interviews if any other than what you have detailed took place prior to this letter of the 21st with Bassick or any of his associates?—A. After our return from New York Mr. Bassick and Mr. Yoakum were in Montreal and subsequently in Ottawa in conference with General Bertram and myself on the question of those proposed contracts.

Q. Now perhaps you can give me those dates?—A. It must have been between the 18th and the 21st. I believed they followed us to Ottawa.

Q. Mr. Bassick and Mr. Yoakum?—A. Mr. E. W. Bassick, the man in question here, who was the manufacturer, and Mr. Yoakum.

Q. And in Montreal and in Ottawa you had conversations with them?—A. Yes.

[Mr. David Carnegie.]

Q. Perhaps you will tell me your recollection in regard to these conversations?—
A. First we had to decide whether the companies that had been brought together by E. W. Bassick—

Q. You have not told me yet what those companies were?—A. I think I mentioned, sir, that in our interview in New York they brought together a man named Mr. Cadwell who brought with him an explosive expert, Mr. Gladeck. At that conference also there were other manufacturers brought who were in a position to manufacture the mechanical parts.

Q. I think I have found among the papers which will go in later a statement by you of the various companies which were to take part in the manufacture of these fuses?—A. Yes, sir.

Q. Can you tell me whether at that time you had or had not any knowledge of these companies?—A. Oh, yes, I had interviewed the manufacturers and was satisfied in New York on the date in question, after visiting the Burns & Bassick factory, and the Remington Typewriter factory, and interviewing Mr. Gladeck who was to be the responsible man for the loading, that I could recommend the Shell Committee to place a contract with that company.

Q. Now was there outside of the interview that took place in Montreal and Ottawa any correspondence and documents prior to this letter or order if I may call it that, of the 21st?—A. No, sir.

Q. I asked you to let me have any?—A. Exactly.

Q. Or all correspondence. I had not got it so I did not know. Then let me just ask you here, you have spoken of Bassick and Yoakum coming to Montreal and Ottawa. Were they accompanied by any one else?—A. No, sir.

Q. Did you see any one else on these interviews?—A. No, sir.

Q. I mean in relation to this matter?—A. Exactly.

Q. Then on the 21st you wrote in your own name a letter to Mr. Russell, which will be Exhibit 70, dated May 21, 1915, the same date:—

Mr. T. A. RUSSELL,

DEAR SIR,—Your letter of the 14th reached me on my return from New York. I do not think the Scovill Company will enter into negotiations with you to manufacture fuses. We have been trying to get them to assist us in this matter and they have persistently refused.

Yours very truly.

Q. Now you had or had you not at that time been advised that the Scovill people—you have told us at some time you were advised—would not be permitted to go outside the contract that they had obligated themselves for?—A. That is right, sir.

Q. But you have also told me that you think you informed or you said you had informed—I don't know whether you said you thought you had or that you actually remembered you had—informed Mr. Lloyd Harris and Mr. Russell when you saw them that the Scovill people were not likely to take it up?—A. I cannot say that I did inform them at that interview, but I may have talked with them on that subject if they broached that matter.

Q. You do not appear to say in that letter, "As I told you" or anything of that kind. It looks as though that was for the first time?—A. Yes, certainly.

Q. Then on this same date of May 21, you seem to have received a telegram from the Russell Motor Car Company:—

Shell Committee, Ottawa. Have fuse matter well advanced. Have arranged for expert help with large experience with British fuse. Expect submit proposal early next week. Our plants provide for important part of work being done in Canada from commencement of operations.—RUSSELL MOTOR CAR Co.

Mr. MARKEY: Is the hour upon it or the time? That is very important.

Mr. HELLMUTH: Mr. Stewart says he has a copy of this Russell Motor file which I would like the witness to have so that he can follow these letters. I suppose there is no objection to that?

Hon. Mr. DUFF: You have not got the original?

Mr. HELLMUTH: No. I would like, Mr. Stewart, if you could have some one dig up the original of this telegram so that we might find the hour or date when it was sent.

Hon. Mr. DUFF: That is the copy received by the Shell Committee.

Mr. HELLMUTH: We would have the copy that came to us.

Mr. STEWART: We have no original because we never received it. They sent it to us afterward.

Mr. HELLMUTH: Yes, there is some correspondence in regard to that.

Hon. Mr. DUFF: Was that telegram received?—A. It was not, sir.

Mr. HELLMUTH: That telegram was never received by the Shell Committee?—A. No sir, that was not received as far as I know by the Shell Committee and I may say that as I have explained, we changed our offices from Montreal to Ottawa about that time and I think that has perhaps something to do with the fact that the wire was not received.

Mr. JOHNSTON: I suppose the telegraph people would have a receipt. It could be ascertained from the telegraph companies.

Mr. HELLMUTH: I have now placed in my hands what they call the Russell File and I see that a copy of this telegram is enclosed in a letter which I am just coming to from the Russell people, but there is no telegram itself. It is enclosed in a letter of the 25th.

Sir WILLIAM MEREDITH: Let us get on, please. Mr. Johnston can look at that.

Mr. HELLMUTH: Now on the 22nd there is a letter from Mr. Ryan again to General Bertram. The 22nd of May, from 25 Broad Street. That is in reply to the letter I put in of May 19 to Mr. Ryan:—

Your letter of May 19 I think does injustice to me. A week ago to-day Mr. Dowler requested me to meet yourself and Colonel Carnegie at the Hotel Manhattan to talk about fuses. I first declined to do so, on the ground that I did not have Mr. Ohmer here at the time, so could not talk as intelligently as I was advised it was necessary to do. He insisted, however, on my meeting you gentlemen, which I did for a very brief time Saturday morning (15 minutes). During that conversation there was no price whatsoever mentioned by me as to the cost of these fuses. I distinctly told you as to what the cost would be I could not answer. All I promised to do was to bring Mr. Ohmer to New York and have him in New York Monday to meet you gentlemen. This I did, and Mr. Ohmer stated to you both last Monday that he would not come to New York under any one else's request but mine.

I went into this proposition with the spirit of doing what I could for the British Government irrespective of any compensation, the compensation part was a secondary consideration, and I do not like the way I have been treated in connection with it. The same spirit I held towards this proposition is held and was held by Mr. Ohmer, namely, that if there was anything we could do to assist in obtaining these fuses, that we would do it for any one whom you might give the contract to irrespective of ourselves not being allowed to share in the contract. As to myself being posted on what Mr. Ohmer was to do, I beg to recall the conversation Mr. Ohmer had with you last Monday, in which he stated, and which was true, that I was the means of bringing the Canadian Car [Mr. David Carnegie.]

and Foundry people in contact with him in securing for the Canadian Car and Foundry Company the fuses that Mr. Ohmer is now manufacturing.

I am in a position to supply you with the full five million fuses within seven months, provided they are the brass fuses and No. 80 British or No. 85 American, and I wired Colonel Carnegie at Ottawa Wednesday night, as follows:

If confine order to English 80, will furnish 1,000,000 fuses at \$4.60 delivering 3,000 daily within sixty days, 5,000 daily within 90 days, 10,000 daily within 120 days, and 15,000 daily within 150 days, and may possibly double quantities and deliveries. Will furnish any bonds that you may require for the fulfilment of this contract, but must have immediate acceptance of the proposition.

By the way, I have not got that telegram, Mr. Carnegie?—A. I will see if it can be found, sir.

Since sending that telegram I find that the full 5,000,000 fuses can be obtained and it is simply a question of price and terms of payment. Last evening I wired you that I was prepared to supply the full 5,000,000 fuses within seven months period and prepared to give any bond that you might require for the fulfilment of the contract.

May I ask for that telegram too? I do not think I have got that.

The principal purpose of this letter, however, is to set myself right with you and to controvert the last clause in your letter, namely, that I induced General Bertram and Colonel Carnegie to remain in New York from Saturday until Monday on the understanding that the price of these fuses would be in the region of \$3.50 to \$3.75.

I again assure you that my principal desire in this matter is to serve you first in obtaining whatever fuses you may require. Your very truly,

THOMAS J. RYAN.

(Exhibit 72.)

Letter above quoted of May 22, 1915. There is an answer to that but it won't come until afterwards.—A. May I speak as to this?

Q. Yes.—A. I would like to call attention to the cable, the wire. He said that he could supply five million fuses within seven months, and he was depending upon this Mr. Ohmer for the supply of these fuses. Mr. Ohmer's factory, as subsequent events have shown, did not supply any of the Russian Contract fuses until January of this year. Seven months from the date in question would have been December, 1915. I am very thankful on the face of it—

Q. Never mind that.

Mr. MARKEY: Scovill had the British fuses also, hadn't they?—A. No, they were not manufacturing British. They were making the No. 85.

Mr. HELLMUTH: Now there are two cablegrams on the 25th of May. I do not know which came first. I put in the one from here because probably it was sent before the other although I do not think they refer to one another. The one of the 25th is evidently an answer to a prior cable I have put in. Yes, an answer to a cable from "Troopers". This is from "Militia" to "Troopers".

Regret cannot quote for fuse 100 until we obtain specification. Trying to obtain it from Colonel Phipps.

(Exhibit No. 73.)

Was that cable sent by you?—A. Yes, sir.

Q. I do not think we have had anything about Colonel Phipps, have we?—A. Yes, sir.

Q. You were endeavouring to obtain the specifications for No. 100 from him?—A. Yes, sir. We had an inquiry you will remember, and a definite inquiry from the War Office for No. 100 fuse.

Q. Then comes a telegram from "Troopers" of the same date, the 25th May, 1915:—

We are informed that the Canadian Shell Committee are placing orders for 3,000,000 No. 85 fuses with agent in the United States, and that this agent is trying to induce many manufacturers in the United States to take parts of this order, and thereby interfering with other orders in the United States.

The report may possibly be incorrect or exaggerated, but in order to prevent any such thing, we think that any orders you place in the United States should be placed through our agents, Messrs. J. P. Morgan, and suggest you should confer with them on the matter and report the result.

(Exhibit 74.)

Q. Do you remember getting that cable?—A. Yes.

Q. Then on the same day as that cable was sent from England, May 25, this letter was sent to E. W. Bassick, Room 601, 60 Broadway, New York, N.Y. It is signed by Alexander Bertram, Chairman, Shell Committee:—

May 25, 1915.

E. W. BASSICK, Esq.,
Room 601,
60 Broadway, New York, N.Y.

DEAR SIR,—We enclose herewith copy of contract form giving details upon which the orders for fuses are placed. We hope to forward to you full particulars of the design of the fuse upon receipt of a cable from the War Office on the subject. You will observe that we do not call for the establishment of a factory in Canada in connection with your contract, as we contemplate receiving further orders, on which we may have more time to initiate a factory in Canada. As you know, urgency is the most important feature of the present order, and it is on this account solely that we wish to concentrate all your efforts on the manufacture of fuses in the States.

"In accordance with the telephone conversation General Bertram had with you to-day, we have amended the number allotted to you from three million to two and a half million, but would point out that we contemplate having further orders for the fuses, and these will be placed with either of the companies now proposing to manufacture fuses, and in accordance with their ability to produce fuses rapidly. We remain,

Yours very truly,

ALEX. BERTRAM,
Chairman, Shell Committee.

(Marked Exhibit 75.)

Now, perhaps you will explain to me why or how the three million order which was referred to in the previous Exhibit was amended to two and a half millions?—A. In negotiation with the Dr. Harris combination, we had been trying to get them to agree to come down to the \$4.25 price. They had stoutly resisted that, and we had now reached the date of the 25th May, 1915, when time was going by most rapidly. We had already let by letter or order on the 25th, as you have referred to, the order for the three millions.

Q. That was the 21st?—A. That was the 21st, I beg your pardon. We had also given a tentative promise to the Russell company that we would hold a small portion [Mr. David Carnegie.]

of the order at least for them, if they proved to us that the ability they could bring together was such as would warrant us in placing an order. As we had not received up to the 25th, any quotation from the Russell Company, and as the other people were pressing to close their options, that is, the Dr. Harris option on their machinery, and the experts they had tentatively retained, we induced them to accept a minimum price of \$4.25 for two and a half millions. But as we had only five millions in question we had to get the consent of E. W. Bassick, with whom we had placed an order for three millions to come down to two and a half millions.

Q. How did you get his consent?—A. The telephone conversation is referred to in the letter by General Bertram in which he had agreed to that reduction.

Q. As you understood it from General Bertram?—A. Exactly so.

Q. I would like to have, if I might, Mr. Carnegie, the copy of the contract form giving details; you say "We enclose herewith copy of contract form giving details upon which the orders for fuses are placed?"—A. Perhaps Mr. Orde may have a copy of that contract form. Anyhow, we can get it afterwards.

Sir WILLIAM MEREDITH: Is it a printed document?—A. No, sir; typewritten it would be.

Mr. HELLMUTH: I do not understand from the letter that you were sending a contract, but you were sending a contract form?—A. Yes, sir.

Q. You sent them the contract form; did you get that contract form back, or did you make it in duplicate and keep a copy?—A. That I cannot say, but I will look into it.

Q. I want either the duplicate of the contract form which was sent them, or, if they returned it, the contract form which came back?—A. All right.

Q. I heard a suggestion from one of the counsel; was that the same as the Stewart & Stewart form, which was with the Canadian Asbestos Company; was that the same kind of form you sent?—A. It was the same kind of form, I think. It was simply details.

Q. But you will try and find it—I would rather have it?—A. Certainly.

Q. There was no contract at that time?—A. No, sir.

Q. I am speaking now because I have seen some of the documents—there was no contract at that time beyond the letter, if it was a contract, of May 21, in which you said you would grant them an order of three millions at a minimum of \$4.25?—A. That is right.

Q. There is no document other than that, that I can find any trace of?—A. That is correct, sir.

Sir WILLIAM MEREDITH: Before you come to that, the witness spoke of giving a promise to the Russell Co. Are you coming to that now?

Mr. HELLMUTH: Yes, sir, I am coming to that.

Q. On the 25th, the same day, you sent to John A. Harris, Esq., of the International Arms and Fuse Co., at 200 Fifth Ave., New York City, this letter?

Sir WILLIAM MEREDITH: Is that Dr. Harris again?

Mr. HELLMUTH: Dr. Harris again, Mr. Commissioner. That is signed by the Chairman of the Shell Committee, General Bertram. It is a letter, if I may say so, in practically the same terms to the Harris people as the letter of the 21st was to Bassick. It is in practically the same terms as Exhibit No. 67:—

DEAR SIR,—On behalf of the Shell Committee, I hereby grant to you an order for two million five hundred thousand (2,500,000) fuses, at a minimum price of four dollars twenty-five cents (\$4.25) each, to be supplied in accordance with the specifications and drawings which will be forwarded to you later. These drawings and specifications will be either for No. 85 or No. 80-modified, or No. 80/44 fuses, and one or two designs may be required in connection with this contract.

The terms of payment, and other terms of the contract, will be on the lines we have discussed with you.

We remain,

Yours very truly,

ALEX. BERTRAM,

Sir WILLIAM MEREDITH: What date was that, Mr. Hellmuth?

Mr. HELLMUTH: The date of the letter is May 25, 1915.

It is a copy of the Bassick letter of the 21st but not of the 25th, which I have put in; that is the way I wish to distinguish them.

Q. Then on the 25th (and I assume received by you on the 26th, because the letter is written at Toronto on May 25th) was this letter of May 25th from the Russell Motor Car Co., Limited, received by post or was it delivered to you or presented to you?—A. I believe it was delivered on the 26th by Mr. T. A. Russell, in company with Mr. Lloyd Harris.

Q. On the 26th?—A. On the 26th.

Q. Just before that, you had said you had given or arranged a tentative agreement or promise as to a portion of this order with the Russell Motor Car Co.; when was that, and how was it done, was it by letter, by order, or verbally?—A. Verbally.

Q. You say it was verbally?—A. Yes, sir.

Q. Will you tell me when that verbal promise was made?—A. I believe it was at the time of our interview on the 13th of April, our going to New York.

Q. What was the promise, please; who were present when it was made?—A. General Bertram and I were present.

Q. With Mr. Lloyd Harris?—A. With Mr. Lloyd Harris and Mr. T. A. Russell.

Q. Perhaps you will tell me what the promise was.—A. As far as I can remember, it was in the nature of this, that we would hold a portion of the contract until they submitted their quotation.

Q. I point out to you that on the 25th of May, when you sent to change the order to Bassick from three millions to two and a half millions, and granted an order to the International Company, the Dr. Harris Company, for two and a half millions, you had exhausted apparently the five million order without giving the Russell Motor Car people any notification—if I may put it that way—of that; is that correct?—A. That is right, sir.

Q. Perhaps you can tell me what explanation you have to offer as to that?—A. During the interval, I think it was perhaps about the 20th of May, I met Mr. Russell in Ottawa and told him that we would have to close this contract unless they brought particulars quickly, that they must hurry up with the quotation, because the matter was urgent that we could not hold the matter open indefinitely.

Q. What did Mr. Russell say to that?—A. He said he would do what he could, that he would rush the matter forward as quickly as he could.

Q. Apparently he did rush it to some extent. I have here on the 25th presented to you on the 26th, an offer from the Russell Company, which I am going of course to put in, and which is not a very long time after the conversation of the 20th I think you have said?—A. Yes, sir.

Q. What day of the week was the 25th, can you tell me that?—A. I am afraid I cannot.

Q. After I put in this offer, I am going to ask you what explanation, if any, you have to offer why the Russell Company's offer was not considered at the same time as these other offers; you understand me?—A. Yes, sir, I understand you.

[Mr. David Carnegie.]

Q. Because I have not satisfied myself from this correspondence, in regard to that. I might put in the letter of the 25th of May, dated at Toronto, with what appears to be a letter of the 26th of May, 1915, which no doubt was written in Ottawa when these two gentlemen were here and saw you, and which apparently accompanied the letter of the 25th. It is quite plain that it did.

May I make them one exhibit, Mr. Chairman?

Sir WILLIAM MEREDITH: Yes. Are they both addressed to the Shell Committee?

Mr. HELLMUTH: Both addressed to the Shell Committee, sir, and signed by T. A. Russell; one is signed as 1st Vice-President of the Russell Motor Car Company, Ltd., and the letter of the 25th is signed Russell Motor Car Company, Limited., T. A. Russell, General Manager.

The letter of the 26th of May, 1915, I will read first, because it shows the enclosure:—

May 26, 1915.

Shell Committee,
Ottawa, Ont.

DEAR SIRS,—On Thursday the 20th inst., I promised Mr. Carnegie that the Russell Motor Car Company would within a week submit for your consideration a proposal to supply the million to a million and a half fuses that you were good enough to state you would hold open for us.

I stop there for a moment. Mr. Russell states there a definite or rather an indefinite number varying from a million to a million and a half, which he says you had promised you would hold open for them. Is that in accordance with your recollection?—A. Yes sir.

Q. The number?—A. Yes.

I continue:—

In compliance with that promise and our telegram of the 21st inst., I submit a proposal from our company. It has not been drafted as a final document as we hold ourselves in readiness to try to meet such conditions of contract as you may have in mind as necessary in such matters.

Yours faithfully,

T. A. RUSSELL,
1st Vice Pres., Russell Motor Car Co., Ltd.

Q. And along with it is the enclosure which you say was presented to you by Mr. Russell and Mr. Lloyd Harris together?—A. Yes sir.

Q. Not coming by mail?—A. No sir.

Q. I am therefore going to ask you about your conversation with them.

Hon. Mr. DUFF: Before you come to that, was the letter you have just read sent by post?

Mr. HELLMUTH: No sir, it was just handed in with the other letter.

Q. Is that your recollection, Mr. Carnegie?—A. That is my recollection.

Sir WILLIAM MEREDITH: Where is the letter dated from?

Mr. HELLMUTH: It was not dated at all; it was written here, and the gentleman being in Ottawa came in and handed Mr. Carnegie the document. The letter dated May 15th, 1915, was written in Toronto, but the letter of the 26th of May was evidently written here.

Sir WILLIAM MEREDITH: And it was delivered along with the letter of the 25th?

Mr. HELLMUTH: Yes, sir. That is the way I work it out. I did not think there could be any doubt about it. It is absolutely clear, as you said a moment ago, Mr. Commissioner. The letter of the 26th of May was written from the Chateau Laurier,

Ottawa, and the letter of the 25th was written at Toronto. I think perhaps I should put in the originals, although it will destroy our files.

Sir WILLIAM MEREDITH: Put the heading on the copy and so preserve your files.

Mr. HELLMUTH: If anyone wants to look at the originals, he may do so. I am not taking the responsibility for the verbal accuracy of everything. I will read, if I may, from the original letter. It will, of course, be subject to verification:—

TORONTO, Ont., May 25, 1915.

Shell Committee,
Stephen Building,
Ottawa, Ont.

DEAR SIRS,—Following the correspondence and interviews which our Mr. Lloyd Harris and Mr. T. A. Russell have had with you relative to our company undertaking the manufacture of a portion of the 5,000,000 order for fuses which you have in charge, we beg to submit the following:—

(1) The Russell Motor Car Company, Limited, will undertake to supply one-quarter of the total number required, namely 1,250,000, before March 31 next.

(2) That we will undertake to do all of the loading and assembling of this number of fuses in Canada.

(3) That we can arrange to do substantially one-third of the work on the parts entering into the fuses, in Canada.

(4) That we have immediately available for such a plan, a cement, fireproof, high grade factory, 60 feet by 175 feet and two stories, and that we will proceed to the erection at once of the necessary buildings for loading, and powder storage.

(5) We will undertake to make deliveries as follows:—

September	50,000
October	100,000
November	150,000
December	200,000
January, February, March, each 250,000	750,000

Total 1,250,000

(6) We propose to handle this work in two units:—

(a) The Keystone Watch Case Company of Philadelphia will supply the fuse parts necessary for one-half of the production.

(b) The other half of the production will be got by the Russell Company making the large parts, and securing the small parts from the Elgin Watch Company, of Elgin, Illinois.

(c) The loading for both units will be done by the Russell Motor Car Company.

(7) Organization: We have the following organization available to give expert supervision:—

Mr. C. R. Burt, our Assistant General Manager, an expert mechanic, who has had a very wide mechanical experience.

Mr. Fred Adams, the Superintendent of our Bicycle Factory, where he has had to do with automatic machine work similar to a considerable extent to that found on the fuse.

We have also secured the services of Mr. Arthur Kirby, a man 38 years of age, at present foreman toolmaker with the Canadian General Electric Co., in Toronto. He was working with Kynochs in

[Mr. David Carnegie.]

Birmingham in 1905 on ammunition work. At that time he was engaged by Vickers, Sons & Maxim to install fuse work in their factory, and was sent by them to Krupp's Works at Essen to get information regarding the manufacture of this fuse, the rights to which were secured from the Krupp people; he then took charge of manufacture for them, both the machine work and the loading, and held this position for four and a half years, until he came to Canada. He has served his time as a machinist and tool maker, and is highly thought of by the Works Manager of the Canadian General Electric, who is unwilling he should leave except that it be in connection with fuse work.

We have also arranged in a consulting capacity for the services of Professor J. W. Bain, Department of Chemistry, University of Toronto.

(8) We would require for our successful manufacture the following:—

- (A) Complete detailed specifications.
- (B) Some samples of Fuse, preferably six.
- (C) One complete set of gauges.

(9) It is difficult for us under present conditions of market, both as to material and labor, to set a price which will prove, to be fair to both parties. Our experience, however, leads us to the conclusion that we can undertake this order at a price of \$4.20 each. In this connection, however, we would state that as we are taking only one quarter of the total order that we would be willing to accept it at the price fixed for the other three quarters provided it is within reasonable margin either way from this price.

(10) We desire an arrangement that the Shell Committee will pay \$3.00 per fuse upon completion of the parts of the fuses so that they are ready for loading, the balance to be paid immediately on completion of the fuses, and its shipment in finished state.

In view of the fact that we will have an investment of approximately \$500,000.00 in this work, we submit for your consideration that it would not be out of place for the Shell Committee to advance up to \$100,000.00 towards the securing of special machinery, etc., necessary in the installation of this plant, said amount to be deducted by agreed charge against each Fuse as delivered.

The matter has received the very careful attention of the officers of this company, and we believe that if favoured with this order we will be in position to execute it in a manner satisfactory to you, and that in doing this we will provide for an equipment and organization in Canada for the manufacture of these important units in a way that will constitute a real national asset.

As market conditions make the securing of machinery, tools, and raw material most uncertain, we ask for earliest possible decision by your Committee.

We beg to remain,

Your very truly,

RUSSELL MOTOR CAR COMPANY, LIMITED.

T. A. RUSSELL, *General Manager.*

(Letters of May 25 and May 26, 1915, marked as Exhibit 77).

Q. That was handed in to you by those two gentlemen on the 26th?—A. Yes sir.

Q. Exactly one day after you had sent these exhibits that have been referred to, to Bassick and the International Company?—A. Yes sir.

Q. What was said, were you present throughout the entire interview?—A. Yes, sir,

Q. What did you say to them when they handed this offer in?—A. We explained to them—

Q. Tell me as nearly as you can now, if you will, what you actually said, the words you actually said to Mr. Lloyd Harris and Mr. Russell.—A. We explained to them, sir, that we had to close with the other people, because their options on machinery were running out, and we were satisfied that the experts they had brought forward were such as we could depend upon getting the work out. I was not satisfied that I could recommend to the Committee the acceptance or the placing of a contract with anyone in Canada for the manufacture and loading of time fuses, and I accept the entire responsibility for having asked the Committee to place the orders with those companies, and I may say that I informed Mr. Lloyd Harris, also Mr. Russell on the day in question that the names of the gentlemen they had mentioned in their letter—at least Mr. Kirby (I was familiar with Mr. Kirby).

Q. That is the man you saw at the Canadian General Electric?—A. Yes sir; and I knew his experience, because he had told me personally in the month of November, 1914, what he could do. On that day I explained to Mr. Lloyd Harris that even though their price had been lower it was not a question of price, it was a matter of getting the work. We had obligated ourselves for 5,000,000 shells; the shells were only coming to Canada because the fuses were part of the whole lot, that it was not a matter of whether the price on the fuses was five cents, ten cents or one dollar cheaper, it was a question of whether we could get them, and as an expert for the Committee I had to make up my mind, and to make it up quickly, what we were to do, and my suggestion was that we should place or accept offers made by the two firms in the States so that they could get their options on machinery. I apologized, I may say, to Mr. Lloyd Harris. I told them then, Mr. Lloyd Harris and Mr. Russell, after having given them even a tentative promise, even though I had met Mr. Russell on the 20th and said that I could not hold it open indefinitely, I apologized to them for having had to close the contract. But mind you this, that from the time they came into this proposal or negotiation, I could not see where they could secure experts in Canada for the manufacture and loading of fuses.

Q. I want you to explain to me what experts you had satisfied yourself with in regard to these two American companies, what you had satisfied yourself as to in regard to those experts, as against we will say Mr. Kirby or any of the gentlemen suggested by Mr. Russell; I want you to give me your explanation, if you have one, in regard to these individuals; you have said experts—that is a little general, and I would like to get to the particular experts.—A. Regarding the Harris Company, I had interviewed a Colonel Birnie, whose name has been put before the commissioners; I also interviewed a Captain Torney, whose name has also been put before the commissioners; I also interviewed a Mr. Cushing, who was the patentee of the percussion element in the No. 85 fuses. That was the third expert. I also interviewed a Major Hawkins, who was then a most experienced officer in one of the Departments of the United States Government.

Q. You were told not to mention the names of anybody in official positions?—A. I regret that.

Mr. MARKEY: If this gentleman did come into the organization, there could be no objection to it. We could take his name, and we will establish the date when he did come in.

Mr. HELLMUTH: Did he come and join the organization?—A. Yes, sir.

Q. Had you seen him before that?—A. I had met Major Hawkins before.

Q. I mean, in regard to this matter?—A. Yes, in regard to this matter.

Q. I want to know whether you met him after this date, May 25, or whether you met him before that?—A. As far as I remember, sir, it was before that.

Q. Where?—A. In New York.

Q. Did Major Hawkins join subsequently the International Company?—A. Yes, sir.

[Mr. David Carnegie.]

Q. If you have the name of any man who did not join one of these organizations, please do not give it if he is connected with any official position. Now, we have got to Major Hawkins. Who else?—A. In addition to the executive officers I have named or the men who subsequently joined the company. I met foremen who were also experts, actual manufacturers.

Q. Of what kind of fuses?—A. The number 85 fuse. I need not give their names.

Q. Foremen in factories?—A. Yes, sir, then employed in factories, or in the manufacture of No. 85 fuses.

Q. Can you tell me roughly about how many?—A. Two.

Q. They are not in any official employment, are they?—A. They were then.

Q. But they have left that official employment?—A. I believe so.

Q. Are they now with the International Company?—A. Yes, sir.

Q. I do not suppose there is any objection to your giving their names?—A. Mr. Kerlin I believe was one. I cannot give the name of the other, but I think it may be Mr. Trauncer, or Trauser, I am not sure which.

Q. Had you met those men?—A. Yes, sir.

Q. I am speaking now of before May 25?—A. During my visit of May 14, during the period of my visit.

Mr. MARKEY: When did you see Mr. Kerlin?—A. I cannot remember whether it was on the 14th, the 15th or the 16th.

Sir WILLIAM MEREDITH: You had better reserve these questions until afterwards.

WITNESS: I will look it up. I have it recorded, in any case.

Mr. HELLMUTH: The names you have mentioned, experts or others, and the foremen, are all as I understand you connected with the subsequent International Company or Dr. Harris?—A. Yes, sir, that is right.

Q. Will you tell me what experts or others you had seen in connection with the American, or what subsequently became the Bassick, and what subsequently became the American Company?—A. I met an expert named Mr. Gladeck, who is now employed at the loading factory, in charge of the loading factory for the making of our fuses at the American Ammunition Company; he had had previous experience with the Bethlehem Company, also with the Scovill Manufacturing Company, and satisfied me that that experience was sufficient to warrant me in recommending that an order be placed with that company.

Q. So Mr. Gladeck is the only expert, so far as the American Company goes?—A. The only loading expert as far as the American Ammunition Company was concerned.

Q. When you are speaking of that, was it in regard to that loading that you wanted to be satisfied with expert opinion, or was it in regard to the loading and also as to the manufacture of the mechanical parts?—A. Both, sir, but principally, and I should say almost exclusively my concern was the loading.

Q. You thought the mechanical parts could be accomplished where?—A. In Canada, in time.

Q. I do not think we finished the conversation or interview that you had with Mr. Lloyd Harris and Mr. Russell on the 26th of May, 1915. I want you to finish that, please. First of all, what was their attitude when you informed them?—A. A disappointed attitude, sir.

Q. Perhaps I should not put it this way, but I should have thought there might have been considerable annoyance at their not having got the order, or a portion of the order for them?—A. They took it very well indeed, from this point of view; we intimated to them that there was a possibility of obtaining more time fuses, as we were in negotiation with the War Office for fuses quite apart from the 5,000,000 order in question, and we pointed out to them at that time and they realized that we were obligated

to get the order for shells out, and they saw our concern and our anxiety in regard to the whole matter.

Q. May I put it a little bit—I won't say unfairly—but would it be fair to say that you held out hopes to them that you would have orders for them in addition to the 5,000,000 order?—A. No, sir, not in addition.

Q. Not in addition, but in substitution for their proportion of the 5,000,000 order?—A. Yes, sir, that is right.

Q. Let me ask you this; before you got down to the holding out of that, wasn't it a fairly stormy interview at the beginning?—A. There were no bones broken.

Q. I do not mean that there was any actual physical violence, but were there any words broken over it?—A. No, sir; they acted in a gentlemanly manner.

Q. On the same day the Militia cabled to the War Office.

I may say, Messrs. Commissioners, that in these cables you will sometimes find "War Office," and other times "Troopers," and perhaps some others; but it is really in the decoding of the message. They sometimes decode differently. It is all the same cipher.

Q. I want to ascertain, Mr. Carnegie, whether these last letters I put in, the last few exhibits, were written by you, that is, the letters to the Harris people—those were the last, I think?

Sir WILLIAM MEREDITH: Not the last. Do you mean Exhibits Nos. 75 and 76, to E. W. Bassick and John A. Harris?

Mr. HELLMUTH: Yes, those are the ones.

Q. Were those yours, Mr. Carnegie?—A. I believe they were dictated by me.

Q. Who were they dictated by?—A. They were dictated by me, I believe, but I am not sure. I usually dictated them.

Q. You dictated a great deal of the correspondence, I believe?—A. Yes.

Q. We can get General Bertram to say what he did?—A. Yes.

Q. Were they submitted to anybody?—A. General Bertram.

Q. Were they submitted to anybody else but General Bertram?—A. No, sir, not at the time.

Q. Not at the time they were written?—A. Not at the time they were written.

Q. I am going to ask you this; it is a suggestion, and a very proper suggestion; were these letters submitted, I do not mean exactly as dictated, but was the purport of these letters submitted to General Hughes?—A. No, sir.

Q. By you?—A. No, sir.

Q. Do you know whether they were submitted to him by General Bertram; have you any knowledge of it?—A. I have no knowledge of that.

Q. Did you advise General Hughes at or about that time of these letters?—A. I believe he knew—

Q. I do not want your belief. I am asking you if you did it?—A. If I advised him?

Q. Yes?—A. No, I did not.

Mr. EWART: There is something half finished, and it is misleading if it is not completed.

Mr. HELLMUTH.—What were you going to say?—A. I believe that General Hughes knew that orders by way of letter had been placed at \$4.25.

Q. But do you know that, or do you not, of your own knowledge; did you do it?—A. No, I did not.

Q. Did you discuss it with General Hughes?—A. I don't think I discussed that at the time.

Mr. HELLMUTH: This cable of May 26, perhaps you could tell me whether this was sent before or after the interview on that day with Russell—it was certainly sent after the letters to Bassick and the International of the 25th.

Sir WILLIAM MEREDITH: It could not have been after; the interview was the 26th.

Mr. HELLMUTH: This is a cable of the 26th.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: I thought you said the 25th.

Mr. HELLMUTH: No, the 26th; however, it does not matter:—

“ War Office,

“ London, Eng.

“ Reference your cable 4914, Cipher A.7.

“ The Shell Committee has now completed negotiations for the manufacture of five million fuses in U.S.A. and Canada, subject to your reply our cable 394 cipher, 19th May (stop). These negotiations were only completed after a most careful and extended investigation by David Carnegie. The following manufacturers taking part in the work are not engaged on fuses for war office or allies. They are the Michigan Stamping Co.—

Q. That is an American company?—A. Yes.

Q. “ Dominion Stamping Co.”—what is that?—A. I believe it was at Walkerville, Ontario.

Q. “ Burns and Bassick ”?—A. They were at Bridgeport.

Q. “ The Remington Typewriter Co.”?—A. That is also Bridgeport.

Q. “ The American Machine and Foundry Co.”?—A. That is New York or Brooklyn, I think.

Q. “ Yale and Towne Manufacturing Co.”?—A. Trenton, N.J.

Q. “ The Wagner Electric Manufacturing Co.”?—A. I forget exactly where that is; that is in the state of New York, I think.

Q. “ The Keystone Watch Case Co.”?—A. That is also in New York. You will excuse me, but I do not quite remember, but these at the time are the names I gave.

Q. “ R. Hoe & Co.”?—A. Also in the United States.

Q. In that list the only one in Canada would be the Dominion Stamping Co.?—A. Yes.

Q. “ And in addition the following firms now making parts of No. 100 fuse have been engaged to assist J. L. Mott Co.”?—A. Also of the United States.

Q. “ Ansonia Manufacturing Co.”?—A. Also of the States.

Q. “ The Oliver Typewriter Co.”?—A. Also of the States.

Q. “ The American Steam Gauge and Manufacturing Co.”?—A. Of Boston.

Q. “ I am satisfied with the negotiations of my shell committee, which have been marked with extreme caution and minute examination.”

“ There will be no interference with present manufacturers now engaged on fuses. The report is unfounded and appears to have emanated from disappointed promoters.

“MILITIA.”

(Marked Exhibit 78.)

Is that your cable?—A. It is a cable that I prepared, along with Gen. Bertram and Gen. Hughes.

Q. So that is a cable that was prepared by you in conjunction with Gen. Bertram and Gen. Hughes?—A. Yes sir.

Q. General Hughes and General Bertram, of course, knew of the negotiations culminating in those orders to Bassick and?—A. Yes, that is right; and I may point out that the cable was a reply to 491—

Q. Oh yes, it makes it quite clear because they had sent a cable, do not interfere?—A. Yes.

Q. I am asked if you can tell me is the language yours, General Bertram's or General Hughes, or did you each take responsibility for various parts of it?—A. It was I believed drafted by myself and perhaps strengthened with ebullition by the Minister of Militia; I refer to the last paragraph, sir.

Sir WILLIAM MEREDITH: I suppose the words "Minute examination" are yours?
—A. Oh no sir, I would not praise myself in that way.

Mr. HELLMUTH: "I am satisfied with the negotiations of my shell committee, which has been marked with extreme caution and minute examination."

Can you say whose language that is?—A. That is the General's.

Q. And is this also the General's: "There will be no interference with present manufacturers now engaged on fuses. The report is unfounded and appears to have emanated from disappointed promoters"—is that the General's or yours?—A. That is the General's.

Q. Keeping to the same date I see that General Bertram replied to Mr. Ryan's letter on the 26th May:—

DEAR SIR,—I am in receipt of your letter of the 22nd inst. and regret that there should be any feeling of unpleasantness in regard to our meeting with you last week on the subject of fuses.

I quite appreciate all you have done to bring to our notice Mr. Ohmer. We believe that Mr. Ohmer is quite able to manufacture fuses, but the price named by him is quite beyond what we intend to pay for fuses. We do not wish to give you any offence whatever, but we must inform you that we would not have stayed over the week end in question had we not been informed by Mr. Dowler that the fuses you intended offering us would be manufactured around the price of \$3.75 each. I am quite sure that Mr. Dowler will agree that he informed us of this price.

Thanking you for your kind interest you have taken in the matter I remain,

Your very truly,

ALEXANDER BERTRAM,

Chairman, Shell Committee.

(Marked Exhibit No. 79.)

Q. On the 27th May this cable is sent to the War Office:—

Manufacturers with whom we have placed orders for fuses inform us that they cannot hold options on materials longer at the prices they have quoted unless they hear at once whether No. 80 or 85 fuse is required. Matter most urgent.—MILITIA.

(Marked Exhibit No. 80.)

Is that a cable sent by you or drafted by you?—A. Yes, sir.

Q. It does not seem that at that time it was absolutely decided whether the contracts or orders for these five million fuses were to be 80's or 85's?—A. No, sir, it was not.

Q. So that you had not got that definitely settled?—A. No, sir.

Mr. EWART: You will see that in the orders themselves.

Mr. HELLMUTH: Let me see one of the orders.

Sir WILLIAM MEREDITH: They are both the same, are they not?

Mr. HELLMUTH: Yes.

Mr. EWART: They indicate uncertainty.

Mr. HELLMUTH: Oh, I see that that is so, that in Exhibit 76 you say you grant an order, or General Bertram does for 2,500,000 fuses, "These drawings and specifications will be either for No. 85, No. 80 modified, and so on."

Hon. Mr. DUFF: The character of the fuse is to be named by the committee within those limits.

Mr. HELLMUTH: Yes; I thought it had definitely stated 80.

Q. Then let me inquire from you what you mean when you say: "Manufacturers with whom we have placed orders for fuses inform us that they cannot hold options on [Mr. David Carnegie.]

materials longer at the prices they have quoted."—what manufacturers had informed you that they could not hold the options?—A. The International Arms and Fuse Co. and the American Ammunition Co., the two companies with whom we had placed letters of order.

Q. That is the International?—A. Dr. Harris.

Q. Because I do not know that the company was formed at that time?—A. Yes.

Q. It may be so but I do not know; the people who represented Harris, or Dr. Harris who represented the International, and any of his associates, I quite understand you speak of the International, and the Ammunition is Bassick and Yoakum?—A. Cadwell.

Q. Do you say that those are the people who had informed you by reason of which you sent that cablegram, is that what you mean?—A. Yes, sir.

Hon. Mr. DUFF: Information from both of them?—A. Both companies, yes.

Mr. HELLMUTH: Did they tell you they had given any orders for materials?—A. Yes, sir.

Q. I would like you to tell me what they had told you in that regard?—A. I think I mentioned, sir, before that I had met a Mr. Allyne, I think that is his name, the President of the Aluminium Castings Company of America with whom the Harris combination had placed, at least taken options on the material for aluminium for the five million fuses.

Q. They had expected to get the whole five million?—A. They had in the first place.

Hon. Mr. DUFF: What you said was that Allyne had told you that he had options on the necessary aluminum for that purpose?—A. No, he confirmed what they told me, Dr. Harris told me that they had secured options from his company for aluminum.

Mr. HELLMUTH: From his company?—A. Yes, from his company.

Q. Outside of that, what, if any, material?—A. I do not recollect any other materials that they mentioned in any concrete form.

Q. Did they tell you they had the material?—A. They had their materials under option.

Hon. Mr. DUFF: That was the visit of May 1?—A. May 1, I believe.

Q. Was that the latest information you had as to these options running out I mean?—A. Most of our negotiations were verbal after the actual interview I had with them, principally to satisfy myself that they were fit persons to entrust contracts with, but there were later negotiations regarding price and material.

Q. Was that verbal?—A. All verbal negotiations, from day to day they were on the door step.

Q. Where?—A. At the office in Montreal or in Ottawa.

Sir WILLIAM MEREDITH: Did not they get any further than the door step?—A. I think they did, sir.

Hon. Mr. DUFF: They did not get into the vault then?

Mr. HELLMUTH: I have been handed a letter of May 27 from James A. Drain to yourself?—A. James A. Drain?

Q. You said General Drain?—A. Oh yes sir.

Q. This is a letter to D. Carnegie, care Shell Committee, Ottawa, Canada:—

"My DEAR MR. CARNEGIE,—Upon my return to Washington I write at once to remind you of your promise to send me the specifications and drawings for time fuses. The sooner I get them the better I shall be pleased.

"The more I consider the possibility of furnishing five millions fuses within ten months, considering the contracts now in existence and under way in this country, the more I am disposed to believe that some of those of participated in the order just let will find themselves unable to deliver. It seems very pro-

bable that in some instances they will realize this before it is too late and possibly not enter into the formal contracts. In that case some of the business of the five million order may be available to us.

"In any event I know now that you have promised me that we shall positively have consideration before any other fuse contracts are let, and that we shall have our chance. That is all we want. I may say to you that both of my principals, the American Multigraph Company of Cleveland, and the Artillery Fuse Company of Wilmington, whose interests are now identical for this purpose, have gone ahead to equip just as if they had an order. The Multigraph Company of course has a very large establishment and a fine organization. The Fuse Company has the expert talent and much of the machinery, as well as peculiar advantages with relation to material, powder and the like.

"Assuredly we would like some business from you and without question we can satisfy you if we get it.

"It was a pleasure to meet you once more and I hope it will not be long before we encounter each other again.

"Thanking you for your courtesies to me, I remain,

"Sincerely yours,

(Marked as Exhibit No. 81.)

"JAMES A. DRAIN."

Perhaps you will tell me when you had first met this gentleman, General Drain?
—A. Well, sir, I must tax my memory, this is the first I read this letter since I got it, it has been dug up, but I think I have a fairly clear recollection of the story. General Hughes, I must bring his name in again, because that is one of the many men that he mentioned to me and to General Bertram who, he believed, would help us in getting fuses. General Drain, I believe, was a United States officer; I remember him because he had one arm only—I believe that is so—

Q. Where did you meet him?—A. Either in Montreal or Ottawa, I cannot say, but I do know this, that it is just likely this is Ottawa, because it was after we had come to Ottawa and we were discussing fuses. He has named a company here the Artillery Fuse Company of Wilmington, and if I am right it is the same company with which W. H. Fenn, the man I mentioned yesterday is connected with now, and the name of that company has been changed from either the Contracting Manufacturing Company to the Artillery Fuse Company, because I believe this company has received an order through Morgan's for fuses; I mean within recent months; but that is the story; I believe it was General Hughes who introduced General Drain to us, and he put before us what many other men did in this fuse connection, just what they could do, and our heads were getting swelled all the time with simply any amount of men that could do things as far as they said, and it is only a question of the selection of the fittest.

Q. Did you have any further correspondence, because I have not anything more with General Drain—oh, yes, I see I have, but we will come to it. Then I see on May 28 General Drain must have followed that up by a letter written by Walter G. Penfield, the works manager in Bridgeport, Connecticut. This is a letter introduced to you, Mr. Carnegie, rather peculiar in its style of address, because it has at the top "Mr. D. Carnegie, Stevens Building, Ottawa, Canada," and then it promotes you to a General "My Dear General"—

A. That is coming, sir.

Q. Prophetic.

"General James A. Drain of Washington, D.C., wishes me to write you stating that I am the technical adviser of the Artillery Fuse Company of Delaware, and am therefore acquainted with the equipment and personnel of this company, and also its connections with the American Multigraph Company, of Cleveland, Ohio. These two companies have combined to produce com-
[Mr. David Carnegie.]

bination time fuses under the direction of the Artillery Fuse Company of Delaware. They both have very influential people back of them with all the capital necessary to do whatever they may undertake.

"The Artillery Fuse Company has the most skilled and experienced departmental heads that it is possible to find in the United States, all of whom have had many years' experience in the actual manufacture of time fuses. This company has taken over and are equipping a plant in Wilmington, Del., having a daily output of 5,000 fuses. The plant is located where good labour is available and where their exclusive materials for loading is close at hand. They have arranged to have the parts of the fuses fabricated by the American Multigraph Company of Cleveland, Ohio, who have a large factory splendidly equipped with the very best machinery to produce parts of fuses.

"I am personally acquainted with both the financial backers of this enterprise as well as the head men of the Fuse company, and I have no hesitancy in stating that the Artillery Fuse Company is in my opinion the only company of those entering this complicated business that I feel is capable of producing a fuse which will properly function, and on account of the long experience of their departmental heads in the actual manufacture of fuses believe that they will also be able to produce more fuses in a given time than any new and inexperienced concern.

"It may interest you to know that for over twelve years I was a commissioned officer in the Ordnance Department of the United States Army, and when I resigned to go back into civil life on March 1st had charge of the Field Artillery Ammunition Department at Frankford Arsenal, including the manufacture of time fuses, and on account of my many years' experience in the actual manufacture of this material I believe I can easily qualify as an expert.

"Yours respectfully,

"WALTER G. PENFIELD,

"Works Manager."

(Marked as Exhibit 82.)

Was this gentleman Mr. Penfield here with Mr. Fenn?—A. No, sir, I take this Penfield to be the Manager Penfield to whom I referred yesterday. I have never met the man.

Q. Then on that day, 28th May, 1915, a cablegram was apparently sent from "Troopers" to the Shell Committee:—

"With reference to your 394 cipher.

"18 Pr. shell required 80-44 fuse, 4-5 requires 100 fuse, both with gaine.

"Tolerant for burning at rest, No. 80 fuse may be as for No. 85 but M.D. in gun must remain unaltered."

May I ask you what M.D. means?—A. The main difference.

Q. No. 100 fuse may be made of steel if plated all over, either tinned or nickled.

"The use of aluminum is under consideration.

(Marked Exhibit 83.)

"TROOPER."

That is an answer to your cable that has already been put in?—A. Yes, sir.

Q. What information up to that definitely had you as to what fuse was required?

—A. This is the first intimation we had that No. 100 fuse was required in connection with the five million contract.

Q. It was on the 28th May then that you first acquired the knowledge that the 100 would be wanted?—A. 28th May.

Q. I do not know whether you received that cable on the 28th or 29th?—A. The 28th or the 29th.

Mr. DAVID CARNEGIE.

Q. What proportion of the five million order would require the hundred fuse, and what proportion the 80 fuse under that cablegram?—A. One-third, 1,666,666 fuses.

Q. That would be 100?—A. Yes.

Q. And the remaining?—A. Two thirds of five million would be the time fuse.

Q. 80-44?—A. No, sir, 1,666,666 No. 80 and 1,666,666 No. 80-44; two thirds time fuses, one-third No. 100.

Hon. Mr. DUFF: That gaine 80-44, does that add anything to what he understood by 80-44 before?—A. Yes, sir.

Mr. HELLMUTH: What does that gaine mean?—A. The gaine is the detonator which extends from the fuse—this is the gaine portion (pointing to projecting portion at the bottom).

Hon. Mr. DUFF: The stem.

Mr. HELLMUTH: Did you prior to that telegram understand you were to furnish gaine?—A. No.

Q. Would that add or would it not, materially to the cost?—A. About 20 to 30 cents.

Q. What I do not understand is this, you were to furnish five million completed shells?—A. Yes, sir.

Q. With fuses, would it be a completed shell with fuse if the gaine was not there—it would not be very much use without the gaine?—A. The time fuse has no gaine, that is for shrapnel shell; this was a new introduction the use of a time fuse for high explosive shells, and may I refer to the original cable in which they stated and on which we based our contract that two-thirds would be graze fuse; they stated in the first place time fuses only for shrapnel shells.

Hon. Mr. DUFF: Would the 80-44 not imply a gaine?—A. No.

Q. That is 80 adapted to high explosive, would that not imply a gaine?—A. It would imply a gaine, but I did not understand it at the time.

Mr. HELLMUTH: On the 28th May apparently Mr. Ryan comes up again with a letter from New York to General Bertram:—

“ Gen. ALEX. BERTRAM,

“ Shell Committee,

“ Stevens Building, Ottawa, Canada.

“ DEAR SIR,—Thank you very much for your appreciated letter of the 26th inst. I am exceedingly sorry that you were given the information about the price of fuses that you were given by Mr. Dowler. I knew nothing at all about such a price being quoted to you and did not in any way intimate to Mr. Dowler any such price, so it was given to you by him entirely upon his own responsibility and had I known of this fact at our first meeting I would have immediately removed any such impression from your mind.

“ Mr. Ohmer has been here to-day and after looking his plant over has come to the conclusion that he can take any order that might be given him, particularly as he has a supply of material on hand and states to me that any order sent to him he can execute it, if terms can be agreed upon, without consulting anyone.

“ There is another factory that I am acquainted with that has had experience in manufacturing fuses and can take an order for 800,000, with any guaranty that you may expect from them as to fulfilment of the contract within seven months from the signing of the contract, and I am certain that the prices will be made as cheap as they possibly can be made in view of the high price of raw material, there being no intention on the part of either of these people to exact any exorbitant war profits.

[Mr. David Carnegie.]

"Again thanking you for your courteous letter of the 26th instant, I am,

"Yours very truly,

(Marked as Exhibit 84.)

"THOS. J. RYAN."

On May 29 there is a letter from Paul F. Sise, Vice-president and General Manager of the Northern Electric Co., Limited, to the Shell Committee.

DEAR SIR:

Referring to the No. 100 Percussion Fuse, Blue print No. 21070-A, January 7, 1915, regarding which you had some conversation with our Mr. Hathaway, we find it very difficult with only the Blueprint and Specification, to make a satisfactory quotation on 1,000,000 of these fuses.

We understand that this type "A" Metal is very difficult to work compared with ordinary brass, and have so far been unable to get a quotation on this material. A sample of the fuse and the blueprint of the gauges, would materially help us at arriving at a decision.

In the meantime, without more definite information, as referred to above, we will quote you on one million (1,000,000) of these Percussion Fuses, a tentative price of four dollars (\$4.00) each, it being understood that this price can only be considered in the light of an estimate and that a firm quotation cannot be furnished without more definite information. If this figure is of interest we would be pleased to go into the question further, and with more definite information arrive at a satisfactory quotation.

Yours very truly,

PAUL F. SISE,

Vice-President and General Manager.

(Marked Exhibit No. 85.)

Q. Is this the first communication you had had with the Northern Electric Co. by letter?—A. Yes sir.

Q. You must have apparently had some interview with somebody connected with that?—A. Yes sir, I had an interview with Mr. Hathaway.

Q. When?—A. Between the 10th and 13th, it must have been, of May.

Q. You had an interview with Mr. Hathaway of this company in regard to supplying fuses?—A. No. 100 fuses.

Q. Was it at that time your intention to have that one million fuses, part of five million order?—A. No, sir, not at all.

Q. What was that for then?—A. We had a cable on the 10th May from the War Office which has been put in.

Q. And it was in regard to that?—A. In regard to the supply of No. 100 fuses, but we had no drawings, and Mr. Hathaway came into our office and showed me a photographic drawing he had received from Morgans, and also the specifications. He said, "I have received this from Morgans; have you seen it? Can you give me any information?" I said, "It is a curious coincidence that we have received a cable communication asking us to quote for No. 100 fuse. It is the first time I have heard of it and the first time I have seen it, but if you are quoting would you not quote us instead of Morgans? You are in Canada." So he said, "I will do it with pleasure." This question is the outcome of that conversation with Mr. Hathaway.

Sir WILLIAM MEREDITH: Where does that company carry on its business?—A. Montreal.

Mr. HELLMUTH: Were there any further communications with him?—A. Yes, sir.

(The Commission adjourned at 1.30 p.m. to 2.30 p.m.)

AFTERNOON SESSION.

Mr. JOHNSTON: I daresay that you will require and others may require the attendance of certain witnesses, Mr. Chairman. I would suggest that some definite proposal be made as to how they should be here. Next week they could come on telegram. Several that I know of that will likely be here could come on telegram and not waste their time waiting here doing nothing. But the question of subpoenas, I suppose, is settled by the registrar being able to give subpoenas. There are some witnesses in Toronto who could be served through agents there, I understand.

As to the cost of the witnesses or their disbursements, I presume that some provision will be made for their actual expenses. Many of these men, for instance, Mr. Lloyd Harris and some others, whom we have heard mentioned so frequently, we will require here at some time. Now, it was always understood that their expenses would be paid and that they would come on telegram after being served with subpoena. I think that would be sufficient. It would save a lot of delay, confusion and so forth.

Sir WILLIAM MEREDITH: We have not got any money.

Mr. JOHNSTON: That is the reason I am asking the commission to see as to ways and means. I have not got anything either.

Mr. EWART: Mr. Ritchie has the purse.

Mr. CARVELL: Perhaps Mr. Hellmuth carries the bag.

Mr. HELLMUTH: I have not been entrusted with that pleasant duty. But I may say that I did ask the Minister of Justice in regard to the matter that Mr. Johnston has just spoken about. I pointed out, what was quite obvious, that it was not fair to ask men to come here entirely at their own expense, and that some fund should be provided for witnesses.

Sir WILLIAM MEREDITH: Why should they not come at their own expense? Counsel are coming here at their own expense.

Mr. HELLMUTH: They are always of a generous disposition, my lord.

Mr. JOHNSTON: We are coming here *pro tem* at the expense of another class.

Mr. HELLMUTH: But the Minister of Justice has the matter before him, and I think we will find that the secretary will be placed, perhaps not in sufficient funds to pay extravagant expenses, but in sufficient funds to pay all reasonable expenses of witnesses that we call here; and those witnesses, it seems to me who lose time—supposing an expert should come here whose time is valuable, his time should be paid.

Sir WILLIAM MEREDITH: Do not invite any of that.

Mr. HELLMUTH: I won't say what I was going to say.

Mr. JOHNSTON: I think we ought to know definitely very soon, because statements will have to be made to these witnesses as they are subpoenaed with regard to their expenses.

Sir WILLIAM MEREDITH: I suppose there is no doubt that money will be forthcoming to pay legitimate expenses. I suppose they will be paid on the same footing as witnesses attending a trial.

Mr. HELLMUTH: Witnesses, I understand, were paid their expenses while attending the recent inquiry that was held by Sir Charles Davidson, and I take it that no Royal Commission will sit where witnesses are not paid.

Mr. JOHNSTON: Perhaps it would be desirable for the registrar to see the Minister of Justice and come to some understanding to-day, so we can tell witnesses who are subpoenaed what position they will be in.

[Mr. David Carnegie.]

Mr. HELLMUTH: I think, in view of the fact that I have spoken, perhaps the registrar can now see the Minister of Justice. I think he will only require to be reminded.

Mr. JOHNSTON: That is all.

Mr. HELLMUTH: May I proceed?

Sir WILLIAM MEREDITH: Yes.

Examination of Mr. DAVID CARNEGIE resumed.

By Mr. Hellmuth:

Q. On the 29th of May I find two letters from Mr. T. A. Russell, both addressed to yourself.

Sir WILLIAM MEREDITH: You are putting them in separately, are you?

Mr. HELLMUTH: Yes, I think I may as well.

Q. The first letter is on May 29th, addressed to Mr. D. Carnegie, Shell Committee, Ottawa:—

“DEAR SIR,—In checking over the specifications for the No. 80 fuse there are some things which do not appear to be quite clear, and we thought perhaps you could assist us with information that would enable us to properly protect ourselves on some of the materials, as follows:—

“The specification calls for ‘leather,’ do you know whether any special kind of leather is required?

“It also calls for ‘vegetable paper washers,’—do you know if this is any kind of paper?

“In the same way, it calls for ‘silk and vegetable paper patches, linen and paper discs.’ Our desire is to know just whether there is anything special in connection with these items or not.

“In addition I have been anxious to know the exact specification of the powder for loading the trains, as I do not see this entirely covered in the specifications which we have.

“For your own information I enclose a copy of the telegram we sent on Friday the 21st, which you stated unfortunately did not come to your personal attention.”

That telegram I have not a copy of, but there was a copy.

Sir WILLIAM MEREDITH: You put that in No. 71.

Mr. HELLMUTH: “*Re* No. 100 fuse—We are looking into this, but feel the need of specifications so as to know a little more about some points on it. Perhaps you will be able to let us have a specification before long?

“Yours very truly,

(Marked Exhibit 86.)

“T. A. RUSSELL.”

Now, on the same day came another letter, dated the 29th:—

“*Re* Fuse Material. In connection with the fuse we notice certain parts to be made of a material called ‘Delta Metal.’ This is not very widely known in America, and there is only one source of supply of it.

“I have been advised that the Bethlehem Steel Company are using instead of it a metal called Tobin Bronze.

“The point I am interested in is this, do you know that if we supply a brass material which gives the physical properties called for in the specifications, whether it would be acceptable, even though the material was not what is technically known as Delta Metal?

“Yours very truly,

(Marked Exhibit 87.)

“T. A. RUSSELL.”

Now, reading those two letters it occurs to one naturally that the Russell people were still looking forward to some contract. They are writing about materials for the 80 fuse. Can you give me any explanation as to that?—A. Yes, sir.

Q. What is it?—A. We were proposing then to call upon the War Office for another order, if possible, for fuses only.

Q. I see then on May 30th a cable was sent from Militia to Troopers as follows,— I leave out the cipher references:—

“All now clear to proceed with fuses for shells being supplied according to your 4091 cipher A. 7 namely:—

“One third five million to No. 80 fuse specification 102 L over 5280 drawings 20590 in brackets 1 three sheets.

“One third of contract to specification L over 3046 and drawings 20590 in brackets 1 three sheets and to modifications shown on drawing 20920 in brackets 1, we have no drawings No. 16603 C. I. mentioned in specification, both types to have time burning toleration as in No. 85 fuse.

“Remaining third of contract made to No. 100 fuse and drawing No. 21070 A. 1. but we have no specifications yet and have no drawing of gaires.

“Can we ship fuses in shells or must we make tin packing cases?

“In addition to foregoing may we put in hand other three million No. 80 fuses at \$4.60 each?

“Can we proceed, matter urgent?”

(Marked Exhibit 88.)

Was that a telegram inspired by you?—A. Yes, sir.

Q. Apparently the answer comes on the 31st of May, and I will put it in before some other documents of the 31st. On the 31st of May comes an answer from Troopers to the Minister of Militia, Ottawa:—

“Your 419 cipher in reply to our 4971. Specifications and drawings will be sent as required.

“Number 100 fuse should not be shipped in the shell; time fuse may be so shipped.

“Last paragraph, not for the present.”

The last paragraph being the inquiry as to the other three million.

(Marked Exhibit 89.)

Q. Then on the 31st there was a letter, which I suppose would be received on the 1st of June, if that was not a **Sunday, from General Drain**—

Sir WILLIAM MEREDITH: To whom?

Mr. HELLMUTH: No, it is a letter to General Drain—

Sir WILLIAM MEREDITH: From whom?

Mr. HELLMUTH: It is not signed.

A. Yes, sir, I wrote the letter, the initials “D.C.” are there.

Q. It was not signed by the Shell Committee, was it?—A. Signed by myself, I presume, or by General Bertram. It would be signed by myself, sir, as a personal letter.

Q. I have not got the signature here. I see it has the initials “D.C.”

Mr. Jas. A. Drain,
Attorney and Solicitor of Claims,
Washington, D.C.

Is this General Drain?—A. Yes, sir.

Dear Mr. Drain:

Your letter of the 27th to hand.

Immediately we receive the drawings and specifications of No. 100 fuse, we shall forward them to you. We find from a cable just received from the [Mr. David Carnegie.]

War Office that the fuse may be made of steel instead of brass if it is plated all over with either tin or nickel. We await, however, specifications before we can say more.

Q. That cable has been put in, has it not?—A. Yes, sir.

(Letter marked Exhibit 90.)

Q. Then on the same day, the 31st of May, General Bertram writes to the Russell Car Company, Limited, West Toronto:—

Your letter addressed to Mr. Carnegie, dated the 29th inst., to hand.

"Delta Metal" is the old name given to Manganese Bronze, still very largely used in the Old Country. If you can produce a brass to give the physical properties required, we see no reason why it should not be accepted.

Yours very truly,

(Marked Exhibit 91.)

ALEX. BERTRAM.

And I see the initials "D.C." You dictated that letter?—A. Yes, sir.

Q. Then on the 1st of June you kindly answered the other letter of the 29th, or at least you dictated it; it is signed by General Bertram.

The Russell Motor Car Co., Limited,
West Toronto, Ont.

DEAR SIRS,—We are in receipt of your letter of the 29th ulto., enclosing copy of wire forwarded to us on the 21st ult. for which we thank you.

We note your various queries on the subject of No. 80 fuse. We have now definite information from the War Office, and they call for three different designs of fuses, which modifies in some measure the requirements. They have definitely stated that they do not require any more time fuses at present, but are prepared to consider the No. 100 fuse. They tell us also that this may be made of steel, tinned or nickeled. We have not yet received the specification for it.

We remain, yours very truly,

(Marked Exhibit 92.)

ALEX. BERTRAM.

You had I think just about then learned the requirements again, had you not?—A. Yes, sir.

Q. Then on the same day, the 1st of June, Mr. Russell writes to the Shell Committee:—

"Re Fuses. There are some matters with regard to which it is desirable that Mr. Harris and the writer go to Ottawa to-morrow night, so as to be there on Thursday, and we are anxious to call at the same time and learn whether any progress has been made, so that we could get something closed on this fuse matter.

"Our Mr. Burt has returned, and our whole equipment and plans are in good shape for immediate progress. In fact, we are most anxious to get started at it right away if it is at all possible.

"I hope, therefore, that Mr. Harris and the writer may have an opportunity of meeting General Bertram and Mr. Carnegie for a few minutes on Thursday."

(Marked Exhibit 93.)

Then that letter was answered apparently on June 2nd:—

"Russell Motor Car Company,
Toronto.

"Gentlemen:—We have definite information from the War Office that they do not require at the present time any more time fuses. We are sending you,

however, print of fuse cover for your information lest it be found afterwards that more fuses are required."

(Marked Exhibit 94.)

I take it, correct me if I am wrong, that you were having no interviews at this time with Mr. Russell or Mr. Lloyd Harris?—A. I gather not from the correspondence.

Q. Do you recollect?—A. No.

Q. From the 26th of May, when they came down and saw you and handed in that offer, I am asking you if there were any other interviews up to this time?—A. As far as I remember, no.

Q. Then on June 7th there is quite a long letter from the Russell Motor Car Company or Mr. Russell to Brigadier-General Bertram, Chairman Shell Committee, Stephen Building, Ottawa.

Dear Sir:—*Re fuses.*

We have your esteemed favour of the 1st inst. in reply to ours on the above subject, for which accept our thanks.

Your advice that the War Office have definitely stated that they do not require any more time fuses at the present time was a distinct disappointment to us in view of what has taken place. Knowing the importance of this, for purposes of record we are advising you again the steps we took with regard to putting ourselves in position to make this fuse in Canada.

After an interview in Montreal early in May you telegraphed us stating that you would be glad to hear from Mr. Lloyd Harris or the writer on the fuse question. We were at that time in the United States engaged in an investigation of the subject, and by appointment met you in Montreal on May 13th. After a very full and frank discussion of the question, it was definitely arranged and promised that you would hold from 1,000,000 to 2,000,000 fuses in reserve, so that we would have a reasonable time in which to submit a proposal for supplying the same.

Mr. Harris spent the next week in the neighbourhood of Chicago acquiring further information on the subject, while the writer visited points like New York, New Britain, Waterbury and Bridgeport on the same errand; and by appointment met Col. Carnegie in Ottawa on May 20th, and advised him that we expected to be able to submit a proposition in less than a week. Col. Carnegie stated that the matter was very urgent, and that we should hurry as much as possible, as the matter could not be held open indefinitely. These were the actual words used.

Knowing this the writer returned to Toronto, and on the following day had a conference with Mr. Harris and other members of our Board, and the same evening telegraphed to you as follows:—

"Have fuse matter well advanced. Have arranged for expert help with large experience with British fuse. Expect submit proposal early next week. Our plans provide for important part of work being done in Canada from commencement of operations."

We continued the completion of the data necessary to enable us to submit a proposal, and on the following Tuesday, May 25th, wired you as follows:—

"Mr. Harris and I will be in Ottawa Wednesday to submit our proposition *re fuses.*"

In response we received your telegram as follows:—"Please defer visit until you hear from us."

As we had, however, promised to submit our proposal, and we had it in readiness, we left for Ottawa that night, and submitted it the following day, May 26th—less than two weeks after the time of the first discussion of the matter in Montreal.

[Mr. David Carnegie.]

To our utter amazement we learned that despite all that had taken place the whole order had been in the previous two or three days placed with two American concerns at a higher price than our tender.

Re No. 100 Fuse.

We have the prints of this, and have made considerable inquiry with regard to available material, etc., but it has been impossible for us to get absolutely definite information without final specifications and word with regard to material. There is no question but that we can put ourselves in position to supply 2,000,000 of the No. 100 fuse, and to give you satisfaction with regard to them, but we would not like to go through the same experience as we did last time of lining up material equipment, machine tool equipment, and firms to associate with us, without feeling that we had the proposition in definite shape to produce business if we were able to submit a reasonable proposition.

Can you, therefore, give us any idea as to when we could get complete specifications, and also give us some assurance that if we could submit within any reasonably short time a business proposition such as we did on the No. 80 fuse, that we could count on getting the business?

Mr. Harris and the writer hold ourselves in readiness to meet you on the subject at any time, and we hope it may be possible to do so within the next few days. We will hold ourselves in readiness to answer a telegraph call.

Yours very truly,

RUSSELL MOTOR CAR COMPANY, LTD.,

T. A. RUSSELL, *General Manager.*

(Marked as Exhibit 95.)

That letter was received?—A. Yes, sir.

Q. My attention has just been called to this, and I noticed it at the time and intended to ask you. They say in this:—

“We continued the completion of the data necessary for us to submit a proposal, and on the following Tuesday, May 25th, wired you as follows.”
Now, this is not the telegram of May 25th?—A. No, sir.

Q. “Mr. Harris and I will be in Ottawa Wednesday to submit our proposition *re* fuses.” In response we received your telegram as follows:—

“Please defer visit until you hear from us.”

A. Yes, sir.

Q. Now, did you get that telegram and did you send that answer?—A. Yes, sir.

Q. I have not got them, Mr. Carnegie.—A. We must have received it, sir, and we must have replied, otherwise they would not have been able to write this letter.

Q. That of course is argument. I did not want argument, I wanted your recollection. Have you any recollection of getting a telegram and either yourself composing the answer to it asking them to defer their visit or seeing such a telegram go to them? —A. I have no recollection, sir, at the moment, but I have every evidence from their letter that I did receive and did answer.

Q. Will you tell me why, then, you asked them at that stage to defer their visit? —A. Because we had already placed orders for the full 5,000,000 fuses.

Mr. CARVELL: The same day.

Mr. HELLMUTH: The order to Mr. Harris, or to the International for 2,500,000, and that order to the International only went off on that day?—A. Yes, sir.

Mr. CARVELL: And to Bassick as well.

Mr. HELLMUTH: The amended one went to Bassick.—A. That is so, sir, and the amended one to Bassick, that is right, sir.

Q. Why do you therefore say that you had already accepted orders?—A. Because Harris, who had been there perhaps earlier in the day, I cannot say now, at any rate we had definitely decided to place with Harris the order for the remaining two and a half million fuses.

Q. You had decided before that telegram came?—A. Yes, sir. With Dr. Harris I mean.

Q. On the 25th?—A. On the 25th.

Q. Was he here that day?—A. I believe, as far as I know, that it was decided—I am almost certain that he must have been there, because the negotiations were carried out verbally. That can be verified, sir, by reference I should say.

Q. In regard to Bassick, you had on the 21st, if my recollection is correct—I want to get what you want to say about it—if my recollection is correct in regard to Bassick you had given him an order for 3,000,000?—A. That is right.

Q. On the 21st, just the very same day, General Bertram you told me was telephoning and you amended that order on the 25th to 2,500,000?—A. Yes, sir.

Q. Now, can you say that when you were telephoning and when you sent that order off you had not at that time received the telegram from Harris?—A. As far as I recollect we had not received the telegram from Harris, Lloyd Harris or Russell.

Q. Or Russell I should have said.—A. When these two letters were either written or definitely decided to be written.

Q. Can you tell me whether the two letters, the one to Bassick and the one to the International, or Dr. Harris, were mailed or delivered or handed to them?—A. I cannot say that, sir.

Q. Have you got in the Shell Committee what is known as a mailing book, a book showing the letters that left the office?—A. I am very doubtful. I did not handle that part of the business.

Q. I am not suggesting that you would handle letters, Mr. Carnegie. I am asking you merely, were you familiar enough with the way in which the office was handled to know whether there was such a thing as a mailing book in which letters sent from the Shell Committee, General Bertram or Colonel Carnegie, were entered in that book?—A. No, sir, I am not.

Q. Can you say whether there was or was not such a book?—A. I say there was not so far as I am aware.

Hon. Mr. DUFF: Can he say whether there is any record of these telegrams of the 25th?

Mr. HELLMUTH: I think I told you that I had not received copies so far as I can find in the brief that was handed to me, of papers coming from the Shell Committee, any copies of those telegrams. Now, can I get either the telegram that was received from Mr. Russell or the copy, as I assume there would be a copy, of the telegram that was sent in response?—A. We shall try and obtain it, sir.

Q. I wish you would, please. Can you tell me whether the office through which the telegrams were received was the Canadian Pacific or the Great North Western?—A. I cannot say, sir.

Q. Or the one through which telegrams were sent?—A. I believe the Canadian Pacific. That was our general practice. I cannot say.

Q. Will you please make a note that I desire to have—or would you have a note made that I would like to have those two telegrams?—A. Yes.

Mr. GRANT: There are three. There is that telegram of the 21st.

Mr. HELLMUTH: Also the telegram of the 21st too, if it can be found. I want anything. In fact, while I specifically mention those three documents, if there are any other documents in relation to the Russell matter I would like to have them placed before me.—A. Yes, sir.

Hon. Mr. DUFF: I suppose, Mr. Hellmuth, there must have been somebody whose duty it was to take custody of these documents. Perhaps the witness can tell you who it was at that time.

[Mr. David Carnegie.]

Mr. HELLMUTH: Who was acting as sort of secretary in the office?

Hon. Mr. DUFF: Or custodian of such papers.

Mr. HELLMUTH: Or custodian of papers? Who did that? Where were they kept, and how kept?—A. Now, you tax me somewhat, because our office was like a snowball, growing all the time. I do not know the name of the man. There was a regular man who dealt with the letters that were received. You will excuse me. I will ask—

Q. I won't ask you to do that, because if you do not know I will have somebody who does know?—A. I would tell you if I did.

Q. I do not want to have any guesses about this. I will have somebody who does know. At all events your recollection is that there was somebody, as I assume there would be, who would look after the correspondence, who would have charge of it?—A. Exactly.

Q. And when you came down in the morning, I suppose, or came back from lunch, would not somebody put the letters or telegrams upon your desk for perusal?—A. Yes, sir, my secretary would do that.

Q. You had a secretary?—A. Yes.

Q. After you had perused or looked at a letter would the envelope—would the letters be opened?—A. Always opened unless they were addressed personally to me.

Q. If they were addressed to the Shell Committee they would be opened?—A. Always opened.

Q. Who would open them?—A. The man in the office. I forget his name. He opened all the letters.

Q. I suppose we can find that out from General Bertram. Perhaps General Bertram can tell me now.

GENERAL BERTRAM: Mr. Matt.

Mr. HELLMUTH: I would just like to pursue this, if you will pardon me. You had your own secretary?—A. Yes, sir.

Q. Who was that?—A. Mr. O'Neill.

Q. He is here I am sure.—A. He is in the room now.

Q. Now, when you came down in the morning would the envelope be there, or just the letter spread out?—A. The letter spread out.

Q. Would there be upon that letter any notation as to whether it had been received at 8 o'clock, half past 8 or later?—A. No, sir, we did not have the clock arrangement of notation.

Q. Would there be any stamp upon it to show whether it had come in a.m. or p.m.?—A. No, sir.

Q. What is Mr. Matt's first name?

GENERAL BERTRAM: I do not know. I can get it for you.

Mr. HELLMUTH: Then on the 8th of June you sent this cable to Troopers:—

“We have received from Colonel Phipps Bethlehem specification L. over 3478 for fuse No. 100 empty without gaine.

“Shall we be right in working to this?”

“MILITIA.”

(Marked Exhibit 96.)

Q. Now did you give me a letter from Colonel Phipps with that specification?—

A. I believe there was a wire put in asking for this specification from Colonel Phipps.

Q. Have you found anything from Colonel Phipps, or did you just receive the specification, which perhaps would be extraordinary, without any letter or telegram?—A. We had the specification.

Q. I know; but I do not think I have got any letter furnished me at all, even from Colonel Phipps. Would you have a note made that if there is any such letter, I would like to have it?—A. Yes, sir.

Q. Now, on the 9th of June, up to which date you had not had an interview since the one you have mentioned with Mr. Russell or Mr. Lloyd Harris, there is a letter unsigned, the copy I have got here, but there is "D.C." in the corner, which would mean I suppose dictated by you?—A. Yes, sir.

Q. "Russell Motor Car Co., Ltd.

"Toronto.

"Gentlemen:

"Following up General Bertram's letter to you in reply to yours of the 7th regarding the subject of fuses.

"Since writing you, we have had the opportunity of meeting the Minister of Militia who is quite willing that an order for 200,000 fuses be placed in Canada. If your company can show ability to undertake the work, we shall be pleased to place the work with you.

"Our Ordnance Adviser hopes to be in Toronto on Monday and will take the matter up with you then.

"The number 80 fuse would be required, particulars of which we think you have in your possession.

(Marked Exhibit 97.)

"Yours very truly."

Of course, you writing that letter referred to yourself as the Ordnance Adviser?—A. That is so.

Hon. Mr. DUFF: That would mean the 80 fuse with the modification with regard to toleration, I suppose?—A. Yes, sir.

Q. Had they been advised of that?—A. Who, sir?

Q. The Russell Company?—A. The modification?

Q. Yes.—A. In conversation only, I presume they had been advised.

Mr. HELLMUTH: You say in this letter, "The Minister of Militia is quite willing that an order for 200,000 fuses be placed in Canada." For whom were those fuses to be, for the British Government?—A. Oh yes, sir.

Q. Had you at any time any order from the British Government?—A. No, sir.

Q. Well, may I say it was somewhat of a speculation on what they would require?

—A. Purely speculation.

Q. As to what they would require?—A. May I explain?

Q. Yes, certainly. I do not want to stop you.—A. The disappointment that Harris and Russell had, which was recorded in the letter you read, the letter of the 7th instant, we felt very keenly. I, with General Bertram, in our conversation with them told them that we regretted that we had gone back on our word. We had gone back on our word, but we were under pressure driven to do so owing to the urgency of the matter. They appreciated that, and I believe as gentlemen they gave us full credit for our good intentions. Now, we had a surplus on our contracts—

Q. We will come to that.—A. Excuse me, sir, I want just to explain why we had within our authority as a committee the right to place with any company an order such as this. Here is a matter that we discussed with the Minister of Militia. We expressed to him the whole position and said that we should like, if possible, as we had striven before to place some order to start something in Canada, and would he agree to such a thing, and with that agreement we wrote this letter.

Q. Then on June 11th they replied to that:—

"We have your letter of the 9th inst., which you state is in supplement to General Bertram's letter on the subject of fuses. The General's letter, however, has not yet come to hand.

"Referring to your letter, however, we regret that you are only considering an order of 200,000. The plant investment necessary for fuses in Canada would be \$150,000, and this would not be justified on an order for 200,000.

[Mr. David Carnegie.]

"The General mentioned to-day that you had now received the specifications for the No. 100 fuse, and that it would be made of steel. We therefore wired you at once as follows:—

'General Bertram advises that you have received specifications Hundred Fuse. Please mail us copy to-night if possible. We will be completely ready submit proposal on it when you arrive Monday.'

"As you were good enough to state when the disappointment took place with regard to the No. 80 fuse that you would give us first chance at the No. 100 fuse we want to be ready for you first this time.

"I have had our mechanical superintendent and his assistant away steadily for the last week accumulating information on this. They will be back to-morrow and if I have the specifications from you to-morrow we will have everything in readiness for you on your arrival on Monday. Mr. Lloyd Harris will also be here.

"If your requirements have been so completely filled up on the No. 80 fuse that there is only 200,000 available, then we would very much prefer to take on a quantity of the No. 100 fuse, on which we will have everything ready to submit on your arrival."

(Marked as Exhibit 98.)

Do you remember getting that letter?—A. Yes, sir.

Sir WILLIAM MEREDITH: Whom is that addressed to?

Mr. HELLMUTH: The Shell Committee.

Q. There are two matters in that letter. There is the belated letter apparently of General Bertram's. Do you know where that letter is?—A. I do not, sir, but I will have it looked up if it can be found.

Sir WILLIAM MEREDITH: There is a letter from General Bertram to Russell, number 94.

Mr. HELLMUTH: What date is that?

Sir WILLIAM MEREDITH: 2nd of June.

Mr. GRANT: This is the 8th of June. Apparently he refers to it in the letter of the 9th.

Mr. HELLMUTH: He says, "We have your letter of the 9th instant, which you state is in supplement to General Bertram's letter on the subject of fuses. The General's letter, however, has not yet come to hand."

Mr. GRANT: There is the letter of the 9th.

Mr. HELLMUTH: "Following up General Bertram's letter to you in reply to yours of the 7th instant." This was exhibit 97. Now, I have not had General Bertram's letter to them.

Mr. GRANT: Of the 8th.

Q. I should think it might be the 9th. A letter of either the 8th or 9th of June from General Bertram to the Russell Company.

Sir WILLIAM MEREDITH: Why is not the reference to the letter of the 2nd of June? That does speak, if I recollect right, of the hundred.

Mr. JOHNSTON: No, "Bertram's letter to you in reply to yours of the 7th." It must be after the 7th.

Mr. HELLMUTH: Mr. Commissioner, you will see that in exhibit 97 of June 9th it says, "Following up General Bertram's letter to you in reply to yours of the 7th instant." So it must be that letter.

Sir WILLIAM MEREDITH: It must be either the 7th, 8th or 9th.

Mr. HELLMUTH: Yes.

Mr. NESBITT: It depends on the punctuation entirely. I should think the Chief Justice was probably right. "Following up General Bertram's letter to you", then a comma, and he says, "in reply to yours of so and so." It may be that way, I do not know.

Mr. HELLMUTH: At all events, we need not waste time.

Q. Mr. Carnegie, I would like you to see if there was any other letter from General Bertram after the one we put in, written on the 8th or 9th.

Now, there is another matter in this. It says, "We therefore wired you at once." I have not got that wire in my list I do not think.—A. I will have that looked up also, sir.

Q. Of course, they repeat the wire, and you have no doubt that such a wire was received?—A. No doubt, sir.

Q. Then if you will look that up. On the 11th of June you got a telegram apparently from John A. Harris. That would be the International, that is Dr. Harris?—A. Yes, sir.

Q. "Colonel David Carnegie, Shell Committee, Stephen Building, Ottawa. Kindly procure passes and make the necessary arrangements for Thomas Graham and his engineer to obtain at Woolwich drawings of machinery and fixtures especially dies and punches for loading time train rings fuse number eighty this to supplement your notes on manufacture now on hand. Graham with British American Tobacco Company, London, and has been recently employed by International Arms & Fuse Company. Through Mr. Patterson advise us to whom should Graham apply."

(Marked Exhibit 99.)

Do you remember getting that?—A. Yes, sir.

Q. Then you sent a cable to Troopers from Militia, evidently in pursuance of that request:—

"International Arms & Fuse Company, New York, about to manufacture No. 80 fuses for Shell Committee.

"Request permission their representative Thomas Graham, London, with engineer to visit fuse branch Woolwich Arsenal and obtain drawings of dies, punches, etc., for loading time train rings.

"Can you arrange?"

(Marked Exhibit 100.)

"MILITIA."

Then you got this reply fairly promptly from Troopers on the 14th of June, 1915:—

"Shell Committee,

"Ottawa, Ont.

"Your telegram 12th June 454. Can arrange this."

(Marked Exhibit 101.)

Q. In exhibit 99 perhaps you can explain what this means in the telegram from John A. Harris, "Especially dies and punches for loading time train rings fuse number 80, this to supplement your notes on manufacture now on hand." What notes were those?—A. Copy of the report I made on the latest methods of manufacture at Woolwich Arsenal when there in December and January.

Q. Those were engineering notes?—A. Only, sir.

Q. They were not notes in regard to contracts or anything of that kind?—A. No, sir.

Q. In regard to the manufacture?—A. The sequence of the telegrams indicate that they asked for dies.

Sir WILLIAM MEREDITH: Is that the document that has not yet been made an exhibit, the confidential document?—A. Yes, sir.

[Mr. David Carnegie.]

Mr. HELLMUTH: It has not been made an exhibit.

Sir WILLIAM MEREDITH: You were to exclude certain things in it.

Mr. HELLMUTH: You do not mean the report at all?—A. No, I mean the report I made on the manufacture of the fuses at the Woolwich Arsenal.

Q. Oh yes.

Sir WILLIAM MEREDITH: That is not in.

Mr. HELLMUTH: No, I do not think that anybody desires that should go in.

Mr. JOHNSTON: No, it is purely mechanical.

WITNESS: I can put it in if you wish.

Mr. HELLMUTH: No, we have enough.

Mr. JOHNSTON: We would not understand it likely if it were put in.

Q. Then on the 15th of June our friend General Drain turns up again. A letter.

“My dear Mr. Carnegie. I have not yet received the specifications and drawings of time fuses which you were good enough to promise me when I was in Ottawa two weeks ago. It may be these have been sent and that they have gone astray. In any event I hope that I may have this data very soon.

“Major Penfield tells me that he has written to you about our ability to produce time fuses. I hope his letter safely reached you and that it was convincing.” That letter is in.

“There are numerous inquiries for time fuses and I hope my clients will be given an initial order very soon.

“JAMES A. DRAIN.”

(Exhibit No. 102.)

Then there were two letters that must have crossed one another, of the 17th of June, one from T. A. Russell to you and one from you to the Russell Motor Company. Your letter I will read first, although they are not on the same topic exactly.

“We are in receipt of your letter of June 11th on the subject of fuses.

We are cabling to-day on the lines suggested by our adviser when he met your Mr. Russel yesterday. We remain, Yours very truly, D. CARNEGIE.”

That will be Exhibit 103.

The other letter is:—

“Dear Colonel Carnegie, I thought perhaps you might be interested”—Oh, that is about some story which I do not think is necessary.—“The enclosed story is sent from London.”

Sir WILLIAM MEREDITH: You had better put it in.

Mr. HELLMUTH: “It seems good enough to pass on and might relieve some of the worry in connection with shell matters.” I want to call your attention though to the fact that Mr. Russell speaks or you speak of meeting the day before, the 17th. Where did you meet him?—A. At his work in Toronto.

Q. Was there any discussion then as to the shell or fuse contracts?—A. I went down, sir, with that object, of seeing their works.

Q. What was the discussion?—A. To find what they could do in the way of taking on the No. 100 fuse.

Q. Did you come to any understanding? I am not much concerned with what your opinion might be but did you come to any understanding with them at the time in regard to taking on the No. 100, did you make any arrangement?—A. Made no arrangement at the time.

Q. Did you discuss it with them?—A. Yes.

Q. And did you hold out or authorize any hopes to them that they would get an order for 100?—A. Yes.

Q. Was anything said in regard to what quantity of 100 fuses you would be able to order?—A. I cannot say that. I do not recollect any detail. This correspondence

is quite fresh to me to-day and it is something like nine months since the thing took place and I have not reviewed my private notes, so you will have to excuse me if I say that I do not know.

Q. Can you tell me from recollection and turning your mind back as far as you can for the moment, whether there was any discussion then in regard to the time fuses and to the attitude that Russell had taken in regard to an order for 200 thousand and being entirely impossible in view of the expense they would be in equipping a factory to deal with it, was there any discussion of that kind?—A. I presume so but I must only work on assumption now.

Sir WILLIAM MEREDITH: I understood him to say that he kept notes. Hadn't he better consult his notes and take this subject up again.

Mr. HELLMUTH: Have you got your notes?—A. I haven't them here.

Q. I will ask you at the next time to look that up and I will pass on now.

Sir WILLIAM MEREDITH: He says all this is brought to his attention for the first time to-day? Wouldn't it save time to pass that over until he has had an opportunity to consult his notes?

Mr. HELLMUTH: I think so, my lord, but I think I may put in the letters because I get them in chronological order and then if you will permit me I will get that again.

Mr. NESBITT: What was the last exhibit?

Mr. HELLMUTH: 104. It was just a letter enclosing something but I did not put in the enclosure.

Sir WILLIAM MEREDITH: It may tend to show the relations between the two people, whether they were friendly or otherwise at this time.

Mr. NESBITT: The story is a very good one. It might go in to relieve the monotony.

Sir WILLIAM MEREDITH: Mr. Johnston was just mentioning it, but it has not gone on the notes.

Mr. JOHNSTON: It is not worth quarrelling about. It may go in to satisfy anybody.

Mr. HELLMUTH: I do not intend—subject to my learned friends, all of them—if they can agree—that this is not necessary—I do not intend to put in the reply from Mr. Carnegie to that note.

Mr. JOHNSTON: It is not a very good specimen of Irish wit anyway.

Sir WILLIAM MEREDITH: It is only Scotch wit, so what could you expect of it.

Mr. HENDERSON: It is an Irish story. If it were Scotch, Mr. Johnston would want it in.

Mr. HELLMUTH: This is the letter that I meant.

Mr. NESBITT: Put it in.

Mr. HELLMUTH: All right, it shall go in.

Sir WILLIAM MEREDITH: That is a letter from the witness to Russell.

Mr. HELLMUTH: I am not going to read it. It will be Exhibit 105, and is dated June 18th. I am not going to ask you at the moment about the Russell—where you have got notes—I will take that up afterwards.

Then there is a letter to General Drain on the 18th of June simply acknowledging receipt of the letter of the 15th: "And have pleasure in enclosing copy of specification for fuse No. 100." You sent that apparently to General Drain, and that will be Exhibit 106.

Then I find a document among the papers which have been furnished me from the Shell Committee. This document is dated the 18th of June, 1915, and headed "Resolution of American Ammunition Company, Incorporated" and reads as follows:

[Mr. David Carnegie.]

"This is to certify that at a special meeting of the Board of Directors of the American Ammunition Company, Incorporated, duly convened and held in the City of New York on the 9th day of June, 1915, at which a quorum for the transaction of business was present and voting throughout, the following preamble and resolutions were duly and regularly adopted:

"Whereas the President has stated to the meeting that an informal order has been procured from the Canadian Shell Committee for two and one-half million fuses, and that it is proposed that the formal contract with the said Shell Committee be taken in the name of this Company,

"Therefore, be it resolved that the President and the Secretary of this Company be, and they hereby are authorized to enter into a formal written contract in the name of this company with the Shell Committee of Canada, or its Chairman, or with any other properly authorized representative or representatives of the Canadian Government, for the manufacture and sale of such quantity of fuses, of such designs, as may be determined by the said President and Secretary, and for such prices and upon such terms and conditions as may be acceptable to the said President and Secretary.

"In witness whereof I have hereunto set my hand and affirmed the seal of the said Company this 18th day of June, 1915.

"FRANK CALLAHAN,

*Secretary of American Ammunition Company,
Incorporated."*

(Exhibit 107.)

Now I don't think we have had Mr. Callahan's name mentioned up to date. Did you know Mr. Callahan up to that time?—A. Yes, sir. Callahan was the Secretary of the Company as named there and I believe also was the legal adviser. Mr. Orde will correct me if I am wrong.

Q. At all events had you met him before?—A. Not in New York, sir, but he came to Ottawa during the negotiations on the contracts.

Q. Now on the 19th and although it may be taking a minute or two—I am going to put in a number of minutes with General Bertram, but I think this ought to come in here. Is the original minute book here? I understood it was to be here and can I have it please? Because I would like to have this compared to see if I have got it right.

I am reading from the minutes themselves but I will put in a copy.

"Minutes of Meeting of the Shell Committee held at Ottawa, Saturday, June 19, 1915, in the offices of the Committee at 10 a.m.

Present:

Brigadier-General A. Bertram, Chairman.

Brigadier-General T. Benson.

Colonel C. Greville Harston.

Lieutenant-Colonel F. D. Lafferty.

Hon. Col. D. Carnegie.

Mr. E. Carnegie.

Hon. Lt.-Col. G. W. Watts.

Mr. J. W. Borden.

Lt.-Gen. Pease, representing the War Office also attended the meeting by request."

Who was Lt.-General Pease?—A. He was a military officer from England visiting this country on investigation.

Q. For whom?—A. For the War Office.

Q. Had you seen him before this meeting, had you met him before?—A. I had met him several times. I think he arrived, sir, about May or towards the end of May.

Q. —“The Chairman reported the appointment by the Minister of Militia of Mr. Alexander F. Riddell as ‘Financial Supervisor’ to the Committee.”

Mr. GRANT: This is not here.

Mr. HELLMUTH: No, I have only an extract there but I would rather have the full minutes if I may.

“The appointment having been approved by the Prime Minister.

“Mr. Riddell was invited to sit with the Committee.

“The Chairman reported in regard to proposed agreements with the American Ammunition Company incorporated and the International Arms and Fuse Company both of New York for the manufacture of fuses, that he had looked into the standing and capacity of both companies and was satisfied that they were able to carry out their agreements. He also reported that Mr. J. F. Orde, K.C., Solicitor to the Bank of Montreal, who had advised the bank in reference to the proposed agreement for fuses, had been engaged by him to act with the Committee in preparing the agreements. Mr. Orde now attended the meeting and submitted the draft agreements.

“The draft of an agreement marked ‘A’ with the American Ammunition Company, Incorporated, of New York, for the manufacture of 1,666,666 No. 100 loaded fuses at \$4 each 833,334 No. 80/44 loaded fuses at \$4.50 each, was read to the Committee, and it was resolved that the said agreement and the terms of payment and delivery therein set forth be approved and that the Chairman be authorized to sign the same on behalf of the Committee.

“The draft of an agreement marked ‘B’ with the International Arms & Fuse Company of New York for the manufacture of 1,666,666 No. 80 Mark ‘V’—A. “Five,” sir.

Q. It is a Roman Five, the first time I have seen it that way.

“Mark ‘V’ fuses and of 833,334 No. 80/44 fuses at \$4.50 each was read to the Committee and it was resolved that the said agreement and the terms of payment and delivery therein set forth be approved and that the Chairman be authorized to sign the same on behalf of the Committee.

“The Chairman reported that negotiations were now in progress with a Canadian Company for a further quantity of fuses to be made in Canada.

“With reference to proposed draft of an Order in Council regarding the Constitution of the Shell Committee, handed to General Bertram for the consideration of the Committee.”

I do not know that there is anything more dealing with this, but the whole minutes will go in. I would like to have the whole minutes of that meeting in.

Mr. JOHNSTON: This is a time when I think the Commissioners may perhaps give some direction; and that is that the Minutes of this Shell Committee, which is now out of existence, is more or less a public document and I think it ought to go in. It may be necessary to examine the minute book and there can be no harm. I suppose this book can be produced on an order in the House of Commons. I suppose that is so Mr. Carnegie?—A. What is that, sir?

Q. What claim is made to this book?

Sir WILLIAM MEREDITH: He is not the man to answer that question. Counsel for the Committee is here. What do you say, Mr. Nesbitt?

Mr. NESBITT: I could not hear what Mr. Johnston said.

Sir WILLIAM MEREDITH: He proposes that the Minute Book of the Shell Committee be put in evidence or handed in so that it may be inspected by him.

Mr. NESBITT: I will speak to General Bertram about it.

Mr. HELLMUTH: Of course I have not the slightest objection to that book going in, but I have got now a copy for the moment. I stated that I was going to call General Bertram, and when I call General Bertram I propose to go chronologically over all the minutes that affect this matter. Of course I do not want to load the Com-

[Mr. David Carnegie.]

mission with matters of other contracts that are not the subject of this inquiry. I do not suppose I should do that except as they may incidentally, as to the Russell matter for instance, bear on this. I am putting in meanwhile a copy of the extract that I have read.

General BERTRAM: (To Mr. Hellmuth): I have no objection to those going in.

Mr. NESBITT: I personally, until I see General Bertram, have every objection. They can see everything relating to these four contracts.

Mr. HELLMUTH: Now, I want to ask, first of all, Mr. Carnegie, one or two questions in regard to this matter. You had up to date, so far as I can find, two orders of the 25th of May for 2,500,000 fuses to each of these two companies. I do not say they were in the form of companies then, but Bassick and Harris, and it is quite plain what they were, and there is not anything in those papers or those orders showing anything about "100 fuse." It leaves it open to you or the Shell Committee to require "80" or "85" fuse, but nothing about "100." Now you speak of the approval of contracts for 1,666,000 of one kind and 834,000 of another kind, dividing the two classes of fuses, one-third of each, with 100 equally with the 80 fuses between the two companies, and speak of contracts or agreements in regard to which I find nothing until I get to that meeting. Could you explain that?

Mr. NESBITT: They are not there in that way. All the time fuses go to one.

Mr. HELLMUTH: Let me read this again. I was wrong and so, I think, were some of my learned friends. I see that agreement "A" was with the American Ammunition Company, and they got the entire No. 100?—A. That is right, sir.

Q. They got the entire No. 100 and they only got 833,334 of the 80, getting that at \$4.50 and the hundred at \$4.

Mr. ATWATER: All that the International got were the 80. Either 80-44 or 80 mark 5.

Mr. HELLMUTH: Quite so. Now what agreement was there at that time? What agreements had been entered into—because I have not got them yet—that justified this statement that draft agreements were read and approved? I want to know what negotiations that I have not yet heard of had taken place in regard to this matter, if any.

Sir WILLIAM MEREDITH: Do you mean the apportionment?

Mr. HELLMUTH: Yes, the apportionment of them.

A. May I explain?

Q. Yes, certainly.—A. Up to the date of the 25th of May when we placed letter orders, as I term them, with the two companies for two and a half million time fuses each, we had no knowledge that the No. 100 fuse was required as a part of that contract; but on the 28th of May we received a cable from the War Office in response to our repeated cables to them—which have been put in—asking them to state definitely what fuses they would require, and on the 28th they state definitely, "No. 80 mark 5 for 18-pounder shrapnel, No. 80-44 for 18-pounder high explosive, and No. 100 for 4.5 shells."

Q. I understand that, but what did you do with the company?—A. Well, sir, we felt under obligation to go to each of them and say, Here we have heard from the War Office of a change in design.

Q. If you felt under obligation, did you go to them?—A. We did.

Q. Well, that is what I want.—A. Or at least they came to us, I think. We had this problem before us. First of all as to the fitness of the companies to handle the No. 100 fuse and the time fuse. We had two or three things to consider. First of all we knew that the Harris Company or the International Arms and Fuse Company had secured options on Aluminum No. 1. We knew that the Cadwell Company or the American Ammunition Company had not secured options on aluminum. It was manifestly obvious to any one that it was desirous that we should not split the order

for 100 fuse between the two companies making say three fuses being manufactured by two different companies. That is three designs of fuses being manufactured by each of the two companies. It would mean the duplication of machinery, gauges, experts, and the like. I had to decide with the assistance of General Bertram which company was suitable or more suitable than the other to handle all the time fuses, and in view of the fact that the Harris Company had secured the options on the aluminum they were the company that we looked upon as the most suitable for making the time fuses complete.

Another consideration. We had learned during our negotiations with the Cadwell combination, or the Bassick combination, that Cadwell, the president of the American Ammunition Company had been for fifteen years vice-president of the Standard Screw Company, and Cadwell had informed us that the Standard Screw Company had made component parts of the No. 100 fuse and that he had some knowledge of its manufacture. Point No. 2, showing that it was advisable to place the No. 100 fuse with that company.

Now having settled in our minds that the 100 fuse had better be done by one company, and then having settled that the American Ammunition Company was the best company with which to place the contract, then came the consideration, at what price shall these fuses be made? We discussed the matter with them and I think I can refer you to the letters, the orders we gave them. We gave to each company a letter stating a minimum price.

Q. \$4.25?—A. \$4.25.

Q. We have got those.—A. The prices of material during the time were advancing. Let me read you the advances of these materials during the period.

Q. What are you reading from? What have you got there?—A. I have got the copper market, the metal market quotations. May I read them?

Q. No, if you will just tell me.—A. Well, take copper. I am just showing you how the advance of material occurred, as their argument to us why they would not accept the orders at \$4.25 for the time fuses. Copper advanced from 18.5 cents per pound in the month of April to 22.5 per pound in the month of June.

Spelter—used in the copper for making brass—advanced from 11.51 cents per pound in the month of April to 22.62 per pound in the month of June.

Q. This is a statement as I understand you of the reason given by the company?—A. Exactly so, sir. I am trying if I can make clear—I hope I may—I am trying to show the reasons which worked or which guided us in the placing of those contracts at the prices of \$4.50 in the case of the time fuses and \$4 in the case of the 100 fuses.

Q. Well, what did the companies say, or those representing them, in regard to the proposed division?—A. If my recollection is correct, and I have a strong recollection, the International Arms & Fuse Company preferred the time fuses from the fact that they had secured their option on aluminum. I stand to be corrected by the representatives of the company, but I believe that is the case.

Q. That was their attitude, as you recollect it?—A. That was their attitude to us.

Q. Then, had this arrangement been accepted by the representatives of the companies, who I understand from you were in Ottawa then?—A. What arrangement, sir?

Q. The arrangement that you have spoken of, the division?—A. Oh, yes, sir.

Q. Those had been accepted by the companies?—A. They were accepted by the companies.

Q. At the time of this meeting?—A. Yes, sir.

Q. Well, then, you speak there of Mr. Orde submitting draft agreements. Now let me have those. Can you get the original contracts?—A. Yes, sir.

Q. I would like to have them for identification and comparison. I understand that these are the drafts, and it is a fact that the drafts, as submitted by Mr. Orde, were executed?—A. Yes.

Sir WILLIAM MEREDITH: Or engrossments of them, I suppose.

[Mr, David Carnegie.]

Mr. HELLMUTH: The drafts, as submitted by Mr. Orde, were engrossed and executed without alteration?—A. Yes.

Q. That is what I mean. Your lordship is quite right. Or there were slight alterations made at the meeting, which appear on the documents.

Sir WILLIAM MEREDITH: Has the witness or the Shell Committee got the drafts?—A. Yes, sir.

Mr. HELLMUTH: Mr. Flavelle would have those. Could we get those? Perhaps I can go on meanwhile.

Sir WILLIAM MEREDITH: You are putting in the draft agreement with the International?

Mr. HELLMUTH: I am putting in, first of all, the agreement with the American Ammunition. It is a copy of the agreement, because it was altered at the meeting, as I understand, from Mr. Orde, and executed.

Mr. JOHNSTON: The pen and ink writing shows the alteration.

Mr. NESBITT: What is the number of the exhibit?

Mr. HELLMUTH: No. 109, Memorandum of Agreement made in duplicate this 19th day of June. It was on the day, Mr. Carnegie, of the meeting that these agreements, as I understand it, were signed and executed?—A. That is right, sir.

Q. That is, you sat down at the meeting. Had the representatives of those companies been there at various times?—A. Yes.

Q. And, first, you went over and put in certain alterations to the draft, or the real document?—A. The real document.

Q. That was being prepared. When that had been done, those documents were then signed by the parties?—A. Yes, sir.

Q. Therefore there really are no drafts in the sense of drafts being subsequently altered and changed.

Mr. GRANT: "Cadwell" is "Caldwell" there.

Mr. HELLMUTH: Oh, yes; that ought to be "Cadwell." I think I will have to read this document. I won't have to read all through the whole of the second agreement.

"MEMORANDUM OF AGREEMENT made in duplicate this 19th day of June, A.D., 1915.

"By and between:—

"American Ammunition Company, Incorporated, a body politic and corporate having its head office in New York City, N.Y., hereinafter called the 'Company' and acting herein by E. B. Cadwell, its President and Frank Callahan, its Secretary, hereunto duly authorized.

PARTY OF THE FIRST PART;

—and—

"The Shell Committee, a body appointed by the Honourable the Minister of Militia and Defence of Canada for the purpose of purchasing munitions of war for the British Government, hereinafter called the 'Purchaser', and acting herein by Brigadier-General Alexander Bertram its Chairman,

PARTY OF THE SECOND PART.

"WHEREAS the Company is prepared to manufacture fuses and the Purchaser is desirous of purchasing fuses from the Company on the terms herein contained.

NOW THEREFORE THIS AGREEMENT WITNESSETH:

"1. The Company agrees to sell and the Purchaser to purchase one million six hundred and sixty-six thousand six hundred and sixty-six (1,666,666)

number 100 loaded fuses and eight hundred and thirty three thousand three hundred and thirty four (833,334) number 80/44 loaded fuses, to be in accordance with the drawings and specifications to be furnished by the purchaser, namely Drawings Nos. R.L. 20590 (1) three-sheets; R.L. 20920 (1); R.L. 16603-C (1) and R.L. 21070-A (1); and Specifications Nos. 3406-L and 3478-L. The gages are not to be supplied. The Company at its option may use either steel or brass for the body, cap and adapter or any part thereof of all or any of said Number 100 fuses. All steel parts thereof are to be either tinned or nicked.

"2. The price of said fuses shall be four dollars and fifty cents (\$4.50) per fuse in lawful money of the United States of America in New York funds in respect of fuse number 80/44 design and four dollars (\$4.00) per fuse in lawful money of the United States of America in New York funds in respect of fuse Number 100 design. Design number 80/44 to be complete with cover. All fuses shall be packed as hereinafter provided and shall be delivered f.o.b. at the Company's or its sub-contractor's work for shipment to shell loading factories designated by the Purchaser.

"3. The Company shall begin to make deliveries of fuses under this agreement not later than five months from the date of the execution of this contract, and deliveries shall then be made at the rate of at least five thousand (5,000) fuses per working day on an average thereafter and shall continue to such rate until two months later, when deliveries shall be increased to not less than twenty thousand (20,000) fuses per working day on an average thereafter and shall continue at such rate until all of said two million five hundred thousand (2,500,000) fuses shall be delivered. The total of said two million five hundred thousand (2,500,000) fuses shall be delivered however not later than April 30th, 1916.

"Provided however that if 90 per cent of the fuses to be delivered hereunder shall have then been delivered by the Company to the Purchaser the Company shall be entitled to a period of grace not exceeding thirty days beyond April 30th, 1916, to enable it to complete all the deliveries of fuses not then made hereunder.

"In estimating the average of five thousand (5,000) per day or twenty thousand (20,000) per day, as the case may be, it will be sufficient to deliver at least thirty thousand (30,000) or one hundred and twenty thousand (120,000) as the case may be, in any one week, but if deliveries in any one week exceed the said average called for, the Company shall be entitled to have such excess applied in fulfillment of the stipulated quantities during subsequent weeks.

"3a. Deliveries of Number 100 and Number 80/44 fuses shall be approximately in the proportion of two (2) Number 100 to one (1) Number 80/44 fuses, calculated on monthly deliveries.

"4. The purchaser shall under the direction of the Chief Inspector of Arms and Ammunition provide for the prompt examination and inspection of the fuse parts at the factories where same are manufactured and also the fuses at the factories where the same are assembled and loaded. As soon as the Company shall notify the Purchaser that manufacture hereunder has advanced sufficiently to require inspection, the Purchaser shall keep at all times at each of said factories an Inspector or Inspectors whose duty shall be to inspect all of such parts and completed fuses and to promptly inform the Company and the Purchaser of the results of such inspections.

"4a. The Chief Inspector of Arms and Ammunition and all other Inspectors appointed by him or by the Purchaser shall at all times have access to the factories of the Company and of its sub-contractors. And the Company shall

[Mr. David Carnegie.]

provide all necessary and suitable accommodation for the purpose of all inspections required at any such factories.

"5. The Company's manufacturing and inspection gauges shall be provided by the Company. The Inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

"6. The said fuses shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly authorized Deputy at Quebec or at such other place or places as may be designed by him in the Dominion of Canada or in the United States of America.

"7. Lots of fuses (other than fuses selected for proof) to be delivered hereunder shall not be required to be delivered for shipment to the Purchaser as hereunder provided until all inspections and tests required by the Purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

"8. The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized Deputies regarding the acceptance or rejection of fuses or parts thereof shall be final and binding between the parties hereto.

"9. The Purchaser shall make an advance payment to the Company in New York funds of fifteen per cent of the total amount of the purchase price at the following rates and periods:—

"(a) 10 per cent on the execution of this contract and the delivery to the purchaser of the proper agreement of guarantee hereinafter mentioned.

"(b) The remaining 5 per cent to be paid in equal monthly instalments over a period of four months from the date of the execution of this agreement, the first of such instalments to be paid at the expiration of one month from the date of such execution.

"10. The Purchaser shall also make from time to time on the first lots of fuse parts manufactured further advance payments to the Company in New York funds (up to but not exceeding in the aggregate three million dollars) of sixty-five per cent of the price of the finished fuses on the receipt of a certificate from the Inspector of Arms and Ammunition or any of his duly authorized deputies of the completion and inspection of said lots of the complete sets of mechanical parts of said fuses and of the shipment thereof for delivery to the Company's assembling and loading factory or factories, which certificate the purchaser agrees shall be promptly furnished; provided, however, that if the amount of the advance from time to time made under this paragraph remaining in the hands of the Company unapplied towards payment for completed fuses as provided in paragraph 13 hereof shall reach one million dollars, no further advances shall be made under this paragraph until said amount remaining in the hands of the Company unapplied shall have been reduced by further applications thereof towards final payment under said paragraph 13 and then only in such sums that the total amount of said advances so remaining in the hands of the Company unapplied towards final payment shall again reach one million dollars, and so on from time to time. The above advance payments being made for the purpose of aiding the Company to finance this contract, shall not in any way constitute an acceptance of any completed fuses by the Purchaser.

"11. Final payments for lots of completed fuses accepted and shipped shall be due and payable by Purchaser to the Company seven days after the date of mailing to New York to the Purchaser at Ottawa, or at the option of the Company seven days after the delivery in New York to the agency of the Bank of Montreal in New York of invoices in triplicate properly numbered together with Bills of Lading therefor.

"12. The Company shall be entitled at its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser to the Company hereunder by draft, payable seven days after date without grace in New York funds in the City of New York. In the case of the final payments mentioned in paragraph 11 hereof such drafts shall be accompanied by the invoice and Bills of Lading therein mentioned. All payments shall be due and payable in New York Funds in lawful money of the United States of America or its equivalent.

"13. The said advance payments mentioned in paragraph 9 and 10 of this agreement shall be applied on the purchase price of lots of fuses delivered as follows:—Fifty per cent of such purchase price (or a lesser percentage if the balance of said advance payments remaining unapplied shall be less than fifty per cent of the amount then required for payment) shall be paid from such advance payments until all advance payments theretofore made have been in this way applied, and the remaining fifty per cent (or, if the percentage of advance payments then available for application as aforesaid is less than fifty per cent of the amount required for payment the difference between the amount so available and the amount so required for payment) of the purchase price on each lot of fuses delivered to the purchaser shall be paid by the Purchaser to the Company in accordance with the provisions of paragraph 11 of this agreement.

"14. If the Company shall be at any time in arrears in the deliveries of fuses required by this agreement, the purchaser at its option may, at any time and from time to time, after the expiration of ten days from the delivery at the Company's office in the City of New York of written notice of the purchaser's intention so to do, cancel so much of this agreement as relates to any fuse deliveries whereof shall be so in arrears, (unless prior to the expiration of said period of ten days, the arrears have been made good by the Company) and the Company shall thereupon repay to the Purchaser any moneys advanced hereunder applicable towards the purchase price of said fuses so in arrears and cancelled (that is fifty per cent (50%) of such purchase price of said fuses so in arrears and cancelled or such lesser percentage as shall remain in the hands of the Company unapplied hereunder): but the Company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The Company, however, hereby agrees to use all reasonable endeavours and make all reasonable efforts to manufacture and deliver all such fuses in accordance with the terms of this agreement. A time allowance shall be granted the Company for any time lost through strikes, fires, acts of God, delays in inspection caused by the Purchaser, or other acts of the Purchaser, or other causes beyond the Company's control.

"15. The Company shall from time to time procure and furnish to the Purchaser agreements of guarantee by a Guarantor or Guarantors acceptable to the Purchaser, guaranteeing the repayment to the Purchaser by the Company of all moneys so advanced which in the event of cancellation for non-deliveries shall become repayable by the Company to the Purchaser under the provisions of the next preceding paragraph. Said agreement or agreements of guarantee at any time in force may be reduced in amount from time to time as the advance payments covered thereby are supplied hereunder. The first agreement of guarantee shall be in a form acceptable to the Purchaser and subsequent agreements of guarantee may be in the same form.

"16. The Company shall pay to the Purchaser interest at the rate of three per cent (3%) per annum upon the amounts from time to time advanced by the Purchaser under paragraph nine hereof, calculated from the respective dates of such advances to the respective dates when the same shall be applied towards payment under paragraph 13 hereof; adjustments of interest to be made monthly.

"17. This agreement is entered into by the Purchaser on the understanding that the Company in executing the terms and conditions of same, shall not

[Mr. David Carnegie.]

knowingly interfere with existing contracts of the British War Office or the Allies of Great Britain for the purposes of the present War.

"18. The No. 80 44 fuses are to be packed in tin-lined wooden boxes, each containing 40 fuses or such larger number as may be requested by the purchaser, the fuses to be securely held in position to prevent their moving in the boxes during transit. The fuses of No. 100 design are to be packed in like manner. Said boxes are to be supplied by the company at its own expense, the design thereof to be supplied by the purchaser. Should any package be prescribed by the purchaser which can be supplied by the company at a lower cost to it than such tin-lined boxes, the difference in cost shall be paid by the company to the purchaser upon receipt of the purchase price of lots of fuses delivered.

"19. This contract shall not be assigned by the company either in whole or in part without the previous consent in writing of the purchaser, but the company may employ such sub-contractors as it may desire in connection with its performance of this agreement. Upon request of the purchaser the company shall keep the purchaser advised from time to time of such sub-contractors so employed by it.

"20. This contract shall be binding upon the successors and assigns of the respective parties hereto.

"21. This agreement shall be construed under and governed by the laws of the State of New York.

"In WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written.

[SEAL]

" AMERICAN AMMUNITION COMPANY INCORPORATED.

by

"By E. B. CADWELL, *President.*"

"Attest.

" FRANK CALLAHAN, *Secretary.*

"SIGNED, SEALED AND DELIVERED
by the Shell Committee
in the presence of
JOHN F. ORDE.

{ " THE SHELL COMMITTEE
by
" ALEX. BERTRAM, *Chairman.*

"I, Major General The Honourable S. Hughes, Minister of Militia and Defence of the Dominion of Canada, in accordance with authority duly conferred upon me by His Britannic Majesty's Government, hereby ratify and confirm on its behalf the foregoing agreement between the American Ammunition Company incorporated and the Shell Committee.

"Dated at Ottawa, Canada, this nineteenth (19th) day of June, A.D. 1915.

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

"WITNESS

"JOHN F. ORDE.

" No. 57.

" *American Ammunition Company Contracts.*

1,666,666	Fuses at \$4.00	\$6,666,664
833,334	" 4.50	3,750,000

\$10,416,664

"Advances to be made.

"10% on execution of contract	\$1,041,666 70	
5% in four equal instalments		
10th July	130,208 34	
" Aug.	130,208 34	
" Sept.	130,208 34	
" Oct.	130,208 33	520,833 35
(Marked as Exhibit 109.)		1,562,500 05"

Q. That was executed, you say, on that day, the 19th of June, 1915?—A. Yes, sir.

Q. I am going to put in afterwards the original. I am not going to read the next agreement all through. I have the originals now and there is no reason why they should not go in.

At the front of the contract with the American Ammunition Company is a sheet on which occurs the following:—

" American Ammunition Company Contracts.

"1,666,666 Fuses at \$4.00	\$6,666,664	
833,334 " 4.50	3,750,000	\$10,416,664

" Advances to be made.

10% on execution of contract	\$1,041,666 70	
5% in four equal instalments		
19th July	130,208 34	
" Aug.	130,208 34	
" Sept.	130,208 34	
" Oct.	130,208 33	520,833 35
		1,562,500 05."

You will see that the endorsement by the General is written on, and is not in typewriting. I am going to give some explanation of that.

Attached to that is a certificate which I do not think I need read now, signed by Howard Brook, who is the Secretary of the American Ammunition Company, Incorporated, setting out a resolution of the company authorizing the execution by the President of the contract; then there is a copy of the resolution I have already put in attached to it. That is the whole of the Exhibit, that is, the American Ammunition Company contract.

Sir WILLIAM MEREDITH: I thought Mr. Callahan was the secretary?

Mr. HELLMUTH: So did I, sir, Callahan signs or attests in the American manner as secretary. Howard Brook certifies at a later date, the 2nd of July.

(Contract marked as Exhibit 109.)

Then I put in the original contract with the International Arms and Fuse Company, which I do not propose to read all through.

Sir WILLIAM MEREDITH: Is it worth while reading any of it?

Mr. HELLMUTH: I merely want to show the advances.

Hon. Mr. DUFF: Is it, roughly speaking, in the same terms as the other agreement?

Mr. MARKEY: It is but slightly different. I do not think there is any material difference.

Mr. HELLMUTH: I am not going to read it. The advance payments are provided for in the same way. The total of the advance payments is \$1,687,500. The fuses were all time fuses.

Mr. ATWATER: The advances were made on the 66 per cent basis; in the case of my company the advance was made on a 65 per cent basis.

[Mr. David Carnegie.]

Hon. Mr. DUFF: Those were 833,000 of the 80/44, were they not, and 1,600,000 of the 80's?

Mr. HELLMUTH: That is it, sir, and they were all time fuses.

Mr. ATWATER: They were all an 80 fuse. One was 80/V, and the other was 80/44.

Mr. CARVELL: There were two and a half million of time fuses.

Sir WILLIAM MEREDITH: You had better hand the agreement in, and we will read it for ourselves.

Mr. HELLMUTH: There were 833,334 number 80/44, and 1,666,666 number 80/V fuses.

Hon. Mr. DUFF: And that makes 2,500,000 time fuses.

Mr. HELLMUTH: There is one thing on this agreement written out and signed by the secretary of the Shell Committee which I do not find on the other.

"I hereby certify that Brigadier-General Alexander Bertram, Chairman of the Shell Committee, was authorized to execute the within agreement by resolution of the said Shell Committee duly passed at a duly constituted meeting thereof, at which a quorum was present, held at Ottawa, Canada, this 19th day of June, 1915.

"GEORGE W. WATTS,
"Secretary, The Shell Committee."

Otherwise they are exactly identical, I think.
(Agreement follows.)

International Arms and Fuse Co. Contract.

Contract for 2,500,000 fuses at \$4.50 \$11,250,000

Advances to be Made.

10 per cent on execution of contract paid in July ..	1,125,000
5 per cent in four equal instalments	
19th July..	\$140,625
19th August	140,625
19th September	140,625
19th October..	140,625
	662,500

Total advance \$1,687,500

Memorandum of Agreement made in duplicate this Nineteenth day of June, A.D. 1915.

By and between

International Arms and Fuse Company, a body politic and corporate having its head office in New York City, N.Y., hereinafter called the "Company" and acting herein by its President and its Secretary, hereunto duly authorized

PARTY OF THE FIRST PART;

And

The Shell Committee, a body appointed by the Honourable the Minister of Militia and Defence of Canada for the purpose of purchasing munitions of war for the British Government hereinafter called the Purchaser and acting herein by Brigadier-General Alexander Bertram, its Chairman.

PARTY OF THE SECOND PART.

WHEREAS the company is prepared to manufacture fuses and the Purchaser is desirous of purchasing fuses from the Company on the terms herein contained.

NOW THEREFORE THIS AGREEMENT WITNESSETH:

"1. The Company agrees to sell and the Purchaser to purchase one million six hundred and sixty-six thousand, six hundred and sixty-six (1,666,666) Number 80 Mark V fuses, and eight hundred and thirty-three thousand, three hundred and thirty-four (833,334) Number 80/44 fuses, to be in accordance with the drawings and specifications furnished by the Purchaser, namely, Drawings Nos. R.L. 20590 (1) three sheets; L.R. 20920 (1) and R.L. 16603-C (1), and specifications Nos. 3406-L and 3280-L which drawings and specifications form part of this agreement and are initialled by the respective parties hereto for identification. The gauges are not to be supplied. The manufacturing gauges, when completed from the said drawings, must be inspected by the Chief Inspector of Arms and Ammunition or his Deputy and approved by him.

"2. The price of said fuses shall be four dollars and fifty cents (\$4.50) per fuse in lawful currency of the United States of America in New York funds. Each design to be complete with cover. All fuses shall be packed as hereinafter provided and shall be delivered f.o.b. at the Company's or its sub-contractor's works for shipment to shell loading factories designated by the Purchaser.

"3. The Company shall begin to make deliveries of fuses under this agreement not later than five months from the date of the execution of this contract and deliveries shall then be made at the rate of at least five thousand (5,000) fuses per working day on an average thereafter and shall continue at such rate until two months later, when deliveries shall be increased to not less than twenty thousand (20,000) fuses per working day on an average thereafter and shall continue at such rate until all of said two million five hundred thousand (2,500,000) fuses shall be delivered. The total of said two million five hundred thousand (2,500,000) fuses, shall be delivered however not later than April 30, 1916.

"Provided however that if ninety per cent of the fuses to be delivered hereunder shall have then been delivered by the Company to the Purchaser the Company shall be entitled to a period of grace not exceeding thirty days beyond April 30th, 1916, to enable it to complete all the deliveries of fuses not then made hereunder.

"In estimating the average of five thousand (5,000) per day or twenty thousand (20,000) per day, as the case may be, it will be sufficient to deliver at least thirty thousand (30,000) or one hundred and twenty thousand (120,500) as the case may be in any one week, but if deliveries in any one week exceed the said average called for, the Company shall be entitled to have such excess applied in fulfillment of the stipulated quantities during subsequent weeks.

"3a. Deliveries of No. 80 Mark V and No. 80/44 fuses shall be approximately in the proportion of two (2) No. 80 Mark V to one (1) No. 80/44 fuses, calculated on monthly deliveries.

"4. The Purchaser shall under the direction of the Chief Inspector of Arms and Ammunition provide for the prompt examination and inspection of the fuse parts at the factories where same are manufactured and also the fuses at the factories where same are assembled and loaded. As soon as the Company shall notify the Purchaser that manufacture hereunder has advanced sufficiently to require inspection, the Purchaser shall keep at all times at each of said factories an Inspector or Inspectors whose duty shall be to inspect all of such parts and completed fuses and to promptly inform the Company and the Purchaser of the results of such inspections.

"4a. The Chief Inspector of Arms and Ammunition and all other inspectors appointed by him or by the Purchaser shall at all times have access to [Mr. David Carnegie.]

the factories of the Company and of its sub-contractors and the Company shall provide all necessary and suitable accommodation for the purposes of all inspections required at any such factories.

"5. The Company's manufacturing and inspection gauges shall be provided by the Company. The inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

"6. The said fuses shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly authorized Deputy, at Quebec or at such other place or places as may be designated by him in the Dominion of Canada or in the United States of America.

"7. Lots of fuses (other than fuses selected for proof) to be delivered hereunder shall not be required to be delivered for shipment to the Purchaser as hereunder provided until all inspections and tests required by the Purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

"8. The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized Deputies regarding the acceptance or rejection of fuses or parts thereof shall be final and binding between the parties hereto.

"9. The Purchaser shall make an advance payment to the Company in New York funds at 15% of the total amount of the purchase price at the following rates and periods:—

- (a) 10% on the execution of this contract and the delivery to the purchaser of the proper agreement of guarantee hereinafter mentioned.
- (b) The remaining 5% to be paid in equal monthly instalments over a period of four months from the date of the execution of this agreement, the first of such instalments to be paid at the expiration of one month from the date of such execution.

"10. The Purchaser shall also make from time to time on the first lots of fuse parts manufactured further advance payments to the Company in New York funds (up to but not exceeding in the aggregate three million dollars) of sixty-six and two-thirds (66 $\frac{2}{3}$) per cent of the price of the finished fuses on the receipt of a certificate from the Inspector of Arms and Ammunition or any of his duly authorized Deputies of the completion and inspection of said lots of the complete sets of mechanical parts of said fuses and of the shipment thereof for delivery to the Company's assembling and loading factory or factories which certificate the Purchaser agrees shall be promptly furnished. The above advance payments being made for the purpose of aiding the Company to finance this contract, shall not in any way constitute an acceptance of any completed fuses by the Purchaser.

"11. Final payments for lots of completed fuses accepted and shipped shall be due and payable by the Purchaser to the Company seven days after the date of mailing in New York to the Purchaser at Ottawa, or at the option of the Company seven days after the delivery in New York to the agency of the Bank of Montreal in New York, of invoices in triplicate properly numbered together with Bills of Lading therefor.

"12. The Company shall be entitled at its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser to the Company hereunder by draft, payable seven days after date without grace, in New York funds in the City of New York. In the case of the final payments mentioned in paragraph 11 hereof such drafts shall be accompanied by the invoices and Bills of Lading therein mentioned. All payments shall be due and payable in New York funds in lawful money of the United States of America or its equivalent.

"13. The advance payments mentioned in paragraph 9 of this agreement shall be deemed to be advances made in respect of, and towards payment for, the

whole two million five hundred thousand completed fuses covered by this agreement and shall accordingly be applied *pro rata* on the purchase price of lots of fuses as the same are delivered from time to time; and the advance payments mentioned in paragraph 10 of this agreement shall be deemed to be advances made in respect of, and towards payment for, the first one million completed fuses covered by this agreement and shall accordingly be applied *pro rata* on the purchase price of the first lots of fuses as the same are delivered from time to time up to the first million fuses delivered; so that on the first one million fuses delivered payment in advance will have been made to the extent of eighty-one and two-thirds ($81 \frac{2}{3}$) per cent of the purchase price, and only eighteen and one-third ($18 \frac{1}{3}$) per cent of the purchase price on each lot of fuses making up said million fuses delivered to the Purchaser shall require to be paid by the Purchaser in order to complete the payment of the total purchase price therefor; and on the balance of the fuses over and above the said first one million fuses, payment in advance will have been made to the extent of fifteen per cent of the purchase price and only eighty-five per cent of the purchase price on each lot of fuses delivered to the Purchaser shall require to be paid by the Purchaser in order to complete the payment of the total purchase price therefor.

"14. If the Company shall be at any time in arrears in the deliveries of fuses required by this agreement, the Purchaser at its option may, at any time and from time to time, after the expiration of ten days from the delivery at the Company's office in the City of New York of written notice of the Purchaser's intention to do so, cancel so much of this agreement as relates to any fuses deliveries whereof shall be so in arrears (unless prior to the expiration of said period of ten days the arrears have been made good by the Company); and the Company shall thereupon repay the Purchaser any moneys advanced hereunder applicable towards the purchase price of said fuses so in arrears and cancelled; but the Company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The company, however, hereby agrees to use all reasonable endeavours and make all reasonable efforts to manufacture and deliver all such fuses in accordance with the terms of this agreement. A time allowance shall be granted the Company for any lost time through strikes, fires, acts of God, delays in inspection caused by the Purchaser, or other acts of the Purchaser, or other causes beyond the Company's control.

"15. The Company shall from time to time, procure and furnish to the Purchaser agreements of guarantee by a Guarantor or Guarantors acceptable to the Purchaser, guaranteeing the repayment to the Purchaser by the Company of all moneys advanced which in the event of cancellation for non-deliveries shall become repayable by the Company to the Purchaser under the provisions of the next preceding paragraph. Said agreement or agreements of guarantee at any time in force may be reduced in amount from time to time as the advance payments are covered thereby are applied hereunder. The first agreement of guarantee shall be in a form acceptable to the Purchaser and subsequent agreements of guarantee may be in the same form.

"16. The Company shall pay to the Purchaser interest at the rate of three per cent (3%) per annum upon the amounts from time to time advanced by the Purchaser under paragraph 9 hereof calculated from the respective dates of such advances to the respective dates when the same shall be applied towards payment under paragraph 13 hereof; adjustments of interest to be made monthly.

"17. This agreement is entered into by the Purchaser on the understanding that the Company in executing the terms and conditions of same, shall not [Mr. David Carnegie.]

knowingly interfere with existing contracts of the British War Office or the Allies of Great Britain for the purpose of the present war.

"18. The number 80/44 fuses are to be packed in tin-lined wooden boxes, each containing 40 fuses or such other larger number as may be decided by the Purchaser. The same to be securely held in position to prevent their movement in the boxes during transit. Packing boxes are to be supplied by the Company at its own expense, the designs thereof to be supplied by the Purchaser.

"19. This contract shall not be assigned by the company either in whole or in part without the previous consent in writing of the purchaser but the company may employ such sub-contractors as it may desire in connection with its performance of this agreement. Upon request of the purchaser the company shall keep the purchaser advised from time to time of such sub-contractors so employed by it.

"20. This contract shall be binding upon the successors and assigns of the respective parties hereto.

"21. This agreement shall be construed under and governed by the laws of the State of New York.

"IN WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written.

"INTERNATIONAL ARMS AND FUSE COMPANY,

"By

[L.S.]

"By JOHN A. HARRISS,

"President.

"Attest

"JAS A. McCANN,

"Secretary."

"SIGNED, SEALED AND DELIVERED by the }
Shell Committee, in the pre- }
sence of }

"JOHN F. ORDE. }

"THE SHELL COMMITTEE,

"By ALEX. BERTRAM,

"Chairman.

"I Major General The Honourable S. Hughes, Minister of Militia and Defence of the Dominion of Canada, in accordance with authority duly conferred upon me by His Britannic Majesty's Government hereby ratify and confirm on its behalf the foregoing agreement between the International Arms and Fuse Company, and the Shell Committee.

"Dated at Ottawa, Canada, this Nineteenth day of June, A.D. 1915.

"SAM HUGHES, Major General

"Minister of Militia and Defence."

"Witness:

"JOHN F. ORDE.

"I hereby certify that Brigadier General Alexander Bertram, Chairman of the Shell Committee, was authorized to execute the within agreement by Resolution of the said Shell Committee duly passed at a duly constituted meeting thereof, at which a quorum was present, held at Ottawa, Canada, this nineteenth day of June, 1915.

"GEORGE W. WATTS,

"Secretary, the Shell Committee."

EXTRACT from Meeting of Board of Directors of International Arms and Fuse Company.

"The President read to the meeting a contract entered into by him for and on behalf of this company, with the Shell Committee, Ottawa, Canada, dated June 19, 1915, by which this company agreed to manufacture and deliver to the Shell Committee, in accordance with the terms of the contract two million five hundred thousand loaded fuses at four and 50/100 (\$4.50) dollars per fuse, in New York funds.

"Upon motion of Mr. Patterson, seconded by Mr. Arents, the action of the president of this company in making this contract, for and on behalf of this company, was in all respects ratified, confirmed and approved.

"I hereby certify that I am the secretary of the International Arms and Fuse Company, a corporation organized and existing under the laws of the State of New York, and that the above is a true extract taken from the minutes of the meeting of the Board of Directors of said organization, held at its office in New York city, on the first day of July, 1915.

"Given under my hand and the seal of the company this first day of July, 1915.

"JAMES A. McCANN,
"Secretary."

(Marked as Exhibit 110.)

Q. Now, this was the culmination of the discussion and correspondence and meetings that you had had with the representatives of these companies?—A. Yes, sir.

Q. And at the meeting of the Shell Committee on the 19th of June, 1915, when these documents were executed, can you tell me what, if any, position was taken by Lieut.-General Pease; was the matter discussed before him?—A. Yes, sir.

Q. How long had he been on the scene?—A. I think he must have been about a month. I could get the exact date.

Q. Do you know where he had been before that?—A. Yes, sir, he had been around Ottawa, Quebec, and visiting the factories to see as to their equipment, and just how things were progressing.

Q. He had not at the time been in the States?—A. Not as far as I know, sir.

Q. Not on June 19th?—A. Not on June 19th.

Q. What had he to say, if anything, in regard to the terms, both as to price and as to advance payments?—A. I cannot remember now, but he acquiesced as far as I know. There was no objection taken to the terms of the agreement by him. In fact I believe he took part in the discussion.

Q. Can you tell me whether at that time you yourself had knowledge of the price being paid at that date in England for the time fuse?—A. Yes, sir.

Q. What was the price that was being paid at that time?—A. Time fuse you are referring to?

Q. Yes, the 80?—A. Approximately from \$3.70 to \$4.

Q. Is that of the 80 time fuse?—A. No. 80 time fuse.

Q. Is that with or without gain?—A. That would be without gain, no gain at that time.

Hon. Mr. DUFF: Was there any gain attached to the 80?—A. Not to the 80.

Hon. Mr. DUFF: You are speaking of the 80—

Mr. HELLMUTH: The 80 over 44.

Q. Did you know the price that was paid for the 80 over 44?—A. No, sir.

Q. With gain?—A. No, sir.

Q. You are speaking then of the 80 that has not a gain at all?—A. Yes.

Q. And you say you did know that price?—A. Yes.

[Mr. David Carnegie.]

Q. Can you tell me whether, or have you already told me, if you have I don't want you to tell me again—would there be any additional cost on the 80 fuse by the gain?—A. No gain is fitted to the 80.

Q. No, but supposing you had to fit a gain?—A. Yes, it would be about 30 cents.

Q. Were there any gains put on the fuses, the time fuses that the American Ammunition Co. were to make?—A. No, sir.

Q. There were no gains on them?—A. They were not called for in the contract, they were supplied independently under another order.

Q. That is what I wanted to get at.

Mr. CARVELL: The contract says without gains?—A. That is right without gains?

Mr. HELLMUTH: I want to make that clear. So that when you speak of the price in England you are speaking of the price of the same article as you were getting from the Ammunition Co. of the 80 fuse?—A. Yes, sir.

Hon. Mr. DUFF: You speak of the gain costing 30 cents?—A. Yes.

Q. Would that include any mixture?—A. No, sir.

Q. That is independent, that is the empty stem itself?—A. Yes.

Mr. HELLMUTH: What about the hundred, you knew of that?—A. Nothing until the 28th May.

Q. You knew nothing of the price of that in England?—A. No.

Q. Because you told me you had not heard of that?—A. That is right.

Q. It is obvious from this contract that the cost of the graze fuse is less than the cost of the time fuse, the graze fuse is a cheaper fuse, easier made fuse?—A. Yes, sir.

Q. How did you come to fix fifty cents as expressing the correct monetary difference in the manufacture of those two fuses?—A. By estimation only.

Q. Was there at that date or was there not at that date any factory making or agreeing to supply the 100 graze fuse in the United States?—A. Yes.

Q. What factory was that?—A. I heard of one or two factories that were making component parts of—

Q. I am not asking that; what I want to know is was there at that time, and if so, what factory, making the complete graze fuse such as you were letting to the American Co., a loaded fuse. No company in the States has even to-day made any loaded 100 fuses, but the loading—I want it made quite clear that in speaking of the loading of a 100 fuse it is quite a different proposition altogether to the loading of a time fuse; skill of a different character altogether is required in the loading of a time fuse, which I explained yesterday.

Q. May I put it that the loading of a graze fuse is not a very difficult task—comparatively?—A. Comparatively it is not.

Q. Perhaps I might ask you this, supposing now—it may not be fair but I am going to put this to you—supposing now you were asked to compute the difference in cents or dollars between a loaded and an unloaded graze fuse what would you put it at now?—A. About 27 to 30 cents.

Q. So that to-day at all events the difference between the loaded and an unloaded graze fuse would be some 27 to 30 cents?—A. Yes.

Q. Were there any factories to your knowledge of course, perhaps I should have said that before, were there any factories to your knowledge making the completed graze fuse but unloaded 100?—A. Yes.

Q. What factories were they?—A. R. L. Mott, I think it is, of Trenton.

Q. J. L. Mott is it not?—A. Perhaps so; I am not familiar with the names; I am only referring now to a cable that was sent in which we named at the time certain factories that we knew were making parts of 100 fuse.

Q. You say parts, that is what confuses me; was the J. L. Mott Company itself making the entire graze fuse unloaded?—A. I cannot say definitely.

Q. Had you any knowledge, that is what I want to get, had you any knowledge then or have you any knowledge now of any company in the United States that was making the complete unloaded graze fuse?—A. I had no knowledge then.

Q. We will go to the other. You had knowledge of companies in the States that were making the various component parts of the graze fuse?—A. Yes, sir.

Q. Could you not have ascertained from the companies who were making the component parts what the cost of a graze fuse unloaded was in the States?—A. No doubt I could.

Q. Did you?—A. I did not.

Q. Why not?—A. Because it was not our practice to inquire what other companies were receiving for the goods supplied through Morgans; we had never done so; it was our—

Q. Through Morgans, let me stop you; you mean anything that was being made in the States was made for Morgans?—A. Morgans representing the British War Office over there, they are the agents for the British War Office.

Q. Were you in communication with Morgans in this matter at all?—A. Not with regard to prices, sir.

Q. You were not?—A. We were not.

Q. In what respect were you in communication with Morgans?—A. We had obtained a drawing from them of the No. 100 fuse, that has been put in I think, a wire that we sent to them.

Q. You had obtained a drawing?—A. Yes, sir.

Q. Outside of that had you any other communications with them?—A. Not with regard to prices, sir.

Q. I am not asking you that; had you any other communications with Morgans outside of the drawing I have put in?—A. At what time?

Q. About this time?—A. No, sir.

Q. I do not want any recent communications you have had with them, I am speaking up to the 19th June?—A. No, sir.

Q. I am trying to find out what you knew about these fuses and these prices at the date that this contract, or these two contracts were made; I do not want you in that way to carry yourself beyond that for the moment. Then, if I may ask it, how were you competent to judge what price should be given or paid for these fuses?—A. In the first place I am a mechanical engineer, served my apprenticeship as a mechanical engineer; and in the second place I have been a works manager and general manager of a commercial concern having under me the estimating departments dealing with the estimation of material—I have had to decide on bigger problems than fuses—and I had to use my judgment in regard to the No. 100 fuse design. I had the drawing before me; and further, as has been put in, we had also—

Q. Well, pardon me for cutting you short; may I say you relied upon your own judgment in regard to the fixing of this price?—A. Exactly.

Q. Was there, because I want to have it quite clear, who was there on the Shell Committee or in the Shell Department—when I say Shell Committee I mean either military member or manufacturer—who had the knowledge or was in a position to advise you in regard to it?—A. Nobody.

Q. Is it then your price, on your advice, that these contracts show?—A. Yes, sir.

Q. You had, as far as you have told me, but one guide, one criterion, that was the English price; that is the only thing you have given me in regard to price; if there is anything else?—A. With regard to time fuses only.

Q. Yes, in regard to the time fuses; is that right?—A. Yes.

Q. You had no prices of either fuses known to you in regard to this contract?—A. None whatever.

[Mr. David Carnegie.]

Q. I understand about the 80, because there was no production here; but in regard to the 100 you had not made inquiries from the Morgans or from the factories as to that; so you were acting on your own judgment?—A. Exactly, sir.

Q. Is it fair to say this, that you considered rightly or wrongly that you were capable of making a proper estimate of what price should be paid?—A. I considered at the time I was.

Sir WILLIAM MEREDITH: Does that imply that he has lost a little confidence in himself since?

Mr. HELLMUTH: I will ask that; I do not know.

Q. Have you now with any and all additional light that has been brought to bear seen the error of your ways in regard to prices, if I may dare to put it in that way?—A. Yes, I have seen the error of my ways.

Q. Tell me what you mean by that?—A. I mean this, that I have discovered since that lower prices were paid in the United States for the same article that we let to the company in question.

Q. Which are you speaking of?—A. I am speaking of the 100 fuse only.

Q. What about the other?—A. No, sir; I am quite satisfied that the other was quite right.

Q. That is the time fuse?—A. Yes, sir.

Q. But as to the graze fuse you say you have discovered that lower prices were paid?—A. Yes. But may I explain that with regard to these 100 fuses we had let an order to the one company for two and a half million time fuses; when we discovered that the one company was better fitted to deal with the 100 fuse than the other company we had to consider first that in asking them to give up a contract or a letter of order, which was as good as a contract, for two and a half million fuses and to accept 834,000 time fuses instead of two and a half million, and to take on an order for another fuse which required two sets of expert skill, two sets of jigs, two sets of gauges, two sets of machinery, all these circumstances were in our mind when we were setting the price for the No. 100 fuse.

Sir WILLIAM MEREDITH: I suppose that means in your mind?—A. In my mind.

Mr. HELLMUTH: He speaks editorially?—A. While I am taking the whole responsibility, sir, I want to say that it was not simply that I decided and the thing was done: I had my friend Gen. Bertram, we were all in conference about it, but I, as the adviser to the committee, took the responsibility of deciding, took the responsibility for the price that I put.

Mr. HELLMUTH: I want to understand what you say. You speak as though it was somewhat of a hardship upon the American Ammunition Co. to have two different kinds of fuses?—A: Yes, sir.

Q. That it would have been a greater advantage to them to have had two and a half million time fuses at \$4.50?—A. Yes, sir.

Q. Than to have 834,000 time fuses at \$4.50 and 1,666,666 graze fuses at \$4?—A. Yes, sir, certainly.

Q. Is that your opinion now?—A. That is my opinion.

Q. So that it was because they had to take the graze fuse that you thought they were entitled, or at all events you considered they were put under greater disadvantage than if they had had one class of fuse?—A. Exactly.

Q. Is that your view?—A. That is my opinion.

Sir WILLIAM MEREDITH: Ask him why he did not compare notes with the Morgans?

Mr. HELLMUTH: Yes.

Q. Why did you not compare notes or inquire from the Morgans in regard to what they were paying?—A. We had never been in the habit of comparing prices with

Morgans; I do not know of any instance in all our negotiations with every order and contract that we had let that we had ever applied to Morgans, and as you will notice from our cable we were asked not to interfere with the manufacturers who were producing fuses in the States, and we understood that they must apply entirely to the Morgan contracts.

Mr. HELLMUTH: I am asked by Mr. Ewart another question; what have you ascertained about the English prices; I thought I had asked you that?—A. I have ascertained this, sir, that one of the most important manufacturing concerns in England, I won't name it, but perhaps the oldest armament firm in England, are being paid to-day \$3.60 for the empty No. 100 fuse with gaine; if you knock off the price of 30 cents for that gaine that is \$3.30, and if you consider the difference in the price of labour there and the cost of machinery and all the other things incident to a new firm going into the manufacture I say that at least the people on the other side must have miscalculated the price unless they are making very poor progress in the manufacture.

Mr. CARVELL: Ask what is the lowest price in the United States now?

Mr. HELLMUTH: What is the lowest price now in the United States?—A. I cannot say, sir, what is the lowest price, but we did ascertain—

Q. What is the lowest you have heard of?—A. I think about \$1.75 for the unloaded fuse without the gaine.

Mr. CARVELL: Those were without gaines?—A. Yes.

Q. It would make about \$2.05 loaded?—A. With the 27 cents if you calculate that way.

Q. Take the 30 cents, and it would make \$2.05?—A. Yes.

Mr. NESBITT: May I draw the Commission's attention—I think it only fair to everybody to do so—to something that appears in the Ottawa Free Press of to-day under the head of "Echoes from the Shell Committee Probe". Mr. Hellmuth is credited with having shouted at the witness this morning, "I will choke you if you don't stop".

Mr. HELLMUTH: I thought I was the mildest man here.

Mr. NESBITT: It is not a laughing matter. I draw attention to it because the man who put that in is a disgrace to his profession.

Sir WILLIAM MEREDITH: It is probably a mistake in his shorthand notes.

Mr. NESBITT: It will be scattered widespread all over the Dominion as a reflection either upon Mr. Hellmuth or the witness but it is untruthful, and it is disgraceful, and I would like the Press to express their view of it, and the man who inserted it.

(The commission adjourned at 5 p.m. to 10 a.m. to-morrow.)



ROYAL COMMISSION.

OTTAWA, Friday, April 28, 1916.

FOURTH DAY.

MORNING SESSION.

Mr. DAVID CARNEGIE (examination continued).

Mr. HELLMUTH: Mr. Carnegie, before going on with some of these documents I would like you to tell the commission what is the difference between the loaded graze fuse and the unloaded graze fuse, both without the gaine?—A. The difference consists, sir, in the caps that are fitted, which are filled with fulminate of mercury for giving the detonating charge. It is not a bombing charge, but a detonating charge.

Hon. Mr. DUFF: The unloaded does not contain the detonator?—A. That is the fact. There are two detonators, the graze detonator—

Mr. HELLMUTH: Two detonators?—A. Yes, sir.

Hon. Mr. DUFF: You are speaking of the number 100 fuse?—A. No. 100 only, sir.

Mr. HELLMUTH: No. 100 graze fuse?—A. Yes.

Hon. Mr. DUFF: Contains no detonator?—A. Contains no detonator.

Q. Unloaded?—A. Unloaded.

Mr. HELLMUTH: And the loaded contains two detonators?—A. Yes.

Hon. Mr. DUFF: I notice that in answer to a question of mine Mr. Carnegie is made to say in the report that—

Mr. HELLMUTH: Is that yesterday's report or the day before?

Hon. Mr. DUFF: The day before. He is made to say that the 80 fuse is used as a high explosive, which of course he did not mean to say.—A. The 80 over 44 is used as a high explosive.

Q. As a high explosive?—A. For high explosive.

Q. But you are made to say it is used as a high explosive.—A. For I mean. I am very sorry.

Mr. HELLMUTH: You want to be very careful about prepositions, you know.—A. Yes.

Q. Then going on from where we were yesterday afternoon when we adjourned, the next document in order of date I find is a letter from the Russell Motor Car Company of June 21, 1915, addressed to the Shell Committee:—

“DEAR SIRS,—On Wednesday last we had, after Colonel Carnegie's return, a very full discussion of the question of fuse manufacture with General Pease—

Q. Did you know that General Pease was in Toronto at that time?—A. Yes, sir.

“—as he was anxious to see a condition arrived at where the fuse would be manufactured completely in Canada, and preferably in our own factory, so as to be independent of outside sources, and particularly of the United States.

“Since that time we have given our best attention to the question discussed with Colonel Carnegie of undertaking an order of 200,000 time fuses. Our conclusion is that it is problematical if a firm could start in and learn this rather intricate business successfully on an order of 200,000 fuses. We have concluded, however, that if we are favoured with the proposed order from the War Office for a million of the No. 100 fuses, which is a class of work for which we are specially well suited, that we would be willing to devote some of the experience gained in making these small parts, and to appropriate some of the profits which we would hope to make on such a transaction, to the development of the time fuse business. So that we would be willing in that event to take on the order for 200,000 time fuses and to agree before the conclusion of the order to have established at our plant the equipment necessary for the manufacture complete of 1,000 fuses per day of this No. 80 type. We feel that this plan will accomplish exactly what you desire with regard to a fuse plant in Canada.

“Mr. Lloyd Harris has been in New York for the last few days, and has learned there that no work has actually been done on the order for the 5,000,000 time fuses, as the contracts had not yet been definitely signed up. If for any reason the War Office should decide not to order the extra million No. 100 fuses, we would again like to suggest whether it is not possible to reopen the question of a portion of the 5,000,000 order. It would seem that it should be still possible to place a part of the order with us in Canada, in view of the fact that nothing, or at best very little, has actually been done as yet in the United States.”

(Marked Exhibit 111.)

Q. You got that letter?—A. Yes, sir.

Q. I see it is dated June 21. As a matter of actual fact the contracts which I have put in had been executed at that time, although they may not have been on the 19th. Were the contracts executed on that day?—A. On that day, sir.

Q. On the 19th?—A. May I explain just here, sir, that General Pease, who was at the meeting on the day in question, that is on the 19th, when the contracts were signed and discussed, subsequently visited the factory of the Russell Motor Car Company, he being an expert ordnance officer from England and knowing full well just the whole situation over there and our anxiety to place fuses if possible in Canada. He visited the Russell Motor Car Company's factory, as stated here, and conferred with them on the subject.

Q. I may ask you here, did you see General Pease after he returned?—A. Yes, sir.

Q. I mean from his visit to the Russell factory?—A. Not immediately after he returned.

Q. We will come to that then perhaps in its order.

Hon. Mr. NESBITT: Did he come to any conclusion at that time do you know about the ability to make fuses in Canada?—A. To make the 100 fuses, yes, sir. We had the opinion that they were able to make the 100 fuses.

Q. But not the time?—A. Not the time.

Sir WILLIAM MEREDITH: Where is General Pease now?—A. He is in England, sir.

[Mr. David Carnegie.]

Mr. HELLMUTH: Why do you say, Mr. Carnegie, that General Pease came to the conclusion that they could manufacture the 100 fuse in Canada but could not manufacture the 80 fuse?—A. I did not say, sir, that he came to that conclusion.

Q. I beg your pardon. What did you say then?—A. That we came to that conclusion.

Q. That is quite different. I was not paying attention and I misunderstood you. Then on June 23 there is a letter here from the general manager of the Bank of Montreal, which I want to put in. Although the information is given in confidence I do not suppose there is any confidence now. It is on the Bank of Montreal paper and is addressed to Mr. Riddell. Mr. Riddell was the financial supervisor, wasn't he, of the Shell Committee?—A. Yes, sir, at that time.

Q. Can you tell me whether he was a paid officer of the Shell Committee?—A. Yes, sir.

Q. And perhaps we might get it now, you said you too were paid by the Shell Committee?—A. Yes, sir.

Q. Perhaps you will tell me how funds were furnished or provided to pay you and any other paid officials or advisers, whether technical or monetary advisers, how were these funds furnished?—A. I do not know exactly, sir, how the funds were furnished, but I do know that the payments for all the staff and my payment was taken from the same fund that paid all the contracts.

Q. If you do not know we will get it from somebody who does. This letter, as I say, is addressed to Mr. Riddell:—

“Dear Mr. RIDDELL,—In reply to your recent inquiry”——

Now, I would like to have Mr. Riddell's letter to Sir Frederick Williams Taylor, or to the Bank of Montreal, to which this is an answer. Have you got that?—A. We can obtain it I expect, sir.

Q. May I ask, Mr. Stewart, that you would see if you could get the letter.

Sir WILLIAM MEREDITH: It does not purport to be in answer to a letter.

Mr. HELLMUTH: Perhaps not.

Mr. STEWART: I have no record of a letter.

Sir WILLIAM MEREDITH: I would judge that it is a personal communication.

Mr. HELLMUTH: Mr. Riddell lives in Montreal?—A. I believe Mr. Riddell is here this morning.

Q. That is not an answer to my question. Mr. Riddell lives in Montreal, does he not?—A. Yes, he lives in Montreal.

Q. And Sir Frederick Williams Taylor, the General Manager of the Bank of Montreal, also lives in Montreal?—A. I believe so.

Q. So far as you know?—A. As far as I know.

Q. So it may have been a verbal inquiry.

“In reply to your recent inquiry, the three institutions mentioned are reported to us from New York as being in the front rank, and it is added that their affairs are directed by some of the most influential financial business men in the community.

“Their joint guarantee to the extent of \$7,000,000 in the connection mentioned should be good beyond question.”

(Marked Exhibit 112.)

Q. That evidently refers to guarantee institutions, I should think. Is that not so?—A. Yes, sir.

Q. Do you know what the three were?—A. No, sir.

Q. Then the next document is a cable on the 24th of June from Militia to Troopers:—

“May we undertake manufacture one million No. 100 fuses in Canada at \$4.10 each?

“Deliveries beginning October to be completed by June, 1916.”

(Marked Exhibit 113.)

Q. Was that cable fathered, may I say, by you?—A. Yes, sir.

Q. Then on the 25th there is a letter from Mr. Russell to you, written from West Toronto, where their plant is, on the Russell Motor Car Company's paper.

“Dear Colonel CARNEGIE,—I received wire from our people in Milwaukee.”

Q. Do you know who “our people in Milwaukee” were?—A. That has reference to a firm in Milwaukee with whom they were treating for the manufacture of cartridge cases for the Committee.

Q. That has nothing to do with the fuse contract?

Mr. STEWART: No.

Mr. HELLMUTH: Has the letter itself nothing to do with fuse contracts?—A. I am not sure, sir.

Q. I do not suppose it will do any harm if it does go in.

“I have arranged so that I can leave here on Sunday night as we discussed and will look forward to hearing from you to-morrow, Saturday, advising if you are able to keep your plan of arriving here Sunday morning, and being ready to go on Sunday evening.”

Oh, you were going on?—A. That has no reference. I went with him and Mr. Lloyd Harris.

Q. I won't read the rest. Having started the letter I will put it in.

(Marked Exhibit 114.)

Then there is a letter of June 25th to General A. Bertram, Chairman, Shell Committee, from James A. Drain:—

“My Dear General BERTRAM,—I have your letter of June 15th enclosing a copy of the specifications for fuse No. 100. I wired you last night as follows:—‘Specifications No. 100 received. Thank you. Please send drawing R.L. Two one naught seven naught or any others which should accompany these specifications and also pattern if available. Please advise also whether any deviation from the strict letter of these specifications has been authorized. Desire to produce some of No. 100 experimentally immediately and cannot do so without drawings.’

“I note these specifications are for fuse grazes, unloaded. I would also like to have the complete specifications for loading, as under favourable circumstances we could supply these completely loaded if desired.

“As previously advised, the Artillery Fuse Company, of Wilmington, Del., of which I am a stockholder, is prepared to load time fuses and other fuses. It has part of its buildings completed, much of its machinery in place, and all work is going forward steadily and very rapidly. The American Multigraph Company of Cleveland, a large concern of the highest financial standing, has a fine organization and a large factory with much machinery, and is prepared to make parts for time fuses and high explosive fuses up to a very large daily capacity. I represent the latter company exclusively with respect to this class of material.

“I want for these people some of the fuse business which is coming through Canada and I think on account of our equipment and general capacity we are entitled to consideration. I only desire an opportunity to show you what we can do. I hope it may be possible for Mr. Carnegie or some other competent [Mr. David Carnegie.]

engineer to visit the two plants I have mentioned at an early date with the purpose of ascertaining what their qualifications are.

"In my wire I asked you to send me the drawings R. L. No. 21070A. or any other drawings necessary to make plain the requirements of these specifications, and I also ask that you send me if possible a pattern of fuse No. 100. As I said in the telegram we desire to turn out some of these fuses for experimental purposes immediately. May I ask that you assist us in every way you can so that we may be able to be of use to you.

"I thank you very much for the consideration you have shown me and trust that the future will offer an opportunity for a practical demonstration of my gratitude."

(Marked Exhibit 115.)

Q. Did General Drain or his companies make any fuses or get any orders?—A. No sir; that is, not from the committee.

Q. Is that the last letter?—A. No, sir. There is further correspondence.

Q. Very well. Then on the 29th of June, 1915, I see there is a telegram to James D. Drain, at Washington, D.C.

"We have already given out contracts for fuses and have no further contracts to allot.

"SHELL COMMITTEE."

(Marked as Exhibit No. 116.)

On the same day, namely, June 29, 1915, you wrote a letter to James A. Drain as follows:—

JAMES A. DRAIN, Esq.,
Attorney and Solicitor of Claims,
Washington, D.C.

DEAR SIR,—I beg to acknowledge receipt of your favour of June 25, also your wire of the 24th, and confirm having wired as follows.—

We have already given out contracts for fuses and have no further contracts to allot.

Further, we wish to state that all orders for fuses received from the War Office have been placed, but should we be favoured with additional orders, we will only be too pleased to take the matter up with you in detail.

Thanking you for the kind interest you have taken in the matter, we remain,

Yours very truly,

D. CARNEGIE.

(Marked as Exhibit No. 117.)

Then (and I think this closes it) on July 1, 1915, James D. Drain wrote to General Bertram this letter:

JAMES A. DRAIN,
"Attorney and Solicitor of Claims,
Washington, D.C.

JULY 1, 1915.

General A. BERTRAM,
Chairman, the Shell Committee.
Ottawa, Canada.

My Dear General BERTRAM.—I am in receipt of a telegram signed "Shell Committee," which I assume came from you, dated June 29, which reads as follows:—

We have already given out contracts for fuses and have no further contracts to allot.

General Hughes and Mr. D. Carnegie both told me the contracts for fuses which were under consideration up to a month ago had been let but each assured me that there were further large orders for fuses to come. It was in anticipation of this business that I wrote to you asking for the specifications and drawings of fuses. Indeed, Mr. Carnegie promised me these specifications and drawings for fuse No. 100 when I was in Ottawa three or four weeks ago. My idea in securing these now is to be sure that the Artillery Fuse Co. and the American Multigraph Co. are fully advised and entirely prepared to bid intelligently when the next fuse order is given out.

May I hope then, that the drawings, blue prints, specifications, or any additional information which may be of use in this connection be sent to me as early as practicable. I would be glad, also, to have you tell me what type or types of fuse were called for by the previous order, which I understand amounted to 5,000,000. Were these time and combination fuses for shrapnel shells or percussion fuses for high explosive shells?

Sincerely yours,

JAMES D. DRAIN.

(Marked as Exhibit 118.)

Q. Does that end it?—A. No, sir, it does not.

Q. I will just close that now, if I may, and get down to the Drain matter. On July 7, 1915, you wrote Mr. Drain this letter:—

“JAMES A. DRAIN, Esq.,

“Attorney and Solicitor of Claims,

“Washington, D.C.

“DEAR SIR,—Your favour of July 1 to hand, and we are enclosing herewith drawing and specification covering No. 100 fuse. As yet no further orders for fuses have been received from the British War Office, but should we be favoured with same, we shall be pleased to take the matter up further with you.

“Yours very truly,

“D. CARNEGIE.”

(Marked as Exhibit No. 119.)

Then on July 10 a letter in reply was written by James A. Drain to you.

“My Dear Mr. CARNEGIE,—I have your letter of July 7 enclosing specification and drawing covering No. 100 fuse. I have seen to it that these, properly duplicated, shall be put in the hands of the Artillery Fuse Co., Wilmington, and the American Multigraph Co., of Cleveland, and I can say to you now that we shall be in a position to accept orders for these fuses when you are ready to place same.

“Thank you very much for sending this date to me and for your promise to give me consideration when you receive an order for additional fuses.

“Sincerely yours,

“JAMES A. DRAIN.”

(Marked Exhibit 120.)

Q. Does that close it?—A. Yes, sir, as far as I can trace it here.

Q. You said you had not—when I say you, I mean the Shell Committee through you—had not placed any orders for fuses with Drain; is that right?—A. That is right, sir.

Q. Perhaps you can tell me (if you know) whether orders for fuses with Drain were placed by the Imperial authorities direct?—A. No, sir, they were not. They have not been placed.

[Mr. David Carnegie.]

Q. Perhaps you can tell me whether any were placed through the Morgans, with the Drains?—A. Yes, sir I do know.

Q. Well, were they?—A. They have been placed with a company named the Artillery Fuse Company, and I presume they are in the same association.

Q. But they were by the Morgans?—A. Yes, sir. I have only that information through a private War Office list.

Q. I have just received a copy of a letter dated June 9, 1915, written by you to P. Hanson, Esq., Assistant Director of Contracts, War Office, London. I am putting this letter in now, because I will follow it up immediately with a contract that was subsequently made. The letter reads:—

“SIR,—We are enclosing herewith complete list of the orders for ammunition received from the War Office.

“Against each order we have given the cable references as our authority to proceed with the work. We have only made official contracts for the first two items—these are, 15-pr. shrapnel and 18-pr. shrapnel shell orders cabled on the 21st of September, 1914. Will you please confirm the various orders, and if you have official contract forms upon which each of the orders could be entered for signature by the members of the Committee concerned, we shall be pleased to receive same. This will save considerable labour here.

We have the honour to be, sir,

Your obedient servants,

D. CARNEGIE.

(Marked as Exhibit No. 121.)

You refer to the official contract; this I put in, between General Bertram, Col. Cantley, George W. Watts, and E. Carnegie?—A. Yes, sir.

Q. Have you that complete list; they are all set out in this document. On July 1, 1915, I see this contract was entered into, or this agreement, on that date, for the ammunition specified in the attached schedule.

Sir WILLIAM MEREDITH: That includes the five million?

Mr. HELLMUTH: I am coming to that, sir.

Mr. Commissioner, I have put in the complete schedules, but a great many of the contracts mentioned in those schedules, and in regard to which there is considerable correspondence or telegrams with the War Office and others, I have not dealt with at all. They are not part of the subject of this inquiry as I understand the Order in Council. But I thought the schedule should be put in complete, although there are only three items in question here, as far as I know, although there may be others.

The first item is an order, which I will read, or one of the orders in the schedule:

Nature of Order.	Number Ordered.	Promised Delivery.
“4.5 How. Empty— With cases and Primers empty also fuses, 4,250 Cy. A-7 and 4091 Cy. A-7 and Cipher 352 23/4/15 No. 100 Fuse without gaine.	1,666,666 at \$15.50 ½ five million contract.	Commencing deliveries 50,000 July and complete March, 1916.

I presume you are familiar with what that refers to, Mr. Carnegie. That is found at the top of the third page of the schedule, and, if I may, I will put a blue pencil opposite it.

Then the first two items at the top of the fourth page of the schedule are:—

Nature of Order.	Number Ordered.	Promised Delivery.
<p>18 Pr. High Explosives— Fixed ammunition with fuses but without gaine or bursting charge Dwg. No. 22326 Spec. L Fuse 80 <hr/>3511 44</p>	<p>1,666,666 at \$16.50 ¼ of five million.</p>	<p>Commencing deliveries 50,000 in July and com- plete in March, 1916. Fuses will not be ready until November but we propose shipping rounds without fuses.</p>
<p>"American tolerance proof at rest See 4091 Cipher A-7 18/4/15 and our cipher 352 23/4/15".</p>		

Q. What does "proof at rest" mean?—A. "Proof at rest" refers to the time of burning of powder in contradistinction to the fuse as at rest.

MR. HELLMUTH: I continue:—

Nature of Order.	Number Ordered.	Promised Delivery.
<p>"Fixed ammunition complete with fuses. Dwg. No. 17697. Spec. L <hr/>3192-C</p>		
<p>Fuse No. 80 to American tolerance proof at rest. See 4091 cipher at A-7 18/4/15 and our cipher 352 23/4/15.</p>	<p>1,666,666 at \$18.00, ¼ of five million.</p>	<p>Commencing deliveries 50,000 in July, com- pleting by March, 1916. Fuses will not be ready until November but we propose shipping rounds without fuses."</p>

I will put this agreement in, Messrs. Commissioners:—

THIS AGREEMENT made this 1st day of July, 1915.

BETWEEN

ALEXANDER BERTRAM of Ottawa, in the province of Ontario, THOMAS CANTLEY of New Glasgow, in the province of Nova Scotia, GEORGE W. WATTS of Toronto, in the province of Ontario, and E. CARNEGIE of Welland, in the province of Ontario, Manufacturers,

OF THE FIRST PART.

AND

MAJOR GENERAL, THE HONOURABLE SAM HUGHES, His Majesty's Minister of Militia and Defence of Canada, acting for and on behalf of His Majesty's Secretary of State for War,

OF THE SECOND PART.

WITNESSETH that the parties of the First Part agree to manufacture and deliver to the Party of the Second Part the ammunition, and deliver to the Party of the Second Part the ammunition specified in attached schedule, which forms parts of this contract, subject to the following terms and conditions, and at the stipulated rates;

1. The said ammunition shall be made of such material and components and in accordance with the drawings and specifications hereto annexed and signed by the parties hereto.

2. The parties of the first part agree to deliver, as far as possible the said ammunition in accordance with the said schedule. Delivery to be made to the

[Mr. David Carnegie.]

party of the second part or to his authorized officers f.o.b. Montreal or other Atlantic ports, to the order of the party of the second part.

3. The ammunition shall be subject to inspection and such tests as may be required by the party of the second part during the process of manufacture, and shall moreover be subject after manufacture is completed to inspection and acceptance at the factory by the party of the second part; the approval and acceptance of any one lot of ammunition shall not be evidence of approval of acceptance of any other lot.

4. The prices paid for the said ammunition shall be in accordance with the said schedule, same to be paid not later than ten days after the date of delivery, subject to certification of the invoices by the authorized officers appointed by the party of the second part.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands the day and year first herein written.

Signed, Sealed and Delivered in the
presence of

D. CARNEGIE.

ALEX. BERTRAM,
THOS. CANTLEY,
GEO. W. WATTS,
E. CARNEGIE,
SAM HUGHES.

(Marked as Exhibit 122.)

"AMMUNITION ORDERS FROM WAR OFFICE TO SHELL COMMITTEE."

Nature of Orders.	Number Ordered.	Promised Delivery.
<p>18 Pr. Cartridge Cases-- Mk. II Dwg. No. 20711 Spec. L Cable 1718 Cipher 19/10/14 3307</p>	100,000 at \$2.55.....	10,000 per month commencing March, 1915.
<p>18 Pr. Shrap. Empty-- Mk. III Dwg. No. 17072-A (1)..... Spec. L Cable 2287 A 2 —Our cipher 196 3181 4/12/14.</p>	400,000 at \$8.00.....	To complete by end June, 1915.
<p>18 Pr. Shrap. Fixed-- Ammunition complete without Fuses. Cable 2287 A-2. Our cipher 196 4/12/14 Dwg. 17072 A (1) Spec. L 3181</p>	200,000 at \$15.....	To complete by end June, 1915.
<p>18 Pr. Shrap. Fixed-- Mk. II Dwg. 17072-A (1)..... Spec. L Ammunition complete without fuses. Cable — 26 Dec. 14. 3181</p>	150,000 monthly at \$15. Six months contract. Three months notice.	Commencing May, 1915. Can increase from August.
<p>18 Pr. High Explosive-- Fixed Ammunition complete without Fuses and explosive charge. Dwg. No. 22326 Spec. L 2760 Cipher 16/1/15 3511</p>	100,000 monthly at \$15. Six months contract. Three months notice.	Commencing April.
<p>18 Pr. High Explosive-- Fixed Ammunition, without Fuses and explosive charge Dwg. No. 22326 Spec. L Cable 3511 2371 Feb. 18th. Hanson to Carnegie.</p>	100,000 monthly at \$15. Six months contract. Three months notice.	Commencing June.

"AMMUNITION ORDERS FROM WAR OFFICE TO SHELL COMMITTEE."—*Con.*

Nature of Order.	Number Ordered.	Promised Delivery.
<p>18 Pr. Shrapnel— Fixed ammunition without fuses..... Dwg. No. 17697 Spec L <u>3192-C</u> Cable 2371 Feb. 13th.</p>	<p>100,000 monthly at \$15. Six months contract. Three months notice.</p>	<p>Commencing June.</p>
<p>45 How. Empty— With cases and Primers empty..... Cable 2044 8/2/15 from Army contracts 1-a.</p>	<p>100,000 monthly at \$15. Six months contract. Three months notice.</p>	<p>Commencing deliveries 50,000 May, 100,000 June.</p>
<p>45 How. Empty— With cases and Primers empty also Fuses, 4250 Cy. A-7 and 4091 Cy. A-7 and Cipher 352 23/4/15 No. 100. Fuse without gaine.</p>	<p>1,666,666 at \$16.50 ½ of five million contract.</p>	<p>Commencing deliveries 50,000 July and complete March, 1916.</p>
<p>45 Cartridge Cases Empty— Mk. L. Dwg. No. 1794-F Spec. L <u>3085-A</u> Cable 4686 Cipher A-7 11/5/15 our 373 Cipher.</p>	<p>3,000 per week at \$2.10. Six months contract. Three months notice.</p>	<p>Commencing deliveries September.</p>
<p>18 Pr. Cartridge cases empty— Mk. II Dwg. No. 20711 Spec. L <u>3307</u> Cable 4856 Cipher A-7 11/5/15 our 373 cipher.</p>	<p>5000 per week at \$2.10. Six months contract.</p>	<p>Commencing deliveries September.</p>
<p>18 Pr. High Explosive— Fixed ammunition with Fuses but without gaine or bursting charge. Dwg. No. 22326 Spec. L Fuse 80 <u>3511 44</u> American tolerance proof at rest. See 4091 Cipher A-7 18/4/15 and our cipher 352 23/4/15.</p>	<p>1,666,666 at \$16.50 ½ of five million.</p>	<p>Commencing deliveries 50,000 in July and complete in March, 1916. Fuses will not be ready until November but we propose shipping rounds without fuses.</p>
<p>Fixed ammunition complete with Fuses. Dwg. No. 17697 Sec. L <u>3192-C</u> Fuse No. 80 to American tolerance proof at rest. See 4091 cipher A-7 18/4/15 and our cipher 352 23/4/15.</p>	<p>1,666,666 at \$18.00 ½ of five million.</p>	<p>Commencing deliveries 50,000 July, completing by March, 1916. Fuses will not be ready until November but we propose shipping rounds without fuses.</p>
<p>60 Pr. H.E. Mk. V.— Dwg. "22156 (1) Spec. L and L <u>3466 3477-C</u> Cable 3839. Cipher A-72/4/15 Our cipher 307 28/3/15.</p>	<p>50,000 per month at \$16.50. Six months contract. Three months notice.</p>	<p>Commencing August.</p>
<p>Friction Tubes— T. Push Mk. 1. Dwg No. 14531-B (1)..... Spec. L <u>3088-A and L</u> <u>3378</u> Cables 4832 and 8928 14th May. Our 106 code April 15th.</p>	<p>20,000 weekly at 45 cents until three months notice. Six months contract.</p>	<p>Sixty days after receipt of drawings and specifications.</p>
<p>Friction Tubes— T. Mk. IV. Dwg. No. 10283 C (1)..... Spec. L and L <u>2682 3377</u> Cables 4832 and 8928 our 106 code.</p>	<p>20,000 weekly at 45 cents until three months notice Six months contracts.</p>	<p>Sixty days after receipt of drawings and specifications.</p>

[Mr. David Carnegie.]

"AMMUNITION ORDERS FROM WAR OFFICE TO SHELL COMMITTEE."—*Con.*

Nature of Order.	Number Ordered.	Promised Delivery.
<i>Primers—</i> Mk. II. Dwg. No. 15031-C..... Spec. L 2986 Cable 4315 Cipher A-7. Our 379. 12/5/15.	2,000,000 at 45 cents have asked for 50 cents due to increase in price.	Deliveries by March 31st, 1916.
4-5 <i>How. H. E.—</i> Empty complete with cartridge case without propellant and clips, but with primers loaded. Cable 5110. Cipher A-7.	5,000 per week at \$16. Six months contract.	Commencing delivery October, 1915.
18 <i>Pr. High Explosive—</i> Empty shells Mk. II. Dwg. No. 22004-D..... Spec. L 5141 3438 Cipher A-7. Exhibit 122.	10,000 weekly at \$5. Six months contract.	Commencing delivery October, 1915.

Q. Those orders I read first, Mr. Carnegie, cover the three orders accepted by the War Office by the cables that have already gone in?—A. Yes, one order, sir, three items on one order.

Q. Then I stand corrected. Three items at one order accepted by the War Office?—A. Yes, sir.

Q. And the prices of the various component parts of that order, each one-third, were according to the prices mentioned in those cables?—A. That is so, sir.

Q. What I desire to ascertain from you is, why you are here speaking of "without gain or bursting charge"; I thought the order by cable included gain and bursting charge; did it not?—A. No, sir.

Q. So that I am wrong?—A. It did not include it.

Q. Is that identical with the order?—A. Yes, sir.

Q. And identical with the prices, in those cables?—A. In those cables, I think with reference to the 18-pounder high explosive shell, the price of \$16.50 as mentioned here differs from the cable; there must be some error in the typing, because the cable states \$17.50 for the 18-pounder high explosive. It should be \$17.50 instead of \$16.50.

Q. One minute in regard to that; was there not subsequently (and we will come to it later) a schedule prepared showing all these contracts—because I think I have seen it—and the prices at which the War Office had settled the condition of the order?—A. Yes, sir.

Q. And was there not in the same schedule a statement of what the actual cost of the specific article was, in another column?—A. Yes, sir.

SIR WILLIAM MEREDITH: That is, the cost to the Committee?—A. Yes, sir, the cost to the Committee.

MR. HELLMUTH: The cost to the Committee in one, and the cost to the War Office and the price to the War Office as fixed by them. I do not want to go into that for the moment. I want you to ascertain for me what the price is on that particular 18-pounder put in that schedule; is it put in at \$16.50, or at \$17.50; will you let me know that? Did you treat it as you got it in this contract, at \$16.50, or as in the order as you tell me at \$17.50? I will have to come to the whole schedule at a later date. Have you the schedule here?—A. Yes, sir, I have the schedule here.

Q. I am asking for the 18-pounder high explosive fixed ammunition, 1,666,666. Is that down as a War Office order at \$16.50 or at \$17.50?—A. It was originally put down at \$16.50.

Q. How is it treated in the schedule?—A. It is treated in this schedule at \$17.50.

Q. That is, the schedule which shows the difference between the War Office price and the cost to the Shell Committee? We have not got it yet, but I wanted to know how it was treated. The schedule is a document that was prepared very much later, when the Shell Committee were handing over or transferring the affairs of the Shell Committee to the Imperial Munitions Board—isn't that so?—A. Yes, sir. But this schedule of which I now speak has been prepared only within the past few days.

Mr. CARVELL: I thought it was something that was submitted to the War Office.

WITNESS: No, sir, it was not submitted to the War Office. It is simply giving an account of the prices of each component part of each order, or each portion of the order. 4.25 18 high explosive and 18-pounder shrapnel, and putting the price as paid, as let by the manufacturer alongside that, to arrive at the actual cost of production.

Mr. HELLMUTH: Is it not a fact that when the Shell Committee went out of existence, they had in their hands or coming as a result of the contracts they had let, an amount which was the difference between the prices at which they had been able to fill the contracts and the prices the War Office was paying?—A. Yes, sir, but not particularly this order—all contracts.

Q. I am not speaking of that. I thought you had estimated what this particular contract was, with the others, and put it in at \$16.50; now you tell me it was put in at \$17.50?—A. No, it was put in at \$16.50 then. In this schedule which was prepared a week or two ago, it was put in at \$17.50, in accordance with the cablegram.

Sir WILLIAM MEREDITH: I have some figures here, \$17.65 of November 24th. What does that mean?

Mr. CARVELL: I think that was not accepted, sir. The War Office asked them to reduce it to \$15.

Hon. Mr. DUFF: That was shells.

Mr. HELLMUTH: I see on reference to Exhibit 44 that you are correct in regard to the \$17.50. In Exhibit 44 it says "My Committee prepared to undertake four to five million additional 18-pr. shrapnel and 18-pr. high explosive complete ammunition with fuse to be divided as you think proper, prices shrapnel \$18 and High Explosive \$17.50 each."

Hon. Mr. DUFF: That is found on page 49 of the report we received yesterday. It is printed there. Then at page 51 Exhibit 49 is printed: "Can you now quote for No. 80 fuse for high explosive shells?"

I understood Mr. Carnegie to say yesterday (and I gathered that there must have been a misapprehension in regard to it) that that No. 80 for high explosive would be the 80/44?

WITNESS: Yes, sir.

Q. That, in standing by itself, would imply a gain?—A. Yes, sir.

Q. Then is the result of that that the fuse for the High Explosive plus the gain was to be \$17.50?—A. No, sir.

Hon. Mr. DUFF: Then I am afraid I do not understand.

Sir WILLIAM MEREDITH: You thought when that was sent \$17.50 was without gain and you understood afterwards that they intended it with gain?—A. That we understood afterwards.

Hon. Mr. DUFF asked Col. Carnegie for an explanation as to the attaching of the gain. Col. Carnegie was giving the explanation aside to Hon. Mr. Duff.

Mr. HELLMUTH: We would like to hear this explanation too.

Hon. Mr. DUFF: I was only asking personally for an explanation.

Mr. HELLMUTH: I would like to understand it.

[Mr. David Carnegie.]

Col. CARNEGIE: This is the gaine; that in the case of the 100 fuse is screwed into what is called an adapter, simply a means of communication between the fuse and the gaine itself. It is also screwed into the fuse, and therefore when assembled becomes an integral part of the fuse. In the case of the 80 over 44 which is a time fuse here the gaine is not an integral part of the fuse in the sense that it is screwed into it. Here is the high explosive shell, the fuse is screwed into the shell there, but prior to the placing of the fuse in the shell the gaine with its plug, a different plug to that, a different adapter, is screwed into the body of the shell.

Mr. HELLMUTH: If I understand it the \$17.50 18-pr. had nothing to do with the cable that was sent in regard to Mark 80 fuses for a separate order?—A. Nothing whatever.

Q. And it was \$17.50 for the complete shell?—A. Without bursting charge.

Q. Having those orders from the War Office for these three articles, one-third each at fixed prices whether it was for the one \$16.50 or \$17.50, where were the shell parts got. Were they in Canada or in the States?—A. In Canada.

Q. And the fuses that were ordered by you or ordered by the Shell Committee either from the American or from the International companies were to fit those shells?—A. Yes, sir.

Q. The five million?—A. Yes.

Q. And that was the order to these two companies who got the entire amount for that five million between them?—A. Yes.

Q. Nobody got any other portion of the order for those shells but those two companies—

Mr. CARVELL: Fuses.

Mr. HELLMUTH: I stand corrected, for the fuses for those shells except two companies?—A. Nobody.

Q. And when we come, as we will at a later date, to a contract with the Russell Motor Car Company, it was not for those contracts?—A. No, sir.

Q. I should have put in a cable of the 30th June from Troopers to Militia in answer to a cable I did put in. I omitted it inadvertently. You will remember that on the 24th June Militia cabled Troopers asking if they might undertake a one million fuse contract No. 100 fuses, and I did not put in the answer, which I should have put in:—

“ 30th June, 1915.

“ Militia,

“ Ottawa.

“ Your telegram 24th June, 485 cipher.

“ Mr. D. A. Thomas now on the way to America. Put matter before him.

“TROOPERS.”

(Marked as Exhibit No. 123.)

The next exhibit is a guarantee from the Guaranty Trust Company of New York to the Shell Committee, and I think this at all events is a matter I shall have to read through. It is dated New York, July 7, 1915.

Hon. Mr. DUFF: Is this the American contract?

Mr. HELLMUTH: One of them, the American Ammunition. I have tried to distinguish, called one the American Company and the other the International.

“ Guaranty Trust Company of New York hereby guarantee to the Shell Committee, of Ottawa, Canada, a body appointed by the Honourable the Minister of Militia and Defence of Canada, the repayment to the said Shell Committee by American Ammunition Company, incorporated of the city of New York, of the sum of one million and forty thousand (\$1,040,000) dollars, being an advance payment of 10 per cent under the provisions of the agreement hereinafter mentioned, or such part or parts thereof from time to time, which

in the event of cancellation by said Shell Committee for non-deliveries, shall become repayable by said Ammunition Co. to said the Shell Committee, under the provisions of paragraph 14 of an agreement in writing dated June 19, 1915, between the American Ammunition Co., incorporated, and said the Shell Committee for the purchase and sale of two and one-half million (2,500,000) fuses. The liability of the guarantee shall be reduced in amount from time to time as the advance payments covered hereunder are applied in accordance with the terms of said contract of June 19, 1915.

“GUARANTY TRUST COMPANY OF NEW YORK.

“By Wm. C. Cox,
“Vice-President.”

Dated, New York, July 7, 1915.

Documentary stamps,
\$104.00.

Attest:

E. W. HEWARD,

Secretary.

[SEAL.]

(Marked Exhibit No. 124.)

That is accompanied by letter from Sir Frederick William Taylor of the 7th July, 1915:—

“Dear Mr. RIDDELL,—

“In reply to your recent inquiry we are informed authoritatively from New York that the guarantee of the company in question may be safely regarded as undoubted for the amount involved. The company is one of the strongest financial institutions in New York and is under excellent management.

“I send you herewith a clipping giving the figures of their report to the State Superintendent of Banks, showing total resources of \$362,000,000.

“I am,

“Yours very truly,

“F. W. TAYLOR,
“General Manager.”

Then the clipping:

“GUARANTY TRUST COMPANY DEPOSITS.

“The deposits of the Guaranty Trust Company, of New York, as reported to the State Supt. of Banks from June 23rd, total 281,000,000 dois. These are the highest figures ever reported by the company, and are 47,000,000 more than the deposits of a year ago. The total resources of the Company are now 362,000,000, or 66,000,000 greater than last year.”

(Marked Exhibit 125.)

The next Exhibit is dated the 8th July, and is a guarantee, not in exactly the same words, by the Guaranty Trust Co. of New York.

Hon. Mr. DUFF: This is the International.

Mr. HELLMUTH: Yes.

“NEW YORK, July 8, 1915.

“To the Shell Committee,

“Ottawa, Canada.

“In consideration of an advance of the sum of one million one hundred and twenty-five thousand dollars (\$1,125,000) to be made by you to the Inter-
[Mr. David Carnegie.]

national Arms and Fuse Company, of New York, under the paragraph numbered 9 of an agreement between you and said company, dated 19th day of June, A.D. 1915, for the manufacture of two million five hundred thousand loaded fuses, we hereby guarantee to you the repayment of all or any portion of the said sum so advanced which may become repayable to you by the said company under the terms of said agreement by reason of the said company's default thereunder.

"As witness our corporate seal and the hand of our Vice-president at the City of New York, State of New York, this 8th day of July, A.D. 1915.

"GUARANTY TRUST COMPANY OF NEW YORK.

"By WM. C. COX,
"Vice-president."

Attest:

J. J. LEWIS, *Assistant Secretary.*

[SEAL]

Documentary Stamps.

(56.25)

(Marked as Exhibit No. 126.)

Q. Then on July 13th there is a letter from the Vice President, William C. Cox, of the Guaranty Trust Co., New York, to the Bank of Montreal, No. 64 Wall street, New York: "Gentlemen,—Referring to our conversation of to-day, I have to advise you that the U.S. internal revenue stamps affixed to the two guarantees recently sent you for delivery to the Shell Committee at Ottawa represent the correct amount of tax on each guarantee. The tax is based upon the amount of the premium, and as explained, this carries in different transactions, depending upon various attendant circumstances.

"If anything further is desired in this connection I shall be glad to furnish it. In the meantime I trust that you will now be able to effect the collection of the amount payable under the two contracts and transmit the same to us.

"Yours very truly,

"WM. C. COX,
"Vice-President."

(Marked as Exhibit 127.)

Sir WILLIAM MEREDITH: Who paid for those stamps?

Mr. HELLMUTH: I am going to find out in a moment. I fancy it must have been paid by the Shell Committee because the contract was to be paid in New York funds.

Mr. NESBITT: They would not be paid by the Shell Committee—

Mr. HELLMUTH: Well, we will find out.

Hon. Mr. DUFF: The company was to supply the guarantee.

Mr. ATWATER: The company paid them I understand.

Hon. Mr. DUFF: Did the Shell Committee pay the premium?

Mr. HELLMUTH: No; I am misinformed.

Do you think, Mr. Commissioners, I need to put in letters of thanks passing between these people?

Mr. JOHNSTON: No.

Hon. Mr. DUFF: I suppose the dates of payment if they are material will be proved by the cheques.

Mr. HELLMUTH: Yes.

Q. Then letter July 13, 1915, from Mr. Orde to the Shell Committee:—

3493—10

Re American Ammunition Company Contract.

DEAR SIRs.—I have to-day examined the original guarantee dated the 8th of July, 1915, of the Guarantee Trust Company of New York, in the hands of the Manager of the Bank of Montreal here, which guarantees to you the repayment of the sum of \$1,040,000 to be advanced by you under paragraph 9 of the agreement with the American Ammunition Company of the 19th June, 1915, in the event of the company's making default thereunder. This guarantee has been executed under the corporate seal of the Guarantee Trust Co. of New York and sufficiently guarantee to the Shell Committee the repayment of the above mentioned sum under the terms of the said agreement and it is now in order for the committee to make the advance to the company of the above sum.

Yours faithfully,

JOHN F. ORDE.

(Marked as Exhibit No. 128.)

I am not going to read, in extenso, but there is another letter from Mr. Orde of the same date, to the Shell Committee in regard to the International Arms and Fuse Co. contract. It may be taken perhaps as read:—

OTTAWA, July 13, 1915.

The Shell Committee,
Stephen Building,
Ottawa, Canada.

Re International Arms & Fuse Co. Contract.

DEAR SIRs.—I have to-day examined the original Guarantee dated the 8th July, 1915, of the Guarantee Trust Co. of New York in the hands of the Manager of the Bank of Montreal here which guarantees to you the repayment of the sum of \$1,125,000.00 to be advanced by you under paragraph 9 of the agreement with the International Arms and Fuse Co. of the 19th of June, 1915, in the event of the company's making default thereunder. This guarantee has been executed under the Corporate Seal of the Guarantee Trust Co. of New York and sufficiently guarantees to the Shell Committee the repayment of the above mentioned sum under the terms of the said agreement, and it is now in order for the Committee to make the advance to the company of the above sum.

Yours faithfully,

JOHN F. ORDE.

(Marked as Exhibit No. 129.)

There is a telegram of the 13th July. This shows quite plainly that there had been some question about the stamps, because this telegram is from the Guarantee Trust Co., to A. F. Riddell, Shell Committee, Ottawa:—

“Stamps affixed to guarantee represent the correct tax of each tax based on amount of premium which varies depending upon circumstances.”

(Marked as Exhibit No. 130.)

Q. Do you know whether or not the Shell Committee paid first the premium or any part of the premium required for these guarantees?—A. Yes, sir.

Q. Did they?—A. They paid the premiums; that is right is it not? (Turning towards one of the counsel.)

Mr. NESBITT: No. Perhaps not; I may not quite understand your question.

Mr. HELLMUTH: Who paid for the guarantee bonds?—A. I do not know.

Q. Had you anything to do with the financial payments to these companies?—A. No, sir.

Hon. Mr. DUFF: I suppose the Shell Committee would be interested in knowing that the right amount of stamps were affixed, because the validity of the guarantee might be affected by it.

[Mr. David Carnegie.]

Mr. HELLMUTH: Yes.

Mr. JOHNSTON: The company would pay that of course.

Mr. HELLMUTH: I will undertake to get somebody who will tell us exactly what it is.

Mr. HELLMUTH: Let me have the Shell Committee minute book please. I think, Messrs. Commissioners, I have a very plain explanation of stating that the premium was paid by the Shell Committee. I have got a report which I am going to put in, on the payment of the moneys into New York banks, there was a commission charged at this end for putting the money in. They had to be paid in New York funds—I am not speaking now of the guarantee at all.

Mr. ATWATER: That is the exchange.

Mr. HELLMUTH: Yes, and it is spoken of as premium. My recollection is the contract calls for the payment in New York funds.

I find in the minutes, and I will put in an extract from the minutes, a meeting of the Shell Committee held at Ottawa, Saturday, July 17th, in the offices of the Committee, at 11 a.m. There seems to have been a full meeting. Present: General Bertram, General Benson, Col. Harston, Lieut.-Col. Lafferty, Col. Carnegie, Lieut.-Col. Watts, J. W. Borden and A. F. Riddell, Financial Supervisor.

“Lieut.-Gen. Pease representing the War Office also attended the meeting by request.

“The Minutes of the meetings of Committee of the 12th May, 4th and 19th June, and 3rd July were read and confirmed.”

“It was reported that the following advances had been made on contracts for fuses:

1. To the International Arms and Fuse Company..	\$1,125,000 00
13/16 premium on New York funds..	9,140 62
Total..	<u>\$1,134,140 62</u>
2. To the American Ammunition Co..	\$1,040,000 00
13/16 premium on New York funds..	8,540 00
Total..	<u>\$1,048,540 00.</u>

Mr. HELLMUTH: There is a good deal more of these minutes, but I will put in that extract.

Sir WILLIAM MEREDITH: You need hardly do that, it has gone down in the report.

Mr. HELLMUTH: At the same meeting of the 7th July I find under the heading “Fuses”:

“The proposal of Messrs. Harris and Russell for the manufacture of 500,000 No. 100 fuses filled without gain at \$4 each was considered, and it was suggested that arrangements be made for 250,000 at \$4 each and 250,000 at \$3 each. This decision was arrived at after full discussion as to prices being paid in the United States, but the importance of starting the manufacture of fuses in Canada was considered to justify the foregoing prices.”

Just a month before that you had let, or advised the letting of a contract for 1,666,666 graze fuses No. 100 to the American Ammunition Company at \$4, and practically within a month your committee is justifying itself at letting 500,000, the first 250,000 at \$4 and the second at \$3 on the ground of the advantage of starting the industry of fuse making in Canada. May I suggest it seems somewhat remarkable the difference in those two contracts within that time, and should you have a reason I would like to know what the reason is?—A. You will observe, sir, that at the meet-

ing of 19th June Lieutenant-General Pease was present when he discussed letting the contracts for one order consisting of 833,334 time fuses coupled with 1,666,666 No. 100 fuses loaded at \$4 each. At that time, as I stated yesterday, we had no information about the prices of the 100 fuse, the prices either paid in the States or paid in England. We had, however, as has been put in, a quotation from a reputable firm in Montreal, the Northern Electric Company, for \$4 for these 100 fuse. When we considered the offer of the Russell Motor Car Company we had the help of General Pease at this time, who had between the visit to the committee on June 19th and the visit under discussion, visited the States and had been informed that the prices paid there for the unloaded fuse were lower than the price we had let the contract to the Ammunition Company for that design of fuse. In view of that we had to consider what action we should take. First of all we had no order, no authority to place any fuses, from the War Office; but we, as a committee, anxious to place an order in Canada for fuses, that could be made—I want to emphasize this—fuses that we consider could be made in Canada, No. 100, which had no time element, no loading rings, did not require that expert ability that was essential to the production of a satisfactory time fuse—we considered that in order to start the No. 100 fuse in Canada we would even stretch a point in view of the prices paid in the United States, we would stretch a point and place an order with the Russell Motor Car Co. for the first 250,000 at \$4 each, and the other at \$3 each, making an average price of \$3.50. I should like also to bring out at this point that in considering the machinery and the gauges that were necessary for the Russell Motor Car Co. to obtain in fulfilling such a contract that it was also necessary for the company that had previously obtained the order to obtain like machinery, like gauges, like expert help, and putting aside or putting on the one hand the fact that they had this expert help to obtain and also on the other hand the special expert help to obtain to complete the order for the 833,334 time fuses, the consideration of \$3.50 as an average was in our opinion practically on a par with the value of the order to the people in the United States, the American Ammunition Co. So that although we had no order, although we had no authority from the War Office to place this, we as a committee, having a surplus of money on hand from contracts that we had already taken on from the War Office we said we shall put this in hand and take the risks of obtaining from the War Office an order for the 500,000 fuses whether they care to give us an order or not, for 500,000 100 fuses. Hence the deliberation, calm deliberation on the 17th July in the presence of this expert officer General Pease from England, having the knowledge between the 19th June and the 17th July of what was being done in America, came with the Committee to this conclusion. I should like if I may too also mention that at the same date in England—this is subsequent knowledge, but I can without betraying any trust that has been confided in me as a present official of the Ministry on Munitions, as a member of the Imperial Munitions Board, I can without betraying any trust say that at the same time, I may mention the date, about the same time the 11th of the 6th, 1915, an order was placed in England with I presume what would be termed by the company itself the best company fitted for the manufacture of fuses, manufacturing perhaps fuses longer than any other company in England apart from Woolwich Arsenal, which is not a company, an order was placed for No. 100 fuses at \$3.60 each for an empty 100 fuse with gaine. We are purchasing gaine in Canada to-day for 15, 20 and the first prices were 30 cents. I want to make this comparison, showing that with the knowledge that a great company such as I have referred to in England, at the same time as we were deliberating upon the prices of 100 fuses, came to this decision, that on the same date as they had received an order for 1,000,000 No. 80 fuses at \$3.72 they took from the War Office an order for 100 fuses with a gaine, empty fuses with a gaine, at \$3.60; the comparison—

GENERAL SIR SAM HUGHES: Was that No. 100 fuse?—A. Yes, No. 100 fuse empty with gaine—was taken an order for one million on the same date 11/6/15 by that reputable company, with all the knowledge of time fuse manufacture, but I presume

[Mr. David Carnegie.]

no knowledge of this manufacture, because it was a new design, they took an order from the War Office at \$3.60 for the empty fuse with empty gaine.

Mr. NESBITT: How much of an order was it?—A. One million fuses.

Hon. Mr. DUFF: One million 100 fuse and one million 80 fuse?—A. Yes, one million 100 fuse and one million 80 fuse. I want to point out that they took on an order for the one million 80 fuse at \$3.72, a firm that have been making for years this fuse, knew it well, were thoroughly familiar with it, had all the expert ability.

Mr. HELLMUTH: Was that loaded?—A. The time fuse was loaded but the No. 100 fuse was empty, and yet in their judgment, their expert judgment, they considered that it was necessary to receive a price of \$3.60 for this 100 fuse. At the time in question when I say we had our meeting on the 17th July after the knowledge that General Pease had gained we decided to place this 500,000 No. 100 empty fuses without gaine with the Russell Motor Car Co.

Hon. Mr. DUFF: They were loaded, were they not to be loaded?—A. They were to be loaded. May I add further, sir, in this connection, since we are discussing the American prices, that as late as within two months ago the No. 85 fuse, which is admitted by American manufacturers as simpler to make, simpler from the point of view of say 25 cents as a minimum, that is to say, it could be done at 25 cents less than our No. 80 fuse, that fuse was let in the States through the War Office, or through the agents of the War Office, at \$4.65.

Hon. Mr. DUFF: When you speak of that being 25 cents simpler than the No. 80, do you speak of the No. 80 with the American tolerance?—A. With the American tolerance.

Mr. HELLMUTH: You spoke of something in connection, emphasized something in regard to, I do not know whether it was gaine or loading, as though there was a difference between the Motor Car—I am going to put in the contract—the Motor Car Company's contract was with gaine was it?—A. No, sir, without gaine, but loaded with detonators.

Q. How was the American Ammunition?—A. Without gaine but loaded with detonators; exactly the same in all respects.

Q. The two contracts, so far as the graze 100 fuse is concerned, are the same article?—A. In every respect.

Mr. HELLMUTH: I put in a letter of July 17th, from T. A. Russell to General Bertram:

“Dear General Bertram:

“I hope you have managed to settle the fuse matter along the lines we discussed when we were down there, and that you will be able after the meeting to-day to send me information about it. If it is necessary I will go down to Ottawa Tuesday or Wednesday to complete arrangements with regard to it.”

(Marked as Exhibit No. 131.)

Q. I suppose, Mr. Carnegie, we can say they must have been here before this?—A. Yes.

Q. And I am going to ask you whether you looked up that diary or reference.

Sir WILLIAM MEREDITH: Notes.

Mr. HELLMUTH: Yes.—A. I did.

Q. On the same date another letter from T. A. Russell to Col. Carnegie, July 17, 1915:

“Dear Col. Carnegie:

“I dropped a line to Gen. Bertram asking him to let me know if it was settled to place the order for the 500,000 fuses as discussed in Ottawa on Wednesday last. It is possible he may be out of town on Monday, so I am taking the liberty of mentioning the matter to you as we were anxious to learn about it at the earliest possible moment.

“Yours very truly,

(Marked as Exhibit No. 132.)

“T. A. RUSSELL.”

Sir WILLIAM MEREDITH: Would it be convenient to ascertain now whether they had arranged verbally?

Mr. HELLMUTH: I thought I might go back and take the Russell.

Q. Tell me from your notes, or what you have ascertained from the notes, about the various dates with the Russell people?—A. I was down there, sir, I see simply a note I was down there on the 15th June and met Mr. Russell.

Sir WILLIAM MEREDITH: Down where?—A. Down to Toronto; and we discussed then the question of No. 100 fuses, and I stated that we would communicate with the War Office regarding them and the cable dated June 24th had reference to that.

Q. You told us all that yesterday; you met Russell, in Toronto, you went to see what they could do in regard to the 100 fuses?—A. That is all.

Mr. HELLMUTH: I do not want you to go over what we already have; I would like to have what is fresh, that you were not able to give me without your notes?—A. Nothing fresh excepting that we referred to the No. 100 fuses.

Q. Then you did see evidently just before the 17th, because it is quite clear from the letters I have read?—A. Yes, sir.

Q. And that was again in reference of course to these 500,000 fuses?—A. Yes, sir.

Q. Had you any proposal in writing or only a verbal proposal at the date when the minutes which I have read were discussed?—A. A verbal proposal.

Q. At those figures?—A. At \$4.

Q. Oh, the proposal was at \$4?—A. Yes.

Q. And your resolution says \$4 for the first 250,000 and \$3 for the second?—A. Yes.

Q. Then on the 19th of July you write to the Russell Motor Car Company this letter:—

Gentlemen:—

At a meeting of the Shell Committee on Saturday the 17th inst., it was decided to offer your Company an order for No. 100 fuses loaded complete but without gains at the following prices:

The first 250,000 at \$4 each.

The second 250,000 at \$3 each.

The above proposal was decided upon after a full discussion upon prices being paid in the United States, and the importance of starting the manufacture of fuses in Canada was considered sufficient to justify the above prices.

We shall be glad to learn if you are prepared to accept an order at the above prices, after which contracts will be arranged.

Yours very truly,

(Marked Exhibit 133.)

D. CARNEGIE.

Then I am going to put in the answer to that, although I have to go back to the 21st for a moment afterwards. This is a letter dated July 22nd, 1915, to Brigadier-General A. Bertram, Chairman, Shell Committee:—

Dear Sir,—

We have your esteemed favour of the 19th inst., with regard to order for No. 100 fuses. We beg to thank you for your decision to place an order for 500,000 with us. We hereby accept the same, and are making preparations to get under way with regard to it.

There are some conditions in connection with the contract that we would like to go over somewhat carefully with you. Will you please advise by wire or otherwise the most convenient or earliest date on which you could see us to settle the details?

Yours truly,

RUSSELL MOTOR CAR CO., LIMITED,

T. A. RUSSELL,

General Manager.

(Marked Exhibit 134.)

[Mr. David Carnegie.]

I do not know whether I ought to say so here, but of course the Russell order is not one of those to be investigated, but I think it is so close in some respects to the others, both in point of time and otherwise, that I am not trespassing upon the order bearing on the investigation.

Sir WILLIAM MEREDITH: Did it not result in a contract?

Mr. HELLMUTH: Yes.

Sir WILLIAM MEREDITH: And you are proposing to put the contract in?

Mr. HELLMUTH: Yes.

Then, as I say, I have a document here of July 21st, from the Guaranty Trust Company of New York. The Commissioners will perhaps bear in mind that there were four monthly advance payments to be made under the terms of the two contracts in addition to the initial ten per cent payment. This is in regard to the first one.

“In consideration of an advance of the sum of one hundred forty thousand six hundred twenty five dollars to be made by you to the International Arms and Fuse Company of New York, under the paragraph numbered 9 of an agreement between you and the said company, dated the 19th day of June, A.D. 1915, for the manufacture of two million five hundred thousand loaded fuses, we hereby guarantee to you the repayment of all or any portion of the said sum so advanced which may become repayable to you by the said company under the terms of the said agreement by reason of the said company's default thereunder.

This guarantee is in addition to, and not in substitution for, any earlier agreements of guarantee given by us to you.

As witness our corporate seal and the hand of our Vice-President, at the City of New York, in the State of New York, this twenty-first day of July, A.D., 1915.”

(Marked Exhibit 135.)

Sir WILLIAM MEREDITH: Would it not be convenient, if it be the fact that there were similar guarantees for each of the others to say so, without putting in all the documents?

Mr. HELLMUTH: Yes. Then I can say in regard to the Arms and Ammunition and in regard to the International that the four monthly advance payments appear to have been made, and I have been furnished with copies of the guarantee from the Guaranty Trust Company for each and every of those advances, and they are in form similar to that one that now goes in as Exhibit 135.

In addition, to save going through a lot of these one after the other, subsequent guarantees were passed upon by Mr. Orde, and a letter of approval of the binding form of same was given.

Will that do, Messrs. Commissioners?

Sir WILLIAM MEREDITH: I should think that shortens it up.

Mr. HELLMUTH: Of course, if they desire they can go into it.

Mr. JOHNSTON: There is no question about it.

Mr. HELLMUTH: I am asked a very proper question, which I should certainly require to have answered, and that is, where can we get an authoritative statement showing just what sums were paid and at what time to these two companies? Can you tell me where I can get that? Can any one from the Shell Committee tell me? Will that have to come from Mr. Riddell?

Hon. Mr. NESBITT: I should think Mr. Riddell.

Mr. HELLMUTH: Mr. Boyer of the Shell Committee, it is suggested to me.

Hon. Mr. NESBITT: I have no doubt somebody can give the information.

Mr. HELLMUTH: Just let me ask this if it is not unreasonable, and I do not think it is, that we should have a statement prepared which can be put in—

Hon. Mr. NESBITT: As an exhibit.

Mr. HELLMUTH: Showing just when these payments were made to both companies.

Sir WILLIAM MEREDITH: All payments.

Mr. HELLMUTH: Yes, quite so. I meant everything.

Then if the witness is furnished me who can speak in regard to it he can verify it.

Sir WILLIAM MEREDITH: I suppose everybody will be content if he gets a certificate signed by an officer in that form. What do you say, Mr. Johnston?

General Sir SAM HUGHES: It is in the Record Office.

Hon. Mr. NESBITT: It is on record.

Mr. HELLMUTH: Then I am putting in as one exhibit a telegram from the Russell Motor Car Company of July 23rd and a letter of the same date, both addressed to the Shell Committee.

The telegram reads:—

“Please mail us certified drawings and specifications for number one hundred graze fuse for which you have placed order with us.”

And the letter is:—

“Dear Sirs,

Re No. 100 Graze Fuse.

“We have started at once in our preparation for carrying out the order for these fuses, and in connection therewith there are certain points we desire to have your assistance or information on:

“1. We have had from you a specification of the fuse, and also drawings. We want to make sure now that the drawings and specifications we have are official and final. We, therefore, wired you as follows:—

“Please mail us certified drawings and specifications for number hundred graze fuse for which you have placed order with us.”

“We would be glad to have this certified set of drawings and specifications which we will know to be the final ones. It is particularly desirable that we get these as early as possible because we found on closely checking up the sample fuse we got from you with the drawings that there were some rather important differences. We might say, further, that the fuse made by us in accordance with the drawings would not screw full way into one of the high explosive shells, whereas the sample fuse sent us will. We wish to check and get the accurate dimensions on this.

“2. The specifications we have provided for the fuse being made out of brass whereas our instructions from you were that it should be made from steel. Are there any special specifications for the steel? Is there any requirement that the body of the fuse should be made of a forging, or do you know whether bar stock is permitted?

“3. Can you give a list of the factories making this fuse in the United States either for Morgan & Company, Bethlehem Steel or yourselves; and could you give us letters which would secure entrance into those factories of representatives from our place, so as to get information as to their procedure?

“4. Can you supply us with a set of master gauges complete, or what is the arrangement on this head?

“5. Are there any provisions made for testing of the fuse in the shop as a check on the work before the actual firing test?

“6. What are the regulations with regard to boxing and packing?

“7. We hope to have some parts for the fuse made for us by some other firms in Canada and possibly in the United States as well. Will you make

[Mr. David Carnegie.]

arrangements for the inspection of parts being made at the factories where the work is being done?

"There no doubt will be other points on which we will wish to make inquiry, but, we wished to write this so that you might be in readiness when we come down in connection with the drawing up of the contract."

(Telegram and letter together marked Exhibit 136.)

Then on the 24th a letter from Mr. Carnegie to the Russell Motor Car Company:—

"Gentlemen:

"We have your letter of the 22nd and note that you are prepared to accept the order for fuses. We shall be glad to discuss details of the contract with you early next week. General Bertram is now from home but we hope he will be back on Monday. We shall let you know by wire when it will be convenient."

(Marked Exhibit 137.)

I have a letter here which I certainly think I might put in, but this letter must have been enclosed or sent or delivered to the Shell Committee to show what the Russell Motor Car Company were doing to expedite matters, because it is addressed to the Canada Tool & Specialty Company, Limited, New Glasgow, Nova Scotia:—

"Gentlemen,—

"We enclose herewith copies of our blue prints Nos. 40847, 40848 and 40852.

"We are in the market for from 100,000 to 250,000 pieces as shown on the enclosed blue prints.

"These parts would require to be made from cold rolled steel or screw stock.

"We would be pleased to have you advise us by return mail if you are in a position to take on any part of this work. If so kindly advise us your best prices and the deliveries you could give us, providing we placed an order with you.

"Yours truly,

"RUSSELL MOTOR CAR CO., LTD.

"W. G. SAYERS,

"Purchasing Agent."

(Marked Exhibit No. 138.)

Who is Mr. J. Brooks, do you know?—A. He is our fuse man, Sir.

Q. Because I have a letter from him. On the 27th of July there is a letter to the Russell Motor Car Company from Mr. J. Brooks:

"Dear Sirs,—

Re 100 Graze Fuse.

"We have your letter of the 23rd inst., and beg to reply as follows:

"(1) The drawings and specifications sent to you on July 23rd are correct.

"(2) The kind of metals from which the fuse is made must conform to the specification, with the exception that the cap and body may be made of steel, all metals must meet the requirements of the tests.

"(3) The only firm to our knowledge making the No. 100 fuse is the American Ammunition Company, Limited, 25 Broad street, New York, to whom we would suggest you apply for permission to view the work.

"(4) You must supply all the necessary gauges required in the manufacture, and these may be checked with the master gauges of the Shell Committee's inspectors.

"(5) All the provisions for testing of the fuses are referred to in the specification.

"(6) We will send you shortly a suggested design for a box in which to pack fuses.

"(7) The names and address of all firms taking any part in the manufacture of the fuses must be submitted for the approval of the Shell Committee.
"We trust the foregoing information is what you require.

"Yours very truly,

(Marked Exhibit 139.)

"J. BROOKS."

Then I put in two telegrams here—I do not put them in together—to show why the actual formal contract was not signed at once. It apparently explains it.

On July 28th a telegram from the Russell Motor Car Company to the Shell Committee:

"Do you know yet what date you would like to see Harris and Russell regarding fuse contract? Please wire."

(Marked Exhibit 140.)

And an answer of July 29th to the Russell Company from the Shell Committee:

"Cannot see Harris and Russell at present. General Bertram and Colonel Carnegie will be away until August 7th. Contract being prepared and will be submitted shortly."

(Marked Exhibit 141.)

Then I put in a letter of July 30th from the Russell Motor Car Company to the Shell Committee:

"Dear Sir:—

"We acknowledge receipt of your telegram of yesterday, reading as follows:—"

I am not putting that in. It does not matter because it is recited.

Sir WILLIAM MEREDITH: You have put it in already.

Mr. HELLMUTH: Oh yes, I believe I did.

Hon. Mr. DUFF: You put it in as July 29th, though.

Mr. HELLMUTH: That would be right. This is a letter of July 20th acknowledging receipt of the telegram:—

"We acknowledge receipt of your telegram of yesterday reading as follows:—

"Cannot see Harris and Russell at present. General Bertram and Colonel Carnegie will be away until August seventh. Contract being prepared and will be submitted shortly."

"We understand, therefore, that it is necessary to wait until the return of General Bertram and Colonel Carnegie. In view of your letter of some days ago ordering the fuses we are, however, going right ahead with arrangements for machinery, etc., so that there will be no possible delay."

(Marked Exhibit 142.)

The reason I put that in is twofold. One, to show they were anxious to get on; the other, that there was no delay in going on with the work. The work went forward; it did not wait for the contract.

Hon. Mr. DUFF: Yes.

Mr. HELLMUTH: Then a couple of cables from Militia to Troopers on the same day, the 30th of July, and I may have to ask a question or two on them:—

"We have discussed with Mr. D. A. Thomas the desirability of establishing in Canada one factory at least for the production of number eighty time fuses, and he agrees with proposal to place a contract for two hundred and fifty thousand fuses at four dollars and fifty cents each with company who may be found best equipped for this purpose. Do you agree?"

(Marked Exhibit 143.)

[Mr. David Carnegie.]

Q. Were you the author of that cablegram?—A. Yes, sir.

Q. Perhaps you will tell me how long before that cable you had met Mr. Thomas?

—A. I think it must have been about a day or so, sir.

Q. And was that immediately after his arrival in this country?—A. Immediately after his arrival in Ottawa.

Q. Yes, immediately after Mr. Thomas' arrival in Ottawa you saw him?—A. I take that with reservation. I do not know the date when he did arrive in Ottawa, but it was about that time.

Q. You assumed it?—A. Exactly, sir.

Q. And was there any one with you when you saw him?—A. I believe General Bertram.

Q. What discussion did you have with him in regard to this matter of establishing in Canada a factory for the production of the number eighty time fuse?—A. You will remember in regard to the cable that we sent to the War Office on June 24th, asking if they would place an order with us at \$4.10 for the No. 100 fuse, they cabled on the 30th of June, I think, saying "Thomas is on his way." When Thomas arrived we discussed the matter with him, and as we had meanwhile taken upon ourselves, as a committee, to place an order for 500,000 No. 100 fuses with the Russell Motor Car Company, we went into the question of the manufacture of the time fuses in Canada, still anxious to get a start. We had satisfied ourselves that we had placed the order for the 5,000,000 fuses in the States to help us out in our promises for complete rounds. Now we were discussing with Thomas the advisability of establishing in Canada a factory for the making of time fuses, without particularly that concern as to the exact date of delivery, and in that view Thomas agreed with us that it was very desirable that we should start in Canada a factory if we could get such a firm to undertake the work; and the cable was the result of that discussion.

Q. I see. Was that price discussed with Mr. Thomas, or was it not?—A. Oh, yes, sir.

Q. That \$4.50?—A. Oh, yes, he agreed thoroughly.

Mr. LAFLEUR: What price?—A. \$4.50 each.

Sir WILLIAM MEREDITH: I do not understand that. What has that to do with the establishing of a factory?

Hon. Mr. DUFF: It was to be the first order.

Sir WILLIAM MEREDITH: That 250,000?

Hon. Mr. DUFF: That was the initial order of 250,000 at \$4.50?—A. \$4.50.

Mr. HELLMUTH: The cablegram read that way, "We have discussed with Mr. D. A. Thomas the desirability of establishing in Canada one factory at least for the production of number eighty time fuses, and he agrees with proposal to place a contract for 250,000 fuses at \$4.50 each with company who may be found best equipped for this purpose." So I think it connects it up.

Then on July 31, a letter from the Russell Motor Car Company to the Shell Committee:—

"We thank you for your letter of the 27th inst., giving us a great deal of information on the No. 100 fuse.

"We also appreciate very much your kindness in telegraphing us this morning that you have wired the American Ammunition Company of New York to give us information relative to the manufacture of this fuse."

(Marked Exhibit 144.)

Then August 5, a letter from the Russell Motor Car Company to the Shell Committee:—

"Re Fuse Contract.

"As Mr. Lloyd Harris of our company has to go away early next week,

we are writing to state that we hope to leave on Sunday night and be in Ottawa Monday to go over the contract with you on that day. If it is impossible to have an interview with you then please wire us, but we hope that you can arrange it."

(Marked Exhibit 145.)

The next is a letter of August the 12th and a telegram of August the 13th, which can go in as one exhibit. The letter is from the Russell Company to the Shell Committee and the telegram is from the Shell Committee to Russell. The latter is evidently in response to the letter.

The letter is:—

"The copy of the fuse contract did not reach the hotel up to time we left last night at eleven o'clock, so presume that you have arranged to mail it on to us here.

"Immediately on receipt of it we will let you hear from us."

Then on the 13th your telegram saying:—

"We are mailing copy of contract to-day."

(Letter and telegram marked together Exhibit 146.)

On the 14th of August there is a letter to the Shell Committee from the Russell Company saying:—

"We acknowledge herewith copy of proposed agreement *re* fuses.

"We will go over this carefully and let you hear from us within a couple of days."

(Marked Exhibit 147.)

I now come to the contract with the Russell Company. This is the contract dated the 17th day of August, 1915, which I think I will have to read:—

"Between the Russell Motor Car Company, Limited, a body politic and corporate having its head office at the City of Toronto, in the Province of Ontario, hereinafter called the 'Company' and acting herein by J. N. Shenstone, its President, and J. S. Murray, its Secretary, hereunto duly authorized.

"PARTY OF THE FIRST PART;

"And

"The Shell Committee, a body appointed by the Honourable the Minister of Militia and Defence of Canada for the purpose of purchasing munitions of war for the British Government, hereinafter called the Purchaser and acting herein by Brigadier General Alexander Bertram, its Chairman.

"PARTY OF THE SECOND PART.

"WHEREAS the Company is prepared to manufacture and supply fuses and the Purchaser is desirous of purchasing fuses from the Company on the terms herein contained.

"Now Therefore this Agreement Witnesseth:—

"1. The Company agrees to sell and the Purchaser to purchase five hundred thousand (500,00) number 100 loaded fuses, to be in accordance with the drawings and specifications to be furnished by the Purchaser, namely Drawing No. 21070-A-1 and specification No. L-3504. The gages are not to be supplied. The Company at its option may use either steel or brass for the body, cap and adapter. All steel parts thereof to be either tinned or nickelled.

"2. The price of the said fuse shall be for the first two hundred and fifty thousand (250,000) manufactured, four dollars (\$4.00) each in lawful money of Canada, and for the remaining two hundred and fifty thousand (250,000) manufactured, three dollars (\$3.00) each in lawful money of Canada. All fuses shall be packed as hereinafter provided and shall be delivered, freight paid, to shell loading factories by the Purchaser.

[Mr. David Carnegie.]

"3. The Company shall begin to make deliveries of fuses under this agreement not later than four months from the date of the execution of this contract and such deliveries shall then be made at the following minimum rates, that is to say, during the fifth month fifty thousand fuses, during the sixth month seventy-five thousand, and one hundred thousand fuses per month thereafter. The price of \$4.00 to be paid for every fuse completed up to March 1st, 1916, and thereafter, if the work has been concentrated in the Company's premises with the exception of three springs and two steel needles, which may be obtained externally, then four dollars (\$4.00) per fuse will be paid for each balance as is due up to two hundred and fifty thousand and \$3.00 for the remaining fuses due up to five hundred thousand, but should the work not be so concentrated in the Company's premises then three dollars (\$3) only will be paid for all fuses delivered after the first day of March up to the completion of the contract. This last named condition being enforceable irrespective of delays referred to in clause 10.

"If by March 1st, 1916, the Company has not installed plant actually producing two thousand per day of all parts of fuses with the exception of the parts above specified, the purchaser has the option of cancelling the balance of the contract.

"The total of the said five hundred thousand (500,000) fuses shall be delivered not later than May 31st, 1916.

"4. The Purchaser shall under the discretion of the Chief Inspector of Arms and Ammunition provide for the prompt examination and inspection of the fuse parts at the factory where same are manufactured. The small parts to be manufactured at one factory where they shall be examined before delivery to assembling factories. As soon as the Company shall notify the purchaser that manufacture hereunder has advanced sufficiently to require inspection, the purchaser shall keep at all times at each of said factories an Inspector or Inspectors whose duty shall be to inspect all of such parts and completed fuses and to promptly inform the Company and the Purchaser of the results of such inspection.

"4. (a) The Chief Inspector of Arms and Ammunition and all other inspectors appointed by him or by the Purchaser shall at all times have access to the factory of the Company, and the Company shall provide all necessary and suitable accommodation for the purpose of all inspection required at such factories.

"5. The Company's manufacturing and inspection gauges are to be provided by the Company and shall be at the service of the Chief Inspector of Arms and Ammunition for the inspection of the fuses. The inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

"6. The said fuses shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly authorized deputy at Quebec or at such place or places as may be designated by him in the Dominion of Canada.

"7. Lots of fuses (other than fuses selected for proof) to be delivered hereunder shall not be required to be delivered for shipment to the purchaser as hereunder provided until all inspection and tests required by the purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

"8. The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized deputies regarding the acceptance or rejection of fuses or parts thereof shall be final and binding between the parties hereto.

"9. Payments for lots of completed fuses accepted and shipped shall be due and payable by the purchaser to the company fifteen days after acknowledgement of receipt of fuses in good order at shell loading factory, such acknowledgment to be promptly made, and the delivery to the purchaser at Ottawa of invoices in triplicate properly numbered together with bills of lading therefor.

"10. Time shall be of the essence of this agreement. If the company shall be at any time in arrears in the deliveries of fuses as set forth in paragraph three, the

purchaser at its option may, at any time and from time to time, by written notice sent in a letter prepaid and addressed to the company at Toronto and mailed at Ottawa forthwith cancel so much of this agreement as relates to any fuse deliveries whereof shall be so in arrears; but the company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The company, however, hereby agrees to use all reasonable endeavours and to make all reasonable efforts to manufacture and deliver all such fuses in accordance with the terms of this agreement, provided always a time allowance shall be granted to the company for any time lost through strikes, fires, acts of God, delays in inspection caused by the purchaser or other acts of the purchaser or other causes beyond the company's control.

"11. The fuses are to be packed in wooden boxes supplied by the company at its own expense, to a design to be supplied by the purchaser, each containing 40 (forty) fuses or such larger number as may be requested by the purchaser, the fuses to be securely held in position to prevent their moving in the boxes during transit. Should any package be prescribed by the purchaser which can be supplied by the company at a lower cost to it than such boxes, the difference in cost shall be paid by the company to the purchaser upon receipt of the purchase price of lots of fuses delivered.

"12. This contract shall not be assigned by the company either in whole or in part without the previous consent in writing of the purchaser.

"13. This contract shall be binding upon the successors and assigns of the respective parties hereto.

"JAS. N. SHENSTONE,
"President.

"J. S. MURRAY,
"Secretary."

(Marked as Exhibit 148.)

Now, do you know whether that was executed on that day, the 17th of August? Can you say? Were you present?—A. I cannot say definitely

Q. But you know that that is the contract?—A. That is the contract.

Mr. HELLMUTH: The copy I have and which I am putting in, Messrs. Commissioners, appears only to be signed by Mr. Shenstone, the President, and Mr. J. S. Murray, the Secretary, and I have no copy showing it to be signed by the Shell Committee or by General Sir Sam Hughes as the American and International contracts were signed.

Hon. Mr. DUFF: They were perhaps executed in counterpart.

Mr. HELLMUTH: Yes.

Q. Can you tell me, and if not, perhaps some of the counsel for the Shell Committee can tell me, whether a counterpart of that was executed by the Shell Committee and endorsed by General Sir Sam Hughes?—A. I cannot say, sir, but I will get a copy of the original.

Q. The copy that now would be with the Imperial Munitions Board from the Russell Company; will you get that?—A. Yes, sir, I will secure that.

Sir WILLIAM MEREDITH: I do not suppose there was any approval of that by the Minister of Militia. That was not done under the authority of the War Office, it was done off the bat of the Shell Committee. Is not that so?—A. That is right, sir.

Mr. HELLMUTH: I see. The others were under the authority of the Board.

Sir WILLIAM MEREDITH: Yes. As far as it has been seen yet there was no authority from the War Office.

Mr. HELLMUTH: Yes.

Q. Then on the 1st of September an answer comes from Troopers to your Militia cable in regard to this Canadian factory evidently, the time fuses:—

"Your 559 and 616. Suggestion is being considered. Are you sure No. 80 [Mr. David Carnegie.]

fuse can be produced in Canada? Only three firms have produced it successfully in England. How is production of fuses proceeding for which you have contracts already?"

(Marked Exhibit 149.)

Now I am putting in a cable from Militia to Troopers.

Hon. Mr. DUFF: There are two references in that last cable. One of them is Exhibit 143. Have you got the other?

Mr. HELLMUTH: Do you mean the two answers?

Mr. GRANT: In answer to 143.

Mr. HELLMUTH: "Your 559 and 616. Suggestion is being considered."

Hon. Mr. DUFF: We have only one, Exhibit 143.

Mr. HELLMUTH: No, I think you had it long ago, but if not we will find it. Have you got it?

Mr. STEWART: 559 is the one that you read that there was a consultation with Mr. Thomas, and 616 I have here. It is simply the reply.

Mr. HELLMUTH: Thank you. We will put it in.

It is dated August 24th, 1915, to Troopers, London, from Militia. It is "616 cipher":—

"Reference our 559 cipher July 30th. Kindly reply."

(Marked Exhibit 150.)

That makes it quite intelligible, that it is a reply to 559. I think it is better to put it in because it makes it complete.

On September 2nd there is a cable from Troopers to Militia:—

"We find we have a very few and imperfect particulars of contracts placed by you. Please mail us complete lists of contracts with particulars and prices. We should be glad to have copies of all contracts if possible."

(Marked Exhibit 151.)

Sir WILLIAM MEREDITH: What does that mean? Was that one sent to the Shell Committee or to the minister? Does that word "you" mean placed by the Shell Committee or by the minister representing the War Office?

Mr. HELLMUTH: My explanation is that it meant both. It meant that copies of the contracts placed by the minister with these four contracting parties here and also, I think, copies of the contracts that they might have placed.

Hon. Mr. DUFF: I suppose subsequent correspondence shows it.

Mr. HELLMUTH: I think it does.

Mr. CARVELL: Only three contracts had been placed by the minister.

Mr. HELLMUTH: Then comes a cablegram, not in answer to that, but I am giving them in their sequence, in answer to one that went before, and this is from the Shell Committee to Troopers:—

"Reference your cable 7531 cipher. We believe No. 80 fuses can be produced in Canada. Initial difficulties are sure to arise but will be overcome. Fuses being manufactured on present contracts are not advanced sufficiently to indicate final results, but progress with components and gauges is satisfactory."

(Marked Exhibit 152.)

Sir WILLIAM MEREDITH: What date?

Mr. HELLMUTH: September 3rd.

Q. Perhaps you could tell me what progress had been made with those contracts at that time.—A. Early, almost immediately after the contracts were placed—

Sir WILLIAM MEREDITH: What contracts are you speaking of, the 5,000,000?—
A. Yes. Contracts for fuses were placed in the States. Dr. Harris wired the Committee asking if he could obtain the permission of the Committee to get his representative in London to visit Woolwich Arsenal.

Mr. HELLMUTH: We have had that.—A. That has been put in. And we had also investigated the progress that was being made.

Q. What I am asking you is, what progress did you ascertain had been made at the date that cable was sent on September 3; what progress did you ascertain had been made? Taking the words of the cablegram—you see the cablegram is quite specific—you were asked in a previous cable from “Troopers”—

Hon. Mr. DUFF: Whether fuses could be made in Canada?

Mr. HELLMUTH: I did not mean that part of the cable, Messrs. Commissioners.

“How is production of fuses proceeding for which you have contracts already?” That is to be found in Exhibit No. 149, the latter part of the exhibit.

In that you are answering that part of it in Exhibit 152, when you say “Fuses being manufactured on present contracts are not advanced sufficiently to indicate final results, but progress with components and gauges is satisfactory.”

What progress had there been on the components and gauges; you have said it there, and I would like to know?—A. The progress I referred to in that cable was the progress that they as a company had made with the sub-contractors in getting together the plants necessary for the production of the components, and also the progress that they had made in getting the companies, Brown & Sharp and Pierce—I name them simply—to get the gauges.

Q. You say you referred to the progress they had made in getting these companies together, and in regard to the gauges; but you do not tell me what progress they had made?—A. I would have to look that up. I cannot carry all that in my mind.

Q. Have you any data from them at that time, that is, from the International Company and the American Company as to what had been done in regard to these companies?—A. Yes. I never sent cables without data.

Sir WILLIAM MEREDITH: Ask him if the manufacture had been commenced in any way.

Mr. HELLMUTH: Had the manufacture been commenced?—A. I cannot say whether the actual production of a single part had been commenced, but I can say definitely that such steps were taken to get the machinery together, and the gauges together, to show that progress was being made. That is what I indicate here. I mean the components parts, sir.

Q. Then on the 6th of September, 1915, you answered by another cable; you answered one that had come in between, and which has gone in. This cable is a cable from “Militia” to “Troopers”, answering their inquiry about contracts:—

“Complete list of contracts placed by you with Shell Committee was sent you August 25th. List of orders placed with manufacturers shall be sent you later. Please inform Minister of Munitions.

“MILITIA.”

(Marked as Exhibit No. 153.)

Sir WILLIAM MEREDITH: Who is that from?

Mr. HELLMUTH: It is from “Militia” to “Troopers”, sir.

Q. So that my guess—if I may say so—was not far wrong when I said you understood that to cover both the contracts and the orders, if we can distinguish them in that way?—A. Yes, sir.

Q. I cannot find anything sent on August 25th, unless it be the contract of July, with the schedules?—A. That is so, sir.

Q. Is that right?—A. That is right.

[Mr. David Carnegie.]

Q. Because I have looked through all the papers furnished me, and it does appear that you did not send off as executed that contract of July, with its schedules, until some time in August?—A. Until the 25th of August, sir.

Q. Evidently the very next day, or the day that that cable was sent to you—it is not so important that we should get the time of day—but the very day that cable was sent your list must have arrived, because you got this cable from London addressed to “Militia” :—

“7th September, 1915.

“Militia, Ottawa.

“7691 Cipher.

“Your 649 Cipher.

“List of contracts placed with Shell Committee received by us yesterday. Please despatch immediately copies of all contracts placed by Shell Committee and arrange for prompt despatch of preliminary progress reports.”

(Marked as Exhibit No. 154.)

At one time they say “by” Shell Committee, and at another time they say “with” Shell Committee.

Were copies of contracts placed by the Shell Committee sent forward, can you tell me, after that?—A. Yes, sir.

Hon. Mr. DUFF: We have not yet had that letter, the receipt of which was acknowledged by this cable with the list.

Mr. HELLMUTH: I asked you, Mr. Carnegie, for the letter of August 25th and a copy of the list?—A. The list referred to is the schedule of contracts attached to the final contract.

Q. I understand you to say that. What we would like to have is the letter—of course I only want a copy here; you would only have a copy of it anyway, a copy of the letter that was sent on August 25th and a copy, if there is such a thing anywhere, of the list which was sent on August 25th.

Sir WILLIAM MEREDITH: Exhibit No. 122 had a schedule attached to it.

Mr. HELLMUTH: Yes, Mr. Commissioner. What the witness says is that that schedule is practically the list of contracts enclosed in the letter of August 25th. Now I want that produced, if it can be found.

Hon. Mr. DUFF: Do you attach any importance to the difference in the phraseology there, “with the Shell Committee” and “by the Shell Committee”?

Mr. HELLMUTH: No, Sir, I do not, only in this way, and I am speaking of my own view only, and may be entirely mistaken. I had a great deal of difficulty when I first got these letters and papers to appreciate what the position of the Shell Committee was. The Shell Committee was composed of four contractors at least, and a number of military gentlemen; and when the correspondence by way of cablegram is looked at, at the outset it is perfectly evident that from this side at all events the Minister of Militia in cabling over was asking to be allowed (I am only putting my own view forward) to perform the duty of acting as an agent in the placing of orders, for the Imperial authorities, and to get together a shell committee that would undertake that duty.

That is the way it appears from this end. But when the War Office looked at it from their point of view, they absolutely insisted in getting a firm quotation; they would not permit the Shell Committee to enter into contracts for them at such prices as might be deemed advisable by the Shell Committee, but they asked, as you will find when you look through the cablegrams: “What will you quote us shells for”? And they treated it from their end as a matter of contract which they must have firmly established.

Sir WILLIAM MEREDITH: With whom?

Mr. HELLMUTH: With manufacturers here, not the Shell Committee at all. That is the way it appears to have been. Then they sent out and asked for a contract (the

first shells ordered), and they got a binding and legal contract between four gentlemen—Alexander Bertram, Thomas Cantley, George W. Watts and E. Carnegie—and the Minister of Militia and Defence of Canada, agreeing to furnish certain goods at certain specified prices. That contract, as I say, was made between those four gentlemen and the Minister of Militia, not as Minister of Militia, but acting for and on behalf of His Majesty's Secretary of State for War in Great Britain.

Hon. Mr. DUFF: That is the contract you put in at the beginning?

Mr. HELLMUTH: Yes, sir.

Hon. Mr. DUFF: And that was a contract for empty shells.

Mr. HELLMUTH: I only want to present my view of this Messrs. Commissioners. As I said, I may be wrong; if so, I can be set right.

Then matters go along, and the Shell Committee (if I may say so) appear to have treated themselves as in a sort of dual capacity. They appear to have thought that they were acting—and perhaps they were—

Hon. Mr. DUFF: As an administrative Board.

Mr. HELLMUTH: Yes sir, exactly. And they were meeting together with the military gentlemen who had no connection with these military contracts, and they entered into a number of agreements, orders, with parties in this country and, as we see, some in the United States. But they entered into every one of them after there had been a definite order passing between "Troopers" and the Shell Committee or the Minister of Militia. The authorities in England said, "We want now to have the firm contracts for what we gave you orders." Then comes this contract of July 1st, which absolutely renders these four gentlemen again contractors for every single item they had got up to that time.

But they never treated themselves—and morally I do not consider they could be treated as mere contractors (although I may be wrong)—morally they were agents for the British Government. They occupied a very peculiar position. They were bound to make good, and (I am speaking legally) entitled to profits; the military members had no such rights at all. When I say the military members—of course General Bertram and Colonel Watts were military men, and I do not mean military in that sense; I mean military and non-manufacturing; military men belonging to the permanent forces of Canada.

Sir WILLIAM MEREDITH: I did not know that there was any man connected with it that was not a military man.

Mr. HELLMUTH: Of course Mr. Carnegie is a Colonel. But I do not think that that is in any sense an incorrect statement of the position.

Hon. Mr. DUFF: You do not attach any importance to the phraseology at this stage?

Mr. HELLMUTH: No, Mr. Commissioner, not to the words "by" or "with."

The transaction cannot, for the purpose of this inquiry, be looked at as merely a contract legally made with four men, but it must be looked at in regard to what they did as a military body.

Mr. JOHNSTON: I would not like to have it pass, Messrs. Commissioners, without some slight objection to the way Mr. Hellmuth has put it.

The significance is this: Up to the time that was sent, or rather prior to that time, nobody had been here. Mr. Thomas had come out and had ascertained apparently the position, and it was after Mr. Thomas' return that he discriminated apparently between the two classes, which opened a different path entirely for what my learned friend has said.

Sir WILLIAM MEREDITH: However, this discussion is premature.

Mr. HELLMUTH: It is, no doubt. But I do not for one moment want it to be supposed that so far as the view I am putting forward is concerned that it is one [Mr. David Carnegie.]

which would at all permit, in my opinion, any of these gentlemen to escape the moral responsibility that they assumed in regard to these contracts. I think they did assume a moral responsibility in regard to the contracts (whether it is a legal responsibility or not). I am not concerned with what Mr. Johnston says in regard to dates at all. It is a question of how this matter is to be viewed. I do not think it can be looked at purely from the legal side.

I am getting pretty well along now, and am skipping some dates, and will put in an agreement dated the 9th day of November, 1915, and I shall have, when we get to the end of this month, to ask the Commissioners whether—

Sir WILLIAM MEREDITH: What does that mean—the end of this month?

Mr. HELLMUTH: It means the end of November, 1915. I wish we could get to the end of our inquiry by the end of this month, but I am afraid we will not.

Sir WILLIAM MEREDITH: What date was that?

Mr. HELLMUTH: The 9th of November, 1915. Shortly after that the Shell Committee went out of existence, I think.

Q. When did the Shell Committee go out of existence, Mr. Carnegie?—A. On the 29th of November.

Q. This is an agreement between the Russell Motor Car Company, Limited, as parties of the first part, the Canadian Bank of Commerce, as parties of the second part, and the Shell Committee, acting by Brigadier-General Alexander Bertram, of the third part.

Memorandum of Agreement made in triplicate this ninth day of November A.D. 1915.

Between Russell Motor Car Company, Limited, a body corporate having its Head Office at the City of Toronto in the Province of Ontario, (hereinafter called the "Company.")

OF THE FIRST PART;

And

The Canadian Bank of Commerce, a Chartered Bank of Canada (hereinafter called "The Bank")

OF THE SECOND PART;

And

The Shell Committee, a body appointed by the Honourable the Minister of Militia and Defence for the purpose of purchasing munitions of war for the British Government, hereinafter called the "Committee", and acting herein by Brigadier-General Alexander Bertram, its Chairman.

OF THE THIRD PART.

"WHEREAS by a Memorandum of Agreement dated the 17th day of August, A.D. 1915, the Company agreed to sell to the Committee five hundred thousand (500,000) number 100 loaded fuses for the prices and upon the terms and conditions more fully therein set forth.

"AND WHEREAS for the purpose of carrying out the said contract the Company has expended and must expend large sums of money in the purchase of materials and in the process of manufacturing said fuses before any deliveries of completed fuses and the payment of the purchase price therefore can be made, and the Company has requested the Committee to make an advance of fifteen per cent of the purchase price and to deposit the same in the Bank to be held and applied by the Bank as more fully hereinafter set forth.

"NOW THEREFORE THIS INDENTURE WITNESSETH:

"1. The Committee shall deposit in the Bank the sum of two hundred and sixty-two thousand five hundred dollars (\$262,500.00) being fifteen per cent of the total amount of the said purchase price as follows:—

(a) \$175,000 on the execution of this agreement.

(b) The remaining \$87,500 in equal monthly instalments of \$21,875 each, over a period of four months from the date of the execution of this agreement, the first of such instalments to be deposited at the expiration of one month from the date of such execution, and the sums so deposited shall be placed by the Bank at the credit of a special account and shall be dealt with as herein-after provided.

"2. As and whenever from time to time the Committee shall notify the Bank in writing under the hand of its Chairman that the Company is entitled under the said agreement of the 17th August, 1915, to payment for deliveries of finished fuses, the Bank shall thereupon pay to the Company, out of the said moneys so deposited, a sum equal to fifteen per cent of the amount then payable by the Committee to the Company as the purchase price of said deliveries as stated in such notice or notices and the same shall thereupon be credited by the Company in part payment therefor and the Committee shall pay to the Company the remaining eighty-five per cent of the said purchase price.

"3. If at any time any portion of the said agreement is cancelled by the Committee because of the Company's failure to make deliveries in accordance with the terms thereof, then the Bank shall forthwith repay to the Committee out of the said moneys so deposited as aforesaid so much of the said moneys as would otherwise be applicable towards the purchase price of the number of fuses so cancelled, that is, fifteen per cent of the purchase price thereof, and the Bank shall be entitled to act upon written notice from the Committee under the hand of its Chairman that such cancellation has taken place and as to the amount of purchase price affected by it.

"4. The Company shall pay to the Committee upon the said advance interest at the rate of five per cent per annum, computed from the dates when the same shall be respectively made by the Committee to the Bank as aforesaid, and calculated up to the dates when the same shall be respectively applied by the Bank in part payment of the purchase price or repaid by the Bank to the Committee in case of default as the case may be; adjustments of interest shall be made monthly.

"In Witness Whereof the Company and the Bank have hereunto affixed their Corporate Seals, countersigned by the hands of their duly authorized officers in that behalf, and the said Brigadier-General Alexander Bertram, on behalf of the Committee, has hereunto set his hand and seal.

"Signed, Sealed and Executed by the Company, in the presence of

RUSSELL MOTOR CAR CO., LTD.
2nd Vice-President.
Secretary.

"Signed, Sealed and Executed by the Bank, in the presence of

FOR THE CANADIAN BANK OF COMMERCE.

"Signed, Sealed and Executed by Brigadier-General Alexander Bertram, on behalf of the Committee, in the presence of

President.
General Manager.

SHELL COMMITTEE.
Chairman.

(Marked as Exhibit No. 155.)

Q. I assume, Mr. Carnegie, that there must have been some negotiations between the date of the contract with the Russell Motor Car Company and the execution of this agreement providing for advances?—A. Yes, sir.

Q. And some correspondence?—A. Yes, sir.

Q. I think it is entirely unnecessary, in view of the fact that we are not investigating the Russell Motor Car Company, but would you have that correspondence so that I can see it (I have not seen it yet) and my learned friend Mr. Johnston can see it?—A. Yes, sir.

[Mr. David Carnegie.]

Q. So that anything I think is necessary to be put in can be put in. Do not make any mistake about it. I am not asking you any questions about the letter of the 25th of August sending forward as you say the complete list of contracts, because I am hoping when you come back after adjournment you will have it. If it cannot be found, I will ask some questions about it. I want you to try, if you possibly can, to find that letter with the list enclosed along with it.—A. Referring to the list of contracts?

Q. Referring to the letter of August 25th, with the list.—A. We are looking for it now.

Sir WILLIAM MEREDITH: Was there sent with that letter a copy of the contract which has been put in between General Bertram and the Minister acting for the War Office?—A. Yes, sir.

Mr. HELLMUTH: I am reminded of this; was there any correspondence or any negotiation for fuses with a Mr. Melville P. White; I mean had you, not just recently, but going back to the time when you began to consider the purchase of fuses—any correspondence of any nature, or any interviews, and if so what, with a Mr. Melville P. White?—A. I have no recollection of any such correspondence or interviews. I do not know the gentleman.

Q. You cannot call to mind any Mr. White representing the Canada Foundry Company?—A. Now I can connect the Canada Foundry Company. There is a Mr. White there. I have not met him, but he is, as I understand, the manager of the structural steel part.

Q. Have you met him?—A. No, sir, I have not met him.

Q. Have you corresponded with him?—A. Not that I know of. I think there has been some correspondence with the Imperial Munitions Board by a Mr. Mellville White. I will look it up, however.

Q. But in the spring of 1915?—A. No.

Q. Now that you have opened that up, had you any correspondence or anything verbal with the Canada Foundry Company in regard to fuses?—A. Yes, sir.

Q. When?—A. The Nicholls correspondence with myself, and Mr. Kirby.

Q. I do not want that again. I was thinking Nicholls was the Canadian General Electric Company man.—A. The same company, sir.

Q. Then had you any correspondence or interviews with I think the Singer Sewing Machine people?—A. Not that I remember, sir.

Q. In regard to fuses?—A. Not in regard to fuses, unless the company known as the Williams Manufacturing Company of Montreal is the same company. I have been to that company, and we have from the Imperial Munitions Board let a contract.

Q. For fuses?—A. For fuses.

Q. When?—A. Recently.

Sir WILLIAM MEREDITH: Was the Singer Sewing Machine Company mentioned in connection with the New York companies?—A. No, sir, it was the Remington Typewriter Company.

Q. But you mentioned a lot of names, and a sewing machine company was mentioned.—A. Not that company.

Mr. HELLMUTH: Will you please, if you can during the lunch hour, ascertain the name of any company or of any individual that you can bring to mind, with whom you had any correspondence or interviews in regard to fuses—I don't care how much, or how little—I am speaking now of the period of the spring of 1915, before these contracts were entered into?—A. All right.

(Commission adjourned at 1 o'clock until 2.30 p.m.)

AFTERNOON SESSION.

OTTAWA, Friday, April 28, 1916.

Mr. HELLMUTH: There appears to be a letter of November 17, 1915, from Dr. Harris, of the International Arms and Fuse Company, to the Shell Committee, which will be Exhibit 156:—

“Gentlemen, in accordance with my verbal understanding with you when I was in Ottawa on November 10.”

I shall come back to that again, Mr. Carnegie.

“I am writing you in regard to an extension of time in which we are to make deliveries under our contract dated June 19, 1915.”

“Clause 14 of the Contract is as follows:—

“—but the Company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The Company, however, hereby agrees to use all reasonable endeavours and make all reasonable efforts to manufacture and deliver all such fuses in accordance with the terms of this agreement. A time allowance shall be granted the Company for any time lost through strikes, fires, acts of God, delays in inspection caused by the Purchaser, or other causes beyond the Company's control.”

“Respecting that portion of the contract above quoted, we respectfully beg to draw your attention to the following delays caused by strikes and other causes beyond our control, which have occurred at the plants of the Keystone Watch Case Co. and the Taft-Pierce Manufacturing Company, set forth in written communications from said companies, copies of which are herewith enclosed.”

I have not got those copies, Mr. Carnegie. Can I get them?—A. I shall try to secure them for you, sir.

Q. I find this letter but I do not find the copies:—

“In addition to the facts shown in the enclosed communications, the Brown & Sharpe Manufacturing Co., of Providence, R.I., sub-contractors for the Taft-Pierce Manufacturing Company, has had a strike of its employees lasting for several months, and at this writing the strike has not been called off. We enclose clipping respecting this strike for your perusal.”

I would like that clipping also.

“We also request your careful consideration of the delays occasioned from time to time by the Canadian Inspection Bureau at the works of our sub-contractors, which in the aggregate would entitle us to a credit of considerable time.

“In view of all the foregoing delays, we believe we are entitled to an allowance of two months from November 19, 1915, and request that such allowance be granted.

The Taft-Pierce Manufacturing Company and the Brown & Sharpe Manufacturing Company are among the largest and best known manufacturers of fine tools and gauges in this country, which was the reason we placed our order with them, and their delay in delivering all the gauges has caused great inconvenience to us and our sub-contractors.

“We are making good progress with many of the parts, and if all of the gauges had been delivered we are confident that we would have made a remarkable showing at this time.

“Our loading plant is equipped and ready, and you will be interested to know that on the 15th of this month we loaded and assembled some twenty-five fuses, and that the work went through very satisfactorily.

“You may rest assured that when all the gauges are delivered we will use our best endeavours to give you as many fuses as possible from day to day, and

[Mr. David Carnegie.]

we hope that notwithstanding the extension asked for we may be able to make up the greater part of the time lost.

"We would appreciate your acknowledging promptly this communication, and giving us your decision in the matter.

"May we also call your attention to the fact that we have not yet heard from you giving your definite instructions in reference to the change which you asked us to make from the $\frac{89}{44}$ fuses specified in our contract to the 80 Mark V., which question has been awaiting your definite orders for some time.

"We would also appreciate your prompt decision in regard to the change in thickness of the disc in the percussion detonator from L. 008 and H. 010 to 004 average, about which Colonel Carnegie cabled the War Office on the 10th inst., after consultation with our Colonel Birnie.

"Thanking you in anticipation, we beg to remain,

"Yours very truly,

"JOHN A. HARRIS,

"President."

There are several matters there, Mr. Carnegie, which I would like to ask you about.

In the first place the letter begins: "In accordance with my verbal understanding with you when I was in Ottawa on November 10th, I am writing you in regard to an extension of time." Can you tell me if you have any notes, or if not, if you have any recollection of what took place at a meeting in Ottawa on November 10th, with Dr. Harris?—A. No, sir.

Q. You have no recollection?—A. No recollection.

Q. Or meeting him at all?—A. Oh I may have met him, sir, doubtless I did, but I have no recollection now.

Q. You have not?—A. No, sir.

Q. Let me just then ask you this. Was this letter asking for an extension of time a surprise to you?—A. None whatever.

Q. Why wasn't it?—A. Because there had been several conferences regarding the changes suggested by the War Office in the design of the fuses placed with them.

Q. Pardon me interrupting. You see I have not any papers or documents furnished to me which show anything about the changes other than what I have put in. Have you got them?—A. I could produce the file if necessary, sir, and show you the whole story from beginning to end but the letter I have here is characteristic of the subject that was pressing upon us at the time. That subject of why they were behind in that progress which we expected they should have made toward the completion of the fuses. And therefore Dr. Harris, prior to the writing of this letter, had discussed the matter with me and now he puts into writing just his idea of what had taken place and shows reasons why a demand for a few months' extension should be made.

Q. May I ask what your attitude was as Ordnance Supervisor in regard to this demand?—A. I think sir, I expressed it in the letter following.

Q. Oh, I am sorry; if we have it in writing we would rather have it that way. There is an answer of November 20th. (Exhibit 157.) This is to the International Arms and Fuse Company, New York, and is signed David Carnegie:—

GENTLEMEN,—

We are in receipt of your letter dated the 17th inst., and regret to note its contents.

We cannot allow the extension of time called for as we do not consider that the details to which you refer can call for such an extension, and we are tempted to believe that this request is unreasonable and unjustifiable. Your reference to delays occasioned from time to time by Canadian inspectors, we cannot accept, unless in such instances details of the delays are forthcoming.

With reference to changes called for in No. 80/44 due allowance will be made for any delays occasioned due to such changes.

In respect to your request for a disc of different thickness to that shown on drawing, to be used in the percussion detonator, this can have no bearing upon the time of delivery, seeing that you were not called upon to stop work for a decision, and also because you accepted the drawings with the contract showing the thickness of disc you now wish changed.

We cannot express too strongly what such a delay of two months will mean to the War Office, and we must earnestly request that all possible effort be made to keep within the promised deliveries which have been forwarded to the War Office.

We were very much delayed to begin with over our negotiations before contracts were let, and it was a great disappointment to the War Office to find that the promises made by you and given to them were such as to interfere with the production of the complete rounds of ammunition; to inform them now that it will take two months longer to produce, the work will cause them great anxiety.

We are quite sure you realize the situation, and we ask for your co-operation.

Yours very truly,

DAVID CARNEGIE.

The answer to that is on the paper of the International Arms & Fuse Company and is addressed to the Shell Committee, Ottawa, and signed by Dr. Harris; dated November 23rd:—

(Exhibit 158.)

“Gentlemen:

“We beg to acknowledge receipt of your communication under date of November 20th.

“If you will refer to our letter dated the 17th inst., you will at once see that it was far from our intention not to co-operate with you in reducing the time, but on the contrary, we stated specifically that we would do all in our power to make deliveries at the earliest possible time after we received the complete sets of gauges.

“We were in communication yesterday with the Vice-President and General Manager of the Taft-Pierce Manufacturing Company, and the Brown & Sharpe Company relative to the gauges, and on Saturday and yesterday had the General Manager of the Gauge Departments, together with their New York Office representative in this office most of the day, and we told them that it was imperative that complete sets of gauges be delivered immediately. To this they replied that if we could call off a strike it was more than they could do. However, they have promised us at least one set of complete gauges the latter part of this week, and if we get this set of gauges you may rest assured that we will speed production in every way possible.

“We may state for the Committee’s information that the assembling and loading plant has been ready for one month, together with a staff of three thousand people, and you may verify this by a cable to General Mahon, who visited the plant, and also General Pease, so with this information you can see that the fault is almost entirely due to the strikes in the different plants manufacturing gauges.

“Our contract for gauges calls for delivery of five complete sets by September 15th. This is November 23rd, and we have not received a complete set as yet. What can you suggest under the circumstances?

“In reference to the paragraph dealing with 80/44 fuse, we note your wishes, and will be guided accordingly.

[Mr. David Carnegie.]

"In reference to the paragraph dealing with the thickness of the disc to which our Col. Birnie drew your attention, we beg to inform your Committee that at the no time—

Mr. NESBITT: "At no time."

Mr. HELLMUTH: I wish you would give me better copies.

WITNESS: Very sorry, sir.

Mr. HELLMUTH: I am not really serious in that. The copies on the whole are very good.

"that at no time did we ask, nor do we now ask, any time allowance for this change. This was simply a suggestion that we thought the War Office would be glad to consider in view of the fact that our Major Hawkins and Col. Birnie suggested that this be brought to your attention, with the only thought in mind of it being of material assistance in the way of improvement on that particular part of its function.

"Therefore, please understand us that we have not asked for any time allowance on account of change in disc, but probably what you construed as a request for allowance was in reality a desire on our part to give you the benefit of such change at this time, and not to accumulate too many of these parts, should you desire the change to be made; hence our request to let us know at once.

"We can well appreciate the anxiety of the War Office as well as that of Committee, in connection with prompt deliveries, but we can assure you that the delays have certainly been beyond our control, and we do not consider that such delays under the circumstances, as evidenced by letters and clippings sent you, and also your knowledge of these things generally, in your own office, from time to time, should be classed under an unreasonable or unjustifiable request.

"We express ourselves in this way, not in the spirit of opposing your direct views, but simply to have you know and feel that we have tried not to be unreasonable but on the contrary have wished to convey, and do now desire to convey, that at all times we stand ready to co-operate and do everything in our power to bring about and accomplish, viz., prompt production and delivery.

"Each day that passes, as you must know, is a considerable loss to our Company, both at the plant as well as other expenditures, and certainly such loss in a financial point of view, to say nothing of our deep concern in the delay caused to the War Office in the connection of the promised delivery of these fuses."

That sentence is not complete. There must be something left out.

"We again assure you that if the gauges are delivered as promised, this week, we will check the manufacturing gauges, and the manufacturers of component parts will then proceed with safety with the manufacture of large quantities, which they heretofore have refrained from doing, fearing that there would be considerable objections if their own gauges did not check accurately with ours.

"This communication is sent in a spirit of respectfulness, and with the assurance that our Company is at all times endeavouring to co-operate looking to prompt deliveries in accordance with our contract.

"Yours truly,

"JOHN A. HARRIS,
"President."

The answer is dated November 26, and signed "D. Carnegie."
(Exhibit 159.)

To the International Arms & Fuse Company:—

“Gentlemen:

“We are in receipt of your letter of the 23rd inst., in answer to our communication of the 20th inst.

“We thank you for the explanation given, and for your assurance that every endeavour will be made by you to make deliveries at the earliest possible moment of the fuses for which you have our contract. The difficulty of gauge production has been with us for the last twelve months, but we should be glad if you can inform us why you did not cancel the contract and have the gauges produced elsewhere, if this were possible, when you found that there was no chance of them living up to their promise. To allow manufacture to go on two months after the promised date of completion without taking some drastic action, when you were aware of the urgent need of the fuses, is to us a matter of surprise, unless you were not ready to use them when they were produced.

“We note your remarks regarding the object of Col. Birnie’s suggestion on the subject of a change in the thickness of disc, for which we thank you. We gather from your letter that you wish to hold up manufacture until some decision was received from the War Office, hence your remarks.

“We appreciate your desire to co-operate with us in getting produced the ammunition we are manufacturing.

“We hope to discuss the progress you have made with our inspector, Mr. Brown, on his arrival in Ottawa to-morrow.

“Yours very truly,

“D. CARNEGIE.”

Q. Then did you see Mr. Brown?—A. Yes.

Q. Perhaps without any offence to Mr. Brown you could give me his first name?
—A. Lyon Brown. There was a mistake, sir, in that copy. You read it “Your inspector.” It should be “Our inspector.” “We hope to discuss the progress you have made with our inspector.”

Q. Mr. Brown is your inspector?—A. Our inspector.

Q. Where was he inspecting?—A. In the States, sir.

Q. Who was he employed by, because I had not heard his name before?—A. He is the Civil Assistant to the Chief Inspector of Woolwich in Canada and in the States.

Q. Oh, he is the assistant to the Chief Inspector?—A. Yes, the Civil Assistant, that is what his term is.

Q. Is he an engineer?—A. Yes, sir.

Q. And is his work at present or was it then being performed entirely in the States and Canada?—A. Yes, sir.

Q. Had he come out from England?—A. Come out from England, having been trained there on fuse inspection.

Q. Was he the Chief Inspector of yours?—A. The Chief Inspector for fuses only.

Q. That is what I mean, the Chief Inspector of your Committee for fuses?—
A. Yes, sir.

Q. And was he the Chief Inspector for anybody else for fuses in the States?
—A. Oh no, sir.

Q. Just under your—was he one of the paid officials of the Shell Committee?
A. No, sir, he was paid by the War Office.

Q. He was sent out by the War Office?—A. Yes.

Q. I want to get his status. To act as an inspector for the fuses that the Shell Committee had ordered?—A. That is right, sir.

Q. Now has he any other duties?—A. Nothing else. But I want to explain further that he is still the Inspector of the Imperial Munitions Board, but as the

[Mr. David Carnegie.]

character of the Imperial Munitions Board has changed somewhat to that of the Shell Committee, he is now paid under our administration.

Q. But at that time he was paid from England?—A. From England.

Hon. Mr. DUFF: He was the War Office Inspector?—A. Yes.

Q. For your work?—A. Yes, for fuses only.

Mr. HELLMUTH: For your work but for the War Office?—A. Yes.

Q. They did not charge that up to you on the contract?—A. No.

Q. Was he at that time inspector in the States as well?—A. Yes, sir.

Q. So his work was not confined to the work of the Shell Committee here in Canada?—A. Yes, sir, for fuses only.

Sir WILLIAM MEREDITH: They had fuses in the States.

Mr. HELLMUTH: Then let me make this clear.

Q. Was he inspecting any other fuses in the United States except those ordered by the Shell Committee in Canada?—A. No, sir.

Q. Then he was not inspecting for the War Office without it going to the Shell Committee, is that right?—A. That is right.

Q. That is what I wanted to get at. Then you had seen Mr. Brown here and had Mr. Brown at that time been down in New York inspecting the International Progress in Fuses?—A. Yes, sir.

Q. Did he make a report to you verbal or otherwise?—A. A verbal report.

Q. Can you tell me what he reported to you at that time?—A. I cannot tell you exactly what he did report but he gave a general report as to the situation, as to their progress and as to their standing.

Q. Will you let me have the Minute Book. I want to read now from the minutes of the Shell Committee of November 29, 1915, which I may say to the Commission are the last minutes of the Shell Committee before it goes out of existence. I am not going to read the whole of the minutes but I want to read this portion.

Those present at the meeting were:—

Brigadier General A. Bertram.

Lieutenant Colonel D. Carnegie.

Colonel T. Cantley.

Mr. A. F. Riddell.

Mr. E. Carnegie.

Colonel F. G. Lafferty.

And Colonel G. W. Watts.

“Colonel H. M. Elliot sat with the Committee by request.”

Who is Colonel Elliot?—A. He is now the Master General of the Ordnance of the Militia Department. General Elliot now.

Mr. NESBITT: General Elliot took General Benson's place.

Mr. HELLMUTH: An Imperial Officer.

Mr. NESBITT: Yes, in the Canadian Service.

Sir WILLIAM MEREDITH: He was in Toronto for a time.

Mr. HELLMUTH: Then this is the minutes:—

“It was moved by Thomas Cantley and seconded by E. Carnegie and carried,” although this is at the foot of the resolution, but that is the way it is put.

“Resolved that in view of the desire of the British and Canadian Government to re-organize the purchasing agency for British Munitions of War in Canada and to place it under the administrative control of the British Minister of Munitions, the Members of the Shell Committee hereby place their resignation in the hands of the Minister of Militia and Defence.

“Resolved further that all the rights and powers now vested in the Committee, together with all the moneys at the credit of the Committee be transferred to and vested in the British Government or any body appointed by that Government, provided that the Committee is at the same time relieved from all further liability and the British Government undertakes to carry out all the Committee's obligations.

“Resolved further that the present officers of the Committee be authorized to sign the necessary cheques and other documents if any required to complete the transfer.

“Moved by Colonel Cantley, seconded by Colonel Watts and resolved that the auditors prepare a report of the business to date and that a Profit and Loss Statement to date as prepared by the statistical branch be made, copies of both to be furnished to the retiring members of the Committee.”

That is marked: “Approved, Alex. Bertram, Chairman” and “George W. Watt, Secretary.”

You were apparently present at that meeting?—A. Yes, sir.

Q. How soon after that did you send in your resignation as a member of the Committee?—A. I have not done it yet, sir.

Q. You have not done it yet?—A. No, sir.

Mr. GRANT: He was not a member.

Mr. HELLMUTH: Oh yes he was. Let me get at this. You were first appointed “Ordnance Adviser”?—A. Yes, sir.

Q. And at a considerably later date you were appointed a member of the Committee?—A. Yes, sir.

Q. I did not think it worth while at the moment to show when that date was but I know that some months after I came across something that showed you had been appointed a member of the Committee, and you never resigned apparently from what you say, formally?—A. No, not formally.

Q. But you were apparently immediately thereafter appointed a member of the Imperial Munitions Board. Is that not so?—A. Yes, sir.

Q. You will remember, Messrs. Commissioners, that was the 29th of November. On the first of December, 1915, there is a letter addressed to Honorary Colonel David Carnegie, Imperial Munitions Board, Ottawa. (Exhibit 160):—

“Sir,—I have the honour to inform you that I am authorized by the Minister of Munitions to notify you that you have been appointed a member of the Imperial Munitions Board which has been constituted by him to deal with such purchases of munitions supplied as may from time to time be entrusted to it, in succession to the Shell Committee.

“All the rights and powers heretofore vested in the Shell Committee, together with all moneys at the Committee's credit, have been transferred to and vested in the Imperial Munitions Board, and the Shell Committee has been relieved from all liabilities. I am directed further by the Minister of Munitions to express to you his warm appreciation of the value to the British Government of your public-spirited acceptance of his offer of a seat on the Board. I have the honour to be, Sir, your obedient servant,

“W. L. HICHENS.”

Who was Mr. Hichens? I apologize for my ignorance.—A. Mr. Hichens came to Canada here in succession to Mr. D. A. Thomas, representing the Minister of Munitions.

Sir WILLIAM MEREDITH: How does Mr. Carnegie come to be a member of a dead body?

Mr. HELLMUTH: What is a dead body?

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: The Shell Committee. He says he is still a member.

Hon. Mr. DUFF: He never resigned.

Sir WILLIAM MEREDITH: But it has gone out of existence. It left him, he did not leave it.

Mr. HELLMUTH: That is it. He did not resign but there was no Shell Committee.

WITNESS: It was an omission on my part, sir, to send in officially my resignation to the Shell Committee.

Q. You do not mean that you claim that you have any right to hold a session as the sole corporation of the Shell Committee?—A. No, sir.

Q. Let me ask you this. Are you still a member of the Imperial Munitions Board?—A. Yes, sir.

Q. Now if I may ask you, is it the Imperial Munitions Board that your present remuneration comes from?—A. Yes, sir.

Hon. Mr. DUFF: You said you were Ordnance Adviser. Are you still that?—A. Yes, sir, still that.

Mr. NESBITT: Mr. Hellmuth, there is something we have just ascertained.

Mr. HELLMUTH: Just in regard to your personal status, have you or have you not any connection at the present time with the War Office in any other capacity?—

A. None whatever, sir.

Q. It is entirely with the Imperial Munitions Board?—A. Entirely.

Sir WILLIAM MEREDITH: He said that he still was Chief Adviser or whatever his position was.

Hon. Mr. DUFF: Ordnance Adviser.

WITNESS: Ordnance Adviser to the Imperial Munitions Board.

Mr. HELLMUTH: Then you are aware, by reason of your continued connection with the Imperial Munitions Board, of what has been done with reference to these contracts with the American and the International Fuse Company?—A. Yes, sir.

Q. Now I find an agreement as late as the 6th day of this present month, which I am going to put in:

(Exhibit 161.)

“This is a memorandum of agreement made in duplicate the 6th day of April, 1916, by and between American Ammunition Company, Incorporated, a body politic and corporate, organized and existing under the laws of the State of Virginia, having its principal office in New York City, New York, hereinafter called the Company, party of the first part, and His Britannic Majesty, the King, acting by and through the Imperial Munitions Board of Canada, represented by C. B. Gordon, of the City of Montreal, its Vice-Chairman, for the purposes hereinafter duly authorized, hereinafter called the purchaser, party of the second part.

“WHEREAS, the Company is prepared to manufacture fuses and the Purchaser is desirous of purchasing fuses from the Company on the terms herein contained.

“NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

“FIRST: The Company agrees to manufacture and sell and the Purchaser to purchase 600,000 No. 80 Mark VII loaded time and percussion fuses, in accordance with the drawings and specifications hereto attached. The Purchaser shall be entitled to make such changes in the drawings and specifications from time to time as may be necessary to meet the requirements of the British Ministry of Munitions, and adjustments of prices shall be made accordingly as such modifications and changes may increase or decrease the cost of pro-

duction. In case such changes shall necessitate a delay in manufacture, the time of allowance for such delay shall be fixed by agreement at the time of making such changes.

"SECOND: The price of said fuses shall be four and 30/100 dollars (\$4.30) per fuse, in lawful money of the United States of America in New York funds. All fuses shall be packed as hereinafter provided and shall be delivered f.o.b. at the works of the Company or of any of its sub-contractors.

"THIRD: Such fuses shall be delivered as follows:—

At least 50,000 during the month beginning June 15, 1916.

At least 100,000 during the month beginning July 15, 1916.

At least 150,000 during the month beginning August 15, 1916.

At least 150,000 during the month beginning September 15, 1916.

At least 150,000 during the month beginning October 15, 1916."

Pardon me stopping there.

Q. This is a contract in relation to 600,000 fuses outside altogether of the prior contract?—A. Yes, sir.

Q. But I find there is another agreement which must be read with this by which there was a modification of the 19th of June agreement?—A. Yes, sir.

Q. So that I want to make that clear. Then I read the fourth clause:—

"FOURTH: The purchaser shall under the direction of the Chief Inspector of Arms and Ammunition provide for the prompt examination and inspection of the fuse parts at the factories where same are manufactured, and also the fuses at the factories where same are assembled and loaded. As soon as the Company shall notify the purchaser that manufacture hereunder has advanced sufficiently to require inspection, the purchaser shall keep at all times at each of said factories an inspector or inspectors whose duty shall be to inspect all of such parts and completed fuses and to promptly inform the Company and the purchaser of the results of such inspections."

Need I read the clause about examination? I think not. You don't want me to read those clauses about examination?

"FIFTH: The Chief Inspector of Arms and Ammunition and all other inspectors appointed by him or by the purchaser shall at all times have access to the factories of the Company and of its sub-contractors, and the Company shall provide all necessary and suitable accommodations for the purposes of all inspections required at any such factories.

"SIXTH: The Company's manufacturing and inspection gauges shall be provided by the Company for the use and shall be at the service of the inspectors of the purchasers. The inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

"SEVENTH: The said fuses shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly authorized Deputy at Quebec, or at such other place or places as may be designated by him in the Dominion of Canada or in the United States of America.

"EIGHTH: Lots of fuses (other than fuses selected for proof) to be delivered hereunder shall not be delivered for shipment to the Purchaser as hereunder provided until all inspection and tests required by the Purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

"NINTH: The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized Deputies regarding the acceptance or rejection of fuses or parts thereof shall be final and binding between the parties hereto.

[Mr. David Carnegie.]

"TENTH: Payments for lots of completed fuses accepted and shipped shall be due and payable by the Purchaser to the Company seven days after the date of mailing in New York to the Purchaser at Ottawa, or at the option of the Company seven days after the delivery in New York to the agency of the Bank of Montreal in New York of invoices in triplicate properly numbered, together with bills of lading therefor and accompanied by a certificate of acceptance by the Inspector of the Purchaser.

"ELEVENTH: The Company shall be entitled at its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser to the Company hereunder, by draft, payable seven days after date, without grace, in New York funds in the City of New York. In case of the payments mentioned in paragraph Tenth hereof, such drafts shall be accompanied by the invoices and bills of lading therein mentioned, and accompanied by a certificate of acceptance by the Inspector of the Purchaser.

"TWELFTH: If the Company shall fail to deliver in any one month the quantity of fuses above described for delivery during such month, the Purchaser shall be entitled to decline to receive any pay for any and all fuses not delivered during such month, and the Company shall not be entitled to apply a surplus of deliveries tendered during any succeeding month upon arrearages during any preceding month, and it is understood and agreed that acceptance of any succeeding deliveries by the Purchaser shall not operate as a waiver of its right to refuse to accept and pay for any arrearages during any preceding month, and the total number of fuses to be delivered under this contract shall be reduced to the extent of the aggregate amount of such arrearages. *Provided, however,* that if the Purchaser shall, prior to the 25th day of any month, so require in writing, the Company shall deliver any amount of such arrearages which shall have occurred during the preceding month, and *provided further* that any fuses delivered in any month in excess of the minimum quantity specified in the foregoing schedule may be applied in reduction of any arrears in deliveries in any succeeding month or months. It is understood and agreed that the right of cancellation herein provided for shall be the Purchaser's only remedy in case of the Company's failure to deliver said fuses in accordance with the provisions of this agreement.

"THIRTEENTH: The Company shall be entitled to a time allowance equal to the amount of any time for which deliveries hereunder are delayed, when such delay is occasioned by strikes, fires, acts of God, delays in inspection caused by inspectors of the Purchaser, or other acts of the Purchaser, or other causes beyond the Company's control, but it is understood and agreed that delinquencies by sub-contractors, unless the same are caused by strikes, fires, acts of God, or by delays in inspection caused by the Purchaser, shall not be considered to be causes beyond the Company's control within the meaning of the above language.

"FOURTEENTH: This Agreement is entered into by the Purchaser on the understanding that the company in executing the terms and conditions of same, shall not knowingly interfere with existing contracts of the Purchaser or the Allies of Great Britain for the purposes of the present war.

"FIFTEENTH: The fuses are to be packed in tin-lined wooden boxes, each containing 40 fuses or such larger number as may be requested by the Purchaser, the fuses to be securely held in position to prevent their moving in the boxes during transit. Should the design of any package be prescribed by the Purchaser which can be supplied by the company at a lower cost to it than such tin-lined boxes, the difference in cost shall be paid by the Company to the Purchaser upon receipt of the purchase price of lots of fuses delivered.

"SIXTEENTH: This contract shall not be assigned by the Company either in whole or in part without the previous consent in writing of the Purchaser, but the Company may employ such sub-contractors as it may desire in connection with its performance of this agreement. Upon request of the Purchaser, the Company shall keep the Purchaser advised from time to time of such sub-contractors so employed by it.

"SEVENTEENTH: This contract shall be binding upon the successors and assigns of the respective parties hereto.

"EIGHTEENTH: This Agreement shall be construed under and governed by the laws of the State of New York.

"NINETEENTH: It is understood and agreed that in the event of the cessation of hostilities in or the termination of the present European War before the delivery of the fuses hereby contracted for has been completed, the Purchaser at its option may terminate this Agreement but in such event the Company shall be entitled to receive the unpaid purchase price of any fuses then actually manufactured and complying with the requirements of this agreement, and in addition thereto to retain or receive from the Purchaser a sum sufficient to protect the Company against its actual net expenditures and outstanding obligations made with respect to the portion of the fuses the delivery of which is so cancelled, including such actual expenditures and such outstanding obligations as shall have been made or incurred by the Company under sub-contracts, and further including such proportionate part of the actual expenditures and outstanding obligations of the Company for all new or additional buildings and equipment provided by the Company for the performance of this agreement (less the salvage value of any such buildings and equipment) as the number of fuses the delivery of which is so cancelled bears to the total number of fuses covered by this order.

"TWENTIETH: It is understood and agreed that this agreement has been executed by the parties hereto in connection with, and as part inducement for, the execution by the same parties of a modifying agreement bearing even date herewith, modifying in certain particulars an agreement between the Shell Committee of Canada (to which the Purchaser is successor) and the Company, dated June 19, 1915, which modifying agreement is to become effective only upon the conditions therein expressly set forth. It is, therefore, understood and agreed that this agreement shall not become operative, and neither party shall have any rights or obligations hereunder, unless and until the said modifying agreement bearing even date herewith shall become operative and in force pursuant to the terms thereof.

"IN WITNESS WHEREOF, the parties hereto have duly executed this agreement the day and year first above written.

AMERICAN AMMUNITION COMPANY, INCORPORATED,

By E. B. CADWELL,
President.

Attest:
(unreadable)

Secretary.

IMPERIAL MUNITIONS BOARD OF CANADA,

By
By C. B. GORDON,
Vice-Chairman.

[Mr. David Carnegie.]

COUNTY OF NEW YORK }
STATE OF NEW YORK } ss.

On this 6th day of April, 1916, before me personally came E. B. Cadwell, to me known, who, being by me duly sworn, did depose and say, that he resides in Englewood, New Jersey; that he is the President of the American Ammunition Company Incorporated, the corporation described in and which executed the foregoing instrument; that he knows the corporate seal of said corporation. That the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

GEO. N. KERR,

Notary Public No. 27, County of Bronx.

(Certificate filed in New York County No. 176).

Clause 19 about the cessation of hostilities I do not think was in the other. Clause 20 is important. I put that agreement in as (Exhibit 161).

WITNESS: May I interrupt?

Sir WILLIAM MEREDITH: The witness wants to interrupt you again.

WITNESS: May I interrupt you in that contract?

Mr. HELLMUTH: Go on, Mr. Carnegie.

A. You will observe that the contract you have just read referred to a fuse No. 80 Mark VII?

Q. Now would you mind very much—I want to have all that, when I put in the modifying agreement so that we will have the two, because I think one is hardly understandable fully without the other, and I won't forget because I was going to ask you about Mark VII, because I wanted to know what it was; will it trouble you to bottle that—if I may say so—just for a moment?—A. Not at all.

Q. I would like to put in this agreement. This is an agreement made on the same day. (Exhibit 162). I am afraid I will have to read the whole of this. This is the modifying agreement.

Sir WILLIAM MEREDITH: Is it really necessary to read all the recitals? The recital of the former agreement, that surely is not necessary.

Mr. HELLMUTH: No, my lord. They say that the parties are the same and they say the purchaser acting at that time by and through the Shell Committee. That throws some light upon that point. To which the said Imperial Munitions Board is successor, my lord.

Sir WILLIAM MEREDITH: I will have to call you to order.

Mr. HELLMUTH: Mr. Commissioner, I mean. I forget sometimes.

(Exhibit 162.)

“Memorandum of agreement, made in duplicate this 6th day of April, 1916, by and between American Ammunition Company, Incorporated, a body politic and corporate, organized and existing under the laws of the State of Virginia, having its main office in New York City, New York, hereinafter called the Company, party of the first part, and His Britannic Majesty, the King, acting by and through the Imperial Munitions Board of Canada, represented by C. B. Gordon of the City of Montreal, its Vice-Chairman, for the purposes hereinafter duly authorized, hereinafter called the Purchaser, party of the second part.

“WHEREAS, the parties hereto entered into an agreement dated June 19, 1915, (the Purchaser acting at that time by and through the Shell Committee, to which the said Imperial Munitions Board is successor) for the manufacture and sale by the Company and the purchase by the Purchaser of two million five hundred thousand (2,500,000) fuses, consisting of one million six hundred

and sixty-six thousand six hundred and sixty-six (1,666,666) No. 100 graze fuses and eight hundred and thirty three thousand three hundred and thirty four (833,334) No. 80-44 (afterwards changed to 80 Mark V) time and percussion; and

"WHEREAS, under the terms of said agreement of June 19, 1915, said fuses were to be delivered from time to time at the rate and in accordance with the schedule of deliveries therein contained, the total of said two million five hundred thousand (2,500,000) fuses to be delivered not later than April 30, 1916; and

"WHEREAS, up to and including March 31st, 1916, the Company has delivered only six hundred and fifty thousand (650,000) No. 100 fuses, and two thousand (2,000) No. 80 Mark V fuses, leaving as of April 1, 1916, one million sixteen thousand six hundred and sixty six (1,016,666) No. 100 fuses and eight hundred and thirty one thousand three hundred and thirty four (831,334) No. 80 Mark V fuses remaining to be delivered under said agreement, and the Purchaser claims that by reason thereof the Company is largely in arrears in the deliveries of said fuses under the schedule prescribed in said agreement; and

"WHEREAS, the Purchaser has notified the Company of its intention to cancel under the terms of said agreement of June 19, 1915, all fuses in arrears and of its intention to cancel all fuses not delivered under the terms of said agreement by April 30, 1916; and

"WHEREAS, the Company has requested the Purchaser to modify the schedule of deliveries contained in said contract and to accept fuses delivered after April 30, 1916; and

"WHEREAS, the Purchaser is willing to modify the said schedule of deliveries and to accept fuses delivered after April 30, 1916, to the extent hereinafter specified, but only upon the terms and conditions herein contained, including the reduction in the price of the No. 100 fuses hereinafter provided for."

I am going to stop there, because the reduction in the prices of the 100 fuses of course will come too. There does not appear to be any reduction in the price of the 80 Mark V or now 80 Mark VII perhaps. No. 80 Mark V it is.

"And whereas, the Purchaser and the Company mutually desire to provide for the application or repayment to the Purchaser by the method herein provided of the moneys heretofore advanced under said agreement of June 19, 1915, on account of the purchase price of said fuses;

"Now, therefore, this agreement witnesseth: That the parties have agreed and do hereby agree as follows:—

"FIRST: The Purchaser hereby agrees to and does hereby waive any and all rights it may have to cancel the said agreement of June 19, 1915, in respect of fuses in arrears as of April 1, 1916, under the schedule of deliveries therein contained and hereby consents and agrees that the balance of fuses remaining to be delivered under said agreement, namely, 1,016,666 No. 100 fuses and 831,334 No. 80 Mark V fuses, shall be delivered in accordance with the schedule of deliveries hereinafter contained.

"SECOND: In consideration of the agreement on the part of the Purchaser to waive its rights to cancel the arrears under said agreement of June 19, 1915, and to accept the fuses delivered in accordance with the schedule hereinafter contained, the Company hereby agrees to reduce the price for the No. 100 fuses in the said agreement specified to two dollars and thirty-four and eight-tenths cents (\$2.34-8) per fuse, and agrees to accept such reduced price per fuse for all No 100 fuses remaining to be delivered under the said agreement of June 19, 1915, in accordance with the schedule hereinafter contained.

[Mr. David Carnegie.]

"THIRD: The deliveries of the fuses remaining to be delivered under the said agreement of June 19, 1915, shall be in accordance with the following schedule:—

(a) All fuses delivered on and after the 1st day of April, 1916, shall be deemed to have been delivered under the terms of this schedule.

(b) Beginning with April 1st, 1916, the No. 100 fuses remaining to be delivered under the said agreement of June 19, shall be delivered as rapidly as possible until all such fuses have been delivered, and in any event all such fuses shall be delivered not later than August 31, 1916.

(c) The No. 80 Mark V fuses remaining to be delivered under said agreement of June 19, 1915, shall be delivered as follows:—

Not less than one hundred thousand (100,000) during the month of April, 1916.

Not less than one hundred and fifty thousand (150,000) during the month of May, 1916.

Not less than two hundred thousand (200,000) during the month of June, 1916.

Not less than two hundred thousand (200,000) during the month of July, 1916.

The balance of one hundred and eighty-one thousand three hundred and thirty-four, (181,334) on or before August 31, 1916."

That is all the deliveries of both kinds of fuses must be made by the 31st August of this year. Then,

"Any excess of deliveries of No. 80 Mark V fuses above the requirements of the foregoing schedule in any month shall be credited against and applied in reduction of any arrears in any succeeding month or months. As to No. 80 Mark V fuses undelivered during any month constituting arrears in deliveries under the foregoing schedule, the Purchaser shall be entitled at its option to consider the said agreement and order so far as it relates to such arrears, as cancelled and at an end, and shall be entitled to receive from the Company the proportionate part of the advance payments on account of the purchase price heretofore made under said agreement of June 19, 1915, to the extent hereinafter provided in Article Fourth for the repayment of such advance payments, and the Company agrees to pay such proportionate part of such advance payments immediately upon demand therefor by the Purchaser, *provided, however*, that if any of such fuses shall be entitled to reinstatement as hereinafter provided the Company shall not be required to return the advance payments in respect thereof unless and until it shall have failed to deliver such reinstated fuses in accordance with the provisions hereinafter contained.

"For every three No. 100 graze fuses undelivered under this contract, the Purchaser shall be entitled to decline to receive and pay for two No. 80 Mark V time and percussion fuses for delivery under this contract, *provided, however*, that the purchaser shall, by not later than the 15th of the month succeeding the month in which such arrears shall occur, give notice in writing to the Company of its intention to make cancellations of the 80 Mark V fuses in accordance with the foregoing provision.

"For every two No. 80 Mark V time and percussion fuses undelivered during any month, in accordance with the foregoing schedule, the Purchaser shall be entitled to receive on account of the purchase price of No. 100 fuses or of No. 80 Mark V fuses, a credit equal to One dollar and eighty-six and nine-tenths cents (\$1.86·9), to be applied on subsequent deliveries of No. 100 fuses or of No. 80 Mark V fuses, at the rate of sixty-two and three-tenths cents (\$.62·3) per fuse, until all such credit due on account of non-deliveries of No. 80 Mark V fuses in accordance with the foregoing schedule, shall have been

exhausted, it being understood and agreed, however, that the said credit shall be applied only on fuses delivered over a period of time as near at the end of contract schedule of deliveries, as the applications of such credit will exhaust the same before the delivery of the last fuses under the contract, and the Purchaser shall be entitled to such credit by virtue of short deliveries in accordance with the requirements of said schedules, irrespective of whether (a) cancellation shall have been made, or (b) the Company shall have the right under this contract to apply future excess deliveries against such shortage, or (c) the Company shall have the right under this contract to have reinstatement of such shortages.

"All No. 80 Mark V fuses in arrears because of non-deliveries for the months of April, May and June, 1916, in accordance with the requirements of the foregoing schedule or all such fuses subject to cancellation because of the non-delivery of the required proportion of No. 100 fuses, as hereinbefore provided, not to exceed for both such causes in the aggregate one hundred and fifty thousand (150,000) of such No. 80 Mark V fuses, shall be entitled to reinstatement hereunder, and the purchaser shall receive and pay for the same at the original price stipulated in the agreement of June 19, 1915. The Company shall have an additional month from August 31, 1916, within which to deliver all such No. 80 Mark V fuses entitled to reinstatement, not to exceed in the aggregate one hundred and fifty thousand (150,000), and the Purchaser shall pay for all such fuses so delivered at the original price per fuse, less the credits herein provided for. All such No. 80 Mark V fuses not delivered by the expiration of one month from said August 31, 1916, may be cancelled without any right of reinstatement.

"The company shall be entitled to a time allowance on all deliveries under this agreement equal to the amount of any time for which deliveries hereunder are delayed, when such delay is occasioned by strikes, fires, acts of God, delays in inspection caused by the inspectors of the Purchaser or other acts of the Purchaser, or other causes beyond the Company's control, but it is understood and agreed that delinquencies by sub-contractors, unless the same are caused by strikes, fires and acts of God, or by acts of the Purchaser or its inspectors, shall not be considered to be caused beyond the Company's control within the meaning of the above language.

"FOURTH: The Purchaser has already made an advance payment to the Company under the said agreement of June 19, 1916, of fifteen per cent (15%) of the total amount of the purchase price as prescribed in said agreement; the total amount of such advance payment being One million five hundred and sixty thousand dollars (\$1,560,000), of which sum Three hundred and ninety-one thousand three hundred and fifty dollars (\$391,350) has been applied and credited on the final payment of fuses delivered thereunder on or prior to March 31, 1916. No other or additional advance payments shall be made by the Purchaser under said agreement of June 19, 1915. The balance of said advance payment, to wit, the sum of One million one hundred and sixty-eight thousand six hundred and fifty dollars (\$1,168,650) shall be applied or repaid to the Purchaser until said amount shall have been fully applied or repaid as follows:

(a) There shall be credited on account of the purchase price of each No. 100 fuse, delivered and accepted, the sum of fifty-four (54) cents per fuse.

(b) There shall be credited on account of the purchase price of each No. 80 Mark V time and percussion fuse, delivered and accepted, the sum of seventy-five (75) cents per fuse.

"It is understood and agreed that the advance payments above mentioned have been made by the Purchaser to the Company for the purpose of aiding the Company in the financing of its arrangements under said agreement [Mr. David Carnegie.]

of June 19, 1915, but shall not in any way constitute an acceptance of any fuses by the Purchaser or in anywise operate to prejudice the Purchaser in any of its rights hereunder or under said agreement.

"FIFTH: The Company shall pay to the Purchaser interest at the rate of three per cent (3%) per annum upon all amounts heretofore advanced by the Purchaser under said agreement of June 19, 1915, and referred to hereunder, calculated from the respective dates of such advances to the respective dates when the same shall be applied toward final payments as herein provided. Adjustment and payment of instalments of interest shall be made monthly.

"SIXTH: This agreement is entered into by the Purchaser on the understanding that the Company, in executing the terms and conditions of the same, shall not intentionally interfere with existing contracts of the Purchaser or allies of Great Britain for the purpose of the present war.

"SEVENTH: This contract shall not be assigned by the Company, either in whole or in part, without the previous consent in writing of the Purchaser, but the Company may employ such sub-contractors as it may desire in connection with its performance of this agreement. Upon request of the Purchaser, the Company shall keep the Purchaser advised from time to time of such sub-contractors so employed by it.

"EIGHTH: This contract shall be binding upon the successors and assigns of the respective parties hereto.

"NINTH: This agreement shall be construed under and governed by the laws of the State of New York.

"TENTH: This agreement shall be regarded as amending and supplementing said agreement of June 19, 1915, which latter agreement, save and except as herein modified, shall remain in full force and effect, but it is expressly understood and agreed that this agreement shall not become operative, or have any effect notwithstanding the execution or delivery thereof, nor shall the terms of said agreement of June 19, 1915, be in any way modified by anything herein contained, unless and until, within seven (7) days from the date hereof, or within such further time as the Imperial Munitions Board may approve in writing:

"1. The Guaranty Trust Company of New York shall have consented to the making of this agreement in the form attached hereto, and shall have agreed by the execution of such consent that, to the extent therein specified, the guarantees given by the said Guaranty Trust Company of New York under date of July 7, 1915; July 30, 1915; August 20, 1915; September 20, 1915; and October 20, 1915; guaranteeing to the Shell Committee, to which the Purchaser is successor, the repayment of all moneys advanced to the Company under the agreement of June 19, 1915, and applicable to the fuses in arrears and cancelled in accordance with the terms of said agreement, shall be and continue as security for the repayment of said moneys to the Purchaser under and in accordance with the provisions of this agreement. In consideration of the execution of said consent by the Guaranty Trust Company of New York, the Purchaser agrees that the obligation of the said Guaranty Trust Company shall be reduced by the sum of two hundred and ten thousand dollars (\$210,000), which reduction, together with the amounts of said advance payments applied and credited on the deliveries of fuses under said agreement of June 19, 1915, up to and including March 31, 1916, to wit, the sum of three hundred and ninety-one thousand, three hundred and fifty dollars (\$391,350), reduces the liability of said Guaranty Trust Company on said guarantee as of April 1, 1916, to nine hundred and fifty-eight thousand, six hundred and fifty dollars (\$958,650); and the Purchaser agrees to accept the security hereinafter provided for in lieu of

the obligation of the Guaranty Trust Company of New York to such extent of two hundred and ten thousand dollars (\$210,000), and agrees that the said Guaranty Trust Company of New York shall not be held liable on any of its said guarantees to repay to the Purchaser any amounts that may become due on account of cancellations in respect of the last three hundred and eighty-eight thousand (388,000) No. 100 fuses required to be delivered under the schedule herein provided for; and

"2. The Company shall have duly assigned to the Purchaser, as security for the repayment to the Purchaser of the moneys heretofore advanced under said agreement of June 19, 1915, and applicable to the last three hundred and eighty-eight thousand (388,000) No. 100 fuses required to be delivered under the schedule herein provided for at the rate of fifty-four (54) cents per fuse in arrears and finally cancelled under the provisions of this agreement, by written instrument, approved as to form by the Purchaser or its counsel, all the right, title and interest of the Company to receive the moneys due and payable under a certain agreement dated March 29, 1916, between the American Steam Gauge & Valve Manufacturing Company, American Ammunition Company, Incorporated, and E. B. Cadwell & Company, Incorporated, which provides, among other things, for the repayment to the Company at the times and in the manner therein specified of the sum of two hundred and ten thousand dollars (\$210,000) heretofore advanced by the Company to the American Steam Gauge & Valve Manufacturing Company as an advance payment on account of certain No. 100 fuses sub-contracted to said American Steam Gauge & Valve Manufacturing Company under said agreement of June 19, 1915. The Purchaser may require that such assignment shall be made to Messrs. J. P. Morgan & Company for the purpose of more conveniently providing for the deposit under Article Eleventh hereof provided for; and

"3. The Company have assigned to the Purchaser, as part of such additional security, by instrument approved as to form by the Purchaser or its counsel, the bond in the principal amount of two hundred and ten thousand dollars (\$210,000) and conditional upon the repayment to the Company by the American Steam Gauge and Valve Manufacturing Company of the two hundred and ten thousand dollars (\$210,000) at the times and in the manner prescribed in the agreement of March 29, 1916, referred to in the preceding paragraph of this agreement, the said bond being required as a condition for the taking effect of said agreement; and

"4. The following named sub-contractors of the Company under said agreement of June 19, 1915, shall, to the satisfaction of the Purchaser or its counsel, have consented to the making of this agreement, viz:—

Oliver Typewriter Company,
R. B. Phillips Manufacturing Company,
Canadian-Detroit Lubricator Company, Limited,
Gatham Ammunition Company;

and

"5. The following named sureties on the bonds given by the said sub-contractors under the said agreement of June 19, 1915, shall to the satisfaction of the Purchaser or its counsel, have consented to the making of this agreement, viz:—

[Mr. David Carnegie.]

American Surety Company of New York,
Fidelity & Deposit Company of Maryland,
Aetna Accident & Liability Company,
New England Equitable Insurance Company,
National Surety Company,
New Amsterdam Casualty Company.

"ELEVENTH: As further security to the Purchaser for the repayment of the moneys heretofore advanced under the said agreement of June 19, 1915, applicable to the last three hundred and eighty-eight thousand (388,000) No. 100 fuses required to be delivered under the schedule herein provided for, at the rate of fifty-four (54) cents per fuse, in arrears and finally cancelled under the provisions of this agreement, the Company hereby agrees to deposit with Messrs. J. P. Morgan & Company, from time to time, sums of money equivalent to the credits allowed to the American Steam Gauge and Valve Manufacturing Company for the steel sold and delivered to the Company under the terms of the said agreement of March 29, 1916, between the American Steam Gauge and Valve Manufacturing Company, American Ammunition Company, Incorporated, and E. B. Cadwell & Company, Inc., when and as such steel shall be delivered to the Company. All moneys received by the Purchaser under the assignment in subdivision 2 of article Tenth provided for."

Sir WILLIAM MEREDITH: What does that mean?

Mr. HELLMUTH: I must turn to Article 10.

Mr. JOHNSTON: Article 10 (2).

Mr. HELLMUTH: Yes. (Reads article 10, subsection 2). That explains it; that money is to be deposited with the Morgans.

"All moneys received by the Purchaser under the assignment in subdivision 2 of article ten provided for, shall also be deposited with Messrs. J. P. Morgan & Co. as a part of such security. The said moneys shall be held by Messrs. J. P. Morgan & Co. as security to the Purchaser of as aforesaid. In case the Company shall be finally in default in the deliveries of said three hundred and eighty-eight thousand (388,000) No. 100 fuses or any of them under the schedule herein provided for and shall neglect or refuse to pay to the Purchaser the moneys advanced under the said agreement of June 19, 1915, and applicable to such fuses at the rate of 54 cents per fuse in arrears and finally cancelled in accordance with the terms hereof, the Purchaser shall be entitled to resort to such deposit and to draw the same to the extent that the Company is or may be in default, as aforesaid. The Company shall be entitled to withdraw from time to time all moneys so deposited with Messrs. J. P. Morgan & Co., at the rate of fifty-four (54) cents per fuse of said three hundred and eighty-eight thousand (388,000) No. 100 fuses, delivered and accepted by the Purchaser.

"TWELFTH: The Purchaser shall be entitled to make such changes in the drawings and specifications from time to time as may be necessary to meet the requirements of the British Ministry of Munitions, and adjustments of prices shall be made accordingly as and to the extent that such modifications and changes may increase or decrease the cost of production. In case such changes shall necessitate a delay in manufacture or delivery, a time allowance shall be made for such delay, to be fixed by agreement at the time of making such changes.

"IN WITNESS WHEREOF, the parties hereto have duly executed this agreement in duplicate the day and year first above written.

"AMERICAN AMMUNITION COMPANY, INCORPORATED.

"By E. D. CADWELL,
"President.

"[Seal.]

" Attest.

" (Signature not readable.)

His Britannic Majesty, the King, acting by the Imperial Munitions Board.

"By C. B. GORDON, -
"Vice-Chairman.

"STATE OF NEW YORK, }
"COUNTY OF NEW YORK, } ss

"On this 6th day of April, 1916, before me personally appeared E. B. Cadwell, to me known, who, being by me first duly sworn, deposes and says: That he resides in Englewood, New Jersey; that he is President of American Ammunition Company, Incorporated, the corporation described in and which executed the foregoing instrument; that he knows the corporate seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signs his name thereto by like order.

"GEO. N. KERR,

"Notary Public. No. 27, County of Bronx,

"Certificate filed in New York County, No. 176.

(Exhibit No. 162.)

"[Seal.]"

I follow it up with this which perhaps should go with it, it is a consent of the Guaranty Trust Co., of New York to the terms of this modifying agreement, and making the guarantee applicable to it.

Q. You remember that was one of the terms.

Sir WILLIAM MEREDITH: Yes.

" CONSENT OF GUARANTY TRUST CO., OF NEW YORK.

"In consideration of the obligation of the Guarantee Trust Co., of New York under its guarantees heretofore given to the Shell Committee (to which the purchaser in the annexed agreement is the successor) under dates of July 7th, 1915, July 30th, 1915, August 20th, 1915, September 20th, 1915, and October 20th, 1915, guaranteeing the repayment of \$1,560,000 advance under the agreement of June 19th, 1915, referred to in said annexed agreement, being reduced by the sum of \$210,000, which reduction, together with amounts of advance payments applied and credited under said agreement of June 19th, 1915, on the delivery of fuses up to and including March 31st, 1916, to wit: \$391,350, leaves a balance of liability on the part of said Guarantee Co. of \$958,650, and in further consideration of the said Guarantee Trust Co. being relieved from liability for the repayment to the purchaser aforesaid of any part of the money covered by the said guarantees, applicable to the last 388,000 No. 100 fuses

[Mr. David Carnegie.]

required to be delivered under the annexed agreement or any of them, at the rate of fifty-four (54) cents per fuse in arrears and cancelled in accordance with the terms thereof, said Guaranty Trust Co. hereby consents to the making of the annexed agreement and agrees that its guarantees above mentioned heretofore given to the Shell Committee, to which said purchaser is successor, will be effective and operative under the provisions of the annexed agreement, to the extent of the said balance of \$958,650, payable as in the annexed agreement provided.

Dated April 1916.

GUARANTY TRUST COMPANY OF NEW YORK.

By

.....
Vice President.

Attest:

.....
Secretary.

(Marked as Exhibit No. 163.)

Mr. HELLMUTH: I want now to understand if I can exactly what this modifying agreement plus the other agreement which I put in just before amounted to, and will you correct me if I state it wrongly; the company by the arrangement under these two agreements had the time extended for the deliveries under the contract of June 19th, 1915, until practically, they would be monthly deliveries, the 31st August of this year 1916 with a certain amount of grace even then for last delivery?—
A. Yes, sir.

Q. And the entire undelivered supplies under the June 19th, 1915, contract were to be made of both classes?—A. Yes.

Q. Contemplated the making of both?—A. Yes.

Q. The great bulk, in fact practically the entire quantity of No. 80 Mark V time fuses were yet to be delivered, have not been delivered, only a negligible quantity?—
A. Yes, sir.

Q. 2,000?—A. Yes, sir.

Q. And that balance was to be delivered at that price, \$4.50—there was no change in it?

Mr. NESBITT: No—oh yes, that is right, I beg your pardon.

Mr. HELLMUTH: The graze fuse No. 100 of which some six hundred thousand had been delivered, leaving a little over one million yet to be delivered, that million yet to be delivered was to be reduced from \$4 to \$2.34-8/10, close to \$2.35?—A. Not quite right, sir, from \$3.72½ to \$2.30.

Q. I do not understand that. The 100 graze fuse of which the American Ammunition Co. was to deliver under this contract June 19th, 1915, 1,666,666 were fixed at \$4?—A. Yes, sir.

Q. Why do you say \$3.72?—A. During the interim the price of \$4.00 was reduced to \$3.72½ by allowing the company to supply the fuses as empty, that is without the detonators.

Q. The contract called for the graze fuse with a detonator?—A. Yes, sir.

Q. And that fuse was \$4.00?—A. Yes, sir.

Q. When was the arrangement made that they would supply the fuse without the detonator, and that it should be delivered at \$3.72½?—A. One or two months later from the signing of the contract; it has not been put in.

Q. I have not come across anything of that kind?—A. No, sir, we can supply information if that is necessary.

Q. Yes, I would like to have it; will you supply me with some evidence of that arrangement?—A. Yes, sir.

Q. Then for the moment let us pass; you say the detonator was taken off the requirements of the supply?—A. Yes.

Sir WILLIAM MEREDITH: Perhaps you would ask, is the detonator to be supplied under the amended agreement?

WITNESS: No, sir.

Sir WILLIAM MEREDITH: Dispensed with entirely.—A. Yes, sir.

Hon. Mr. DUFF: That is to say these fuses under this amended agreement are what you have been calling unloaded fuses?—A. Yes, sir.

Hon. Mr. DUFF: That is the graze fuse.

Mr. HELLMUTH: Then according to you the one million odd at \$2.34 is exactly the same article as was supplied, and was to be supplied after the amendment, at \$3.72½?—A. Exactly, sir.

Q. That is right?—A. Yes.

Hon. Mr. DUFF: I ask if the change was made before any deliveries had taken place.

Mr. HELLMUTH: Was the change made before any deliveries?—A. Yes, sir.

Q. That is the change doing away with the detonator?—A. Yes, sir.

Hon. Mr. DUFF: The change from loaded to unloaded?—A. That is right.

Mr. HELLMUTH: What difference is that then in the price, let us get on, of the fuse?—A. 27½ cents.

Q. No, what is the difference between \$3.72½ and \$2.35—between \$1.37 and \$1.38 cents, that is on the million fuses?—A. Yes, sir.

Q. Is that right?—A. Yes, sir, that is right.

Q. Because you told us the detonator is worth some 27½ cents?—A. Not quite exactly that; the detonator, also the value to them of the elimination of proof, the fuses are not proved, and that means a very considerable saving.

Q. Anyway, the absence of the detonator with what follows by reason of that absence, is worth to the manufacturers?—A. 27½ cents.

Hon. Mr. DUFF: That is the difference between the making of a loaded fuse and an unloaded fuse?—A. Yes.

Mr. HELLMUTH: Graze fuse.

Mr. DUFF: Yes, speaking of graze fuse.

Mr. HELLMUTH: We then get this clear, about a saving of one million three hundred and seventy odd dollars on that round figure of a million balance, is that right?—A. Yes, sir.

Q. The other agreement is for 600,000, 80 Mark 7 fuse?—A. Yes.

Q. And the price for that in this agreement which it is stated is an inducement for him, or one is the inducement to the other, is at what price, I forget?—A. \$4.30.

Q. How does the 80 fuse Mark VII compare in price or cost with the 80 Mark V?—A. It is a cheaper fuse.

Q. Why do you say that?—A. The construction is altered. If you will bear with me I will explain. (Photograph). Here is a photograph of the fuse. There is shown here a steel body screwed into an aluminum body; that is now eliminated from the present design, from the 80 Mark VII design; the central body which is shown here as aluminum is now entirely of brass. The threads instead of being English or what we term in England as Whitworth standard thread, are mostly of the American standard. There is also another alteration which simplifies the design, round the outer portion of the fuse near the platform. These alterations would amount approximately to from 25 to 30 cents in value. If we were going to a manufacturer now and putting the design up to him as a new one and also putting the

[Mr. David Carnegie.]

80 up to him as a new thing, very likely they would say that the 80 Mark V was about \$1 difference in value.

Q. Which would be the more expensive?—A. It will be more expensive by a dollar, the 80 Mark V, that is I am saying if we were going with a new proposition to a manufacturer putting before him the two designs; but going to a manufacturer who has gone into the Mark 80 and asking him to reduce he looks at it the other way, and the value as estimated by manufacturers, and what I consider is fair, is a difference of something like 25 cents.

Q. So that you say the Mark VII 80 fuse ought to be purchased at 25 cents less per fuse than the 80 Mark V?—A. Yes, sir.

Q. That is what they are paying, \$4.30, you would put at \$4.55 if it was Mark V?—A. Yes, sir.

Q. That is your contention?—A. Yes, sir.

Q. What have you to say, or what comment have you to make then on the modification of the contract with the other contract, that is the 600,000?—A. Well, sir, we want the fuses and we knew that the company in question had the plant for the manufacture of them. We decided that instead of cancelling the contract, as it was in our power by reason of the agreement, we thought it better to negotiate with them. Hence the modification in the two agreements. To simply say you must continue on the basis of the 833,000 time fuses and the 1,666,666 No. 100 fuses on the ratio of output of 1 as to 2 was absolutely unreasonable from their point of view, and we had to meet them. It was quite clear to us that they had had difficulties almost insurmountable, they have lost, those men—I mean the Cadwell people—I think, at least three or four days ago, I have not been keeping in touch with the Imperial Munitions Board, but I think they have lost something like 13,000 fuses No. 80 Mark V and only produced 2,000—difficulties common to all manufacturers. But because we know, because we have evidence they are making good, and going to make good, because we see that the difficulties that they were beset with are being overcome, we say we want the fuses, and want you to go on. To where can we go? They are the people who have the plant, we must have the fuses; therefore we came to the decision it was the wisest thing to place an order for 600,000 to give them this encouragement.

Q. You look upon 600,000 as an encouragement?—A. Certainly, sir, they would not accept a reduction in the price of the No. 100 to \$2.30 without that consideration; the one goes with the other; just as in the case of the former contract of June 19, the one price was considered with the other price, that is the price of 833,000 at \$4.50 and the price of \$4 for the No. 100 fuse on the original contract.

Q. Let me ask just here, because I would like to ascertain, what do you say as to \$4.30 for 80 fuse Mark VII being now by itself, to an equipped factory, a fair price or not?—A. It is a fair price, sir.

Q. Is it fair on the liberal, or fair on the other side?—A. I think it is on the other side, sir; if I compare the New York prices now, \$4.65 was paid inside of two months ago for a number 85 fuse, which in my opinion is 25 cents cheaper than a No. 80 Mark V.

Hon. Mr. DUFF: How much?—A. \$4.65 was paid to a company in the States through the Morgan Company for a No. 85 fuse, American design of fuse, as fitted to an English shell.

Hon. Mr. DUFF: Is this new fuse you are dealing with in this contract still with the American tolerance?—A. Still with the American tolerance.

Q. And you say even with the American tolerance it is a more expensive fuse to make than the 85 fuse?—A. Yes sir.

Mr. JOHNSTON: What company is it?

Mr. HELLMUTH: What company is it?—A. I am sorry I cannot give you that by privilege, I fear I cannot do that. I may get over the coals for having said as much as I have done.

Mr. CARVELL: We are going to check this witness and we require the information.

Mr. NESBITT: That information will be given to you as a member of Parliament, or to the commission, but will not be made public.

Mr. CARVELL: That does not satisfy me. I am here representing the public in a sense, and I object to this.

Sir WILLIAM MEREDITH: I thought you were representing Mr. Kyte.

Mr. CARVELL: And the public.

Sir WILLIAM MEREDITH: We did not hear that before; I do not know that you have any status to appear for the public.

Mr. CARVELL: Then I say I represent the Opposition party in general and Mr. Kyte in particular.

Mr. NESBITT: Then we will give Sir Wilfrid Laurier and yourself the fullest information.

Mr. CARVELL: I object to this witness giving us the prices without giving us the data on which we can check it up.

Sir WILLIAM MEREDITH: That is only a matter that goes to the value of his evidence.

Mr. CARVELL: And I want to tell Mr. Nesbitt it is not satisfactory to give it to Sir Wilfrid Laurier and myself unless we can use it for the public.

Mr. NESBITT: And I will give it to the commission and the commission counsel.

Sir WILLIAM MEREDITH: The evidence is perfectly competent so far as it has gone; it may not amount to much if we do not get the source of the information.

Mr. NESBITT: It is secret to the War Office.

Mr. CARVELL: We want the information so that we can——

Sir WILLIAM MEREDITH: This discussion between counsel ought to cease. Counsel should address the commission.

Mr. HELLMUTH: Will you tell me in what way you have received information which you gave to me—I intended as Mr. Johnston asked, by following it up by asking from whom, in what capacity and in what manner did you receive this information which makes you now say you do not want to give the names?—A. As a member of the Imperial Munitions Board I hold in my possession a printed list with those prices, the names of the firms, the deliveries of the fuses, all of which if the War Office care to give direction can be placed before the Commissioners.

Mr. HELLMUTH: We know the source; that is all.

Q. I want to ask you about these prices because a great deal turns, necessarily must turn upon the prices, and I am not saying whether you are right or wrong, but I want to get your view; the price you paid for the 80 fuse and the price at which you gave a contract for two and a half millions of those fuses on June 19th, 1915, to the International was \$4.50 per fuse?—A. Yes, sir.

Q. What do you say in your opinion as to the value of that fuse today, what is a fair price for it to-day?—A. I am expressing my own opinion.

Q. Yes?—A. If I were offered with my own knowledge now of the manufacture of this fuse to control a factory I would not undertake that fuse under \$4.70 or \$4.60.

Q. That is to say as a factory man?—A. As a factory man, if I had to manufacture the fuses I would not be prepared to take a contract for 2½ million fuses for anything under \$4.60 or \$4.70.

Sir WILLIAM MEREDITH: Does that mean with factory equipped?

Mr. HELLMUTH: Does that mean to equip a factory or with factory equipped?—A. To equip a factory.

Hon. Mr. DUFF: He is talking of the 80 fuse?

WITNESS: I am talking about the 80 fuse.

[Mr. David Carnegie.]

Mr. HELLMUTH: Have you a contract for the time fuse with the Russell Motor Car Co.?—A. For the unloaded time fuse.

Q. I am talking of the loaded time fuse?—A. No, sir.

Q. What is the difference in price between the loaded and unloaded time fuse No. 80?—A. From \$1.25 to \$1.50, depending upon the ability to procure the correct powder in the States.

Q. That is you would put the loaded time fuse at a price in excess of the unloaded of \$1.25 to \$1.50?—A. Yes, sir.

Q. Have you any contract with the Russell Motor Car Co. for the unloaded Mark V time fuse?—A. No, sir.

Q. What have you got?—A. The contract is not completed.

Q. Are you making a contract?—A. We are.

Q. Is the price settled?—A. Yes, sir.

Q. Perhaps you can tell me what the price is?—A. \$2.75.

Mr. CARVELL: That is No. 80?—A. No. 80 Mark VII.

Mr. HELLMUTH: I said Mark V?—A. We have no contract with them or no arrangement with them for Mark V.

Mr. HELLMUTH: What is it you said?—A. \$2.75.

Q. If you add \$1.25 to that you then get a fuse at \$4.00?—A. Yes.

Q. Is not that cheaper?—A. It is certainly if we can get it.

Q. Why do you say if you can get it?—A. Because it has not been done yet.

Q. Have no fuses been made at all, these No. 80 Mark VII fuses, by any one?—A. No, sir, it was only when at the War Office during January of this year that I got them to agree to this alteration, at least I with the assistance of some other people there.

Q. Supposing that the Russell Motor Car Co. can produce a fuse Mark VII at \$2.75 unloaded, and you can get that loaded for \$1.25, which I think you put—you run between \$1.50 and \$1.25?—A. That is right.

Q. We then get that Mark VII 80 fuse for \$4, and you said that that was 25 cents cheaper than a Mark V, but putting then the Mark V we would get the Mark V for \$4.25, which would be 25 cents lower than your \$4.50 under those circumstances?—A. That is on my minimum figure of \$1.25.

Q. Of course, if we take your maximum price of \$1.50 we get them at exactly the same figure, \$4.50?—A. Yes.

Hon. Mr. DUFF: The maximum would be \$4.25, would it not?

Mr. HELLMUTH: No; you get the Mark VII fuse unfilled for \$2.75; you say at \$1.25 that amounts to \$4, but you say that Mark VII can be manufactured 25 cents cheaper than the Mark V, so if you get Mark V you have to put on 25 cents, \$4.25; that is exactly 25 cents cheaper than you were making your contracts at, and your answer to me (whether good or bad is immaterial) is, "Oh, but you take my minimum; take my maximum price at \$1.50 for the loading," and it brings it exactly to \$4.50.

Hon. Mr. DUFF: I thought you were dealing with Mark VII?

Mr. HELLMUTH: Yes, but one was left, the Mark V was left.

Q. We get at all events, assuming that the Russell turn out a perfectly sound article, as we all hope they will, then we get a possibility according to you of having a fuse which is equivalent we will say now to Mark V, because this was what this company got, between \$4.25 and \$4.50, is not that it?—A. That is what we are aiming at.

Sir WILLIAM MEREDITH: Will you ask him if the plant that the Russell Company has for the 100 would be useful for the making of the 85, or would they have to provide entirely new plant?

Mr. HELLMUTH: Will the Russell Company in that contract they are negotiating and contemplating making with you be able to use the plant that they have already installed for the 100 fuses for the manufacture of this new 80 Mark VII fuse?—A. Only a part of the plant.

Q. A part is not really quite enough; what proportion of the entire plant?—A. I could not say exactly, but let me just mention—

Q. Would it be half or more?—A. It would not be half.

Q. They would not be able to use half their plant?—A. No.

Q. Perhaps you can give me a little information in regard to any company that manufactures both; were you down at the American Ammunition Company's plant; have you seen it?—A. Oh yes, sir.

Q. How recently?—A. They have a large loading plant where the fuses are shipped, at least the component parts of the fuses. I am speaking of the time fuse now. The component parts of the time fuse are shipped to the loading plant and there loaded and assembled, so that the loading plant in a measure is distinct from the plant where the component parts are manufactured.

Q. But do they load the graze fuse?—A. No, sir.

Q. That is not loaded?—A. That is not loaded.

Q. In the manufacturing plants where the mechanical work is done for the time fuse, is the mechanical work done in those plants for the graze fuse? They have various factories, I understand?—A. Yes, sir. I cannot just say that in each case. I have not been over any plant where they are making at the same time the component parts of the No. 80 and the component parts of the No. 100.

Q. That is what I want to know. You have not been in any?—A. No.

Q. How many plants have you visited?—A. I have not visited very many. I cannot tell you exactly the number.

Sir WILLIAM MEREDITH: Do it mentally; you need not count them out aloud. Look them over, and tell us the result.

WITNESS: About half a dozen, sir.

Mr. HELLMUTH: And in those half dozen you say you have not found the same factory manufacturing both?—A. No, sir.

Sir WILLIAM MEREDITH: Do you mean, the same factory, or a branch factory?—A. The same branch factory. In one factory under the control of the one company there were the two parts being done, but under different control.

Mr. HELLMUTH: Under different control you say?—A. Under different control.

Q. With different gangs?—A. Yes.

Q. And with different machinery?—A. With different machinery.

Q. Have the American Ammunition Company any plants at all?—A. Yes, sir.

Q. What have they?—A. They have a loading plant at Paulsboro.

Q. But for the mechanical parts.—A. That I cannot say. I am not quite sure about that, I am not quite sure about the mechanical parts.

Q. What plants do you mean?—A. The loading plant.

Q. But the mechanical plant, where the parts are being made of the two kinds of fuses.—A. They are sub-contractors, sub-contractors of the main contractor. The two main contractors, the International Arms & Fuse Company and the American Arms & Ammunition Company, both of which have sub-let parts, the component parts for the manufacturer with other contractors, and they have these sent to their loading plants. Take the International Arms at Bloomfield, and in the case of the American Ammunition Company at Paulsboro—

Q. Just here I would like to follow those up, because you have seen them; what loading plant, first of all, has the American Ammunition Company; where is that?—A. It is in Paulsboro, Delaware.

Q. Have you been there?—A. Yes, sir.

Q. Can you give me any estimate of the size of that plant?—A. Yes, sir.

[Mr. David Carnegie.]

Q. And the cost?—A. I cannot give you the cost, but it is equipped for something like from 8,000 to 10,000 fuses per day, when it gets up to its capacity.

Q. Were you there when the plant was in operation at all?—A. No, sir.

Q. It is a loading plant?—A. It is a loading plant.

Q. But you can give me no information as to what number of people are employed there; I do not want any hearsay about it?—A. No, I cannot.

Q. You have not been there yourself or seen it?—A. No, not since it commenced operations. I was there just before it commenced operations.

Q. What you could tell us is only what somebody else has told you, and we do not want that; we will get that direct. Can you give me any idea of the size of the plant, the number of feet it covers, and so on?—A. Yes. I should say it is a building of from 300 to 400 feet long and about 150 feet wide. I am speaking now from memory. It is a very large building, and is well equipped. I saw it just before going to England.

Q. Is there much machinery required in a plant of that kind?—A. Yes sir, loading presses for the loading of the time rings, each press being in a separate building, or annexed to the main building. Then there are machines for the priming of the time rings after they have been loaded.

Q. Then there is some mechanical work done there—is that right?—A. Yes sir.

Q. In a loading plant?—A. Yes sir.

Q. I have no doubt that before we have finished we will be able to get someone who is able to describe what that particular plant was.

Sir WILLIAM MEREDITH: Didn't you say that \$1.25 to \$1.50 was the cost of loading each fuse?—A. Yes, sir.

Q. How much of that would be represented by the powder?—A. A very small portion.

Mr. HELLMUTH: A few cents for each fuse?—A. I could not venture even that; I don't know it would be that.

Mr. NESBITT: Infinitesimal, I suppose?—A. Perhaps so.

Mr. HELLMUTH: If you have not told me yet, you may perhaps be able to tell me who are the sub-contractors of the plants you saw of the American Ammunition Company; I want to know who these people are, because we may have to have some of them here?—A. I think I can get a list. I do not know that it is corrected to date. There is the Oliver Typewriter Company for one.

Q. Where is that?—A. At Woodstock.

Q. Woodstock where?—A. Woodstock, Illinois.

Q. Have you seen that plant?—A. No, sir.

Q. Then you know nothing about it—may I put it that way?—A. I know something about it, but I have not seen it.

Q. You have not inspected it?—A. No, I have had reports about it.

Q. What is the next?—A. The Canadian-Detroit Lubricator Company, of Walkerville, Ontario.

Q. Have you seen that?—A. No, sir.

Q. Do you know what part of the fuse is manufactured in these various factories you are now naming to me, which of the parts manufactured in each factory?—A. I have had that detailed to me, but I cannot remember now.

Q. Give me the next one?—A. The American Steel Gauge and Valve Company, Boston, Mass.

Q. Have you seen that?—A. Yes.

Q. What sort of factory is that?—A. A very good factory.

Q. How recently have you seen it?—A. I think it was in December, 1915.

Q. Is that a large or a small concern?—A. It is a large concern.

Q. Go on to the next?—A. The Barnes Gear Company of Oswego, N.Y.

Q. Have you seen that?—A. No, sir.

Mr. NESBITT: Far be it from me to make any objection, Messrs. Commissioners, but I suppose you have heard of Germany desiring to get exact information as to where contracts are being carried out?

Mr. HELLMUTH: I think this is unnecessary.

Mr. NESBITT: It is not necessary. I think you will find two gentlemen in this room, not connected with the Canadian public, taking very full notes of these proceedings. If it can do any possible good, go ahead. I know what I am talking about in other matters, not anything to do with this. This kind of information may lead to a blow-up at any time. At any minute they can put a dynamite stick in, and then there will be an end to getting shells.

However, if it can do any good, go ahead.

Mr. HELLMUTH: At all events, you have given me the names of some of these companies; you do understand that the American Ammunition Company, so far as the mechanical parts are concerned, are having those made by sub-contractors?—A. Yes sir, and I will give you the number of them under that company; there are 10.

Q. Ten sub-contractors who are performing the work on certain parts of the fuse?

Sir WILLIAM MEREDITH: Is it really essential to follow this up? The Munitions Board is not at all attacked, as I understand. It has been taken as an additional contract of 600,000. Isn't that the best recommendation of the concern? That is the way it appears to me at the moment.

Mr. JOHNSTON: I do not know that I should intervene in any way, but the position I have to express myself in regard to is this: the contracts and the transactions with which this Commission is concerned were no doubt under the Shell Committee; and only, to the extent perhaps to which it is necessary to elucidate matters in connection with the Shell Committee might it be necessary to go into the present constitution. I have not heard any attack upon the members of the Imperial Board.

Sir WILLIAM MEREDITH: I thought if its action was unchallenged it might be taken for granted that they had made the proper inquiries before entering into this contract.

Mr. JOHNSTON: Those inquiries resulted apparently in a reduction in price at all events.

Sir WILLIAM MEREDITH: And an increase in the quantities. If there is anything that will shorten this inquiry without impairing its efficiency, I would like it.

Mr. JOHNSTON: If there is anything I can discover or can learn in regard to the actions of the present Imperial Munitions Board, I will give the information to my learned friend. If there is nothing, he may assume that there is no attack made upon Mr. Flavelle and his colleagues on that Board.

Mr. HELLMUTH: My learned friend cannot put it in just that way. One of Mr. Flavelle's colleagues is the witness now in the box.

Sir WILLIAM MEREDITH: Perhaps Mr. Johnston does not attack him?

Mr. HELLMUTH: I am not here to defend Mr. Carnegie; but if my learned friend is not going to attack him as one of the members of the Board, he might fairly say so.

Sir WILLIAM MEREDITH: He is so strengthened by his colleagues that he is a negligible quantity.

Mr. JOHNSTON: He is liable to be attacked in his official position. But I feel confident that since he came under Mr. Flavelle's control he may have seen the error of his ways.

If I do suggest anything, I will do it within a short time.

[Mr. David Carnegie.]

Mr. HELLMUTH: I do not suppose in one sense that this commission could impeach the transactions of the Imperial Board?

Sir WILLIAM MEREDITH: Do not be too sure about what this commission can impeach.

Mr. HELLMUTH: However, Mr. Carnegie, as I understand you the American Ammunition Company have themselves only the loading and the performance of such work as you say on the completed shell would cost or add to its price from \$1.25 to \$1.50; that is, what the Company does do apart from these subcontractors?—A. Not exactly. They have in addition to that a factory controlled by themselves and under their name, at Worcester, Mass.

Q. What is it, a manufacturing company?—A. Yes sir, a manufacturing company.

Q. They have one manufacturing company and the loading plant of their own, apart from the subcontractors?—A. I am inclined to think that they have more, although I am not sure of that. I can make quite sure of it.

Q. I would like you to do that?—A. All right, sir.

Hon. Mr. DUFF: Is that for the production of the fuses?—A. That is for the production of the component parts of fuses, sir.

Mr. HELLMUTH: Q. Now, let me ask you in regard to the International Company. I find no extension agreements such as has been produced in regard to the American Ammunition Company; were there any such?—A. No, sir. I say no with hesitancy, because they are under consideration.

Mr. HELLMUTH: I am asked, Messrs. Commissioners, to mention that in regard to the Monday sitting of the commission, there are a number who cannot get back to Ottawa until between 11 and 12 o'clock.

Sir WILLIAM MEREDITH: What is your suggestion?

Mr. HELLMUTH: Instead of meeting at 2.30, we could meet at 2 o'clock on Monday, or immediately after lunch.

Sir WILLIAM MEREDITH: We may as well go the whole way, and meet at half past two.

Mr. NESBITT: But why do that?

Mr. HELLMUTH: They say there are a number who cannot get here in time, and I am considering the convenience of those who cannot. They say they can get here for an hour or so, if you think it worth while.

Sir WILLIAM MEREDITH: I fancy my colleague and myself will do whatever suits counsel, if you can agree.

Mr. HELLMUTH: It makes no difference to me, because I have to be here in the morning by nine o'clock. I am quite willing to do whatever anybody else wishes.

(Counsel confer.)

Mr. HELLMUTH: Well, as the Commissioners may say, either 2 o'clock or 2.30.

Sir WILLIAM MEREDITH: Whatever you say.

Mr. HELLMUTH: Then we will say 2.30.

Sir WILLIAM MEREDITH: What about sitting later?

Mr. HELLMUTH: I should think we might sit for three hours,—2.30 to 5.30.

Mr. JOHNSTON: How long will it be before you are through?

Mr. HELLMUTH: I have not taken the Edwards Valve Company yet. I am practically finished.

Mr. JOHNSTON: You will be most of the afternoon?

Mr. HELLMUTH: I will take the greater part of the afternoon.

Sir WILLIAM MEREDITH: There are two other contracts.

Mr. HELLMUTH: There is only one. I am told there was no picric acid contract. The terms of the Order in Council are that if you find there was such a contract you are to investigate it.

Sir WILLIAM MEREDITH: Perhaps counsel had better agree, if that is so, that there was no contract.

Mr. HELLMUTH: I will show Mr. Johnston what I have got.

Sir WILLIAM MEREDITH: Of course, it is very important that this inquiry should not be prolonged a minute longer than is absolutely necessary. Gentlemen occupying important positions are being detained here away from their duties which they ought to be performing elsewhere. Is there any way in which their part of the inquiry can be severed and they be permitted to go?

Mr. JOHNSTON: There is no occasion for a lot of these witnesses being here at all.

Mr. HELLMUTH: Of course, this witness has taken a very much greater time I assume than any other witness will take, naturally, because we have gone over the whole map; but I should think by next week we ought to have got through most of the witnesses whose time is of great importance, and the others, the New York witnesses, all say they will come on telegraphic notice. There are some important gentlemen from there whose time is valuable too, but I think I can safely say that the General and General Bertram will be called practically almost at once. I propose to call General Bertram immediately after Mr. Carnegie, and then I would be very glad to call the General, following General Bertram, after we have got the minutes in.

General Sir SAM HUGHES: I purpose remaining here to see whatever is going on. Make no mistake about that.

Mr. HELLMUTH: I thought you would like to be called at that stage.

General Sir SAM HUGHES: I am not particular when I am called.

Mr. HELLMUTH: Messrs. Commissioners, Mr. Atwater says he does not want me to go on with the International. I was going on, but it would not be fair in his absence.

Sir WILLIAM MEREDITH: Now, do you mean?

Mr. HELLMUTH: He is going to catch a train. I can go on with some other matters; I will not take that then.

Mr. ATWATER: Thank you very much.

Hon. Mr. NESBITT: Mr. Hellmuth, there is a matter I want to draw the attention of the reporter to. At page 30 of yesterday's report you have got this witness signing a document instead of signing as a witness.

Mr. HELLMUTH: I see, D. Carnegie. The first name should have been signed as a witness instead of on the top.

Mr. GRANT: It is a printer's error.

Sir WILLIAM MEREDITH: Is it proposed that a witness may go over his evidence and correct any manifest errors that he finds there?

Mr. HELLMUTH: I should think that would be fair, Mr. Commissioner.

Sir WILLIAM MEREDITH: How is the printing? I understood the type would be held.

Mr. NESBITT: I do not want you to think I was talking what may be called "hot air." The censor has absolutely stopped newspapers publishing anything about the factories operating on munitions. At the time of the nickel inquiry we employed ninety-eight special constables to protect the works. It is not that the Germans do not know, but local cranks may get excited. The greatest care ought to be exercised.

Mr. HELLMUTH: Mr. Carnegie, if you would kindly look over—you have been the only witness so far—the printed record of your evidence, and where there is a typographical error or an obvious error in any answer I would like you when you
[Mr. David Carnegie.]

come back here on Monday afternoon at 2.30 to point out before the Commissioners what the error is. We are told that this report that is coming out is an unrevised report. You understand, you are not to change the evidence, but to point out any typographical or manifest errors?—A. Yes, I understand that, sir.

Q. I have got to ask you about the International, but as Mr. Atwater is leaving I am going to defer that until Monday. I want to ask you now in regard to these fuse contracts first of all. Have you found any correspondence or anything going to show that you had negotiations with anybody else than the parties that have already been mentioned here for fuses?—A. No, sir.

Q. You cannot bring to mind anybody else?—A. In relation to the two specific contracts?

Q. No, no. In relation to the manufacture of fuses, any tentative or other kind of proposition put before you beyond those which you have given to us here —A. You are referring, sir, at the time in question. I presume?

Q. Now, again, can you tell me whether there are any such papers. If there are will you produce them?—A. Certainly, sir.

Mr. NESBITT: Mr. Hellmuth, he asked you, "At the time in question?" Do not let us get wandering about some time long afterwards.

Mr. HELLMUTH: Prior to the 19th of June, in fact prior to the 25th of May, if there is anything between the 25th of May and the 19th of June, such as the Russell matter, going into various stages, I want that; but I do not want anything after the contracts were signed on the 19th of June unless it is something very material I mean; but any sort of proposals, definite or indefinite, in regard to the manufacture of fuses between about the 19th of March and June the 19th, during those months, I would like to have them. You understand?—A. I will have that looked out, although it means keeping me from church on Sunday.

Mr. JOHNSTON: That won't hurt the church any.

Mr. HELLMUTH: Now, subject to what you may produce there, you have covered —because I want you to understand this, Mr. Carnegie, and I want you to give me your attention—subject to what you may produce there, you have covered and given to this Commission all the different parties with whom you had negotiations in regard to these fuses, time or graze?—A. Yes, sir; freely, fully, everything.

Q. I do not know, I am not saying whether freely or fully, you have done it at all events?—A. Yes, sir.

Q. There is one matter now I want to ask you. In your negotiations with the American Ammunition Company—and by that I mean your negotiations with Cadwell, Yoakum, Allison, Bassick, or anybody else that spoke for or on behalf of them—when did you first hear of a commission to be paid to any one?—A. On the 28th day of March in *Hansard* when I read it there.

Mr. EWART: What year?—A. 1916.

Mr. HELLMUTH: I asked you when you first heard of a commission what, if anything, and when was the subject of any commission or remuneration to any of the parties connected with the American Ammunition Company—and by that I do not want you to get to the legal incorporators, but the parties who either promoted or brought you in connection with it, or in any way were concerned with it—what was said to you in regard to any remuneration or commission at or about the time when you were in New York and prior to the 19th June?—A. Nothing whatever, sir, absolutely.

Q. After the 19th June, after the contract was made, what, if anything, was mentioned or stated to you by any of the parties in regard to commission or remuneration for any one?—A. Nothing whatever.

Q. Do you say you never knew or heard or were approached in any way by anyone in regard to remuneration or commission?—A. Never.

Q. I am speaking entirely of the American Ammunition and, without offence, those who composed the crowd, if I may use that word, who went to make it up or promoted it?—A. Never, no one.

Sir WILLIAM MEREDITH: Will you add to that suspect?

Mr. HELLMUTH: When did you suspect, or did you suspect that any commission was being paid?—A. I never suspected that any commission was being paid.

Q. Did you suspect that Mr. Yoakum was getting a commission?—A. I did not.

Q. That Mr. Cadwell was getting a commission?—A. I did not.

Q. That Colonel Allison was getting a commission?—A. I did not.

Q. That Mr. Bassick was getting a commission?—A. I did not.

Q. That a Mr. Lignanti—did you meet a Mr. Lignanti?—A. Never met the gentleman.

Q. Can you throw any light, and, if so, I want all of it, please, upon the payment to anyone outside of the purchase payment to the American Ammunition Company?—A. No light whatever.

Mr. HELLMUTH: I think, Messrs. Commissioners, it would be hardly worth while to start the Edwards Valve Company. I have to ask about the International, but on account of Mr. Atwater's absence I must leave that over until Monday.

Sir WILLIAM MEREDITH: Monday at half past two.

Mr. HELLMUTH: We will sit until half past five?

Sir WILLIAM MEREDITH: I think you ought to sit until the evening.

(At 5 p.m. Friday, April 28, adjourned to 2.30 p.m. Monday, May 1, 1916.)



ROYAL COMMISSION.

FIFTH DAY.

OTTAWA, May 1, 1916.

Mr. HELLMUTH: Before proceeding with the examination of Col. Carnegie, I desire to mention to you that apparently from what has appeared in some of the newspapers a misconception has arisen in regard to the statement I attempted to make of the position of the Shell Committee, or of the members of the Shell Committee, in regard to the contracts in question and contracts generally. I endeavoured to say that the War Office in England had treated the manufacturing members of the Shell Committee as contractors, and I have nothing to retract in regard to that statement.

Sir WILLIAM MEREDITH: With whom?

Mr. HELLMUTH: Contractors with themselves.

Sir WILLIAM MEREDITH: Does that mean with the Imperial authorities?

Mr. HELLMUTH: With the Imperial authorities; and what they did do was that while the price for every article of munitions supplied to them was either initiated from England, or, if initiated from this side, was modified and then accepted, or accepted in England. From the cables it is quite clear that not a single supply from this side went to the other side or was accepted until the War Office themselves had been satisfied as to the price, and it was after that had been done that they directed that formal contracts should be prepared; and the contracts, instead of being direct to the Secretary of State for War, were made with General Sir Sam Hughes representing the Secretary of State for War, that is to say, he was the person named to accept them on behalf of the War Office. There is no question that in that regard—I am not saying at all what was done here—but in that regard he was the nominee of the War Office to simply represent the Secretary of State for War. Every contract, as far as I can find, was settled, every order was settled by cables passing between "Militia" and "Troopers," and it was not until after the War Office was satisfied—in what way of course is immaterial—as to the price that any firm order was given and any contract was entered into; so that the contracts qua contracts were really between the War Office in England and these four members of the Shell Committee who were manufacturers, the other members having nothing to do with it. That is as it appears from the papers so far put in, and any papers I have seen since, and I have seen some since.

Now, as to another matter, it was stated in some of the newspapers that on the 1st July, while Mr. D. A. Thomas was on the Atlantic, the Shell Committee closed contracts for some one hundred and forty-eight million dollars worth of goods. That

was incorrect, because while the contract, the formal contract with these four contractors and General Sir Sam Hughes representing the Secretary of State for War, was dated on the 1st July, it was not signed till the 26th August, but it contained contracts that had been made long before the 1st July, after the 20th October in fact, they were summarized in that contract—I mean the contracts had been made by cable, and the formal contract covered contracts which had been made between that date; I mean they were not contracts made on the 1st July. I think I ought to mention those two matters, because it appeared as though what I had said about them was something which I am afraid as it appeared in the papers I could not substantiate.

Sir WILLIAM MEREDITH: Is it proposed at any stage of the inquiry to show what authority Major General Hughes had from the War Department, how it was conveyed?

Mr. HELLMUTH: I assume we will have to get that from the General himself.

Sir WILLIAM MEREDITH: That link will be supplied at some stage.

Mr. HELLMUTH: We will endeavour to do so.

Mr. EWART: The General will be in the witness box.

Mr. HELLMUTH: Of course.

Mr. NESBITT: There is a little misapprehension as to the criticism I made the other day.

Sir WILLIAM MEREDITH: I did not know that you criticised anybody except the newspaper reporters.

Mr. NESBITT: This was as to the King's Printer. You may remember I drew attention to the fact that Mr. D. Carnegie's name should have been attached as a witness instead of one of the contracting parties. They were a little sensitive apparently that the printers were being criticised, and I desire to say I have gone over every line of the evidence and it is remarkable how well they have done during the session of the House in the few errors that have appeared in the print.

Sir WILLIAM MEREDITH: I think your apology will be accepted in the proper quarter.

DAVID CARNEGIE (examination continued).

By Mr. Hellmuth:

Messrs. Commissioners, since the adjournment on Friday I have had a number of documents that I asked should be supplied as we went along furnished to me, and I have also had a very large number of other documents handed to me that have been, perhaps I might say, dug up, because I believe there are a great many in that room where these documents are kept. I have gone over a number of them, and those that seem to have any bearing on this question I desire to put in, although I am free to confess a great many of them seem to have a very slight bearing, but there is an immense volume of matter I will be really very glad my learned friend should see it, but it really has no bearing so far as I can see on this question, and a great deal of it is simply making arrangements for meetings of parties who are only incidentally touched in this matter. However, I have some that I want to put in.

Sir WILLIAM MEREDITH: If I recollect right there were two telegrams going to be annexed to some exhibit that has gone in.

Mr. HELLMUTH: Yes, I have got some of those. The first document is a document dated January 14, 1915, a telegram from General Bertram to Mr. Carnegie who was in London, England; and I put in through Mr. Carnegie a cablegram from England from Troopers about the offer that was made, and it was shown that that offer was made verbally, and that Mr. Carnegie had made it to the War Office on the strength of a cable that he had received—

Mr. GRANT: That is referring to Exhibit 32.

[Mr. David Carnegie.]

Mr. HELLMUTH: This is the cablegram:

"MONTREAL, Jan. 14-15.

"Carnebros,
" London.

"Prepared to supply one hundred thousand monthly additional eighteen pounder fixed ammunition without fuses, commencing 1st April for six months with three months' notice to stop. Ten thousand shipped to date.

(Marked as Exhibit No. 164.)

"BERTRAM."

Mr. HELLMUTH: These are supplying the missing links, so to speak, that we had not all the correspondence. The next is a letter of the 20th February, 1915, from Mr. Carnegie to Mr. Fred Nicholls. A good deal of correspondence went in between Nicholls and Carnegie, but this was apparently more or less an open letter, and I am putting in the original, at least when I say original it is the one from the files:—

THE MILITIA COUNCIL.

OTTAWA, 20th February, 1915.

Colonel FRED NICHOLLS,
Canadian General Electric,
Toronto, Ont.

DEAR COLONEL NICHOLLS,

I have discussed the question of fuse manufacture in this country with the Minister of Militia and Defence and he is of the opinion that you should reconsider your decision and if possible start manufacturing fuses at Peterborough. This question arose on my suggestion that he should sanction the manufacture of an experimental order at the Dominion Arsenal. He does not favour this so much as having the work done at your factory in Peterborough.

I believe General Hughes would be quite willing to give permission for one of your operators to visit one of the factories in England where fuses are made so that he may get the experience necessary in the details of manufacture. I hope you will give this matter your further consideration as I am most anxious to see fuses manufactured in Canada.

I am off to Washington to-night and will not be back until Tuesday when I expect to have a further conversation with General Hughes on the subject. Perhaps you could drop me a line to say whether you are willing to reconsider the matter. I shall be at the Chateau Laurier, Ottawa.

Sincerely yours,

(Marked as Exhibit 165.)

D. CARNEGIE.

Mr. GRANT: That is referred to in Exhibit 36.

Mr. HELLMUTH: The next is a telegram from Montreal on the 21st April, 1915, addressed to P. Hanson, "For Director Army Contracts, London, Eng." and is signed "Shell Committee": "Please send specification front sheet four point five regarding sealed drawing and firing proof pressure also specification for cordite N.D. size two and one-quarter and four and one-quarter also for filling four point five howitzer cartridge and supply of this size cordite standard also specification to govern testing of lyddite and T.N.T."

(Marked as Exhibit No. 166.)

That was asked for because that telegram was referred to in something else. Then you may remember that the Scovill Manufacturing Co. were spoken of as parties who were obligated to the Bethlehem Steel Co. for a supply, and the question was

whether they would take up the fuse for the Shell Committee. Mr. Carnegie saw them and there were some telegrams or letters that were not available then which have been hunted up since. This is a telegram of May 5th to John Goss, Messrs. Scovill Manufacturing Co., Waterbury, Connecticut, from General Bertram, Shell Committee. "Kindly wire if you can undertake fuses as discussed with Carnegie." (Market as Exhibit No. 167.)

Then in answer to that on the same day, May 5, to General Bertram, Shell Committee, Montreal, Quebec:—

"Our customer insists on our full capacity for fuses. We will therefore be unable to consider Carnegie's proposition further.

(Marked as Exhibit No. 168.) "SCOVILL MANUFACTURING COMPANY,
"J. H. Goss, *General Supt.*"

I might say in regard to that—this will serve as an illustration—there are letters confirming these telegrams and I am not putting them in, because I could go on—I am willing to show them, but they just confirm these, and it would simply encumber the record it seems to me.

Then there is a telegram which I had not seen before, from Thomas J. Ryan to Col. Carnegie, dated New York, May 19, 1915. That telegram is referred to in one of the letters. The letter is in in which the telegram is set out.

Mr. GRANT: It is referred to in Exhibit 67.

Mr. HELLMUTH: The telegram is:—

"NEW YORK, 19th May, 1915.

"Col. CARNEGIE,
"Chateau Laurier,
"Ottawa, Ont.

"If can confine order to English Number eighty will furnish one million at four sixty delivering three thousand daily within sixty days, five thousand daily within ninety days, ten thousand daily within four months, fifteen thousand daily within five months may possibly double quantity and deliveries will furnish bond for fulfilment contract must have immediate acceptance of proposition.

"7.20 a.m.

THOS. J. RYAN."

(Marked as Exhibit No. 169.)

I come to a telegram that I considered was somewhat important and that is the telegram of May 25 and I have now a copy that was received, or which they state was received and I am going to put that original copy in. It is on the Canadian Pacific Railway Company's Telegram form.

"TORONTO, Ont., May 25-15.

"General BERTRAM,
"Shell Committee, Ottawa, Ont.

"Mr. Harris and I will be in Ottawa Wednesday to submit our proposition *re* fuses.

(Marked as Exhibit No. 170.)

Sir WILLIAM MEREDITH: That is connected with Exhibit 77.

Mr. HELLMUTH: Then I have the answer to that, on May 25, the same date. I have now the copy which was struck off, so I am advised, and found on the files of the Shell Committee. It does not show what hour on that date it was sent off, although the other coming from the telegraph office would show, and no doubt when Mr. Russell [Mr. David Carnegie.]

appears here he can tell what hour it was received in Toronto, but it apparently is in answer to the telegram which I have just put in.

“OTTAWA, Ont., May 25, 1915.

“T. A. RUSSELL,
“Russell Motor Car Company,
“Toronto, Ont.
“Please defer visit until you hear from us.

“SHELL COMMITTEE.”

(Marked as Exhibit No. 171.)

Those telegrams have both been referred to already in the correspondence, but the question was when were they sent.

There is quite a jump from that date. The next document is a letter dated August 26, 1915, evidently sent—there is no signature to it, but it is quite plain that it was sent on behalf of the Shell Committee, or the manufacturers who were on the Shell Committee. The letter is addressed to P. Hanson, Esq., Director of Munitions, War Office, London, England, and, as is obvious, contained the contract of the first of July, 1915:—

“Sir,—We send you, under separate cover, agreement dated July 1, 1915, duly signed, covering the contracts received from the War Office by cable, copies of which are set forth in schedule attached to agreement.”

That bears out Messrs. Commissioners, what I said at the opening, that it covered the formal orders by cable.

“We also send one complete set of drawings and specifications relating to the contracts. We regret that there has been so much delay in forwarding these.

“With reference to the contracts we have received, we shall be obliged, if you will forward to us the official contract number against each order, as we find that the Chief Inspector at Woolwich has marked specifications and drawings supplied with certain contract numbers to which we would like to have your confirmation.

“We have the honour to be, sir,

(Marked Exhibit 172.)

“Your obedient servants.”

Q. Can you tell me, Mr. Carnegie, whether you were here when that letter was sent?—A. Yes, sir, I was.

Q. Can you tell me who signed it—because it says, “We have the honour to be your obedient servants,” but no names given?—A. I believe it was signed by General Bertram; also, I think, it was dictated by myself.

Q. It should have been “servant.” Why say “servants”?—A. I did not know whether all the members of the Shell Committee had signed it or not.

The next is a telegram dated June 11, 1915, from D. Carnegie, Shell Committee, Ottawa, to T. A. Russell, Russell Motor Car Works, Toronto, Ont.:—

“We have specification number one hundred fuse but are waiting confirmation from England regarding its correctness before issuing same. Will mail copies as soon as possible.”

(Marked Exhibit 173.)

Then I have a cable—I do not think I have an answer to it, although obviously there must have been a reply, on account of what occurred afterwards, but I am asking them to look it up.

This cable is dated at Ottawa, September 3, 1915, from Militia to Troopers, London, England:—

"641 cipher. Manufacturers making No. 100 fuses will reduce price 27½ cents each if we will accept fuses without percussion detonator and eliminate firing proof. Do you agree?"

(Marked Exhibit 174.)

You will remember, Messrs. Commissioners, that Mr. Carnegie spoke about a reduction of 27½ cents. I am instructed that there was a cable agreeing to that, and I am asking that it be found.

I think this is also a proper matter to lay before the Commission. It is a report from J. Brooks.

Q. What is Mr. Brooks position?—A. He is our fuse man, sir.

Q. Mr. Brooks is a fuse expert man I call him that?—A. He is; he is taking charge of our fuse work.

Q. Attending to the fuse work?—A. Attending to the fuse work.

Q. For the Shell Committee?—A. For the Shell Committee, sir.

Mr. HELLMUTH: This is a report from J. Brooks to Colonel Carnegie, of a visit made from October 6th to October 11, 1915, as to what he found in regard to those companies, the International Arms and Fuse Company and the American Ammunition Company, and the progress of the work over there.

Sir WILLIAM MEREDITH: What is the date of the report

Mr. HELLMUTH: The report itself has no date, sir, but it says:—

"To Colonel Carnegie from J. Brooks.

"Report of visit October 6 to 11, 1915, made to the United States to examine the progress being made on two contracts for fuses placed with the International Arms and Fuse Co., and American Ammunition Co., respectively."

Q. Perhaps you can give me the date when you got this report?—A. I cannot tell you now, sir.

Q. Was it shortly after that?—A. Yes, sir.

Q. Shortly after the 11th of October, 1915?—A. Immediately after his return he made out his report to me.

Mr. HELLMUTH: Then I suppose it is immaterial, in that view of it, whether he made the report on one day in October or another. I am going to read this report because I think it is important:—

"General progress of the Work—

"1,666,666 No. 80 fuses. International Arms and Fuse Co. 833,334 No. 80/44 fuses.

"The work on the contract in addition to that being done by the company themselves, is spread out over seventeen different concerns. Visits were paid to the factories where the main work was being done.

"The loading factory at Bloomfield is an entirely new building, and is not yet complete. A small portion of the machinery, etc., has been delivered, and Dr. Harris stated that the remainder was ready to be brought in. This factory should certainly be in a more advanced state. The company admit that they will not produce the number of fuses per day required by the contract in less than two weeks after the time specified, to do this they will have to make very good progress, and it leaves a short time to overcome any difficulties that may possibly be met with in assembling and loading.

"The work in the factories manufacturing the parts is in good order. Samples of nearly every component part have been produced, and the difficulties met with overcome. The only components now giving trouble being the stirrup springs, and experiments have been carried so far on these that it is soon expected satisfactory results will be obtained.

[Mr. David Carnegie.]

"The subcontractors appear to be firms quite capable of producing the work intrusted to them and were very willing to give any information requested.

"The company have at most of the plants of their subcontractors inspectors of their own, gauging the parts. They have reduced in some cases the limits allowed by our drawings, and it should facilitate the assembling of the finished fuze.

"Although the company will be behind in deliveries, the arrangements made appear ample to allow for them to speed up and cover the time lost.

"The work on inspection gauges has been delayed by labour troubles, but the subcontractors have, in most cases where delay of this kind has impeded progress, made gauges themselves, which have been checked by our inspectors, the Canadian Inspection and Testing Laboratories, Limited.

American Ammunition Co.

1,666,666 No. 100 fuses. 833,334 No. 80/44 fuses.

"This work is spread over at least ten different concerns in addition to the company themselves.

"Time only allowed of visits being made in three factories, namely, the loading plant at Paulsboro, The Hero Mfg. Co. at Philadelphia (making several small parts of time fuses including cover), and the American Steam Gauge & Valve Co., Boston (making No. 100 fuse).

"The majority of the machinery necessary for the complete loading and assembling of the time fuses has been installed at the loading plant. The progress has been such here that no delay is likely to be experienced if the component parts are delivered on schedule time. Experiments are being carried out to obtain the correct mixture of powder for the time rings.

"The Hero Mfg. Co. have made samples of the parts they are to produce which are satisfactory with the exception of the brass cover. They are proceeding to make up some more samples of this part which will be submitted to the Chief Inspector of the Can. Inspection Co., for his approval. Little trouble should be experienced with obtaining deliveries of component parts from this company as the facilities they possess are sufficient for the required output.

"The American Steam Gauge & Valve Manufacturing Co. have a contract for 700,000 sets of parts for No. 100 fuse. They have in stock material ready to commence manufacture, but have not yet got deliveries of all the necessary machinery. It does not seem probable they will be in time to make deliveries called for by contract. However, when they commence manufacture they should be able to go along quickly as they are at present making No. 100 fuses for the British Government and, therefore, will have valuable experience.

"The visits paid on the American Ammunition Co's contract, as will be seen, did not cover sufficient of the work to make a statement on the general progress."

J. B. M.P.

(Marked as Exhibit 175.)

Q. You will notice that it says at the end "J. B. M.P." Mr. Brooks is not a member of Parliament, is he?—A. No, sir.

Q. What does "M.P." mean then?—A. I cannot say. They are a stenographer's initials, I think.

Q. That report you say you received shortly after it was made?—A. Yes.

Q. You did not visit over there and make a report, did you?—A. No, sir.

Mr. HELLMUTH: You will see, Messrs. Commissioners, why I said the cable I put in a while ago must have been answered.

I have this telegram dated October 15, 1915, from the Shell Committee to the American Ammunition Company, 25 Broad street, New York City:

"Have received cable from England stating they have reconsidered question of fuse and will accept number one hundred fuse without percussion detonator and firing proof will be waived. We therefore accept your reduction of twenty-seven and one-half cents per fuse which we cabled to England on September 3rd. Please wire confirmation."

(Marked Exhibit 176.)

The answer to that telegram came on the same day, October 15, 1915, from the American Ammunition Company, New York, to the Shell Committee, Stephen Building, Ottawa, Ontario:

"Telegram of even date received. We accept your elimination of firing proof from our number one hundred fuse contract and the elimination of proof pieces and percussion detonator, and in consideration we agree to reduction in price of number one hundred fuse of twenty-seven and one-half cents per fuse."

(Marked Exhibit 177.)

Again there seems to be letters confirming our telegrams, which I will be very glad to show to my learned friend, Mr. Johnston:—

"October 16, 1915.

"The American Ammunition Co., New York.

"GENTLEMEN,—We confirm having wired you that we would accept No. 100 fuse without detonators at a reduction of twenty-seven and a half (27½) cents per fuse on the contract price.

"In reply you wired October 15: 'Telegram of even date received. We accept your elimination of firing proof from our number one hundred fuse contract and the elimination of proof pieces and percussion detonator, and in consideration we agree to reduction in price of number one hundred fuse of twenty-seven and one-half cents per fuse.'

"The fuse will now be manufactured to agree in all respects with specifications L—3562.

"Yours very truly,

"Mark reply 'Attention Mr. Brooks.'"

"J. BROOKS."

(Marked Exhibit 178.)

That covers, with one or two exceptions which I have not yet received, the various documents that I specifically asked for.

But there are some other papers that bear upon some of the evidence given, and, whether they are in confirmation or in contradiction, they ought to go in, I think—or in explanation would perhaps be the fairer way to put it.

The first is a telegram of May 1, 1915, from Carnegie to Bertram. The telegram is a little torn, but it can be made out. The telegram was sent from New York to General Bertram at 722 Drummond Building, Montreal:—

"Dupont will not undertake filling, am looking into other proposition."

Marked Exhibit 179.)

That was sent at 10.04 p.m.

Then I have a telegram dated at New York, May 2, 1915, from Mr. Carnegie to General Bertram, Chateau Laurier, Ottawa.

"Am coming Scovills morning meet Major Laurie regarding fuses am staying Belmont.

"CARNEGIE."

(Marked Exhibit 180.)

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Are those cipher words?

Mr. HELLMUTH: No, sir, I don't think they are. Probably it is an attempt to cut down the telegraphic expenses.

Then on May 4, 1915, there is a telegram to General Bertram from Mr. Carnegie at New York, addressed to General Bertram at the Drummond Building, Montreal:—

“Investigations not complete. Hope leave to-night have you news from Troopers.”

(Marked Exhibit 181.)

The next is a telegram dated May 5, 1915, from General Bertram, Shell Committee, to John Goss, Messrs. Scovill Manufacturing Company, Waterbury, Connecticut:—

“Kindly wire if you can undertake fuses as discussed with Carnegie.”

(Marked Exhibit 182.)

Mr. Goss was the superintendent of the Scovill Manufacturing Company, I understand.

Sir WILLIAM MEREDITH: We had something of that before, had we not?

Mr. HELLMUTH: Yes, sir, we had. These have not gone in so far, but they have some bearing upon it at all events.

I have a telegram dated May 7, 1915, from E. W. Bassick, of New York, to Colonel David Carnegie, Chateau Laurier, Ottawa:—

“Am now completing arrangements for the finishing of time fuse completely loaded. Will notify you promptly as to the filling of your order.”

(Marked Exhibit 183.)

The next is a telegram from B. F. Yoakum to Colonel Carnegie at Windsor Hotel, Montreal, dated May 9, 1915. The telegram was sent from Farmingdale, N.Y.:—

“Tried to catch you yesterday by telephone if Tuesday morning suits your convenience as well as to-morrow morning it will suit me will call you at Windsor Hotel this evening at seven o'clock.”

(Marked Exhibit 184.)

Q. I think you told us, did you not, Mr. Carnegie, that you met Mr. Yoakum?—
A. Yes, sir.

Q. Was that in New York, or in Montreal?—A. In New York.

Q. Did you meet him in Montreal?—A. I met him in Montreal also, and also in Ottawa.

Q. I mean just at that time, about May, 1915?—A. I presume it was then.

Q. Where was it then, in Montreal, or New York?—A. It would be in Montreal, because our offices were still there.

Q. He said he was going to call on you.—A. Yes, sir.

Q. Then on May 10, 1915, there is a telegram from the Russell Motor Car Company to the Shell Committee, Drummond Building, Montreal:—

“Mr. Russell and Lloyd Harris have gone to United States regarding matter of fuse manufacture and will telegraph you to-morrow regarding seeing you in Montreal relating to it.”

(Marked Exhibit 185.)

The answer to that is dated May 10, 1915, from the Shell Committee, Montreal, to T. Russell Motor Car Company, West Toronto, Ont.:—

“Would be glad to see you or Lloyd Harris *re* fuse manufacture at earliest possible moment.”

(Marked Exhibit 186.)

On May 11, 1915, I have a telegram to General Bertram, Shell Committee, Montreal, from Lloyd Harris, New York:—

“Our factory manager Clayton R. Burt now in London could you cable in such a way as to make it possible for him to get through arsenals where fuses being made and also that he can bring back with him next week all information needed wire me Hotel Biltmore, New York, if want us Montreal Thursday.”

(Marked Exhibit 187.)

Q. Mr. Carnegie, I have no answer to that message, which was a night lettergram. Have you any recollection of it?—A. No, I have no recollection of it.

Q. Were you in Montreal then?—A. What is the date?

Q. May 11, 1915?—A. Yes, I was

Q. Do you recollect this telegram?—A. I do not recollect it. At the moment, I do not.

Q. Let me ask you this, do you remember a request from Mr. Russell or Lloyd Harris to have their factory manager Clayton R. Burt advised by cable by you so that he could get into the arsenals; do you remember that, do you remember the request for that?—A. I do not recollect the request for it. I have not gone over the tables, and therefore I cannot carry all these things in my memory.

Q. You do not recollect it?—A. I do not recollect it, but I am quite prepared to look into it.

Q. You recollect whether you did make a request for the manager?—A. I do not. We may have done so, but I do not recollect it.

Q. Perhaps General Bertram will enlighten us upon that. The next document is a telegram dated at New York May 16, 1915, from Arthur Dowler—you remember Mr. Dowler and Mr. Ryan were together in the other matter—this is from Arthur Dowler to Col. Carnegie, Drummond Building, Montreal:—

“To avoid loss of time please address letters direct to Thomas J. Ryan, twenty five Broad Street he can arrange accelerate replies.”

(Marked as Exhibit No. 188.)

There is also a telegram dated at New York May 18, 1915, addressed to D. Carnegie, Shell Committee, Montreal, from T. A. Russell:—

“Have made some progress could I see General Bertram and you Montreal Thursday address Hotel Biltmore.”

(Marked as Exhibit No. 189.)

Q. I think you said you saw Mr. Russell on the 20th or the 21st?—A. Yes, sir, I believe it was the 20th.

Q. Then on the 19th May, 1915, Thomas J. Ryan sent this telegram to you:—

“Have wired you Chateau Laurier Ottawa naming price deliveries on fuses.”

(Marked as Exhibit No. 190.)

Q. I think that letter went in?—A. I think so, as part of the correspondence.

Q. You were speaking of having seen Mr. Russell on the 20th or about that date. Where was it you saw him; was it here or Montreal?—A. It was either at Montreal or Ottawa, I am not sure which.

Sir WILLIAM MEREDITH: My note of it is that he saw him between the 1st and the 10th May.

Mr. HELLMUTH: Yes, but he saw him again, sir.

Sir WILLIAM MEREDITH: He has not mentioned that before.

Mr. JOHNSTON: That is the reason I was asking my learned friend to fix the time.

[Mr. David Carnegie.]

Mr. HELLMUTH: My recollection is that he said he came to see him, and that he impressed upon him the necessity of getting in his offer.

Q. That was about the 20th; is that right?—A. That is right.

Q. Then I put in another telegram from Bernard Ryan to Brigadier-General Bertram, Shell Committee, of May 19:—

“Referring you to my letter of 18th inst., would you favour me with interview to-morrow Thursday will appreciate reply by wire collect.”
(Marked Exhibit 191.)

Mr. GRANT: The letter is not in, Mr. Hellmuth.

Mr. HELLMUTH: That is the letter I want to see. Mr. Stewart, there is a telegram I have just put in from Bernard Ryan to General Bertram. That is not the other Ryan?

Mr. HENDERSON: This is Peter's son.

Mr. HELLMUTH: Do you remember?—A. I don't remember it at all, sir.

Q. Would you have that letter looked for?

His LORDSHIP: That is Bernard Ryan's letter?

Mr. HELLMUTH: Yes.

Q. Do you remember anything about it, Mr. Carnegie?—A. I do not remember anything about it, sir.

Q. You remember seeing a Mr. Bernard Ryan?—A. I do not recollect seeing such a gentleman.

Mr. JOHNSTON: He is better known as Barney Ryan.

Mr. HELLMUTH: Barney Ryan, my learned friend, Mr. Johnston, suggests.—A. I cannot identify the gentleman yet.

Q. This is a telegram from Thomas J. Ryan, a gentleman we have been dealing with, of May 19, to Colonel David Carnegie:—

“Telegram received evidently some misunderstanding no price given see my letter yesterday if have written Ohmer please forward me copy his destination being uncertain.”

(Marked Exhibit 192.)

Do you remember that at all?—A. I remember that, the correspondence referred to it.

Q. The correspondence has been put in?—A. Yes.

Sir WILLIAM MEREDITH: 62.

Mr. HELLMUTH: Then there is a telegram from K. C. Laurie, Waterbury, Connecticut, of the 20th of May, to the President, Shell Committee:—

“Regret unable supply drawing eighty-five fuse suggest reference Phipps Bethlehem.”

(Marked Exhibit 193.)

Here is a new name altogether. On May 21st a telegram to D. Carnegie or General Bertram, Militia Department, Ottawa, from Edmund Bristol:—

“Please give Garland immediately English fuse and specifications to save time you might wire Fenn to let Garland have the fuse loaned him by Mr. Carnegie Garland Waldorf matter urgent.”

(Marked Exhibit 194.)

Q. Do you know who Garland was?—A. Yes, sir.

Q. Who was he?—A. He was a man I met in New York, introduced to me by Mr. Bristol.

Sir WILLIAM MEREDITH: You mentioned that, didn't you?—A. I think so, but not the name Garland, sir.

Mr. HELLMUTH: Nothing came of that?—A. Nothing came of it.

Q. Then on May 21st the Shell Committee sent a telegram to Mr. Bristol at the Biltmore Hotel, New York:—

“Design of fuse not definitely settled. No use sending Garland present specifications.”

(Marked Exhibit 195.)

Then on the 11th of June a telegram from Mr. T. A. Russell to Colonel D. Carnegie:—

“General Bertram advises that you have received specifications hundred fuse please mail us copy to-night if possible we will be completely ready submit proposal on it when you arrive Monday.”

(Marked Exhibit 196.)

Mr. HELLMUTH: Now, that is all of the extra papers or—

Mr. STEWART: There is the missing cable (producing). There were three of them from the War Office.

Mr. HELLMUTH: My learned friend, Mr. Stewart, give me—

Mr. STEWART: It is a cable from the War Office in reply to the inquiry whether the detonators were required with fuse.

Sir WILLIAM MEREDITH: That is the one you had not got.

Mr. HELLMUTH: No, this is the 18th. This is not the one I want.

Mr. STEWART: You will see there is a sequence of three.

Mr. HELLMUTH: Oh yes, I beg your pardon.

The first one is the 18th of September, 1915, from Troopers to Militia, which is:—

“Your 673. We require percussion detonators with fuse. Firing trial cannot be waived.”

(Marked Exhibit 197.)

The next one is from Troopers again to Militia of 14th October, 1915:—

“Your telegram 673. Number 100 fuses. Position reconsidered. We will accept fuses without percussion detonator and firing proof will be waived.”

(Marked Exhibit 198.)

Then comes a third one of 16th October, 1915, from Militia to Troopers:—

“We have arranged with contractors to supply fuses without percussion detonator and firing proof. Price each fuse reduced 27½ cents.”

(Marked Exhibit 199.)

Now, those are all the additional papers that appear to me in any way, so far as they have been furnished to me, to bear on the fuse contract—of course, I have not touched the Edward Valve contract—and I now propose to complete the inquiries I was making from Colonel Carnegie in regard to these fuse contracts.

Q. Have you had a search made for the telegram of the 21st?

Sir WILLIAM MEREDITH: The Russell telegram?—A. Yes, sir.

Mr. HELLMUTH: Have you been able to find it?—A. No, sir.

Q. Where was the search made?—A. At the office, sir, the office files.

Q. Of the Shell Committee?—A. Yes, sir.

Q. We can have a search made at the telegraph office. Then I had just finished I think asking you on Friday in regard to the extension agreements of the American Ammunition Company. I now want you to turn your attention to the International Company. What extension, if any, was granted to the International Company on the time within which deliveries were to be made?—A. An extension of approximately three weeks, I believe, sir.

[Mr. David Carnegie.]

Q. I cannot find, Mr. Carnegie, among any of the papers that have been furnished me any other letters in regard to extension than those I put in on Friday, and those letters closed with a declination, if I may so put it, on the part of the Shell Committee to accede to the request of the International Company voiced by a letter from Dr. Harris for an extension. Now you say there was an extension of approximately three weeks. It is fair to you to say this. You do say in that letter that you might consider any time lost through any want of diligence on the part of the Shell Committee in regard to inspection.—A. No, sir, the extension had reference not to causes due to their fault, but due to changes in design raised by the War Office from the time they received their contract.

Q. And, just making it short, you acceded to an extension of three weeks. Was it verbally, because I cannot find any letters?—A. Well, it was verbally in New York, but I should say it was confirmed. I cannot say definitely about that.

Q. But, anyway, it was only three weeks?—A. It was three weeks' time, that extension, sir.

Q. They did not deliver within that extension?—A. No, sir.

Q. Was there any other extension granted them by the Shell Committee beyond that three weeks?—No, sir.

Q. So that so far as the Shell Committee was concerned, the three weeks' extension—if you cannot find the letters well and good, it is not material—that three weeks' extension was all they had?—A. Yes, sir.

Q. And no further extension was granted by the Shell Committee?—A. No, sir.

Q. Then was any extension granted subsequently by the Imperial Munitions Board to the International?—A. Nothing definitely has been arranged regarding extension, but the matter is now under consideration and has been for some weeks.

Q. Let me ask you now, if nothing definitely has been arranged, had they ceased to deliver fuses, or have they been refused to be allowed to deliver fuses, or are you taking fuses from them?—A. We are taking fuses from them and they are delivering now at a fairly rapid rate compared with other companies that undertook contracts in America and England at the same time.

Q. Have you seen a statement in regard to the delivery of fuses by the International?—A. Yes, sir.

Q. Have you recently followed out personally what deliveries have been made, Mr. Carnegie?—A. Yes, sir.

Q. I am handed a statement, which shows among other things the total deliveries made by the International Arms and Fuse Company up to, I am told, this very month, although it is not dated, and I do not know whether you could roughly verify it. Of course, I will have to have it proved by Mr. Flavelle, or somebody in the office, but I would like to put this in because it is interesting as showing the advances that have been made to this company at all events, and I believe there is a similar one in the other. Will you look at that and see if you can at all verify any of the figures there.—A. This is money value, sir, is it not?

Q. No, look at deliveries.—A. That is right. I can verify that. 108,890 fuses delivered. I believe that was up to the 21st of April.

Q. Those are all 80?—A. All 80, sir.

Q. Time fuses.

Sir WILLIAM MEREDITH: 25th or 21st?—A. 21st, sir, I believe.

Mr. HELLMUTH: And they were delivered quite recently, weren't they, March and April?—A. 21st.

Q. But I see that this statement says that there were 27,960 fuses delivered in March and 80,930 delivered in April. Would that be about right?—A. That would be about right. Would you read the figures again?

Q. March 27,960.—A. Yes.

Q. April 80,930.—A. That is right, sir, that is exactly right.

Q. I shall put this in in a moment. Do you remember what the contract called for, because I would like to see when the fuses were to be delivered under the contract? Perhaps you carry it in your head, do you?—A. The contract should have been completed by the 30th of April.

Q. Of this year?—A. 30th of April of this year.

Q. That is to say, by the 30th of April of this year, 2,500,000 fuses should have been delivered?—A. Precisely.

Q. And, Mr. Carnegie, it does appear, extension or no extension, that only some seven or eight per cent of the total deliveries have been made. You recognize that?—A. I do, yes.

Mr. GRANT: Only between four and five per cent.

Mr. HELLMUTH: I am quite incorrect. It is less than what I said, only 5 per cent. There were two million and a half. I simply want you to tell me, what is your view as to that company having performed its contract? Does it not seem a very extraordinarily small proportion to be delivered within that time?—A. It does on the face of it, but—

Q. I am going a little beyond, if I may—

Mr. NESBITT: Let him answer.

Mr. HELLMUTH: I will treat the witness perfectly fairly; I promise you that.

Q. If it had been 25 or 50 per cent one would perhaps say, "On the face of it." But I would like to hear what explanation you have got to give me now, and I will take it from you.—A. I should like, sir, to say that the Intercolonial Arms and Fuse Company have been very much in the same position as the American companies making the 85 fuses and the English companies of standing, repute and ability to produce these fuses have been in the same position as they. Will I just name, without giving the name of the firm, a few? I think I am giving away material that should never go out to the Press, but I want to show you clearly now that the difficulties with which the companies manufacturing the fuses have been beset are such as no one here can imagine at all. A firm in England of great repute received an order for the same number of fuses, No. 80, the same fuse, on the 11th of the 6th of '15.

Q. The 11th of June?—A. The 11th of June, 1915; and in the middle of February they had delivered 48,000 out of that number. On the same date they received an order for 1,000,000 fuses.

Q. When you say the same date, what date?—A. The 11th of June, 1915; they received an order for 1,000,000 and they had not completed one fuse by the middle of February, 1916. In America, through Morgans, an order was placed with one large company for two and a half million fuses on April 27, 1915, and by the middle of February 186,208 had been delivered. I think the progress—I do not want the International Arms and Fuse Company to get comfort from that because we are all looking to them for rapid deliveries, but, I am only saying here that the comparison is really splendid for a company to go right into this work when other companies who had the machinery have not done nearly so well. I do not want, as I say, sir, this information to go out, because it is highly unsatisfactory that these figures should go widespread in the Press. It is only making things very difficult for the Government at home.

Sir WILLIAM MEREDITH: I fancy the gentlemen of the Press can content themselves with some general statement which will not be open to the objection you mention.

Mr. HELLMUTH: Let me ask you this. You have given us some companies that have not performed their contract—I suppose that will always be the case—but are there not fuse companies that have performed their contract within a reasonable time?—A. They are all about the same.

Q. You have made comparisons?—A. I have made comparisons. There are only three companies in England, sir, making the fuses of standard No. 80.

[Mr. David Carnegie.]

Q. You have given me one, as I understand it, that did not perform its contract, and which you say was more unsatisfactory in regard to time than the International; but I am asking you, did the other two companies perform their contract any better?

—A. Yes, sir.

Q. They did?—A. Yes, sir. One company in England performed it better than the one I have mentioned.

Q. Was it very much better?—Did the other two companies live up to their time?

—A. They did not, sir, not by a long way; not any company making fuses at all lived up to their time.

Q. Let me understand. Have none of the American companies lived up to their time?—A. None, sir.

Q. Has the deficiency been merely trifling or material? I would term the deficiency here quite material. I am not saying that in any way offensively, but it must be held to be material; there are only 180,000 supplied out of two and a half million. Now, has the other been a material deficiency or only trifling?

Sir WILLIAM MEREDITH: He mentioned 180,000 out of two and a half million.

Mr. HELLMUTH: That is one; I am speaking of the others.

A. I would rather that you get this information through the War Office or through the Imperial Board, through Mr. Flavelle. I think I have given too much information now. I will get into trouble, I believe, from the officials at home for having given this information. But I must substantiate my position by saying that this company, the International Arms and Fuse, has done well compared with other companies who had machinery for manufacturing.

Sir WILLIAM MEREDITH: You might get what causes accounted for the delay?

Mr. HELLMUTH: Can you give me any of the causes for the delay?—A. Yes, sir. First, the letters I have put in from the International Arms and Fuse Company explain that they had a strike at the two works, the Taft & Pearce and the Brown & Sharp, which led them into two months' delay to begin with. Then there have been delays due to changes in design. I may say, if you press me, that I could show you something like eighty cables that have passed between the Shell Committee and the Imperial Board combined to the War Office indicating definite changes and calling for changes in these designs. It is very material that these facts should be brought out, but it is damaging that these facts should go to the Press. The companies have had so many serious delays, not due to their own cause but due to alterations that the War Office have found necessary to make in order to get a speedy output because of the difficulties in the design that the Americans met with, and the new people who started making the fuses in England also met with.

Q. You have given us the changes and the strikes. Are there any other causes?

—A. The greatest difficulty in delay has been the difficulty in proof at the butts. I think I am safe in saying that something like 50,000 fuses by the International Arms and Fuse Company have been rejected, perhaps Mr. Atwater will correct me if I am wrong, but up to a week ago I had a figure such as 50,000 that had been rejected owing to failure at proof.

Q. Failure at proof means the failure of explosion at the time for which they are set?—A. Yes, sir, principally on the time burning element at proof.

Mr. ATWATER: That is testing at the butts?—A. Yes, fire proof I mean, not proof at rest.

Mr. HELLMUTH: I am going to put in this exhibit. Perhaps you may not be able to verify all of these figures, but my learned friends won't object if I undertake later on to call somebody who can verify these figures.

Sir WILLIAM MEREDITH: A document like that signed by Mr. Flavelle ought to be received here, I should think.

Mr. HELLMUTH: This is not actually certified.

Sir WILLIAM MEREDITH: Get it certified. Is there any objection to that?

Mr. JOHNSTON: Oh, no. I told Mr. Hellmuth that.

Sir WILLIAM MEREDITH: It is no use taking men away from their work.

Mr. HELLMUTH: I have put in some rather informally, but I do not think any one could object. I will not put in anything that cannot be verified.

This is headed "International Arms and Fuse Company." The first column is "Advances made," with the dates in the second column when those advances were made. The first is July 14, 1915, an advance of \$1,125,000; an advance on July 29th of \$140,625; a similar amount advanced on August 30th; again a similar amount on September 28th, and a similar amount on November 3rd; those four payments being the four payments provided for of the five per cent, and the first payment being the ten per cent. That makes a total of \$1,687,500, to which is added New York exchange of \$10,327.14, or a grand total of \$1,697,827.14. Then the third column shows the interest charged up to the company; they were to make interest payments back. In February the amount was \$28,988.39, and in March \$4,295.92, making a total of \$33,284.31 interest; and there is a note "Interest \$33,284.31 paid."

The next column is the deliveries.

Sir WILLIAM MEREDITH: That means the company has repaid that?

Mr. HELLMUTH: Yes.

The next column is the deliveries, and you have already had March and April. The third column of the deliveries shows the value. The value of the goods delivered in March was \$125,820, and the fuses delivered in April represented a value of \$364,185, making a total of \$490,005 value.

Then "Advances repaid." That is not interest, but that is "advances repaid." The advances repaid were apparently in March, \$18,873, and in April, \$54,627.74, or a grand total of \$73,500.74.

"Balance of advances," which I suppose is the balance still advanced, \$1,613,999.26, which I would assume—I will have to find that out—would be reduced by the \$490,000 worth of goods actually delivered. I do not know what that will be, but I will get the explanation of that afterwards.

(Marked Exhibit 200.)

Q. Now, is there anything further that you desire to say in regard to the deliveries or matters connected with performance of the contract by the International?—A. Yes, sir, I am very pleased to say that last week I had it reported to me that they were producing at the rate of 14,000 per day, and they show every appearance of getting through their contract very quickly.

Q. Where do your reports come from?—A. I get the reports daily to the office, and I am kept in touch with what is going on.

Sir WILLIAM MEREDITH: Do those come from the offices of the Munitions Board?—A. Of the International to the Munitions Board.

Mr. HELLMUTH: Messrs. Commissioners, we will have the International people here.

Mr. ATWATER: There are Canadian inspectors there.

Mr. HELLMUTH: Have you got an inspector there?—A. Yes.

Q. Have you any reports from the British or Canadian inspectors?

Mr. STEWART: That is a telegram (producing) that has just come in. The witness has not seen it. He must exercise his discretion on it. Just hand him the telegram.

Mr. HELLMUTH: Who is Mr. Hawkins?—A. Superintendent of the International, Major Hawkins of the International Arms and Fuse. May I, read this?

Mr. NESBITT: You had better look at it first.

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WITNESS: I think this is all right.

[Mr. David Carnegie.]

Mr. NESBITT: All right. I have not seen it.

Mr. HELLMUTH: Before you read that, tell me have you got any Imperial or Canadian inspectors at the International works?—A. Oh, yes, sir.

Q. Which, or both? You know whether there is an Imperial inspector?—A. Mr. Lyon Brown.

Q. And who is the Canadian inspector?—A. We have got almost a hundred, I presume, in all the factories.

Q. You have a large number?—A. A large staff.

Q. Now, if you want to read that you may.—A. This is addressed to Mr. J. Brooks, Imperial Munitions Board, Ottawa, and is from Bloomfield, New Jersey:

“Total number of fuses passed gun proof and shipped to the end of April one hundred and fifty-seven thousand eight hundred and eighty; total number of fuses rejected up to end of April, seventy-eight thousand; average number of fuses assembled per day last week, twelve thousand three hundred and twenty; highest output in any one day, sixteen thousand seven hundred and sixty.—W. J. HAWKINS.”

(Marked Exhibit 201.)

Sir WILLIAM MEREDITH: Are these rejected ones lost entirely, or can they be made use of?—A. It may be that some of them would be submitted to second proof.

Mr. NESBITT: Quite unwittingly you put in the witness' mouth that there are Canadian inspectors there. There are no Canadian inspectors. They are inspectors for the Munitions Board, with which Canada has no more to do than I have.

WITNESS: I thought that was understood.

Mr. HELLMUTH: Are they Canadian?

Mr. NESBITT: Nothing is understood. If anything is said it is distorted by certain people in any way that suits their humour.

Mr. HELLMUTH: Just listen to me a moment. Mr. Lyon Brown is appointed by the War Office?—A. Yes, sir.

Q. These other inspectors that you speak of, are they appointed by the Imperial Munitions Board, or are they appointed direct by the War Office?—A. They are appointed by the Munitions Board through the Canadian Testing and Inspection Company at Montreal.

Q. So that in that sense you call them Canadian?—A. That is the only sense, sir.

Q. They are appointed by the Imperial Munitions Board through the Canadian Testing and Inspection Company.

Hon. Mr. DUFF: I thought you said before that these inspectors are appointed for the purpose of inspecting the work under your contracts by the Imperial Munitions Board or the old Shell Committee at Ottawa, and in that sense they are Canadian inspectors?—A. Yes, sir.

Mr. JOHNSTON: If they are not, what are they?

Mr. HELLMUTH: I suppose they may legally be Imperial, they may be practically Canadian.

Mr. JOHNSTON: Not from what he says; unless there is further information they are not Imperial.

Mr. HELLMUTH: By the Imperial Munitions Board.

Mr. JOHNSTON: Oh, yes. That is our Board here?

Mr. HELLMUTH: Yes, they are Imperial. That is what I understand from Mr. Nesbitt.

Mr. NESBITT: If I may please explain, so there cannot be any misconstruction? That company is not a branch of the Cabinet here. That is the next thing that will be said. It is a private company. It has not anything more to do with Canada than—

Mr. HELLMUTH: Mr. Carnegie, let me just ask you a question or two in reference to the International Company similar to what I asked you on Friday in reference to the American. What commission or remuneration outside of the price to be paid under the contract did you know of at the time?—A. None, sir.

Q. When did you first, or have you heard, of any commission or remuneration to be paid to any one in connection with the letting of that contract?—A. Never heard of any.

Q. Whom, outside of Dr. Harris and the people you have mentioned in that connection, did you see in regard to this contract with the International?—A. No one.

Q. Were you approached by any one, and, if so, by whom, in regard to the letting of that contract or the negotiations with the International?—A. I was approached by no one.

Q. Did you discuss the matter at all in connection with the International with Colonel Allison?—A. No, sir.

Q. You were introduced, you told me, to Yoakum?—A. Oh, yes.

Q. And Cadwell?—A. Yes, sir.

Q. Through Colonel Allison, that is the American Arms?—A. Yes.

Q. Now, I am asking you, had Colonel Allison anything to do with your getting in touch with International, its promoters or subsequent incorporators?—A. Nothing whatever, sir.

Q. In regard to the American Ammunition Company we also have an exhibit. Just look at that to see if you can verify the figures there at all. A. Yes, that is right as to the deliveries.

Q. We are not asking you to verify anything else.

May I just read that in the same way, Messrs. Commissioners?

The first item, "Advances made", and the first date is July 14th, \$1,040,000; then follow four items of advances made on August 10th, August 30th, September 28th and November 3rd each of \$130,000, making a total of \$1,560,000, to which is added for New York exchange \$9,303.12, or a total of \$1,569,303.12. Then interest charged to March 31st of \$29,696.79, a note being there that the interest was paid. Then deliveries: December, which would be December, 1915, 14,000, and I read the value following, \$56,000; January 146,000, value \$584,000; February 180,000, value \$720,000; March 297,000, value \$1,175,800; April—that would be April 21st no doubt—184,000, value \$452,687; Total 821,000, value \$2,988,487.

The way in which that number of 821,000 is divided is that of No. 80 there were only 2,000 delivered and of No. 100 there were 819,000 delivered. You will remember that at the time of the Extension Agreement there had been some 600,000, and not 819,000.

Then "Advances repaid". The advances repaid were:—In December \$8,400; January, \$87,600; February, \$108,000; March, \$178,350; April, \$100,260; or a total repayment of advances of \$482,610.

The balance of advances was \$1,077,390.

You will remember under the contracts they took off a certain proportion.

(Statement marked Exhibit 202.)

Sir WILLIAM MEREDITH: Are they behind their deliveries on the contract?—A. Yes, sir.

Q. Much?—A. Very much, sir.

Mr. HELLMUTH: You are speaking of the new contract?—A. Not on the new contract.

Sir WILLIAM MEREDITH: The new contract was what I asked you about?—A. No, sir.

Mr. HELLMUTH: Are they behind on their deliveries on the new contract?—A. The contract was only concluded on the 6th of April. I cannot say exactly its state, but I believe on the question of the 100 fuse they are well ahead; on the No. 80 they are at a standstill, and they have been for a few weeks.

[Mr. David Carnegie.]

Q. Now, I will pass to that other branch, if I may.

Hon. Mr. DUFF: That is on the fuse. Have we all the communications that passed between the Shell Committee and either the American Ammunition Company or the International Company or the promoters, prior to these contracts dealing with the No. 100 fuse?

Mr. HELLMUTH: As far as I know, yes.

Hon. Mr. DUFF: I do not think there is any communication.

Mr. HENDERSON: The negotiations were largely verbal.

Hon. Mr. DUFF: I know. I mean in writing.

Mr. HELLMUTH: Mr. Stewart, would you mind making a note to ascertain if there are any written communications between the American Ammunition Company or the International, although the International did not get any of the 100.

Hon. Mr. DUFF: Or the promoters.

Mr. HELLMUTH: Or the promoters; any one connected prior to the making of these contracts; which have not gone in?

Hon. Mr. DUFF: I particularly refer to the impact fuse, not the time fuse.

Mr. HELLMUTH: The graze fuse, the 100 fuse. I have asked that.

Hon. Mr. DUFF: And have we all the communications that passed between the Shell Committee and any Canadian concern with regard to the making of the graze fuse?

Mr. HELLMUTH: Any communication between the Shell Committee and any Canadian concern—you do not mean after the 19th of June?

Hon. Mr. DUFF: No, down to the 19th of June.

Mr. HELLMUTH: Down to the 19th of June. I do not know if there are any.

Mr. HENDERSON: That is the explanation.

Mr. HELLMUTH: I want to find from you for how long prior to the making of the new contract with the American Ammunition Company negotiations had proceeded in regard to that matter?—A. Either from the end of December, 1915, or the beginning of January.

Q. So from the end of last year or the beginning of this negotiations looking to a new contract had begun; is that right?—A. Yes, sir, that is right.

Q. And that was of course with the Imperial Munitions Board, because the Shell Committee had gone out of existence?—A. Yes, sir.

Mr. HENDERSON: Those negotiations were based on default in delivery.

WITNESS: I have a communication here as early as January 4th, and there may have been some earlier.

Mr. HELLMUTH: That can be gone into at some other stage.

Q. Mr. Carnegie, it is pointed out to me that you got the price of the graze fuse, the No. 100 fuse, reduced from \$4.00 to \$3.72½?—A. Yes, sir, from \$4.00 to \$3.72½?—A. Yes, sir.

Mr. GRANT: In October.

Mr. HELLMUTH: Yes, last October, somewhere about then?—A. Yes.

Q. Will you tell me then how it is that you have been paying them at the rate of \$4.00, for I am so informed?—A. I was not aware we had been paying them at the rate of \$4.00.

Mr. GRANT: This statement shows that.

Mr. HELLMUTH: Perhaps you are wrong in saying the statement shows that. The statement shows the value. It is taken in on the value.

Mr. JACOBS: From this company.

Mr. HELLMUTH: This is taken in at \$4.00 apparently. For instance, we take 184,000 at \$3.72½, it would not amount I am told, I have not made the calculation, to \$452,687, but 184,000 fuses at \$4.00 would amount to that sum. Is not that right?

Mr. GRANT: That is it.

WITNESS: I cannot explain, I have not seen the statement.

Mr. HELLMUTH: But apparently that was absolutely agreed upon by the telegram I have put in?—A Yes, sir, that is so.

Hon. Mr. DUFF: A change was made in the design.

Mr. HELLMUTH: Were the Munitions Board advised of that change?—A. Oh, yes, sir.

Q. That is an error. At all events we won't stand by that so far as the American Ammunition Company is concerned; we won't put that value on it, I hope.

Mr. CARVELL: That is calculated to March, I think.

Sir WILLIAM MEREDITH: No, it ends in February at \$4.

Mr. HELLMUTH: I misled you, because I thought it had gone all through to date \$4, and I find that is not so. The \$4 calculation ends with February. Is that not so?

Sir WILLIAM MEREDITH: Yes.

Mr. HELLMUTH: In March they have charged at the rate of \$3.72½.

Mr. CARVELL: I did not figure it out, but I think that is correct.

Mr. HELLMUTH: Would not the reduction take effect from October when you made the agreement with them, because, you see, it was in October that the telegrams passed by which leaving out the detonator and the fire proof you were getting the fuse at \$3.72½ instead of \$4.—A. Well, sir, no loaded fuses have been supplied; therefore, no fuse should have been paid at \$4.

Sir WILLIAM MEREDITH: Nobody has been paid anything; it is only these advances, these book entries.—A. Yes, sir.

Mr. JOHNSTON: They have been paid, they have had one million and a half.

Sir WILLIAM MEREDITH: That is the advances.

Mr. JOHNSTON: I know, but they have got the money.

Mr. HELLMUTH: There has been no money paid since those advances.

Mr. JOHNSTON: Oh, no.

Mr. HELLMUTH: Do you know at all, Mr. Carnegie, whether in addition to the advances that were made at the dates set out, the first one being the big advance of ten per cent and the four smaller advances dividing up the balance of the five per cent—do you know whether or not in addition to that other payments as fuses were supplied have been made to this company?—A. I do not know.

Sir WILLIAM MEREDITH: Under the contracts they were entitled to be paid on deliveries, weren't they?

Mr. HELLMUTH: I thought so.

Sir WILLIAM MEREDITH: Some reduction being made in respect to the advances.

Mr. NESBITT: The practice is, I do not know about this company, but the Morgans deduct so much on all advances on each thing.

Mr. HELLMUTH: I think we had better get Mr. Riddell or somebody who knows.—A. Our own accountant will explain that.

Q. Yes. Of course, there is no doubt about this, that so far as these last two exhibits are concerned, 200 and 202, these two statements, they are not prepared by the Shell Committee at all?—A. No, they would not be prepared by the Shell Committee.

[Mr. David Carnegie.]

Q. Those would come from the Imperial Munitions Board?—A. I do not know who prepared them, sir.

Q. Before passing to the Edward Valve, I would like to understand a little more clearly your position. After you resigned, or the Shell Committee went out of existence, you told me that you had been employed by the Shell Committee as Ordnance Adviser at a salary of \$1,000 a month, is that right?—A. Yes, sir.

Q. And after you had been some months in that position you were also appointed a member of the Shell Committee in addition to being its adviser?—A. Yes, sir.

Q. Perhaps you can give me the date?—A. I believe it was about April 5th when I was appointed a member.

Q. And you had been appointed Ordnance Adviser when?—A. In September.

Q. So that it would be some months?—A. Yes.

Q. From September to April you were simply Ordnance Adviser?—A. Yes.

Q. September, 1914, to April, 1915, you were Ordnance Adviser?—A. Yes, sir.

Q. From April, 1915, until the Shell Committee went out of existence at the end of November of that year you were both Ordnance Adviser and member of the committee?—A. Yes.

Sir WILLIAM MEREDITH: Was there any reason for the change?

Mr. HELLMUTH: Was there any reason for your being made a member of the committee in addition to being Ordnance Adviser?—A. Not that I know of, sir; I was appointed without my knowledge; I did not know of it until the announcement was made.

Q. We have seen that you were appointed by Mr. Hitchens as a member of the Imperial Munitions Board?—A. Yes, sir.

Q. Have you been acting as Ordnance Adviser as well of that Board?—A. Yes, sir.

Q. And have you been receiving remuneration in that capacity as Ordnance Adviser?—A. Yes, sir, but I should like to say that in that respect when I was appointed a member of the new Board I informed Mr. Flavelle that I did not wish to accept any salary but simply expenses as the other members of the Board. He agreed. He said: "Just as you like, Mr. Carnegie." And when I went to England I told Mr. Hitchens of the arrangement I had made, and he wrote to Mr. Flavelle pointing out that while—I do not know what he did write but this was the spirit of it—that since my business of a consulting engineer was dependent upon my own efforts, and necessarily stopped while I was there, he wrote suggesting to Mr. Flavelle and recommending that I should be paid \$25,000 per year.

Q. As what?—A. As Ordnance Adviser, but not as a member.

Q. That was about double what you were getting on the Shell Committee?—A. Yes, sir.

Mr. NESBITT: They had found out his value, I suppose.

Mr. HELLMUTH: I want to ascertain, Mr. Carnegie; have you received any other remuneration for your services outside of the \$1000 a month when you were on the Shell Committee and at the rate of \$25,000 a year since you have been on the Imperial Munitions Board?—A. Yes, sir; I received notice the other day from England that they had awarded me £3,000, for my service while a member of the Shell Committee.

Q. In addition to the remuneration?—A. In addition to the remuneration; quite unasked for.

Q. Do you know whether any members of the Shell Committee were paid anything—I am speaking of the members of the Shell Committee, not any one who occupied the position of Ordnance Adviser, yourself—you have told us you were paid—but outside of yourself do you know of any members of the Shell Committee

that were paid?—A. I believe General Bertram received also some recognition from the British Government, as I did. No other members.

Q. The amount you received, the £3000, was there any bargain as to that, or was it in the way of—I do not mean it offensively—a gratuity or bonus—

Mr. NESBITT: Honorarium.

Mr. HELLMUTH: Yes, I adopt that?—A. Honorarium, I believe so. I did not know anything about it until I received notice of it.

Mr. HELLMUTH: That £3,000 had nothing to do with the \$25,000 a year?—A. Oh, nothing whatever, sir.

Sir WILLIAM MEREDITH: He did not say whether that \$25,000 had come; it was only recommended.

Mr. HELLMUTH: Are you being paid at that rate?—A. Yes, sir.

Hon. Mr. DUFF: There is a question I would like you to ask, Mr. Hellmuth; when they accepted the proposal of the War Office to divide the order of five millions into 4.5 and so on, one third each, did they know that the fuse for the 4.5 lyddite would be a graze fuse, not a time fuse I mean, and if not when did they first learn that?

Mr. HELLMUTH: When the order was received from the War Office in England for the five million complete shells with fuses, divided, as we know into the thirds were you at that time aware that the 4.5 Howitzer lyddite was to be fitted with a graze fuse, 100 fuse or graze fuse?—A. The cable stated so.

Q. Did you know it was to be 100 fuse then?—A. No.

Q. You knew it was to be the graze fuse?—A. Yes.

Q. You did not know of what?—A. Of what nature.

Sir WILLIAM MEREDITH: I think that was mentioned before?—A. It was mentioned before.

Hon. Mr. DUFF: Did you know it was not to be a time fuse?—A. Yes, sir.

Mr. HELLMUTH: Of course up till that cable you did not know what—you have told us that up to the time you received that cable you assumed they would all be time fuses, did you not?—A. No, sir, but on the 30th April, if I remember rightly, we had a cable from the War Office indicating that high explosive shells would be fitted with 80 fuses, and as a matter of fact one of the high explosive shells in the lot of three types was subsequently fitted with a time fuse, although their first cable stated that the shrapnel only would be a time fuse, and the other graze fuse.

Hon. Mr. DUFF: Then you took the first cable to mean that the lyddite should be fitted with the graze fuse?—A. Yes, sir.

Q. And then you took the second cable to mean that all the high explosives would be fitted with time fuses?—A. That is right, sir.

Q. When did you learn, when was that mistake corrected?—A. 28th May by cable, it stated definitely what proportion of each, and only then. That was our first intimation.

Q. You mean the War Office cable to you?—A. Yes, sir.

Q. That was the first intimation you had?—A. Yes, was the first intimation.

Mr. HELLMUTH: Now, Messrs. Commissioners, the Order in Council, after setting out the two fuse contracts, if I may term them so, "also a contract constituted by an order bearing date on or about the 16th day of July, 1915, given by the Shell Committee to the Edward Valve Co., of Chicago, and accepted by that company, by which order the Shell Committee agreed to purchase a quantity of cartridge cases of the description and upon the terms therein stated."

If you will permit me just for a moment before I take up the correspondence, from the papers I have had placed before me I should judge that the negotiations for this contract were started through Col. Allison by the witness, and that at the time when they were started orders had been given to a very large number of Canadian manufacturers to manufacture these cartridge cases—I am not quite clear whether

[Mr. David Carnegie.]

they ran from three million up to six million of these cases—that the manufacturers of these cartridge cases were a good deal behind in delivery, that the price had been from \$2 up to \$2.40, but that practically the bulk of the orders had been in the neighbourhood of \$2, that is \$2 or a trifle over that; before these negotiations started the price of brass had risen very considerably, and the Shell Committee had become purchasers of brass to supply to manufacturers to make the cartridge cases, thinking, I assume, that they could do better. Then still the cartridge cases were not coming fast enough, and shells were piling up without having any cartridge cases, and they sought to get cartridge cases wherever they could; that they gave an order eventually to the Edward Valve Co. for five hundred thousand cartridge cases at \$2.43, being about—I may be wrong about my figures, but that is what it looks like—8 to 10 cents more than they would have been willing under ordinary circumstances—if they had purchased the brass and contracted for it it would probably have been about \$2.36, and they were paying \$2.43 as far as I can make out. I am just outlining; probably the reason that will be given for that will be that there was such a tremendous emergency to get these cartridge cases; but as a matter of fact I find that the Edward Valve Co. never took up the order; the order was an order for a limited time; it had to be supplied within a limited time, and the order was never filled by the Edward Valve Co., and consequently, so far as the Shell Committee was concerned, no money was ever paid on it; it was a lapsed order. I am just telling you that because, although we will have to go into it, the order unquestionably was not filled, and, consequently, I am told the Imperial Munitions did make a contract, or did give another order for cartridge cases, to the Edward Valve Co. I will take up the correspondence, which commences with a telegram and a letter, both of June 10th. I will put in the letter first, and then I will put in the telegram. The letter is from David Carnegie to Col. Allison, at the Manhattan Hotel, New York:—

“Dear Colonel Allison:

“I am enclosing specification No. L-3307 and drawing No. 20711, dated February 24, 1915, of cartridge case empty Q.F. M.K.II/L/ eighteen pounder. Do you know where we could get a supply of these from stock? The plants we have now manufacturing for us are not yet in full swing and production is rather slow.

“We should like to get 200,000 to 300,000 within the next few weeks if at all possible. Our price would be in the region of \$2.10 each.

“Hoping you are keeping well,

“I am,

“Yours very truly,

“DAVID CARNEGIE.”

(Marked Exhibit 203.)

And on the same day the Shell Committee sent a telegram to Colonel Allison:

“Ottawa, June 10, 1915.

“Colonel Allison,

“Manhattan Hotel,

“New York City.

“Confirming our telephone conversation, weights, cartridge cases empty without primers as follows. Eighteen pounder high explosive mark two three pounds four ounces. Eighteen pounder high explosive mark one two pounds nine ounces. Four point five two pounds seven ounces.

“SHELL COMMITTEE.”

(Marked Exhibit No. 204.)

Q. Were you the author of that telegram signed “Shell Committee” as well as of the letter?—A. I believe so, yes.

Q. Before you wrote that letter or sent that telegram apparently you had had a telephone conversation with Colonel Allison, is not that so?—A. Yes.

Q. Were you in Ottawa?—A. The date is June 10th, is it?

Q. Yes?—A. Yes, I would be in Ottawa.

Q. Where was he?—A. I presume it was New York.

Q. He was not in Ottawa?—A. No.

Q. You had been speaking to him in New York you presume over the long distance telephone?—A. Yes, sir.

Q. Will you tell me how and in what way you came in touch with Colonel Allison in regard to this matter?—A. Simply this, that when in New York prior to during the visit I had made on the fuses, Colonel Allison said that he would be prepared to give any information he could regarding the manufacture of any kind of munitions that we required if he could help in any way.

Q. Let me just at the outset ask you did Colonel Allison at that time say anything, and if so what, as to what remuneration he would require for giving those services?—A. Absolutely nothing, out of pure friendship for General Hughes, was Colonel Allison's statement to me, and I believed it.

Q. That is Colonel Allison told you he would be pleased to give you any information—may I go further and say "Be of any service"?—A. Yes.

Q. Be of any service he could be to you in the way of information in regard to munitions of any kind?—A. Of any kind, yes.

Q. Out of friendship for the General?—A. Absolutely.

Q. That is what he said?—A. That is so.

Q. So that you at that time did not expect him to say anything about remuneration to himself?—A. I did not expect it, and he certainly said nothing.

Q. You had no reason to suppose that he would?—A. Not the slightest reason.

Q. Do you say it was on account of what had taken place at the interviews you had had with him when you were there in regard to these fuses when he introduced you to Mr. Yoakum and these other gentlemen that you have spoken of, that led you into this telephone conversation followed by the telegram and the letter?—A. Yes, sir.

Q. I want you to tell me whether there was anything else and if so what it was that induced you to communicate with Colonel Allison?—A. Nothing else whatever, sir.

Q. Why did you want cartridge cases?—A. We were in desperation; we had let very large orders for cartridge cases in Canada, the Canadian manufacturers had got plant in from the United States, the plant had been broken time after time—I mean by plant the presses that were being used for the manufacture, and they had had difficulties of a kind that I do not know that ever were experienced in Canada before like them, and we were accumulating shells in Canada, sending them to our loading factory at the Canadian Explosives Co., at Vaudreuil, without any cases to fix to them.

Q. I want to understand what the cartridge cases mean, because one might think that was simply a box; what is the cartridge case, is it a necessary part of the shell before it can be used?—A. Yes, I showed it here the other day; it is that part which is fixed to the empty shell and in which the cordite is placed for giving the propelling power to the shell.

Q. Could I put it this way? It is as necessary for the shell for use in war to have its cartridge case as it is to have its fuse?—A. Yes, sir.

Q. Absolutely necessary?—A. Yes, sir.

Q. You cannot do without it?—A. No, sir.

Q. You had got shells manufactured, or a great many of them; to what extent, can you tell me roughly, had you given orders to the Canadian manufacturers for shells?—A. I cannot give a definite statement, but I should say approximately between four million and six million cases, and we had received up to June 4, about the time we were negotiating we had received a total of 86,000 out of the millions we had ordered.

[Mr. David Carnegie.]

Q. Would it be fair to say that practically you had no cartridge cases for your shells?—A. No, sir, it would be practically so.

Q. No reasonable proportion?—A. Yes, sir, so much so that later we cabled to the War Office asking if they would send us 250,000 of these fire cases over so that we could attach them to the shells we had made in order to make a complete fixed round. We have these cables. This is the case; that portion.

Q. That is the portion that is outside, the brass?—A. Yes, brass case is outside.

Q. What date about was it, June you say?—A. About June, sir; 86,000 we had in June, about the beginning of June.

Q. So far as one can carry one's mind back there was a great demand at that time undoubtedly for munitions, I appreciate that; and what quantity of shells were you in a position to send, leave out the fuse, because they were buying a large number without fuses were they not?—A. Yes, sir.

Q. And putting fuses on on the other side?—A. Yes.

Q. But what proportion of the shells without cases, what quantity were you ready to ship?—A. Off hand, I should say we had nearly a million shells ready waiting for cases. I am speaking now without my book, but I am approximating.

Q. You had nearly a million shells ready without cases?—A. Yes, sir.

Q. And what amount of shells had you ready and had had sent forward with cases up to then?—A. Not one, sir.

Q. So that you were without cases except to this limited extent of 80,000?—A. That is so, sir.

Q. What was the state of the market in regard to the contracts you had already let; about what prices had you let those contracts at?—A. We had let most of our contracts in Canada on the basis of \$2.00 per case when the brass cost 22½ cents per pound.

Q. It was not a straight contract at \$2.00 but it was a contract at \$2.00 when the brass cost 22½ cents per pound?—A. Yes, sir.

Q. About how many pounds goes into a case?—A. Approximately 3.6 pounds.

Q. 3½ pounds roughly?—A. Yes.

Q. And what was to be the price if brass went over the 22½ cents?—A. Just the number of cents over would be multiplied by 3.6; it was a sliding scale.

Q. Was that the way you entered into your contract with each firm?—A. Yes.

Sir WILLIAM MEREDITH: Did you provide for a slide the other way, if it went down?

Mr. HELLMUTH: If brass went down to 20 cents what then?—A. Yes, I believe that is the case, it was a sliding scale, but the general basis was 22½ cents.

Q. That 22½ cents meant \$2.00?—A. Yes.

Q. Perhaps you could get us one of those contracts; I do not mean at this moment?—A. Very well.

Q. At all events it should slide up if it did not slide down?—A. It has never gone down; it is 40 cents to-day.

Q. The contract provided that the brass should slide up even if the contract did not provide that the brass should slide down?—A. Yes, sir.

Q. I do not say it did not provide both. Was brass at 22½ cents per pound along about the 4th or 10th June, 1915?—A. No, sir.

Q. What was it?—A. Approximately 30 cents; I have not got the exact figure; but it was either between 27½ or 30 cents then.

Q. It had gone up from?—A. 22½ cents to about 30 cents.

Q. It had gone up somewhere between 4 cents and 7½ cents per pound?—A. Yes.

Q. I suppose it had not advanced all at one moment?—A. No, sir.

Q. But you cannot fix the price exactly on the 10th June?—A. I cannot just now.

Q. Could we get that pretty well fixed by the copper, brass, or metals market?

—A. I have been trying to secure just what the price actually was on that day, and I have failed up to the present time; I know what it is to-day.

Q. What is it to-day?—A. It is 40 cents to-day, last Saturday it was 40 cents.

Q. Has it fallen to any extent from the price it was at in June practically to the present time, or has there been a steady increase, which is it, or has it been a fluctuating market?—A. I think it fell a little, copper fell; brass consists of copper and zinc, and copper did fall a little, but copper was 30½ cents per pound on Saturday, but it did drop after it reached 20 or 20½, down as low as 18½, and then began to rise again. I am giving now from memory, but I think there was a little fluctuation in the rise.

Q. At all events brass had gone up at this time?—A. Yes, sir.

Q. Had you made any inquiry in regard to a supply or a possible supply of cartridge cases or manufacturers who would manufacture cartridge cases if you would supply them with brass prior to this opening of this correspondence with Colonel Allison?—A. We had at the same time looked into a proposal by Mr. Russell and Mr. Lloyd Harris, a proposal to get a supply of cartridge cases from the Federal Pressed Steel Co., of Milwaukee, and I made a journey to that works with Mr. Russell—

Q. Is that before?—A. No, about the same time as we were considering this; we were prepared as a committee to place orders anywhere and at any price to get the cases; I mean this, those 200,000 we wanted right away we did not care where we got them, and we would not have minded paying \$4 if we got them for the sake of getting the ammunition over. Canada was closed to us, we could not get anything from Canada; out of six producers in Canada, only three were actually producing—two in Canada and one in the States—were producing cases at this time; so that we were helpless, we had to go to the States, and we consulted with two other concerns, that is the Milwaukee concern, who were making Russian cartridge cases, and I went up to see them and found that they could not help us.

Q. Why not?—A. Because they were only beginning to manufacture and had not met with much success in the manufacture.

Q. Who went with you to Milwaukee; did you say Mr. Harris was with you?—A. I believe Mr. Russell. I am not sure whether Mr. Harris came with me, but I met him in Chicago on the return from Milwaukee, I know.

Q. Was it Mr. Harris or Mr. Russell who put you in touch with the Milwaukee concern?—A. I do not know whether it was either the one or the other or both.

Q. Was it one of them?—A. One of them, yes.

Q. You did not know of your own knowledge about the Milwaukee concern?—A. No.

Q. Was there any one else besides?—A. Yes, there was the American Can Co., that General Pease and I in the States investigated; at least we went and interrogated their representatives on the subject, and they quoted us \$2.65 if we placed an order for 500,000 with them, but they wanted a deposit of 25 per cent with the contract down.

Q. Did you place any order with them?—A. No, sir.

Q. Were they capable of making them?—A. A very good firm indeed, and I believe subsequently they got a contract through Morgans, but of that I am not sure.

Q. That is the American what?—A. American Can Co.

Q. You apparently got a letter back from Colonel Allison on the 17th June addressed to you, marked "Strictly confidential":—

"Dear Col. Carnegie:—

"Many thanks for the enclosure in yours of the 10th inst. I have been very ill for several days, but will now get busy and see what I can do for you on prices and deliveries of two or three hundred thousand cartridge cases.

"The price of raw material has gone up so rapidly that I do not believe it will be possible to get them for anything near \$2.10 each.

[Mr. David Carnegie.]

"Is there no way that you can expedite the order for the 303 Mark VII that General Hughes asked me to get figures on. The people who are interested in this are growing very anxious over the delay, as I have held them up for such a long time.

"With kind regards, I am,

"Yours very truly,

"J. WESLEY ALLISON."

(Marked Exhibit 205.)

Q. Has that 303 Mark VII anything to do with the cartridge cases?—A. No, sir, that refers to small arm ammunition

Q. Then on June 18, 1915, you got a telegram from Colonel Allison to you, sent from Mt. Newyork, N.Y.:—

"Colonel David Carnegie,

"Ordnance Adviser, Shell Committee,

"Stephen Building, Ottawa, Ont.

"Referring your letter of June 10th, am offered three hundred thousand eighteen-pounder high explosive eartridge cases. Delivery forty thousand per week, price two thirty-five. May materially increase delivery if order is confirmed.—ALLISON."

(Marked as Exhibit 206.)

Q. Do you remember getting that?—A. Yes, sir.

Q. You do not seem to have replied to that telegram I should judge, because I cannot find an answer to it; but I find this letter dated June 22, 1915, acknowledging your letter of the 17th:—

"Colonel J. W. Allison,

"Manhattan Hotel,

"New York, N.Y.

"DEAR COLONEL ALLISON,—Many thanks for your letter of the 17th inst. I am sorry to learn that you have been ill, and strongly advise that you should get a holiday as soon as possible, otherwise the consequences may be serious.

"As to the question of cartridge cases, I took the matter up with the Committee on Saturday and the time taken to deliver was the great barrier. If you could get a matter of 300,000 or 400,000 within the next month or six weeks we should be prepared to pay \$2.30 to \$2.40 each.

"I remain, Yours very truly,

"D. CARNEGIE."

(Marked as Exhibit 207.)

Q. So that the offer of from \$2.30 to \$2.40 came from you?—A. It came from the Committee, yes, sir.

Q. I mean it came from you or through you from the Committee?—A. Yes, sir.

Q. With your approval?—A. Yes, sir, certainly.

Q. Then you had a telephone conversation on the 23rd, Mr. Carnegie, apparently, with Colonel Allison; I will read this letter to you, and perhaps it will bring it back to your recollection.

This is a letter from you to Colonel Allison, dated June 23, 1915:—

"DEAR SIR:—We wish to confirm our telephone conversation of to-day ordering 300,000 cartridge cases to British specifications as per drawing number A-26 and specification L-3307 herewith enclosed, same to be delivered at a rate of forty thousand per week, deliveries to commence 5 weeks from this date, at a price of \$2.30 each.

"It is understood that this order is subject to cancellation if the company fails to deliver said cartridges in the time and at the rate specified.

"Yours very truly,

(Marked as Exhibit 208.)

"D. CARNEGIE."

Will you kindly tell me whether you had a telephone conversation, because there is no letter or telegram in regard to that?—A. I must have had that, sir, or I could not have written the letter.

Q. You have no doubt whatever that you had?—A. I have no doubt whatever.

Mr. HENDERSON: Our copy is signed "Alexander Bertram, Chairman, Shell Committee". Ours is only a copy, as it happens. It does not make any difference.

Mr. HELLMUTH: These letters, whether they were signed by you to Colonel Allison, such as I have read, or were signed by General Bertram, were really written by you, or dictated by you?—A. Dictated by me as a rule, and signed by General Bertram.

Q. You were dictating the letters; there was no question about that?—A. That is right, sir. And in every case I think while General Bertram was in the office we always consulted together in every matter before I dictated any letter.

Mr. JOHNSTON: They are not repudiated by anybody.

Mr. HELLMUTH: Where had Colonel Allison ordered—because this exhibit number 208 does not designate either the vendor or the manufacturer of those cartridge cases,

"We wish to confirm our telephone conversation of to-day ordering 300,000 cartridge cases".

"It is understood that this order is subject to cancellation if the company fails to deliver said cartridges"—

What company was it that you were discussing over the telephone with Colonel Allison?—A. If you look at the minutes of the meeting, you will see that.

Q. I beg your pardon. The next document I have shows it. There is a telegram dated at Ottawa, June 23, 1915, from the Shell Committee to Colonel Allison:—

"Please wire name of manufacturer to whom official order for cartridge cases should be made out. We are mailing drawing and specification to-night."

(Marked as Exhibit 209.)

That makes it clear. So that you did not know when you were telephoning to Colonel Allison who the manufacturer was?—A. Yes, sir, I gather from the minutes of our Committee meeting, which I think you have in your brief, or should have, that on July 3rd, I reported to the Committee the name given. It was the North American Copper Company.

Q. Pardon me, you are not listening to my question. On the 23rd of June, 1915, when you were telephoning to Colonel Allison, you did not know the name of this company?—A. He may have named, and I take it, sir, that he did name the North American Copper Company.

Q. Then why did you send the telegram?—A. Because I wanted it in writing.

Q. I understand you now. What was the name of the company?—A. The North American Copper Company.

Q. At all events, the proposed company which was to take the 300,000 cartridge cases, that was not Colonel Allison's company, but the North American Copper Company?—A. Yes, sir.

Q. Who were the chief men of that company?—A. I cannot tell you, sir; I cannot tell that, at all.

Q. Do you know where their habitation is?—A. I cannot tell you that, even, sir. I think it was Boston, but I am not quite sure of it. It fell through, anyhow.

[Mr. David Carnegie.]

Q. Then on July 1, 1915, you sent a telegram signed D. Carnegie, Shell Committee, to Colonel Allison, at the Manhattan Hotel, New York.

I will put in before that telegram a telegram of the Shell Committee dated June 25, 1915, to Colonel Allison:—

“Advise name of company handling brass cases; will make contract out direct to them; wire reply.”

(Marked as Exhibit No. 210).

Mr. HENDERSON: There was no reply to that; he was sick at the time.

Mr. HELLMUTH: Then comes this telegram of the 1st of July, 1915:—

“Ottawa, July 1, 1915.

“To Col. Allison,

“Manhattan Hotel,

“New York.

Don't wait for contract, proceed with three hundred thousand cases as arranged twenty-five per cent will be advanced on signing contract please send name of firm to enable us complete contract also name of Guaranty Trust it is understood that manufacturers will deliver at rate of forty thousand per week in five weeks from present date failing which contract may be cancelled.

“D. CARNEGIE,

“Shell Committee.”

(Marked as Exhibit No. 211.)

Sir WILLIAM MEREDITH: What does this mean, “will make contract out direct to them.”

Mr. HELLMUTH: I will ask that, sir.

Q. Mr. Carnegie, in your telegram of June 25, 1915, Exhibit No. 210, you say “Advise name of company handling brass cases, will make contract out direct to them.” What is the meaning of the word “direct?”—A. I meant to convey by that that the contract would be made out in the name of the manufacturer, not in the name of Colonel Allison.

Q. Had Colonel Allison suggested that he would take the contract?—A. No, sir, but I wanted to inform Colonel Allison, if he did not know, that they were not going to make out the contract in his name. It was not our business to do that, but to make contracts with manufacturers, not with merchants or those who introduced them.

Q. On July 1, 1915, there is a letter confirming the telegram:—

July 1, 1915.

“Colonel Allison,

“Manhattan Hotel,

“New York, N. Y.

“Dear Sir,—

“We confirm having wired you to-day on the subject of cartridge cases, as per enclosed copy. We hope no time will be lost in getting the work under way, as urgent delivery is most important.

“We have not yet received the name of the firm with whom you have arranged to manufacture the cases. Kindly let us have this at the earliest moment, so that we can complete the contract. We remain,

“Yours truly,

“D. CARNEGIE.”

(Marked as Exhibit 212.)

Here is a copy of the letter apparently from Colonel Allison addressed to you, dated July 3, 1915:—

“Confidential.

“Colonel David Carnegie,
“Stephen Building,
“Ottawa, Ont., Canada.

“Dear Colonel Carnegie,—

“Enclosed find copy of a letter that was handed to me last night, while I was with General Hughes. It shows about the condition of the market here on raw material, and the manufacturers do not know where they are at. They have promised, however, to give me a definite answer on Tuesday as to whether they will conclude the contract for 300,000 brass cases.

“Are you in the market for any gaires? The factory capacity is pretty well taken up, and if you need any Mr. Yoakum and I can place them for you right away.”

(Marked as Exhibit 213.)

Do you remember getting that?—A. I do not remember that letter, but I evidently got it, because it bears on the subject.

Sir WILLIAM MEREDITH: Where was that letter written from—Ottawa?

Mr. HELLMUTH: Mr. Henderson gave it to me. He says he got it from a carbon copy found among Colonel Allison's papers.

Sir WILLIAM MEREDITH: Where is the copy of the letter enclosed?

Mr. HELLMUTH: I have not got that. Mr. Henderson is giving me everything he has.

Q. You ought to have that letter, Mr. Carnegie?—A. I will look for it.

Q. I want a letter dated July 3rd from Colonel Allison to Colonel Carnegie, enclosing copy of a letter that “was handed to me last night while I was with General Hughes.” Evidently the letter speaks about the condition of the market on raw material.

Hon. Mr. DUFF: Has anybody anything that shows where the letter was written from?

Mr. HELLMUTH: It has not been found, sir.

Mr. HENDERSON: The dates would indicate that it was written from New York, because Colonel Allison was then ill in that city.

Sir WILLIAM MEREDITH: Then General Hughes must have been in New York?

WITNESS: I believe that was the day General Hughes left for England, so he must have been in New York.

Mr. HELLMUTH: Did General Hughes leave for England on the 3rd?

General HUGHES: About that time.

Mr. HELLMUTH: And did you go to New York on your way?

General HUGHES: Yes.

Mr. HELLMUTH: What was put in was a letter without any date, a copy of a letter which read as follows—It was after the cartridge case matter:—

“DEAR COLONEL CARNEGIE,—Enclosed find copy of a letter that was handed to me last night, while I was with General Hughes. It shows about the condition of the market here on raw material, and the manufacturers do not know where they are at.”

We were just wondering where the letter was written from. Mr. Henderson says he thinks Colonel Allison was in New York at that time, so that if the letter was handed to him while he was with you, it is just a question of were you in New York at that time.

[Mr. David Carnegie.]

General HUGHES: About that time.

Mr. HENDERSON: The matter referred to in the letter is as to the 300,00 brass cases.

Mr. HELLMUTH: The next paper I find in point of date is a draft contract, or a draft agreement which was never executed apparently, between the Edward Valve & Manufacturing Company and the Shell Committee, dated the 9th day of July, 1915, and on the same date I find a letter—no correspondence between the last dates I have given and this date, but on the 9th of July, 1915, I find a letter from yourself as Ordnance Adviser to the Edward Valve and Manufacturing Company, which letter I will put in first.

“ July 9, 1915.

“ The Edward Valve & Mfg. Co.,
 “ No. 343 South Dearborn St.,
 “ Chicago, Ill.

“ GENTLEMEN,—With reference to our conversation to-day with Mr. Sheraton and Colonel Allison, regarding the proposed contract for 18-pounder cartridge cases to specification L 3307 and drawing number R.L. 20711, we confirm having agreed to accept on behalf of the Shell Committee, Ottawa, all the brass cartridge cases you can manufacture up to 500,000 at your works in Chicago, or Gary, Ind., during the next eighteen weeks, which will fulfil the requirements of the said specification and drawing. The said cases to be proved at Quebec, or at any other place in America appointed by the Chief Inspector of Arms and Ammunition, Quebec, on the result of whose certificate payment shall be made at the rate of \$2.43 per case. The cases to be packed in wooden boxes, each containing twenty-five cases and to be delivered f.o.b. contractor's works.

“ Yours very truly,

“ DAVID CARNEGIE, *Ordnance Adviser.*

“ Signed on behalf of Chairman, Shell Committee.”

(Marked as Exhibit 214.)

At the same time I find among the papers this draft agreement, which I will very shortly summarize and then put in. Perhaps I had better put it in now, and will ask some questions about it afterwards.

“ Memorandum of Agreement made in duplicate this Ninth day of July A.D., 1915.

“ By and between

“ THE EDWARD VALVE AND MANUFACTURING COMPANY, a body politic and corporate having its head office in Chicago, Illinois, hereinafter called the ‘ Company ’ and acting herein by its President and its Secretary, hereunto duly authorized,

PARTY OF THE FIRST PART;

“ And

“ THE SHELL COMMITTEE, a body appointed by the Honourable the Minister of Militia and Defence of Canada for the purpose of purchasing munitions of war for the British Government, hereinafter called the Purchaser and acting herein by BRIGADIER-GENERAL ALEXANDER BERTRAM, its Chairman,

PARTY OF THE SECOND PART.

“ WHEREAS the Company is prepared to manufacture cartridge cases and the Purchaser is desirous of purchasing cartridge cases from the Company on the terms herein contained.

“ NOW THEREFORE THIS AGREEMENT WITNESSETH:

“ 1. The Company agrees to sell and the Purchaser to purchase three hundred thousand (300,000) 18-pounder brass cartridge cases to be in accordance with the British drawing and a specification furnished by the Purchaser, namely, Drawing No. A. 26 and Specification No. L/3307 which drawing and

specification form part of this agreement and are initialed by the respective parties hereto for identification.

"2. The price of said cartridge cases shall be two dollars and thirty-nine cents (\$2.39) per cartridge case in lawful currency of the United States of America in New York funds. All cartridge cases shall be packed as hereinafter provided and shall be delivered f.o.b. at the company's or its subcontractor's works for shipment to such place or places as may be designated by the Purchaser.

"3. The Company shall begin to make deliveries of cartridge cases under this agreement not later than six (6) weeks from the date of the execution of this contract and deliveries shall then be made at the rate of at least twenty-five thousand (25,000) cartridge cases per week thereafter and shall continue at such rate until all of said three hundred thousand (300,000) cartridge cases shall be delivered.

"4. The Purchaser shall under the direction of the Chief Inspector of Arms and Ammunition provide for the prompt examination and inspection of the said cartridge cases at the factories where same are manufactured. As soon as the Company shall notify the Purchaser that manufacture hereunder has advanced sufficiently to require inspection, the Purchaser shall keep at all times at each of said factories an Inspector or Inspectors whose duties shall be to inspect all of such cartridge cases and to promptly inform the Company and the Purchaser of the results of such inspections. The Chief Inspector of Arms and Ammunition and all other Inspectors appointed by him or by the Purchaser shall at all times have access to the factories of the Company and of its subcontractors, and the Company shall provide all necessary and suitable accommodations for the purpose of all inspections required at any such factories.

"5. The Company's manufacturing and inspection gauges shall be provided by the Company. The inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

"6. The said cartridge cases shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly appointed Deputy, at Quebec or at such other place or places as may be designated by him in the Dominion of Canada or in the United States of America.

"7. Lots of cartridge cases (other than cases selected for proof) to be delivered hereunder shall not be required to be delivered for shipment to the Purchaser as hereunder provided until all inspections and tests required by the Purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

"8. The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized Deputies regarding the acceptance or rejection of cartridge cases shall be final and binding between the parties hereto.

"9. The Purchaser shall make an advance payment to the Company in New York funds of twenty-five per cent of the total amount of the purchase price on the execution of this contract and the delivery to the Purchaser of the proper agreement of guarantee hereinafter mentioned.

"10. The said advance payments being made for the purpose of aiding the Company to finance this contract, shall not in any way constitute an acceptance of any completed cartridge cases by the Purchaser.

"11. Final payments for lots of completed cartridge cases accepted and shipped shall be due and payable by the Purchaser to the Company seven days after the date of mailing in New York to the Purchaser at Ottawa, or at the option of the Company seven days after the delivery in New York to the Agency of the Bank of Montreal in New York, of invoices in triplicate properly numbered together with bills of lading therefor.

[Mr. David Carnegie.]

"12. The Company shall be entitled at its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser to the Company hereunder by draft, payable seven days after date without grace, in New York funds in the City of New York, accompanied by the invoices and bills of lading therein mentioned. All payments shall be due and payable in New York funds in lawful money of the United States of America or its equivalent.

"13. The advance payments mentioned in paragraph 9 of this agreement shall be deemed to be advances made in respect of, and towards payment for, the whole three hundred thousand completed cartridge cases covered by this agreement and shall accordingly be applied *pro rata* on the purchase price of lots of cartridge cases as the same are delivered from time to time so that so long as the Company is not in default in making deliveries hereunder, payment in advance on each lot of cartridge cases delivered will have been made to the extent of twenty-five per cent of the purchase price, and only seventy-five per cent of the purchase price on each lot of cartridge cases delivered to the Purchaser shall require to be paid by the Purchaser in order to complete the payment of the total purchase price therefor but if the Purchaser shall have cancelled any deliveries previously due and in default under the terms of this contract as hereafter provided, the advance payment of twenty-five per cent in respect of the cartridge cases so in default shall be applied by the Company in or towards payment of the said seventy-five per cent of the purchase price of the cartridge cases then delivered as aforesaid, unless such advance payment has been already repaid to the Purchaser as hereinafter provided.

"14. If the Company shall be at any time in arrears in the deliveries of cartridge cases required by this agreement the Purchaser at its option may, at any time and from time to time, after the expiration of fourteen (14) days from the delivery at the Company's office in the city of New York of written notice of the Purchaser's intention so to do, cancel so much of this agreement as relates to any cartridge cases deliveries whereof shall be so in arrears (unless prior to the expiration of said period of fourteen (14) days the arrears have been made good by the Company); and the Company shall thereupon repay to the Purchaser any moneys advanced hereunder applicable towards the purchase price of said cartridge cases so in arrears and cancelled; but the Company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The Company, however, hereby agrees to use all reasonable endeavours and make all reasonable efforts to manufacture and deliver all such cartridge cases in accordance with the terms of this agreement. A time allowance shall be granted to the Company for any time lost through strikes, fires, acts of God, delays in inspection caused by the Purchaser, or other acts of the Purchaser, or other causes beyond the Company's control.

"15. The Company shall procure and furnish to the Purchaser an agreement or agreements of guarantee in a form acceptable to the Purchaser by a Guarantor or Guarantors acceptable to the Purchaser, guaranteeing the re-payment to the Purchaser by the Company of all moneys so advanced which in the event of cancellation for non-deliveries shall become repayable by the Company to the Purchaser under the provisions of the next preceding paragraph. Said agreement or agreements of guarantee at any time in force may be reduced in amount from time to time as the advance payments covered thereby are applied hereunder.

"16. The company shall pay to the Purchaser interest at the rate of three per cent (3%) per annum upon the amount advanced by the Purchaser under paragraph 9 hereof calculated from the date of such advance.

"17. This agreement is entered into by the Purchaser on the understanding that the Company in executing the terms and conditions of same, shall not knowingly interfere with existing contracts of the British War Office or the Allies of Great Britain for the purposes of the present war.

"18. The said cartridge cases are to be packed in tin-lined wooden boxes, each containing cases or such other larger number as may be decided by the Purchaser. The same to be securely held in position to prevent their movement in the boxes during transit; packing boxes are to be supplied by the Company at its own expense, the designs thereof to be supplied by the Purchaser.

"19. This contract shall not be assigned by the Company either in whole or in part without the previous consent in writing of the Purchaser and the Company may employ such subcontractors as it may desire in connection with its performance of this agreement. Upon request of the Purchaser the Company shall keep the Purchaser advised from time to time of such subcontractors so employed by it.

"20. This contract shall be binding upon the successors and assigns of the respective parties hereto.

"21. This agreement shall be construed under and governed by the laws of the State of New York.

"IN WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written.

THE EDWARDS VALVE & MANUFACTURING CO.

Attest:

By

.....
Secretary.

.....
President.

SIGNED, SEALED AND DELIVERED
By The Shell Committee
In the Presence of,

} THE SHELL COMMITTEE
By

}
Chairman.

I, Major General the Honourable S. Hughes, Minister of Militia and Defence of the Dominion of Canada, in accordance with authority duly conferred upon me by His Britannic Majesty's Government, hereby ratify and confirm on its behalf the foregoing agreement between the Edward Valve & Manufacturing Company and the Shell Committee.

Dated at Ottawa, Canada this day of
A.D. 1915.

Witness:

(Marked as Exhibit 215.)

Q. This is not a 500,000 contract?—A. No, sir, 300,000.

Q. You remember the letter said \$2.43?—A. Yes sir.

Q. What is the explanation of that letter of July 9th, Mr. Carnegie, and that draft contract of the same date, because you have not told me anything up to date about the Edward Valve & Manufacturing Co?—A. Well, sir, the explanation is this that I went down to New York—

Q. When? It must have been sometime between the 3rd and the 9th?—A. I left on the 5th for New York, and General Pease (whose name I have already mentioned) along with Colonel Lafferty, of the Dominion Arsenal, and I were looking at some other things, such as guns, and not having heard definitely from Colonel Allison regarding the company that was to manufacture the cases, on the 9th of July General Pease and I called at the offices with that contract.

Q. What offices?—A. With the copy of the contract similar to what has been read.

Q. But at whose offices?—A. Colonel Allison's.

Q. How did you know anything about the name of the Edward Valve & Manufacturing Company?—A. Because we had got the name of the Edward Valve & Manufacturing Company before that time.

[Mr. David Carnegie.]

Q. From whom?—A. From Colonel Allison. No, sir, we had not got the name of the Edward Valve & Manufacturing Company at that time.

Q. But it is the 9th I am speaking of?—A. On the 9th we had not got the name of the Edward Valve & Manufacturing Co.

Q. How did you come to write such a letter then?—A. I will explain it, if you will allow me. We went to the office and asked Colonel Allison if we could now close this business, the days were running on and nothing was done; he explained that he had been disappointed by the people from whom he had received information as to a quick delivery of 300,000 cases, but he had meanwhile got in touch with the Edward Valve & Manufacturing Co., a new company, and at the interview a Mr. Sheraton of that company was present too. We learned from Colonel Allison that this Mr. Sheraton representing the Edward Valve & Manufacturing Co. was able to produce cases.

We were doubtful about the matter, and said that we could not conclude the contract, and that the only basis on which we could make out an order at all was that of simply giving a letter on the lines we mentioned, that is, the letter dated the 9th of July, stating that we could accept 500,000 cases, or any number up to 500,000, during the period of 18 weeks. Then came the question what about the advance. According to the arrangement we were going to have an advance. But we could not think of an advance then, because we had not sufficient information to warrant us in closing a contract. We therefore decided, after considerable deliberation, to give this open letter.

Q. That is, the letter which is Exhibit 214, under date of July 9th?—A. That is the letter.

Q. Tell me, who drafted the agreement?—A. What agreement?

Q. The agreement I find among the papers, the draft agreement?—A. It was drafted, I believe by Mr. Orde.

Q. It is dated the 9th, the same day?—A. Yes, but it was never concluded.

Q. What I want to get at is, how did it come into being; it has puzzled me a little. Your letter of July 9th is perfectly in order, and perfectly understandable, but the agreement is quite a different document?—A. Yes, sir. We prepared the agreement with the object of signing it. How the name got in there I do not recollect.

Q. You did prepare the agreement before you went there?—A. Yes, days before.

Q. But the name was blank at that time?—A. I presume so. I do not recollect having got the name then.

Q. You went down to New York, I understood, prepared to carry out the agreement with some company, and on the lines of the advanced payment; after you met Mr. Sheraton you came to the conclusion that you could not enter into such an agreement, but would write a letter?—A. That is the case.

Q. Who drew up the letter?—A. It was drawn up by General Pease and myself together, in the room at Colonel Allison's.

Q. Is the language or the phraseology yours, or General Pease's?—A. Well, I don't know.

Q. Perhaps you did the one word, and he the next?—A. Perhaps.

Sir WILLIAM MEREDITH: I am not stopping you, Mr. Hellmuth.

Mr. HELLMUTH: I am stopping myself, sir.

Sir WILLIAM MEREDITH: Can we not sit hereafter from 10 o'clock to 1, and from 2.30 until 6 p.m.? I think that would be better.

Mr. HELLMUTH: That is a pretty long day. Say from 2.30 to 5.30 for a while, until we see how we get along. How will that suit you, Messrs. Commissioners?

Sir WILLIAM MEREDITH: For the immediate present only.



ROYAL COMMISSION.

SIXTH DAY.

MORNING SESSION.

OTTAWA, Tuesday, May 2, 1916.

The Commission resumed its sittings at 10 a.m.

Examination of D. CARNEGIE continued.

Sir WILLIAM MEREDITH: Well, Mr. Hellmuth?

Mr. HELLMUTH: Mr. Carnegie, last evening we were speaking in reference to the draft, or unsigned and unexecuted draft or contract between the Edward Valve and Manufacturing Company and the Shell Committee; you remember that?—A. Yes, sir.

Q. Since then you have obtained the draft of that contract and the file, with certain memoranda upon it, attached to that draft, have you not?—A. Yes, sir.

Sir WILLIAM MEREDITH: I thought we had the draft agreement?

Mr. HELLMUTH: It was a draft agreement with the Edward Company, but I was asked to see if I could find the draft which was furnished to Mr. Carnegie, sir.

Hon. Mr. DUFF: What you really have is a fair copy unexecuted?

Mr. HELLMUTH: Yes, sir.

Q. You said you thought it had been prepared by Mr. Orde?—A. Yes, sir.

Q. Is this (shows to witness) what you have found on the files?—A. This is what I have found on the files.

Q. With all the memoranda attached?—A. Yes, sir.

Mr. HELLMUTH: This is a draft on which pencilling is written, "To be returned to D. Carnegie," and is a memorandum of agreement made in duplicate the blank day of blank A.D. 1915.

Most of it is very much the same as the fair copy which was put in yesterday. It appears to have been drawn by Messrs. Orde, Powell & Lyle, and attached to it is this memorandum: "Mr. H. Bertram. Attention of—"

Q. Who is H. Bertram?—A. Mr. Bertram was then in the office, looking after the commercial work.

Q. The date is 14/7/15, which would be the 14th of July?—A. Yes, sir.

Q. Whose handwriting is this first memorandum in?—A. That is mine, sir.

Draft.

Memorandum of Agreement made in duplicate this
day of _____, A.D. 1915.

By and between

The _____ Company, a body politic and corporate
having its head office in _____ hereinafter called
the "Company" and acting herein by its President and its Secretary,
hereunto duly authorized

Party of the First Part

and

THE SHELL COMMITTEE, a body appointed by the Honourable the Minister
of Militia and Defence of Canada for the purpose of purchasing munitions
of war for the British Government, hereinafter called the Purchaser and
acting herein by Brigadier-General ALEXANDER BERTRAM, its Chairman

Party of the Second Part.

Whereas the Company is prepared to manufacture Cartridge Cases and
the Purchaser is desirous of purchasing Cartridge Cases from the Company
on the terms herein contained,

Now therefore this Agreement Witnesseth:

1. The Company agrees to sell and the Purchaser to purchase three hundred
thousand (300,000) Cartridge Cases to be in accordance with the British drawing
and specification furnished by the Purchaser, namely Drawing (in pencil "R1. 20711")
and Specification No. $\frac{L}{3307}$ which drawing and specification form part of this agree-
ment and are initialled by the respective parties hereto for identification.

2. The price of said cartridge cases shall be two dollars and thirty cents (\$2) (in
pencil ".39") per cartridge case in lawful currency of the United States of America in
New York funds. All cartridge cases shall be packed as hereinafter provided and shall
be delivered f.o.b. at the Company's or its sub-contractor's works for shipment to such
place or places as may be designated by the purchaser.

3. The Company shall begin to make deliveries of cartridge cases under this agree-
ment not later than six weeks from the date of the execution of this contract and
deliveries shall then be made at the rate of at least forty thousand (in pencil "25,000")
cartridge cases per (in pencil "week") thereafter and shall continue at such rate until
all of said three hundred thousand (300,000) cartridge cases shall be delivered.

4. The Purchaser shall under the direction of the Chief Inspector of Arms and
Ammunition provide for the prompt examination and inspection of the said cartridge
cases at the factories where same are manufactured. As soon as the Company shall
notify the Purchaser that manufacture hereunder has advanced sufficiently to require
inspection, the Purchaser shall keep at all times at each of said factories an inspector
or inspectors whose duties shall be to inspect all of such cartridge cases and to promptly
inform the Company and the Purchaser of the results of such inspections. The Chief
Inspector of Arms and Ammunition and all other inspectors appointed by him or by
the Purchaser shall at all times have access to the factories of the company and of its
sub-contractors and the company shall provide all necessary and suitable accommoda-
tions for the purposes of all inspections required at any such factories.

[Mr. David Carnegie.]

5. The Company's Manufacturing and Inspection gauges shall be provided by the Company. The Inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

6. The said Cartridge Cases shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly appointed Deputy, at Quebec or at such other place or places as may be designated by him in the Dominion of Canada or in the United States of America.

7. Lots of Cartridge Cases (other than cases selected for proof) to be delivered hereunder shall not be required to be delivered for shipment to the Purchaser as hereunder provided until all inspections and tests required by the Purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

8. The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized Deputies regarding the acceptance or rejection of Cartridge Cases shall be final and binding between the parties hereto.

9. The Purchaser shall make an advance payment to the Company in New York funds of twenty-five per cent of the total amount of the purchase price on the execution of this contract and the delivery to the Purchaser of the proper agreement of guarantee hereinafter mentioned.

10. The said advance payments being made for the purpose of aiding the Company to finance this contract, shall not in any way constitute an acceptance of any completed Cartridge Cases by the Purchaser.

11. Final payments for lots of completed Cartridge Cases accepted and shipped shall be due and payable by the Purchaser to the Company seven days after the date of mailing in New York to the Purchaser at Ottawa, or at the option of the Company seven days after the delivery in New York to the agency of the Bank of Montreal in New-York, of invoices in triplicate properly numbered together with Bills of Lading therefor.

12. The Company shall be entitled at its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser to the Company hereunder by draft, payable seven days after date without grace, in New York funds in the City of New York, accompanied by the invoices and Bills of Lading therein mentioned. All payments shall be due and payable in New York funds in lawful money of the United States of America or its equivalent.

13. The advance payments mentioned in paragraph 9 of this agreement shall be deemed to be advances made in respect of, and towards payment for, the whole three hundred thousand completed Cartridge Cases covered by this agreement and shall accordingly be applied *pro rata* on the purchase price of lots of Cartridge Cases as the same are delivered from time to time so that so long as the Company is not in default in making deliveries hereunder, payment in advance on each lot of Cartridge Cases delivered will have been made to the extent of twenty-five per cent of the purchase price, and only seventy-five per cent of the purchase price on each lot of Cartridge Cases delivered to the Purchaser shall require to be paid by the Purchaser in order to complete the payment of the total purchase price therefor but if the Purchaser shall have cancelled any deliveries previously due and in default under the terms of this contract as hereinafter provided, the advance payment of twenty-five per cent in respect of the Cartridge Cases so in default shall be applied by the Company in or towards payment of the said seventy-five per cent of the purchase price of the Cartridge Cases then delivered as aforesaid, unless such advance payment has been already repaid to the Purchaser as hereinafter provided.

14. If the Company shall be at any time in arrears in the deliveries of Cartridge Cases required by this agreement, the Purchaser at its option may, at any time and from time to time, after the expiration of (in pencil "fourteen" days from the delivery

at the Company's office in the City of New York of written notice of the Purchaser's intention so to do, cancel so much of this agreement as relates to any Cartridge Cases of (in pencil "14") days the arrears (unless prior to the expiration of said period of (in pencil "14") days the arrears have been made good by the Company); and the Company shall thereupon repay to the Purchaser any moneys advanced hereunder applicable towards the purchase price of said Cartridge Cases so in arrears and cancelled; but the Company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The Company, however, hereby agrees to use all reasonable endeavours and make all reasonable efforts to manufacture and deliver all such Cartridge Cases in accordance with the terms of this agreement. A time allowance shall be granted the Company for any time lost through strikes, fires, acts of God, delays in inspection caused by the Purchaser, or other acts of the Purchaser, or other causes beyond the Company's control.

15. The Company shall procure and furnish to the Purchaser an agreement or agreements of guarantee in a form acceptable to the Purchaser by a Guarantor or Guarantors acceptable to the Purchaser, guaranteeing the re-payment to the Purchaser by the Company of all moneys so advanced which in the event of cancellation for non-deliveries shall become repayable by the Company to the Purchaser under the provisions of the next preceding paragraph. Said agreement or agreements of guarantee at any time in force may be reduced in amount from time to time as the advance payments covered thereby are applied hereunder.

16. The Company shall pay to the Purchaser interest at the rate of three per cent (3%) per annum upon the amount advanced by the Purchaser under paragraph 9 hereof calculated from the date of such advance.

17. This agreement is entered into by the Purchaser on the understanding that the Company in executing the terms and conditions of same, shall not knowingly interfere with existing contracts of the British War Office or the Allies of Great Britain for the purposes of the present war.

18. The said Cartridge Cases are to be packed in (tin-lined) wooden boxes, each containing Cases or such other larger number as may be decided by the Purchaser. The same to be securely held in position to prevent their movement in the boxes during transit, packing boxes are to be supplied by the Company at its own expense, the designs thereof to be supplied by the Purchaser.

19. This contract shall not be assigned by the Company either in whole or in part without the previous consent in writing of the Purchaser but the Company may employ such sub-contractors as it may desire in connection with its performance of this agreement. Upon request of the Purchaser the Company shall keep the Purchaser advised from time to time of such sub-contractors so employed by it.

20. This contract shall be binding upon the successors and assigns of the respective parties hereto.

21. This agreement shall be construed under and governed by the laws of the State of New York.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written.

Attest	By	Company
.....
	<i>Secretary.</i>	<i>President.</i>

SIGNED SEALED AND DELIVERED	}	THE SHELL COMMITTEE.
By the Shell Committee		By.....
In the Presence of,		<i>Chairman.</i>

[Mr. David Carnegie.]

I, Major General the Honourable S. Hughes, Minister of Militia and Defence of the Dominion of Canada, in accordance with authority duly conferred upon me by His Britannic Majesty's Government, hereby ratify and confirm on its behalf the foregoing agreement between the _____ Company and the Shell Committee.

DATED at Ottawa, Canada, this _____ day of _____, A.D. 1915.

Witness

(Marked as Exhibit 216.)

Q. The memorandum to which I referred is:—

“The attached agreements were prepared with the object of contracting with a company introduced by Colonel Allison of Manhattan Hotel for the manufacture and supply of 18 pr. cartridge cases. General Pease and I interviewed the representative of the Edward Valve Company, and found that no cases had been manufactured at their works. He stated they were installing the machinery. Col. Allison said we could drop the matter if we wished, as he had been deceived by the former company and simply tried to get another to help us. We ultimately came to the decision to give a letter as per attached with no agreement nor advance.

“We have no confirmation of acceptance from the Edward Valve Manufacturing Company apart from wire from Allison that they have started work.

“Please await confirmation and then send official order.

“D.C. 14/7.”

Q. Those are your initials “D.C.”?—A. Yes, sir.

Q. “Memo. The Edward Valve and Manufacturing Company.” Do you know what typewriting that is?—A. That is our typewriting.

Q. And whose pencilling?—A. That is Mr. Riddell's, I think. Isn't there an “R.” at the bottom?

Q. Yes, there is.

“MEMO.

“THE EDWARD VALVE AND MANUFACTURING COMPANY,

“50 CHURCH STREET, NEW YORK, N.Y.

“Suggested letter.

“In reference to the method of payment by the Committee for 18-Pounder Cartridge Cases ordered by this Committee from your Chicago Company under letter dated 9th inst., and official Order No. 1541”——

Q. Have you that official order?—A. Yes. I have the letter here. That is a draft which was evidently prepared by Mr. Riddell.

Q. I understand that, but have you the official order No. 1541, as I have not had it?—A. I believe it is here. Yes, sir; it is dated July 16, No. 1541.

Q. We will come to that later on.

“We would point out that in the case of all manufacturers of component parts in Canada including such contracts as have been given in the United States for cartridge cases, payment is made only after acknowledgment by the consignees of receipt of shipment in good order. You will appreciate that this involves only a comparatively brief delay in payment. The Committee, however, recognizes that payment of your contract should be made in United States funds, and will arrange for payment in Chicago or New York funds as you may prefer.”

I have read it with the suggested alterations and interlineations. Who is Mr. Boyer?—A. Mr. Boyer was our accountant, at that time.

Q. "Mr. Boyer does not see why the practice in force should be departed from." I suppose "R." means Riddell. Whose pencilled memorandum is at the foot?—A. That is mine.

Q. "Letter is required by the Edward Valve people stating that money shall be paid through a New York bank on presentation of certified invoices that shells have passed proof. D.C."—A. That is a mistake. It should be "That cases have passed proof."

Q. "Edward Valve Co., 50 Church St., N. York."

"Note for Mr. Carnegie"——

That was apparently written by Mr. Riddell, by his initials. "This is the draft proposed contract with the company to be named by Col. Allison." The date is 3rd July, 1915. Now I find a memorandum in red pencil.—A. That is another of my notes.

Q. "J. W. RIDDELL.—Just a note to remind you of the preparation of contract for Allison on cartridge cases. We have not yet received name of manufacturer but the space can be left blank.

"Yours,

"D.C. 1/7/15."

(Draft contract with memoranda attached marked as Exhibit No. 216.)

That is the last of the memoranda. I suppose I have really read them the wrong way around. Perhaps I should have read them from the back forward.

What, if any, does that bring to your recollection in regard to the fair copy that was put in yesterday?—A. That the contract, the rough contract was prepared, the draft contract without a name. I left Ottawa on the 5th of July, and sent a wire to the office asking them to send me the copy of the draft. I believe there is a copy of a wire to that effect.

Q. I have asked for that, but have not got it yet.—A. I have it here, sir.

Q. Then I will put in a copy of a telegram dated July 5, 1915, from Valleyfield, Que., to General Bertram, Chateau, from Carnegie:—

"Have left rough draft of contract Cartridge cases at office in centre drawer of desk. Please ask O'Neil"——

Mr. O'Neil was your secretary?—A. Yes, sir.

Q. "Please ask O'Neil to express it to me Belmont Hotel."—A. Yes, sir.
(Telegram marked Exhibit 217.)

Q. Did that draft contract reach you at the Belmont Hotel?—A. Yes, sir.

Q. That is the one without any name on it?—A. Yes, sir.

Q. What did you do then?—A. I must have sent that over to Allison before going there. We were in discussion—General Pease and I—with other contractors on other matters, and I must have sent that over on the morning of the 9th prior to our meeting in the afternoon with Colonel Allison.

Q. I show you the fair copy which has been put in as exhibit 215; is that fair copy No. 215 your typewriting, or do you know whose typewriting it is?—A. I cannot say.

Q. Is it office typewriting?—A. This is a copy from our office, I should say, without doubt.

Q. But was it done on your typewriter?—A. I cannot say.

Mr. STEWART: It is just the brief copy.

WITNESS: Attached I think to the rough draft, the copy that was made out.

Mr. HELLMUTH: But is that it? (Hands document to witness.)—A. This is not on our paper.

[Mr. David Carnegie.]

Q. Is it on your paper at all?—A. No, sir. We do not keep that paper at all.

Q. Give that back to me, and I will put it in in a minute. Tell me what your recollection, as refreshed by that is. You say you must have sent that to Colonel Allison. Then you had a meeting in the afternoon.—A. Yes, sir.

Q. Yourself, General Pease, Colonel Allison and who else?—A. And a Mr. Sheraton.

Q. What, if anything, took place in regard to contracts then?—A. We went over it, sir, with the object of signing a contract if we found that all was satisfactory.

Q. Was there any contract there then, outside of your draft?—A. I do not recollect that, sir. I am now talking from recollection, and my recollection is that that draft you hold in your hand must have been prepared in the office of Allison and made ready for signing by us.

Q. Before you met Colonel Allison, did you know what the name of the company was with whom you were going to contract?—A. No, sir.

Q. So that you did not know the name of the company up to that time?—A. No, sir.

Q. Then you met Allison there with Mr. Sheraton—you and General Pease?—A. Yes, sir.

Q. Tell us what took place there.—A. I interrogated Mr. Sheraton, to find out exactly whether we could get the cases in the time stipulated.

Q. Whom did Sheraton say he was representing?—A. The Edward Valve Company.

Q. So that you knew then it was the Edward Valve Company?—A. Yes.

Q. You asked him if his company or if he was able to get the cases?—A. Yes.

Q. What did he say?—A. He informed me that the time of delivery would be extended, and I asked him had they made any, and he said no, that they had not made any. Then General Pease and I discussed the matter privately in a corner of the room and came to the conclusion that we would not sign a contract, because we could not, we had not sufficient confidence that they would supply the cases in the time stipulated.

Q. Then what took place?—A. We decided that the only course we could pursue would be to give a letter order without any advance whatever, and stating that we would accept any number of cases up to 500,000 within a limited time, the time being 18 weeks.

Q. As the orders reads?—A. As the order reads.

Q. Will you tell me why the letter order mentioned a price of \$2.43 per case as against \$2.39 mentioned in the draft contract and in this?—A. Yes, sir. Centering around the question of an advance came the price of the cases. Mr. Sheraton held out for an advance.

Q. That is, an advance in money?—A. An advance in money, as stipulated on the contract. We said we would be prepared to give an advance of 25 per cent of the value of the contract. When we came to the decision that we could not sign a contract and would not give an advance, then came the question as to what price we should accept. They would not accept it at \$2.39. They asked, "What is going to pay the interest on the money we have to advance for the machinery and raw material?" And General Pease and myself came to the conclusion that we would advance the price up to \$2.43 as suggested in our letter.

That is the explanation of it.

Q. I am now putting in this paper showing the proposed contract, although it is unexecuted, between the Edward Valve and Manufacturing Company and the Shell Committee, which is the one you say was prepared in your office?—A. Yes, sir.

SIR WILLIAM MEREDITH: He said he sent the contract forward to Allison and that Allison had it typewritten.

Mr. HELLMUTH: This will be Exhibit No. 218:—

"Memorandum of Agreement made in duplicate this Ninth day of July, A.D. 1915.

By and Between The EDWARD VALVE & MANUFACTURING COMPANY, a body politic and corporate having its head office in Chicago, Illinois, hereinafter called the "Company" and acting herein by its President and its Secretary, hereunto duly authorized

Party of the First Part

and

The SHELL COMMITTEE, a body appointed by the Honourable the Minister of Militia and Defence of Canada for the purpose of purchasing munitions of war for the British Government, hereinafter called the Purchaser and acting herein by Brigadier-General ALEXANDER BERTRAM, its Chairman.

Party of the Second Part.

Whereas the Company is prepared to manufacture Cartridge Cases and the Purchaser is desirous of purchasing Cartridge Cases from the Company on the terms herein contained.

Now therefore this Agreement Witnesseth:

1. The Company agrees to sell and the Purchaser to purchase three hundred thousand (300,000) 18 pounder Brass Cartridge Cases to be in accordance with the British drawing and a specification furnished by the Purchaser, namely, Drawing No. A.26 and Specification No. $\frac{L}{3307}$ which drawing and specification form part of this agreement and are initialled by the respective parties hereto for identification.

2. The price of said Cartridge Cases shall be two dollars and thirty-nine (\$2.39) per cartridge case in lawful currency of the United States of America in New York funds. All Cartridge Cases shall be packed as hereinafter provided and shall be delivered f.o.b. at the Company's or its subcontractor's works for shipment to such place or places as may be designated by the Purchaser.

3. The Company shall begin to make deliveries of Cartridge Cases under this agreement not later than six (6) weeks from the date of the execution of this contract and deliveries shall then be made at the rate of at least twenty-five thousand (25,000) Cartridge Cases per week thereafter and shall continue at such rate until all of said three hundred thousand (300,000) Cartridge Cases shall be delivered.

4. The Purchaser shall under the direction of the Chief Inspector of Arms and Ammunition provide for the prompt examination and inspection of the said Cartridge Cases at the factories where same are manufactured. As soon as the Company shall notify the Purchaser that manufacture hereunder has advanced sufficiently to require inspection, the Purchaser shall keep at all times at each of said factories an Inspector or Inspectors whose duties shall be to inspect all of such Cartridge Cases and to promptly inform the Company and the Purchaser of the results of such inspections. The Chief Inspector of Arms and Ammunition and all other Inspectors appointed by him or by the Purchaser shall at all times have access to the factories of the Company and of its subcontractors, and the Company shall provide all necessary and suitable accommodations for the purpose of all inspections required at any such factories.

5. The Company's manufacturing and inspection gauges shall be provided by the Company. The inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

[Mr. David Carnegie.]

6. The said Cartridge Cases shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly appointed Deputy, at Quebec or at such other place or places as may be designated by him in the Dominion of Canada or in the United States of America.

7. Lots of Cartridge Cases (other than cases selected for proof) to be delivered hereunder shall not be required to be delivered for shipment to the Purchaser as hereunder provided until all inspections and tests required by the Purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

8. The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized Deputies regarding the acceptance or rejection of Cartridge Cases shall be final and binding between the parties hereto.

9. The Purchaser shall make an advance payment to the Company in New York funds of twenty-five per cent of the total amount of the purchase price on the execution of this contract and the delivery to the Purchaser of the proper agreement of guarantee hereinafter mentioned.

10. The said advance payments being made for the purpose of aiding the Company to finance this contract, shall not in any way constitute an acceptance of any completed Cartridge Cases by the Purchaser.

11. Final payments for lots of completed Cartridge Cases accepted and shipped shall be due and payable by the Purchaser to the Company seven days after the date of mailing in New York to the Purchaser at Ottawa, or at the option of the Company seven days after the delivery in New York to the Agency of the Bank of Montreal in New York, of invoices in triplicate properly numbered together with Bills of Lading therefor.

12. The Company shall be entitled at its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser to the Company hereunder by draft, payable seven days after date without grace, in New York funds in the City of New York, accompanied by the invoices and Bills of Lading therein mentioned. All payments shall be due and payable in New York funds in lawful money of the United States of America or its equivalent.

13. The advance payments mentioned in paragraph 9 of this agreement shall be deemed to be advances made in respect of, and towards payment for, the whole three hundred thousand completed Cartridge Cases covered by this agreement and shall accordingly be applied *pro rata* on the purchase price of lots of Cartridge Cases as the same are delivered from time to time so that so long as the Company is not in default in making deliveries hereunder, payment in advance on each lot of Cartridge Cases delivered will have been made to the extent of twenty-five per cent of the purchase price, and only seventy-five per cent of the purchase price on each lot of Cartridge Cases delivered to the Purchaser shall require to be paid by the Purchaser in order to complete the payment of the total purchase price therefor, but if the Purchaser shall have cancelled any deliveries previously due and in default under the terms of this contract as hereinafter provided, the advance payment of twenty-five per cent in respect of the Cartridge Cases so in default shall be applied by the Company in or towards payment of the said seventy-five per cent of the purchase price of the Cartridge Cases then delivered as aforesaid, unless such advance has been already repaid to the Purchaser as hereinafter provided.

14. If the Company shall be at any time in arrears in the deliveries of Cartridge Cases required by this agreement, the Purchaser at its option may, at any time and from time to time, after the expiration of fourteen (14) days from the delivery at the Company's office in the City of New York of written notice of the Purchaser's intention so to do, cancel so much of this agreement as relates to any Cartridge Cases deliveries whereof shall be so in arrears (unless prior to the expira-

tion of said period of fourteen (14) days the arrears have been made good by the Company); and the Company shall thereupon repay to the Purchaser any moneys advanced hereunder applicable towards the purchase price of said Cartridge Cases so in arrears and cancelled; but the Company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The Company, however, hereby agrees to use all reasonable endeavours and make all reasonable efforts to manufacture and deliver all such Cartridge Cases in accordance with the terms of this Agreement. A time allowance shall be granted the Company for any time lost through strikes, fires, acts of God, delays in inspection caused by the Purchaser, or other acts of the Purchaser, or other causes beyond the Company's control.

15. The Company shall procure and furnish to the Purchaser an agreement or agreements of guarantee in a form acceptable to the Purchaser by a Guarantor or Guarantors acceptable to the Purchaser, guaranteeing the re-payment to the Purchaser by the Company of all moneys so advanced which in the event of cancellation for non-deliveries shall become repayable by the Company to the Purchaser under the provisions of the next preceding paragraph. Said agreement or agreements of guarantee at any time in force may be reduced in amount from time to time as the advance payments covered thereby are applied hereunder.

16. The Company shall pay to the Purchaser interest at the rate of three per cent (3%) per annum upon the amount advanced by the Purchaser under paragraph 9 hereof calculated from the date of such advance.

17. This agreement is entered into by the Purchaser on the understanding that the Company in executing the terms and conditions of same, shall not knowingly interfere with existing contracts of the British War Office or the Allies of Great Britain for the purposes of the present war.

18. The said Cartridge Cases are to be packed in tin-lined wooden boxes, each containing Cases or such other larger number as may be decided by the Purchaser. The same to be securely held in position to prevent their movement in the boxes during transit; packing boxes are to be supplied by the Company at its own expense, the designs thereof to be supplied by the Purchaser.

19. This contract shall not be assigned by the Company either in whole or in part without the previous consent in writing of the Purchaser and the Company may employ such sub-contractors as it may desire in connection with its performance of this agreement. Upon request of the Purchaser the Company shall keep the Purchaser advised from time to time of such sub-contractors so employed by it.

20. This contract shall be binding upon the successors and assigns of the respective parties hereto.

21. This agreement shall be construed under and governed by the laws of the State of New York.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written.

THE EDWARD VALVE & MANUFACTURING CO.

By

Attest

.....
Secretary

.....
President.

SIGNED SEALED AND DELIVERED

By the Shell Committee

In the Presence of,

THE SHELL COMMITTEE

By

.....
Chairman.

[Mr. David Carnegie.]

I, Major General The Honourable S. Hughes, Minister of Militia and Defence of the Dominion of Canada, in accordance with authority duly conferred upon me by His Britannic Majesty's Government, hereby ratify and confirm on its behalf the foregoing agreement between the EDWARD VALVE & MANUFACTURING COMPANY and the SHELL COMMITTEE.

Dated at Ottawa, Canada this day of A.D., 1915.

Witness

I have here a copy of a telegram dated at New York, July 13, 1915, from J. W. Allison to Colonel D. Carnegie, Shell Committee, Ottawa:—

Edward Valve Manufacturing Company, Chicago, notified me today that they have commenced work on your order dated July ninth.

(Marked Exhibit 219).

Here is a letter of the same date, the 13th, from Allison to Carnegie, enclosing a copy of a letter which I have from the Edward Manufacturing Company; but the copy of the letter I have is dated July 14, which obviously must be a mistake. It must have been the 12th, or the other might be the 15th; one or the other is a mistake.

Sir WILLIAM MEREDITH: You had better fasten them together.

Mr. HELLMUTH: It would be better to do that, I think, sir.

The letter of July 13th from Colonel Allison to Colonel Carnegie is as follows:—

JULY 13, 1915.

Col. DAVID CARNEGIE,
Stephen Building,
Ottawa, Ont., Canada.

Dear Col. Carnegie,—Enclosed herewith please find copy of letter just received from the Edward Valve and Manufacturing Co. in which you will note that they are proceeding with the work under your order of the 9th inst.

There is another manufacturer who has offered to take a contract to manufacture and deliver brass cases in October, but I do not know whether the delivery would interest you or not. The delivery would consist of 25,000 weekly.

Kindly let me know if you are interested, and if so I will obtain complete details regarding the matter.

Yours very truly,

J. WESLEY ALLISON.

And then the enclosure:

Colonel J. WESLEY ALLISON,
Hotel Manhattan,
New York.

JULY 14, 1915.

Dear Col. Allison,—Our President, Mr. Oleson, wired me yesterday that he would proceed at once with the order of the Canadian Shell Committee, as signed by Col. Carnegie, in your office, Friday, July 10th, or any part of five hundred thousand 18-pound British Brass cartridge cases that we could deliver in the next eighteen weeks. He also said that he would send a man over to go into the details of the question with you.

With best wishes, I am,

Yours very truly,

THE EDWARD VALVE & MANUFACTURING CO.

By E. L. SHERATON,
Eastern Manager.

(Letter of the 13th July from J. Wesley Allison to Col. David Carnegie, with enclosure marked Exhibit 220.)

Then a letter of July 14 to Mr. Carnegie from Allison:—

My Dear Colonel.—I have just learned through one of the Directors of the National Bank of the Republic in Chicago, that they are financing the Edward Valve and Mfg. Co.'s contract with you, so that this concern has all the money they require to work out the contract.

I just telegraphed you that I could procure quick delivery on gaires, in large quantities at twenty-five cents each.

Kindly let me know if you can use the same, and oblige.

Yours very truly,

J. WESLEY ALLISON.

(Marked Exhibit 221.)

Then letter July 15, 1915, confidential.

Col. DAVID CARNEGIE,
Stephen Building,
Ottawa, Ont.

Dear Col. Carnegie.—Referring to your contract with the Edward Valve and Manufacturing Co. the principal officers called on me to-day and stated that they are actively engaged in the prosecution of this contract, and are making a great effort to turn out shells even quicker than they promised you they would.

They were anxious to know how the payments would be made, and I advised them they would be made in accordance with Section 12 of the contract, which you submitted, which reads as follows:—

The Company shall be entitled to its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser of the Company hereunder by draft, payable seven days after date without grace, in New York, in funds in the City of New York, accompanied by the invoices and bills of lading therein mentioned. All payments shall be due and payable in New York funds in lawful moneys of the United States of America or its equivalent.

They would appreciate it if you will advise the Bank of Montreal in New York accordingly so that they will have something tangible for their bankers, and while they are not receiving any advances they want to advise their bankers just how these payments are to be made on finished goods.

Therefore, I would suggest that you have the Bank of Montreal, in New York, notify the Edward Valve and Manufacturing Co. that they will be paid on shipping documents, in accordance with Section 12, above referred to, under your agreement of July 9th.

I expect to be in Morrisburg on Monday and Tuesday, and therefore would suggest that you write me there.

Yours very truly,

J. WESLEY ALLISON.

(Marked Exhibit No. 222.)

Now here comes the order No. 1541, July 16th, 1915, and on that appears, "Cancelled, 22nd Dec., 1915." That is evidently put on at a subsequent date?—A. Yes.

Q. This is to the Edward Valve and Manufacturing Co., 343 South Dearborn St., Chicago, Ill.

This order confirms arrangement made with your Mr. Sheraton by our Mr. Carnegie that the Shell Committee will accept all the 18 Pr. Brass Cartridge Cases manufactured in accordance with specification L during a period of 18 weeks commencing July 25th, 1915.

3307

[Mr. David Carnegie.]

The said cases to be proved at Quebec, P.Q., or at any other place in America designated by the Chief Inspector of Arms and Ammunition, Quebec, and cases will only be accepted on certificate from the Chief Inspector that same have satisfactorily passed the required tests.

Price—\$2.43 each, f.o.b. your works, Gary, Indiana, or Chicago, Ill., packed ready for shipment in wooden boxes each containing 25 cases.

Shipments to be made as instructed by the Shell Committee.

(Marked Exhibit 223.)

Sir WILLIAM MERIDITH: What was the object of that after the previous order of the 9th?

Mr. HELLMUTH: That is the formal order confirming.

Q. What is your explanation of giving that order?—A. Mine, sir, was simply a letter of order on behalf of the Committee; this was the official order signed by the Chairman of the Committee.

Q. I have not got any signature on this copy you give me?—A. I am only saying that all official orders were signed by the Chairman. We can produce the original, if necessary.

Q. We would like the original of that; but the Edward Valve Co. would have the original?—A. Yes; but we would have a copy of the original.

Q. Then, on the 21st July there is a telegram from the Edward Valve Co. to the Shell Committee, Ottawa:—

We acknowledge receipt of your order of July sixteenth for five hundred thousand eighteen Pr. cartridge cases with thanks. Have this date purchased all brass material and will proceed with the order without delay.

THE EDWARD VALVE AND MFG. CO.

O. E. OLSEON, *President.*

(Marked Exhibit 224.)

Then there was a telegram in reply to Oleson, of the Edward Valve and Manufacturing Co., Chicago:—

Please note that we do not place an order for five hundred thousand cartridge cases, but that our order states that we will accept all cartridge cases up to 500,000 made by you to specifications during a period of 18 weeks commencing July 25.

SHELL COMMITTEE.

(Marked Exhibit 225.)

You will remember that in the Exhibit 216 which had the memoranda attached there was a draft letter by Mr. Riddell in regard to what should be given, a suggested letter that should be given to the Edward Valve and Manufacturing Co. Apparently on the 21st July the actual letter was given. This is a letter dated 21st July from A. F. Riddell, Financial Supervisor, to the Edward Valve and Manufacturing Co.:—

Dear Sirs:

In reference to the method of payment by the Committee for 18 Pr. cartridge cases ordered by this Committee from your Chicago Co. under letter dated 9th inst. the official order No. 1541, we would point out that in the case of all manufacturers of component parts in Canada including such contracts as have been given in the United States for cartridge cases, payment is made only after acknowledgment by the consignees of receipt of shipment in good order. You will appreciate that this involves only a comparatively brief delay in

payment. The Committee, however, recognizes that payment of your contract should be made in United States funds, and will arrange for payment in Chicago or New York funds as you may prefer.

Yours truly,

A. F. RIDDELL,

Financial Supervisor.

(Marked Exhibit 226.)

Then I have a letter of July 22nd, 1915, from Allison to Carnegie:—

DEAR COL. CARNEGIE,

The New York Manager of the Edward Valve and Manufacturing Co. of Chicago received your letter this morning which appears to be quite satisfactory to them. They are now busy at work on this job and state that they have option on enough more presses and raw material to accept an order for double the amount; in fact they are anxious to secure enough business to keep them going for another year.

Yours very truly,

J. WESLEY ALLISON.

(Marked Exhibit 227.)

Then there is a letter from the Edward Valve Manufacturing Co. of July 22nd, 1915:—

Brig. Gen. A. Bertram,
Chairman.

Shell Committee,
Stephen Building,
Ottawa, Ont., Canada.

Dear Sirs:

We enclose herewith copy of telegram sent you to-day acknowledging receipt of your order of July 16th for 500,000 brass cartridge cases at a price of \$2.43 f.o.b. our works, East Chicago, Ind.

Mr. HELLMUTH: This says Indiana.

Hon. Mr. DUFF: The order stated "f.o.b. your works, Gary, Indiana, or Chicago, Ill."

Mr. HELLMUTH: Will Mr. Stewart look at the original of that and see whether it has been copied, correctly?

Mr. STEWART: Yes.

Mr. HELLMUTH: The letter proceeds,

We received your order on the 19th inst., but refrained from officially accepting same until we had purchased the brass material required under your order. The contract for brass has been closed and payment accepted by the brass manufacturer, hence we now officially accept your order with thanks, and will commence work on same without delay.

Trusting you will have some of your inspectors at our works when we are ready to manufacture cases, we are

Yours very truly,

EDWARD VALVE AND MANUFACTURING CO.,

O. OLESON, *President.*

(Marked Exhibit 228.)

[Mr. David Carnegie.]

Q. You seem to have had a great many confirmations of the order there, and they seemed at that time to be anxious to treat it as a definite order for 500,000 cases instead of what it really was, an option that you would accept them if furnished within a given time?—A. Yes, sir; we wanted to make quite clear that it was not a definite order that terminated next year or ten years hence, but that we were prepared to accept all the cases that they could manufacture up to 500,000 within 18 weeks.

Q. On the 24th July you wrote to Colonel Allison:

Dear Colonel Allison:

I am in receipt of your letter of the 22nd. and am pleased to know that the letter addressed to the New York Manager of the Edward Valve and Manufacturing Co. of Chicago was quite satisfactory to them. I am glad that they have the work in hand and hope that they may be able within the 18 weeks to complete the 500,000 cartridge cases.

The Committee has decided to place no more orders at present until we find how those now engaged in this work fulfil their obligations with regard to output. Several Canadian firms are anxious to take up the work.

Yours very truly,

DAVID CARNEGIE.

(Marked Exhibit 229.)

Then July 27th, here is a letter from the Shell Committee signed by Mr. Brooks, and it is to Col. C. Greville Harston, at Quebec:

Dear Sir:

We enclose herewith copy of a letter received from the Edward Valve and Manufacturing Co.

Will you please give it your kind attention.

Yours very truly,

SHELL COMMITTEE,

J. BROOKS.

(Marked Exhibit 230.)

Hon. Mr. DUFF: That would be for inspection?—A. Yes, Colonel Greville Harston was then our chief inspector of arms and ammunition, and we on placing any orders informed him immediately so that he could make preparations for the due inspection of the work; and that is the significance of the letter.

Hon. Mr. DUFF: They were to be inspected at Quebec?—A. You will remember, sir, in a letter that Sheraton or Allison wrote he asked us to make arrangements for inspection. I think that has been read.

Mr. HELLMUTH: On July 31st there is a letter from R. F. Taylor—who is R. F. Taylor?—A. One of our staff that was then handling the correspondence for this work.

Q. He writes to the Edward Valve Manufacturing Company, Chicago, as follows:

We are getting out an estimate of our future shipments to the War Office of fixed ammunition and must therefore know what production to expect of the component parts.

We know it is rather soon to get an accurate estimate as to what output of cartridge cases we may expect from you, but we would like an approximate conservative estimate as to when you expect to be able to make shipments and in what quantities.

Kindly mark your reply to the attention of Mr. R. F. Taylor.

Yours very truly,

R. F. TAYLOR.

(Marked Exhibit 231.)

Then August 2nd letter from the Edward Valve Manufacturing Company to the Shell Committee Ottawa:—

Attention Mr. R. F. Taylor.

GENTLEMEN,—We acknowledge receipt of your letter of July 31, and in reply to the same advise that as our preparations are proceeding encouragingly, we expect to ship from thirty to fifty thousand cases during the first week in September. After that time shipments will go forward as per agreement, or better.

Trusting this covers your inquiry, we are,

Yours very truly,

THE EDWARD VALVE AND MANUFACTURING CO.

E. C. HITZE,

General Manager.

(Marked Exhibit 232.)

Then on August 6th there is a letter from O. E. Oleson, President of the Edward Valve and Manufacturing Company:—

To the Hon. Members of the Shell Committee.

GENTLEMEN,—Our plant is actively engaged on your order for 18 pounder brass cartridge cases and it is our belief and expectation to in all respects fulfil our contract; however, some of our directors are of the opinion that our engagement with you has not been clearly defined and although we do not anticipate any misunderstanding between you as the Purchaser and our Company, as the Seller, it seems to them that the terms of the agreement should be set forth with some clearness.

Although we have no specific confirmation in writing with you, it is our understanding that our company should be entitled and shall have the right to draw on you by draft for any moneys payable from time to time by you, payable seven days from date without grace in New York funds in the City of New York, accompanied by proper invoices and Bills of Lading and also that you have established proper credit on account of our contract through the Bank of Montreal.

Will you be kind enough to confirm the foregoing, and in this connection we suggest for your consideration the desirability of preparing and submitting to us a formal contract covering the order you gave us.

We trust that nothing herein contained will give you any offence and that our suggestion will be favourably acted upon.

We are, respectfully,

THE EDWARD VALVE & MANUFACTURING CO.,

By O. E. OLESON,

President.

(Marked Exhibit 233).

The answer to that apparently comes on the 14th August from Mr. Carnegie to the Edward Valve and Manufacturing Co.

GENTLEMEN,—I am in receipt of your letter of the 6th inst. which was placed before our adviser on his return to Ottawa. We would refer you to our letter of July 21st, which set forth the manner in which payment shall be made and you need have no fear on this score as the Committee is dealing with very large amounts of money on the behalf of the British Government.

Yours very truly,

(Marked Exhibit 234).

D. CARNEGIE.

[Mr. David Carnegie.]

Then on August 17th, a letter from the Shell Committee through Taylor, to the Edward Valve and Manufacturing Co.:—

Re Cartridge Cases.

GENTLEMEN,—Kindly let us know ten days in advance of the date you will require our inspectors at your works to inspect cartridge cases. We suggest that you send a few cases to the Chief Inspector of Arms & Ammunition, Quebec, at the earliest possible date, as most firms making cases had difficulty at first in getting them to stand up against the firing test, and were greatly delayed in this way in getting off their first shipments.

If you can therefore send a few cases before you are ready to start making on a large scale you will save considerable time.

Yours very truly,

SHELL COMMITTEE.

R. F. TAYLOR.

(Marked Exhibit 235.)

Hon. Mr. DUFF: Had there been no test up to that time?—A. None.

Mr. HELLMUTH: Then September 6th, telegram from Shell Committee to the Edward Valve Co.:—

When can you start shipment of cartridge cases and in what quantities?

Answer.

SHELL COMMITTEE.

(Marked Exhibit 236.)

Q. On the 15th of October. Will you let me have the Minute Book?—A. On the 19th of October, sir. I am not referring to the letter. The minutes.

Q. The 19th? The official order does not say anything as far as I can find about the 500,000. That is rather remarkable. I do not know that either party appreciated that. There is nothing said about the 500,000. It is an unlimited order within the eighteen weeks.—A. If you refer to my letters, you will have the explanation.

Q. Your letters make it clear I know.—A. The order refers to my letter. "This order confirms arrangement made with your Mr. Sheraton by our Mr. Carnegie, that the Shell Committee will accept the 18 pounder cartridge cases manufactured in accordance with specification, etc., during a period of eighteen weeks commencing July 5, 1915."

Q. What I was pointing out was that you did not in the official order do what you had done in every other communication, make it quite clear that it was 500,000. I don't think that there was any doubt about it that they so understood it by their answers, but it was not made clear in that. Before taking this Minute of October I find that I have here a memorandum of an interview with Mr. Wright representing the Edward Valve Company and yourself of the 15th of October. That is where I got my date. Have you got that memorandum?—A. Yes.

Q. I have not got the original of that. This memorandum is made apparently on October 15, 1915. (Exhibit 237).

Mr. Wright brought with him a specimen case showing the work being turned out at the above Company's Works. Mr. Pope, representing the same Company, called at the office this morning and stated he had six sample cases with him which he wishes could be proved at Quebec.

Now was that the first time that you had had any suggestion of having the cases proved?—A. Yes.

Q. Did you make this memorandum yourself?—A. No, it was made by my secretary while the men in question were there. It was typed. He took down the dictation.

Q. You saw it?—A. Yes.

Sir WILLIAM MEREDITH: Done by a dictagraph?—A. No, sir.

Mr. HELLMUTH: I thought perhaps from the expression it hardly sounded like you.

Colonel Carnegie got on phone with Colonel Harston, who promised to load cases on condition that they were received at Quebec in the morning. Following this conversation with Colonel Harston, Mr. Pope made arrangements to leave for Quebec in the afternoon, to arrive Quebec six a.m. following morning, the 16th instant, and proceed direct with the cases to the arsenal, where same would be loaded for trial the same day.

Mr. Wright explained the difficulties they had experienced in the installing and equipping of machinery and new plant, and stated that they had already expended some \$525,000, this amount including the purchase of brass discs. He further stated that they had secured, after considerable trouble, the services of Mr. Olsen, formerly engineer in charge of the Commonwealth plant of Chicago, he being released to them from the Edison Company. They had insured his life for \$400,000.

The special plant put up for the cartridge case work was 60 by 300.

That is 60 feet by 300 feet?—A. Yes.

Photograph of which Mr. Wright showed Colonel Carnegie, together with special other photographs of other buildings and equipment. The first hydraulic presses he stated which were installed did not prove satisfactory and other special presses had to be installed, which caused a delay of six weeks, so they were consequently six weeks behind their promised rate of delivery.

Mr. Wright said they had already paid \$180,000 down as a deposit on the brass discs and had obligated themselves to the amount of \$150,000 more. They had ten carloads of discs in their plant and had contracted for the balance of 500,000.

Mr. Wright said that since purchasing their discs the price had fallen 5 cents per pound making a difference of $17\frac{1}{2}$ cents per case. He wished to know whether the Committee would advance the Company 25 per cent on their contract. To this request Colonel Carnegie said that it was altogether out of the question, and he did not think the Committee would sanction same. His company were under contract to deliver a certain quantity within a certain period of time.

It is not exactly the Company, is it the Committee?—A. No, his company was under contract.

Q. That means that Wright's Company was?—A. Yes.

Mr. Wright stated that owing to the difficulties they had experienced during the preliminary stages of cartridge case manufacture, and on account of the expense they had undergone in installing new plant, and especially from the fact that they had contracted for their full supply of brass discs, he hoped that the Committee would grant his company the additional time necessary for the completion of the order. In this connection he further stated that according to the terms of contract their time for delivery expired on the 22nd of November next, but owing to the delays before mentioned they could not possibly hope to deliver by that time more than 200,000 cartridge cases.

Colonel Carnegie told Mr. Wright that the matter would be taken up at a meeting of the Committee on Monday next, the 18th inst., when he would be permitted to lay his case before the Committee in person. Colonel C. also impressed upon him the fact that the order placed with his concern was placed on the understanding that delivery would be made within time specified, as it was only owing to the necessity of our being forced to obtain cartridge cases to help out our own manufacturers in Canada, which led us to place same in the States. Our own manufacturers were now in a position to supply us with more than our requirements call for, and it was but right that they should now be

[Mr. David Carnegie.]

given every opportunity of supplying any cases that we might have to allot. Colonel Carnegie also stated that the Committee's decision to extend the time allowed the Company to complete delivery would depend largely on the results of the tests to be carried out at Quebec to-morrow, and also on the number of cases delivered up to the time specified for completion in the contract.

In substance is that a correct report of the interview?—A. Yes, that is correct.

Q. I will file that as Exhibit 237. Then I am going to read now what appears at a Committee meeting at which you were present, of the Shell Committee held at Ottawa, October 18 and 19, 1915.

Sir WILLIAM MEREDITH: Was Wright there?

Mr. HELLMUTH: Yes. I am only reading this extract. Mr. Wright and Mr. Smellie were present. That is a well known lawyer here.—A. Yes, a very well known lawyer in Ottawa.

Q. All I can tell you is that it is headed this way: "Minutes of Meeting of Shell Committee held at Ottawa, October 18 and 19." Do you know which day it was of the two?—A. I don't remember exactly. I think I said something about the Minutes here.

Q. It doesn't matter. We will go on. You were present. In fact apparently almost all of the members except Colonel Watts and Colonel Cantley were present.—A. Watts was present.

Q. Yes, Watts was present but not Colonel Cantley.

Mr. Wright and Mr. Smellie appeared before the Committee on behalf of the Edward Valve Company, and asked an extension of the time for delivery of the cartridge cases on their contract from November 25th, 1915, to January 16th, 1916, and for an advance of 250,000 dollars on account of the contract.

"Resolved that the time for delivery be extended from completion by November 25th, 1915, to delivery of 200,000 by November 25th, 1915, and balance of 300,000 by January 15th, 1916. Such extension to be conditional only upon the 200,000 being delivered by November 25th, 1915. Should the 200,000 not be delivered by November 25th, 1915, the final date for completion of the entire contract to be November 25th, 1915, and in view of the fact that a large number of factories in Canada have already invested large sums of money without any advance that in no case can we consider the advance asked.

I am not putting that in beyond reading it. It goes I suppose upon the record in that way.

Sir WILLIAM MEREDITH: It will not be marked an exhibit?

Mr. HELLMUTH: No. I do not suppose it would be advisable or necessary to cumber the proceedings any further with a discussion of what took place at the meeting. That can be brought out if necessary. On October 18th, this telegram was sent by the Shell Committee to the Edward Valve and Manufacturing Company. (Exhibit 238):—

When will you start deliveries of cartridge cases? Answer.

And on the same day this comes back to the Shell Committee:

Will begin to deliver into your bonded warehouse and ship samples for testing as provided in specifications before October 28th. (Exhibit 239.)

Hon. Mr. DUFF: Then there have been no tests up to this time?—A. Just the one. A satisfactory test.

Mr. HELLMUTH: How did that test result?—A. It went very well, sir, indeed.

Q. That was the test that was to be made that next Monday morning in Quebec?—A. Yes. That encouraged the Committee to come to the resolution that you read.

Q. I should have brought that out. I forgot that there was that test made. The test had been made and it was after that test had been made that the Committee sat and passed that resolution which I have read?—A. Yes.

Sir WILLIAM MEREDITH: Were these two telegrams before the resolution was passed?

Mr. HELLMUTH: They were on the 18th.

Sir WILLIAM MEREDITH: With a view to the action they were about to take. It would look like that.

Mr. HELLMUTH: Yes. The telegrams I have probably put in in the wrong order. They should have been put in before I read the Minutes of the Meeting.—A. May I say that Wright was the lawyer and not the manufacturer and therefore could not say.

Q. Those were sent during the meeting?—A. They were sent on the 18th. That was the explanation.

Q. Wright was a lawyer?—A. A lawyer simply.

Q. Then on the 29th of October the Shell Committee sent a telegram to the Edward Valve People. (Exhibit 240.)

How many of your cartridge cases have passed proof and what shipments have you made, also what quantity do you expect to ship during November? Answer.

That is signed "Shell Committee."

Hon. Mr. DUFF: There is no answer to that by wire?

Mr. HELLMUTH: No, this is a letter dated Chicago, October 30th. It was put "20th" in my copy but it must be the 30th. It is addressed to the Shell Committee. (Exhibit 241.)

We have your telegram of the 29th inst., and in reply beg to state that we have 12,000 cases in process of manufacture, which would have been finished had it not been for the fact that a strike was called in our factory last Thursday night. We have had more or less trouble in the last week or ten days, but it did not break out until we commenced to make shipments of shells and they were well aware that shipment of cases would be made in a short time. Hence they got very active to get the men out and did arrange to pull all of our men out without any reason whatsoever and without making any demand on the Company. 75 per cent of the men do not know why they are out. The International Metal Trades Association, however, is handling this matter for us, and they expect to have sufficient men to operate the factory in a few days.

When we start up again we can finish at the rate of 2,000 per day for a few days, and gradually work up to at least 5,000 per day within a week.

Thanking you for past favours, we remain,

Yours eery truly,

THE EDWARD VALVE & MANUFACTURING CO.,

O. E. OLESON, *President.*

(That will be Exhibit 241.)

Now, I have no more correspondence between the Shell Committee and the Edward Valve people after that up to the time when on the 22nd of December, the formal order of July 16th, was cancelled. Now what took place if anything between the Shell Committee and the Edward Valve people after or during November and up to the end of November when the Shell Committee went out of existence?—A. No cases were delivered.

Q. None at all?—A. None at all. Mr. Wright called at the Shell Committee offices on either the 28th or 29th of November and he asked to meet the Committee then sitting. There is a reference in the Minutes of the last meeting of the Shell Committee.

Q. Wait and I will get that then please. Before I get that. Prior to that had you not had any communication? One would think that you would either be stirring them up or they would be stirring you up to get extension between that time?—A. I don't trace any correspondence. There may have been.

Q. Have you no recollection of what you were doing? Before the 25th of November you would be wondering, I should imagine, why you were not getting these cartridge cases?—A. That is so.

[Mr. David Carnegie.]

Q. You knew that you had ordered these cartridge cases and were you then desirous of getting them?—A. We were desirous but very disheartened.

Q. Did you make any further inquiry?—A. As a mater of fact we were getting supplies in from our Canadian manufacturers and we were not then dependent upon the Edward Valve people for the cases. We were getting all we wanted.

Q. I understand you have had a search made and you can find no further correspondence?—A. I would not like to say that. They may be able to get some more.

Q. But you have not got it up to date?—A. No.

Q. Then you say that Mr. Wright appeared at the last meeting and I see that in the Minutes of apparently the very last meeting of the Shell Committee on the 29th of November 1915, this entry appeared:—

The Edward Valve Company represented by Mr. Wright applied for an extension of their contract. Resolved that it is the sense of this Committee that no further extension can be granted.

A. That is right, sir.

Q. Now, you had granted a conditional extension that if 200,000 were furnished by the 25th of November they would have until the 15th of January following for the other 300,000?—A. Yes.

Q. And unless that 200,000 were delivered the whole order fell?—A. That is right.

Q. And on the 29th, having delivered none you were in a position to say?—A. The thing was off.

Sir WILLIAM MEREDITH: It was off by the terms of the arrangement?—A. That is right.

Mr. HELLMUTH: Yes, I should have put it that way. Then just to finish with that, subsequently a contract was entered into by the Munitions Board?—A. Yes.

Q. An order No. 3018, dated December 22, 1915, was given.

(Exhibit No. 242.)

At the time that the order of July 9th was cancelled, and this is an order for 500,000 for delivery up to May 15th, 1916. I need not read that.

Order No. 3018,

Contract No. See Note.

OTTAWA, December 22, 1915.

The Edwards Valve and Manufacturing Co.,
Chicago, Ill.

QUANTITY.	DESCRIPTION.	PRICE AND TERMS.
500,000 For delivery up to May 15th, 1916.	18 Pr. Mark II brass cartridge cases to be supplied in accordance with drawing No. A-26 and specification L 3542A These cases to be proved at Quebec, P.Q., or any other place in America designated by the Chief Inspector of Arms & Ammunition, Quebec, and cases will only be accepted on certificate from the Chief Inspector that they have satisfactorily passed the required tests. Shipments to be made as instructed by the Imperial Munitions Board. NOTE—All invoices against this order must bear Contract Nos. 4—96,668. 16—253,332. 32—150,000.	\$2.43 each f.o.b. your works, Gary, Ind. or Chicago, Ill., packed ready for shipment in wooden boxes, each containing 25 cases, for all such cases delivered up to January 15th, 1916 AND \$2.03 each, f. o. b. your works, Gary, Ind., or Chicago, Ill., packed ready for shipment in wooden boxes, each containing 25 cases, for all such cases delivered between January 15th, 1916, and May 15th, 1916. The total quantity so delivered not to exceed 500,000.
	CHAIRMAN.	

Q. Did you fix these prices?—A. I did not, but was a party to it.

Q. I will put that in. How did that come about?—A. Mr. Wright is a most pathetic lawyer; a great power of melting the heart.

Q. We see so few of those men here in Canada that one is naturally interested?—A. His flowing eloquence had no effect upon the Committee on the 29th, but he waited until the new Board got into operation on December 1st; he and another lawyer of fame, I think a Mr. Bradley, more quiet in power, talked with us, pointed out that the effect of the German element in Chicago was such, and we believed it, was such that they had not only destroyed—

Sir WILLIAM MEREDITH: Is that a wise thing to tell? I should doubt it.

Mr. HENDERSON: It is an interesting fact in connection with this.

Mr. HELLMUTH: Any way they pointed out something to you?—A. They pointed out such difficulties in manufacturing, which we had verified by our own inspector, that we were convinced that they had honestly spent a huge amount of money to try and fulfil this contract. And apart altogether from the pathos of Wright we decided that on the merits of the contract only and on the merits of their efforts to produce the work, we decided to give them a fresh order.

Mr. NESBITT: May I ask if these are known facts, well-known in the United States, that they do be given to the public, to bear out the warnings that have been given of what is likely to happen in the future if things go on. I would like the information made public. There was an assassination and three blowings up following these people taking the order. If they had only continued to one or two in the room here it would have been good.

Mr. HELLMUTH: Just go on please. When you had all this before you you do not seem to have been so sympathetic as one would judge, for after giving the order for such amount as they might ship by the 15th of January, which was within a month of the 22nd of December, with a holiday intervening, at \$2.43, you cut the price to \$2.03 for the balance?—A. Ah, sir, let me explain. The whole situation was changed. No cases would have been placed at all in the States had we not been driven to desperation to get the cases for the fixed ammunition in the first place. The scene had changed. Canada had got its work in order. Canada was producing and we did not care whether we got the cases from the States then or not. Several months had elapsed and you will notice from the correspondence that the date of the 15th of January was conditional upon their supplying 200,000 by the 25th of November. Failing that supply our obligations ceased with them.

Hon. Mr. DUFF: They were making shells as well?—A. They were, sir, in another factory adjoining.

Sir WILLIAM MEREDITH: For you?—A. No, sir.

Mr. HELLMUTH: Then as far as I have been supplied, Messrs. Commissioners, that ends the correspondence or memorandum that I have or that I can get from this witness in regard to the Edward Valve matter.

I might ask and it is very pertinent, did they furnish the 200,000 by the 15th of January?—A. They did not.

Q. So that notwithstanding the reduction in price after the 15th of January, the inducement I should say of getting a higher price up to the 15th of January, none were furnished?—A. None were furnished.

Q. So that that order has not been fulfilled?—A. No, sir, not up to the 15th of January.

Q. Were they after that?—A. Oh, yes.

Q. And at what price do you say?—A. \$2.03.

Q. So that notwithstanding the advantage they would have by getting that additional 40 cents per case they either were unable to or at all events did not furnish any to come within the terms of the extra 40 cents?—A. That is right.

[Mr. David Carnegie.]

Q. I might ask again. Have they delivered the whole 500,000 since? A.—The first notice of delivery was received last Sunday morning of some 4,000 odd cases.

Q. So they had not delivered any or it is a negligible quantity?—A. Yes, it is a negligible quantity.

Sir WILLIAM MEREDITH: Would you ask him how these figures compare with Canadian prices?

Mr. HELLMUTH: How do these figures \$2.03 or \$2.43 compare with Canadian prices for cartridge cases?—A. We have a sliding scale, as I said. Our basis is \$2 when the cartridge metal is at 22½ cents per pound.

Q. And you say it is now at 40?—A. It is now at 40 cents, but we purchased metal when the material was first at 22½. We made our basis of computation. Then we purchased I believe at 27 and we have purchased as high as 36. In fact it has been our practice as we have found that the better way to get the manufacturers in Canada to give us a price for their labour and we will supply the material. From this point of view, that if, say half a dozen manufacturers were going into the market and asking for a raw material, the price of the material would be bumped at once and we considered that we were in a privileged position by watching the markets and buying supplies of material at the right time and in such quantity as to provide for all the requirements.

Mr. NESBITT: When was that practice first begun?—A. It was begun about a year ago, or before a year ago. Something like March last year. I am not sure of that date but I know it was the Shell Committee practice.

Mr. HELLMUTH: Do you remember my asking you whether the sliding scale went up and down and you thought it might?—A. I wasn't sure of that.

Q. You have furnished me with a copy of one of the contracts, and I think perhaps I should put it in.

(Exhibit No. 243.)

This is just a specimen contract of June 22, 1915. I have got it as near as I could to the date of the July contract. It is with the Canadian Pacific Railway Company.

Canadian Pacific Railway Company,
Montreal.

Order No. 1352.

JUNE 22nd, 1915.

350,000—18 Pr. Mark II Brass Cartridge Cases for 18 Pr. Mark I fixed ammunition, to be supplied in accordance with drawing B-146 and specification furnished.

Price \$2.00 each f.o.b. cars, Montreal, Que.

These cases to be inspected and accepted at your plant by authorized inspectors before shipments are made.

The Shell Committee to absorb any additional cost over 22 cents per pound f.o.b. Montreal for the necessary brass discs required to complete the above number of cases.

Delivery to commence immediately at the rate of 2,500 per day and to be increased to 3,500 per day as soon as possible, continuing at this rate until the completion of this order.

Transport boxes for the above cases to be supplied by the Shell Committee free of charge.

Shipments to be made as instructed by the Shell Committee.

Q. You were wrong about 22½?—A. In some cases we had 22 and some 22½.

Q. This is 22 for the necessary brass discs required to complete the required number of cases. I think I might put that in.

Then the next matter is this, under the Order in Council. An alleged contract between the Shell Committee and the Providence Chemical Company of St. Louis, by which contract the Shell Committee agreed to purchase a quantity of Picric acid, if it should appear that the said Shell Committee has entered into such contract. The investigation is only if it should appear. First of all had you a contract with the Providence Chemical Company of St. Louis for Picric acid in any quantity?—A. No.

Q. Now had you any negotiations with the Providence Chemical Company of St. Louis, so far as your knowledge is concerned, for any contract?—A. No.

Q. Or supply I will put it of Picric acid?—A. No.

Q. Had you a contract with any promoters or other people on behalf of the Providence Chemical Company?—A. I never heard of the name nor of any promoters in connection with it. I never heard of the name of the Company until I heard it in this.

Q. I don't see how I can pursue that very much further with this witness. Was there any contract between the Shell Committee and any people in regard to Picric acid?—A. Never, sir.

Sir WILLIAM MEREDITH: Or negotiations?—A. Ah, negotiations. We had quite a number of offers for Picric acid. Offers to supply it.

Mr. HELLMUTH: Were any of them accepted?—A. None.

Q. As far as you are aware?—A. I know.

Hon. Mr. DUFF: Picric acid is used for what?—A. It is a high explosive, for bursting the shells.

Q. It is used for manufacturing the high explosive bursting charge?—A. Yes.

Mr. HELLMUTH: Now I was asked to produce if I could the original of the agreements between the Russell Motor Car Limited and the Shell Committee and I have the original of the agreement of the 17th of August, 1915. That is to say it is the duplicate original which is executed by the Russell Motor Car Co., and I assume the Russell Motor Car Company have the duplicate which was executed on behalf of the Shell Committee. I put that in.

Sir WILLIAM MEREDITH: What is the object of putting that in? I suppose they can look at it, but it is an important document and I do not know what might happen to it. Any of the counsel can look at it.

Mr. HELLMUTH: Then I have the original of the agreement made between the Russell Motor Car Company, the Canadian Bank of Commerce, and the Shell Committee of the 9th of November, 1915. I will put in a copy of that.

There are one or two documents that I have asked for that I have not yet received. I don't know that they are very material but they have not yet been obtained and I am still asking that they should be searched for so that if they come at a later date I shall request liberty to put them in.

I have gone over an enormous number of documents now, and I think it is proper that I should mention that there are some documents which I do not think I should produce and I am not going to make any mystery whatever about them.

One document or one series of documents, two letters I have and that is all I have seen, are letters that passed between D. A. Thomas and the Shell Committee, and the answer of the Shell Committee to D. A. Thomas. That letter and the answer do not deal with these fuse contracts or with anything in relation to the Edward Valve or Picric acid, but they are letters dealing with the methods I may say of the Shell Committee in regard to a large shell contract. As this Commission has been constituted to inquire into specific matters and as this deals with a question of the general policy in regard to other contracts than these, I did not think that it was proper to bring them before the Commission. I mention that so that it should be no secret, because I have seen them.

[Mr. David Carnegie.]

Then there is another document which is a report to the Premier as to what had been done by the Shell Committee. I think the report my recollection is instead of being signed by the Shell Committee is signed by Colonel Carnegie. I have seen that. That also deals with the general work of the Committee and although there is a statement in regard to the fuse contracts having been placed in it, it throws no light beyond what has already come before you, it is a mere statement of matters that are not in controversy at all. Now that is a document that deals so far as 19, 20, that is all it is concerned in, in regard to matters which are not the subject of this investigation.

Mr. CARVELL: Can you give the date of that?

Mr. HELLMUTH: I think it is in October. The approximate date. I will get the date. Then I am trying to think if there is any other document.

Mr. GRANT: I think you promised to put in a schedule prepared by the Shell Committee when they were handing over their affairs.

Mr. HELLMUTH: Oh, that; I find that Colonel Carnegie is not the party to do it. I shall have to put that in with General Bertram. I certainly will put that in. I could put it in but I don't know that Colonel Carnegie could explain it. If it would be of any service I certainly will do so.

Mr. JOHNSTON: I would like the net results.

Mr. STEWART: I do not think we have brought a copy of it with us this morning.

Mr. JOHNSTON: I should like to add to what my learned friend has said. I do not know the nature of this document that he speaks of being in the hands of the Prime Minister, but I do know that there was in connection with the Russell Motor Company—

Mr. HELLMUTH: Will you pardon me saying one word. I was trying to think of one other set if I may so call it of documents. There was a letter written by Mr. Russell and Mr. Lloyd Harris to the Premier, which letter was sent to Colonel Carnegie for his perusal and answer, and Colonel Carnegie answered the letter to the Premier. It was a personal letter from the Premier enclosing this and it was a personal response. I would be very glad if both those letters could be put in but of course I don't feel that I could put them in except with the Premier's permission and consent, but I will say this, there is not a thing either in the Russell, if I may so call it, letter to the Premier or in Mr. Carnegie's answer upon the letter to the Premier that has not I think been brought out here and elaborated here in regard to it, there is no new matter and there is no reason why, with the Premier's consent, that should not be put in because it deals specifically with this matter.

Mr. JOHNSTON: It may be a matter of corroboration either of Mr. Carnegie or Mr. Russell if he is called.

Mr. HELLMUTH: In the interest of bringing anything out and testing the credibility of any witness, I would like to have those put in. I think it is very important if we can. I did not ask because I only really saw them I think I may say last night for the first time and I have not got the Premier's consent and I don't think I could put them in without it. Now those really cover all and I would like to produce the schedule for the satisfaction at all events of my friend Mr. Johnston so that he might have an opportunity of studying it. I am sorry it is not here, but I can tell him shortly what that schedule will show although I have to verify it. It will show the price at which the War Office let each specific contract to these four contractors. The War Office, I said yesterday, made a contract with each in regard to each matter.

Now again a little misunderstanding may arise there. If they let a contract for \$18 for an 18-pounder shell and the four manufacturers undertook to furnish so many of those shells, 18-pounder, the War Office had nothing to do with the price that the contractors made with sub-contractors for component parts.

Sir WILLIAM MEREDITH: I thought we had all that in. Is not that in now?

Mr. JOHNSTON: No.

Sir WILLIAM MEREDITH: There is some such document in.

Mr. JOHNSTON: A document is in with the prices that were given.

Mr. HELLMUTH: Then what the contractors did was this and this document shows it. They re-let the component parts of these war orders to sub-contractors. In the great majority of cases the total amount of the sub-contract prices did not equal the price which the War Office had fixed for the whole article, and this list that I have or that has been shown to me, shows each particular order with the War Office price and the actual cost of the article and the difference pro and con. There are some in which the cost was exceeded. Some in which it was below. But the total surplus or amount which remained over after the sub-contractors had been paid, and some of these contractors themselves furnish some, amounted to some \$41 million out of some \$300 million odd of orders, and that \$41 million was turned over to the Imperial Munitions Board or to the Imperial authorities.

Mr. CARVELL: Would that refer to the deliveries up to the date the 30th November, or would it refer to what would be the result if the deliveries were completed?

Mr. HELLMUTH: It referred to the deliveries up to date, with a return of the deliveries yet to be made. That is the completion of the various contracts.

Sir WILLIAM MEREDITH: Why isn't there the same objection in the production of that as you have suggested with regard to the two other documents? It deals with matters that are not the subject of this inquiry.

Mr. HELLMUTH: Only in this way. That document shows among others the contract for that 5,000,000 shells. It is the only one that does.

Sir WILLIAM MEREDITH: So does the other document show that.

Mr. HELLMUTH: It may be. I do not suppose that strictly speaking it is entitled to go in, but my learned friend wanted it.

Hon. Mr. DUFF: There seems to have been a good deal of confusion because the contract between the American Ammunition Company, at least I think I observed, and the Imperial Munitions Board, in its recitals treats the original contract between the American Company and the Shell Committee as a contract between the American Company and His Majesty. These sub-contracts appear to have been treated really as contracts with the War Office. They were not regarded as contracts between these four manufacturing gentlemen as individuals.

Mr. HELLMUTH: No. I do not want to anticipate, but I am going to show this.

Hon. Mr. DUFF: The confusion is perfectly natural. They were not embarrassed by lawyers at their elbows at every turn.

Mr. HELLMUTH: That is an unkind remark for one of the Commissioners to make, but I suppose we will have to take it.

Hon. Mr. DUFF: Having been an alleged lawyer myself, I can make it.

Mr. HELLMUTH: I accept the qualification. Let me put this before you, Messrs. Commissioners. What undoubtedly would appear is this, and I ought to mention it now: These contractors and this Shell Committee, General Bertram, will be in, and unless I am mistaken he will show that they got a little panicky at one time and they went to the authorities to find out what was going to happen to them under these hard and fast rules if instead of making a profit they sustained a loss. They were assured that they would be protected. So that they never intended to take that money and put it in their own pockets, but legally with the War Office they had the power.

Sir WILLIAM MEREDITH: I suppose that will go to pay the \$6.25 a minute that this Commission costs.

Mr. HELLMUTH: I am afraid that estimate is not a good one.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Will there be enough in the fund to pay it?

Mr. HELLMUTH: Yes, I think 41 million dollars will cover it.

Sir WILLIAM MEREDITH: Then what is the order of procedure? Who is going to examine this witness? My view would be that we do not want to have a duplication of examinations. What have counsel arranged in regard to that?

Mr. JOHNSTON: There is no arrangement Mr. Commissioner.

Sir WILLIAM MEREDITH: Then isn't it time you were coming to some understanding?

Mr. JOHNSTON: I think I shall examine him to some extent.

Sir WILLIAM MEREDITH: You propose to follow now?

Mr. JOHNSTON: That is immaterial, who follows. I do not propose to go into all this volume of material that is before you now, or perhaps not more than touch the very outside of it, because the documents speak for themselves. But there are several facts and conditions which require further investigation and I shall endeavour to confine myself to that as much as possible.

Sir WILLIAM MEREDITH: Then, Mr. Nesbitt, what about your branch of the Army, what position are you going to take? Are you going to examine now or at a later stage?

Mr. NESBITT: No, if after Mr. Johnston examines I think there is anything that the Shell Committee desire to elucidate I shall ask; but at present I do not see anything.

Sir WILLIAM MEREDITH: What is your position, Mr. Carvell?

Mr. CARVELL: My position is very much that of Mr. Nesbitt. I sincerely hope that after Mr. Johnston has exhausted the witness there may be nothing left—

Sir WILLIAM MEREDITH: Of him?

Mr. CARVELL: Left for me. I only wish to reserve the right to supplement it if I do think it necessary.

Sir WILLIAM MEREDITH: Well, Mr. Laffeur or Mr. Ewart.

Mr. EWART: I do not expect, sirs, to trouble the witness at all, but before Mr. Johnston commences I think a further effort ought to be made to persuade him to throw aside the veil he has been carrying down to this time.

Sir WILLIAM MEREDITH: Where is it?

Mr. EWART: Some of it has disappeared. Various holes have been blown through it, leaving it rather ragged, but he is still wearing it and at the distance that the people are from him they may not be able to see those holes and may fancy that he is still acting for the Government. It is quite impossible that he is acting as Mr. Hellmuth is for neither party, and as Mr. Carvell is for one party. It is quite impossible that counsel can act for one man and at the same time for another man.

Mr. JOHNSTON: I should think a man might act for the public, without acting for any one man.

Mr. EWART: He may.

Sir WILLIAM MEREDITH: I am afraid too many of you are claiming to act for the public. I think we two gentlemen are acting for the public.

Mr. EWART: He cannot act for both at the same time, that is quite impossible, and what I ask is that he should declare himself. All the information that we have got from him so far is a declaration which he made on the Wednesday when we commenced the proceedings that he was acting in pursuance of instructions received from the Solicitor General. I think, however, that Mr. Johnston has mis-read those instructions. Those instructions as I read them give him an option either to appear as Mr. Hellmuth is appearing, or if he chooses to act solely for one of the parties

then he may do that. Mr. Meighen is far too clear headed a man to propose to Mr. Johnston that he should do both of those. I ask leave, sir, to refer to those instructions in order to substantiate what I have said:—

“You have been appointed by the Government at the nomination of Sir Wilfrid Laurier, and Mr. Hellmuth has been appointed by the Government of their own nomination, the desire of the Government and the full instruction of the Government to both of you being to assist the Commission in investigating to the bottom any and all facts connected with the matters laid before the Commission and in arriving at the whole truth in relation thereto.”

Now that is his first instruction. Then this option is given to Mr. Johnston:—

“If you desire to conduct your work as one attacking the Shell Committee, or any member of the Government in the matters concerned before the Commission, and to confine yourself solely to such attack, then I have to repeat what I said in the conversation, that the Government has no objection whatever to your doing so nor is it our desire to place any restraint upon you.”

The option is given; will you act as Mr. Hellmuth is going to act in assisting the Commission or will you act solely for one of the parties in attacking the Government or any member of it?

I beg formally to move the Commission that Mr. Johnston be required to state what he elects to do under that option, and that he be given now another option by the Commission either to declare himself or not to be heard.

MR. JOHNSTON: I have no declaration to make. I do not know what right counsel has to come and say that I shall declare what position I hold. I file the letter before the Commissioners. I have instructions direct from the Solicitor General. My hand is comparatively free, and my learned friends have no right to come here and ask the Commissioners to say to me that I shall be confined within this limit or that limit; so long as I conduct myself properly and ask questions pertinent to the matter before this Board, my learned friends have no concern. I may take any position that I see fit and I am not going, at the dictation of my learned friends, to take any particular position that I am acting for Mr. Kyte or the public or the Opposition or the Government. I simply appear here under authority of the Solicitor General, with a right to conduct the investigation from my standpoint, on his instructions, in such method as may appear proper to myself, and of course always subject to the rulings of the Commission.

MR. EWART: For two reasons, sir, besides the one I have mentioned, namely, deluding the public; for two other reasons I submit that the option should be given to Mr. Johnston and that he should be required to execute it.

In the first place our attitude towards him depends upon the attitude he is going to assume towards the witness. If he is going to act as Mr. Hellmuth has been acting, we shall make no objection. He may ask and if we have to interpose at all it will be by way of suggestion as in the case of Mr. Hellmuth and not by way of objection.

It is necessary for the second reason, namely with reference to Mr. Carvell's rights; because if as may be possible, these two gentlemen are acting together, for the same client, then the rules of cross-examination will confine to cross-examination to one of those counsel and not give the right to both.

SIR WILLIAM MEREDITH: I think we will have to get on with the examination. If there is any difficulty we will deal with it as it arises.

MR. JOHNSTON: One matter, Mr. Carnegie, in a general way I should like to ask you about before I go into details.

SIR WILLIAM MEREDITH: Let me understand this, Mr. Johnston; are you proposing to treat this witness as a witness that you are cross-examining?

MR. JOHNSTON: Yes, of course, occasionally. I do not propose to cross-examine upon every question, because I shall suggest to him certain questions which he can fairly answer without cross-examination, but I do propose to cross-examine this witness.

[Mr. David Carnegie.]

Mr. EWART: Perhaps Mr. Johnston will be good enough then to indicate now and say whether he is proceeding as examiner in chief or as cross-examiner? That will attain my object.

Sir WILLIAM MEREDITH: Perhaps that will be indicated by the questions he asks.

Mr. JOHNSTON: Yes, it ought to be.

Q. Now, when you were dealing with the Edward Valve Co. in the fall of 1915, you found you said, that they were entirely in default in connection with the cartridge cases?—A. What do you mean, sir?

Q. I mean just what I say.

Mr. EWART: This is cross-examination, now.

Sir WILLIAM MEREDITH: The witness has been asked a very proper question, but apparently he does not understand it.

Mr. JOHNSTON: Do you say you do not understand the question?—A. I do not, or else I would answer it.

Q. Were the Edward Valve people in default in the fall of 1915?—A. Regarding delivery, yes.

Q. Regarding the manufacture, were they in default?—A. They were.

Q. So that my question covered the ground when I said they were entirely in default under their contracts?—A. I don't know what you mean by the word "entirely." That takes a legal mind. You have that, but I have not.

Q. As a matter of fact had they complied with the terms of their contract in any one particular—perhaps I will get at it that way?—A. Let me see what you mean, sir.

Mr. NESBITT: They had bought machinery, and had bought brass.

Mr. JOHNSTON: If my learned friend is going to suggest to the witness what his answer should be, I will stop right now.

WITNESS: I do not want any evasions. My mind is open to answer anything you want.

Mr. JOHNSTON: And I do not want evasions, like yourself.

WITNESS: And you won't get any.

Q. I want to give you a plain question; had they complied with any of the provisions of their contract with the Shell Committee?—A. With the Shell Committee? I do not see how they had complied.

Q. Then I am correct in saying—you will correct me if I am wrong—that they were entirely in default under their contract of November 1915?—A. I don't know what is at the back of your mind, sir. I want to know what is at the back of your mind.

Q. But I do not propose that you shall, as long as my questions are fair?

Mr. NESBITT: I submit the question is absolutely unfair, and tricky if I may so express it.

Mr. JOHNSTON: I should not be interrupted in this way.

Sir WILLIAM MEREDITH: I think Mr. Nesbitt has the right to state his point.

Mr. NESBITT: I am not going to have this sort of tricky question put to the witness.

Sir WILLIAM MEREDITH: It is better to avoid any offensive epithets.

Mr. JOHNSTON: They are my learned friend's habit; he cannot help them.

Mr. NESBITT: I shall not ask my learned friend to be the censor of my conduct.

They had, so far as one can see from their report, got a factory, they had employed at great expense a man from the Edison Company, they had got in their machinery, they had got in carloads of brass, they had got in further carloads of supplies, they had spent hundreds of thousands of dollars, they had not been able to complete the last step in the process, in the delivery of cartridge cases to be experimented on at the Quebec Arsenal. The reason for that, Messrs. Commissioners, we do not want to get out. One

of their chief men was assassinated, portions of their factories were blown up three times.

Mr. HENDERSON: And Mr. Edward himself was sandbagged.

Mr. NESBITT: And Mr. Edward, the President or the head of the concern, was sandbagged by our German friends; and yet the impression is about to get abroad to the public of Canada that these people were simply a set of fakirs. That is the reason I say these questions are tricky. My learned friend will not get away with them. I am going to keep up my end from start to finish.

Sir WILLIAM MEREDITH: Get to the Toronto atmosphere, if you please. Wouldn't it be simpler to put it so that it will not raise any question? Had they done anything in the way of completing their contract?

Mr. JOHNSTON: Let me put it in this way.

Q. They had entirely failed in regard to deliveries, under their contract?—A. Yes sir.

Q. Had they failed in regard to any other matters under their contract?—A. What other matters?

Q. Had they failed in regard to any other matter in regard to their contract?—A. I don't know.

Q. You don't know?—A. No, sir, I don't know.

Mr. HENDERSON: They were not under any contract.

Mr. NESBITT: They were not under any contract at all.

Sir WILLIAM MEREDITH: There must not be these interruptions. They are not objections, they are statements of fact, and they ought not to be made.

Mr. NESBITT: To the commission I formally object to the form of the question, because so far as appears before the commission there was no contract; they declined to give them a contract. They did give a letter saying they would accept shells if they were produced, up to a certain number.

Sir WILLIAM MEREDITH: It ought not to be called a contract. If this sort of thing continues, we will have to adjourn this inquiry until after the war. It is in our power to adjourn, I suppose.

Mr. JOHNSTON: I am not complaining so much of the present condition of the war as I am of the rebellion in this court room.

WITNESS: Not on my part, sir.

Mr. JOHNSTON: If we were left alone we could get along very well together. If we could not, it would be the first time two Scotchmen could not get along with one another.

Q. If you do not understand a question, or desire the qualification of any question I put, I wish you would mention it?—A. I will.

Q. I would rather do that than be sandbagged by behind?—A. All right.

Q. You had what you considered, morally at least, a contract with these people, that is the Edward Valve Company, that if they made a certain number of cases you agreed to take them?—A. Within the time.

Q. Within the time, certainly?—A. We did.

Q. And you looked upon that as a contract you were bound by, as they were bound by, as to its terms, etc.?—A. Any way you like, order or contract.

Q. So that when I spoke of a contract you understood what I meant, and were conscious of the form of the contract at the time?—A. Yes, sir. The letter was before that.

Q. That would be along in the fall of 1915 when they got behind in their deliveries?—A. They were due to deliver complete, or we as a Committee had obligated ourselves to accept any number of cartridge cases up to the 25th of November, up to 500,000 I mean—any number up to 500,000 cases, to the 25th of November, and no more.

[Mr. David Carnegie.]

Q. So that when the 25th of November came you were free of any obligation?—A. Yes, sir. Let me qualify that.

Q. Go on.—A. Do not forget the Committee meeting of October 18 and 19 when we changed the nature of our arrangement with those people. We said that that if they delivered 200,000 by the 25th of November we would give them an extension of time up to January, 1915, when they had to complete the other 300,000.

Q. But that was subsequent; they were in default, and at that time it was at an end unless they got an extension?—A. Yes.

Mr. HELLMUTH: One moment. Let me correct that. They were not in default on the 18th of October, when that extension was made.

Sir WILLIAM MEREDITH: I did not understand that there was any time except the 18 weeks within which delivery was to be made.—A. Right.

Hon Mr. DUFF: Except that they had written that they would deliver 300,000 by a certain time.

Mr. JOHNSTON: But they were behind, whether on their own proposition or on yours, they were behind in November, when you made the extension?—A. Certainly.

Sir WILLIAM MEREDITH: October, was it not?

Mr. JOHNSTON: They would be behind right along?—A. We would take any number up to 500,000 by the 25th of November. If they only delivered one, we were under obligation to pay \$2.43 for that one case, and they had fulfilled their contract.

Sir WILLIAM MEREDITH: And if they had delivered the 500,000 by the 25th of November, you would have been bound to take them?—A. Yes, sir.

Mr. JOHNSTON: But they had delivered nothing up to the time limited under your arrangement?—A. On the 15th of November Mr. Wright and Mr. Pope brought a case to my office, which has been put in. That case was taken by Mr. Pope to Quebec, fired by Colonel Harston's staff, was reported upon as satisfactory, and upon that report the Committee decided to extend the nature of the order.

Q. But had they made any delivery under the arrangement you had with them until the extension was given?—A. None.

Q. So that their delivery began—or when were they ready to make delivery?—A. I think I said last Sunday morning we had notice of the first delivery.

Q. The first delivery was made, or may have been made within a week from the present time?—A. Yes, sir.

Q. During that period your Canadian manufacturers were making shells, cases, etc.?—A. Yes, sir.

Q. And you were getting a very large supply from Canada, without very much complaint as to defaults or delays upon your part?—A. Let me get your aspect, I do not quite follow your angle.

Sir WILLIAM MEREDITH: He has no angle.

Mr. JOHNSTON: None whatever. I am asking you a simple round question?—A. I cannot get at just what it is.

Q. Take angle number 1; you had a number of Canadian manufacturers making shells and cartridge cases?—Yes, sir.

Q. I think you said yes.—A. Right.

Q. Then I ask you this, was there any complaint on your part about delays on the part of those Canadian manufacturers?—A. You mean did we complain to the Canadian manufacturers that they were in default due to delay?

Q. Yes, or to anything else.—A. I expect we did.

Q. Well, did you?—A. I cannot say. I will have to look up the records, but I presume we did.

Q. What records can you find for me that will show any complaint made as to any Canadian manufacturer being in default?—A. I think I can produce letters to

show that every Canadian manufacturer of cartridge cases had failed to live up to their deliveries.

Q. But what do you say as to them living up substantially to them?—A. They were behind months in their deliveries at the time we contracted with the Edward Valve Company. But before the 18 weeks expired, when we stated that we would take all the Edward Valve Company could supply, the Canadian manufacturers were getting into the method of manufacturing them with a reasonable output.

Q. Then let me ask this question: Did you or did you not make any complaint to any of the Canadian manufacturers about their defaults, or being behind?—A. I expect we did.

Q. Well, did you?—A. I am not going to say that; of course not.

Q. Was there any marked instance which would fix in your mind as being the occasion of notifying any of those men?—A. Yes.

Q. What was that?—A. Do you want me to give the name of the manufacturer?

Q. I want the name of any manufacturer to whom you complained personally or in any way about his not being up to time.—A. The Dominion Bridge Company, or rather the Montreal Ammunition Company associated with it undertook perhaps the biggest contract at that time for cartridge cases.

Q. That was in the fall of 1915, was it?—A. No.

Q. When was it? It was earlier than that. It was perhaps between the spring and the summer of 1915.

Q. In the early summer, perhaps.—A. In the early summer. It may have been a little earlier than that. They purchased all their machinery from the States. They got in supplies of machinery, and press after press broke down and they were not able to get into the stride (as I call it) of delivery until late in the year. In consequence of that we were constantly asking them about deliveries and they were constantly worried. If you speak to Mr. Vaughan, ask him how many years it put on to his life during those three months.

Q. Or took off?—A. Or took off, I mean.

Q. My question is a very simple one. What complaints in writing—let me confine it to that—did you make to any Canadian manufacturers about their delays?—A. I will have to look it up.

Q. Will you look it up?—A. With pleasure.

Q. And let me have some idea, so that their views may be obtained if necessary?—A. Yes sir, with pleasure.

Q. Apparently the Canadians were filling their contracts better than the Americans were filling theirs; is that so?—A. That is another general question.

Q. And I am asking you for a general answer.—A. Let me tell you of one contractor, one American contractor who entered into this business with the Canadian people and did better in the first instance than any of the Canadian manufacturers.

Q. Who was that?—A. The Buffalo—my memory gets—excuse me—I am getting imbecile.

Q. Perhaps we all are.—A. The Crosby Company, of Buffalo.

Q. What was their contract?—A. Their contract in the first place was for 130,000.

Q. Of what?—A. Cases, sir.

Q. Cartridge cases?—A. Cartridge cases, yes sir.

Q. 130,000?—A. Yes sir.

Q. What was their business in Buffalo, can you tell me that?—A. It is a great Stamping Company.

Q. Cartridge cases then would be right within their line?—A. Quite out of their business. It was a new business to them, but the character of their work was somewhat kindred, I might say.

Q. I should think it would have been very much the same. But you say kindred work. Any one else?—A. In the States?

Q. Yes?—A. No one else.

[Mr. David Carnegie.]

Q. I mean anybody else manufacturing for the Shell Committee?—A. No one else.

Q. Are they the only people you say were ahead of the Canadian manufacturers, so far as you are aware?—A. They did better to begin with.

Q. All the others did not do as well as the Canadian manufacturers, in regard to time of delivery?—A. That was the only firm.

Mr. NESBITT: Now do you wonder at the characterization of the questions?

Mr. JOHNSTON: I am not speaking about cartridge cases; I spoke about American manufacturers?—A. Well now, I did not understand that.

Q. You understand it now, perhaps?—A. Will you explain it?

Q. When I speak this way in this question, I want to know about the American manufacturers generally. Can you state as to the Canadian manufacturers generally, as regards deliveries?—A. I cannot say, at all.

Q. You have no conception, no idea?—A. "Conception" is a word that requires explaining.

Q. I do not mean it in the medical sense.—A. I take it that you mean the legal sense.

Q. And now I want you to "deliver" yourself of the facts. I thought you stated in your examination to Mr. Hellmuth that the Canadians stood better than the Americans, and that you were getting better supplies from them, and I do not need anything more; let me include cartridge cases?—A. Now, sir, I think I was quite clear, at least in my own mind, as to what I did say.

Q. Then say it now.—A. I will say it again. In the early part of 1915 we placed contracts for cartridge cases with five Canadian manufacturers and one American, the American being the Crosby Company of Buffalo, whom I have just mentioned. All the manufacturers in Canada failed to produce cases in the time stipulated or to which they agreed, and we were driven to get cases from somewhere, hence the Edward Valve episode, which has turned out such a poor business for the Shell Committee. But when the Canada manufacturers got into business, got over their defects, they became more efficient, and therefore their deliveries were better.

Q. That is sufficient. I do not want any further details than that. Take the fall of 1915, and you found Canadian manufacturers were doing fairly satisfactory work?—A. Yes, sir.

Q. And were the deliveries fairly promptly made?—A. Yes, sir.

Q. Not complete in every respect, but generally speaking you were satisfied with the efforts they were making?—A. I think we could say that.

Q. At all events you did not complain in writing or otherwise to these people because of the way they were carrying out their contracts?—A. I am going to tell you that later, Mr. Johnston.

Q. You won't tell me that now?—A. No, sir.

Q. There is a matter I want to take up with you until I see what you say about it. I want to ask you with reference to certain contracts that were made, and I want to get your explanation of them, Mr. Carnegie. I am not going into the contents of them as to the subject matter, in that sense.

There is a contract dated the 1st of October, 1914, which is Exhibit No. 23 here, between Alexander Bertram, Thomas Cantley, George W. Watts and E. Carnegie of the first part, and Colonel the Honourable Sir Sam Hughes, His Majesty's Minister of Militia and Defence of Canada, acting for and on behalf of His Majesty's Secretary of State for War.

Who drew that contract, do you remember?—A. I believe it was Judge General Smith, or rather Advocate General Smith.

Q. Were you present at the time the terms of the contract were discussed?—A. I was, sir.

Q. Did you suggest the form of the contract?—A. I did not.

Q. Who suggested it?—A. I believe it came right from the legal end.

Q. Who is Advocate General Smith, where does he live?

Mr. HELLMUTH: He was a lawyer in Cobourg; he is here now.

Mr. JOHNSTON: Where was this agreement drawn up?—A. I don't know where it was drawn up, but it was discussed in the Drummond building, Montreal.

Q. In your office?—A. In the Shell Committee's office.

Q. When I say your office I mean the Shell Committee's office.—A. Right.

Q. Under this contract, which I find is Exhibit No. 122, a Shell Contract—and I am not going into the details of it, that is, the particulars of the contract—I am concerned with the parties to it, and I want to get an explanation if I can. There are four gentlemen who are named; I want to see the exact wording of it—I do not want Mr. Hellmuth's summary of it.

Mr. NESBITT: It is to be found at page 30.

Mr. HENDERSON: The contract is printed on pages 138 and 139, commencing half way down page 138.

Mr. JOHNSTON: This agreement is made between the four gentlemen I have named, as manufacturers, of the first part; I suppose as a matter of fact they were all manufacturers, these gentlemen.—A. The four men, yes, sir.

Q. Alexander Bertram, Thomas Cantley, George W. Watts and E. Carnegie?—A. Yes, sir.

Q. All manufacturers?—A. Yes, sir.

Q. Will you tell me who fulfilled or who carried out the terms of that contract; who supplied the goods?—A. I don't quite understand you, sir.

Q. Who supplied "the said ammunition" that is referred to; they agreed to manufacture and deliver to the party of the second part, that is General Hughes, "The ammunition specified in attached schedule, which forms part of this contract, subject to the following terms"—I am asking you who supplied those goods, the cartridge cases, shrapnel empty, etc.—I need not trouble you about the details—who supplied them?—A. I don't know what officials on our staff supplied. Do you mean the officials on our staff that arranged the shipments of the goods?

Q. No, who made them and supplied them?—A. We had about 200 or 300 contractors at that time making the goods.

Sir WILLIAM MEREDITH: Get at it in this way; were any made directly by these four men?

Mr. JOHNSTON: Were any made directly by those four men?—A. General Bertram, as you know, was a member of the John Bertram firm; Mr. Cantley was a member of—

Mr. NESBITT: Wait a minute. The order in Council deals with two fuse contracts, the Picric acid contract and the Edward Valve contract. It was pressed and re-pressed in the House that there should be a general inquiry into the affairs of the Shell Committee and who their sub-contractors and so on were, which was declined. There is a provision in the Order in Council that on the House or the Governor in Council seeing fit to add to this Commission, that that inquiry may be gone into.

This is now an attempt to go into that very matter which has been declined in the House, and it is a matter entirely outside. The Shell Committee have nothing to conceal in the slightest, but it is entirely beyond the scope; it has been refused, and somebody must take the responsibility of making another charge, otherwise if we are going to go into all this, it will be a matter of two hundred sub-contractors, as he has just said. I should think Mr. Carnegie's examination about that would take two or three weeks in itself.

Mr. JOHNSTON: Not so far as I am concerned, it will take but a few minutes.

Sir WILLIAM MEREDITH: Perhaps Mr. Johnston will say how far he proposes to go.

Mr. JOHNSTON: Not any farther than this,—who filled this order? I am not going into details at all. I think I told the Commission that I would not go into any details [Mr. David Carnegie.]

of these contracts except to find out about the four men making the contracts. I asked Mr. Carnegie, did those four men supply the goods?

WITNESS: They were responsible for the supply of the goods.

Q. I am not asking you that. Do you know whether they manufactured the goods themselves?—A. Part of the goods.

Q. What part of the goods did they manufacture?—A. I will have to get the list of them. I cannot tell you now.

Q. I don't care anything about the amounts. I merely want the class. I am not going into the details at all. I am told that they manufacture shells—

Mr. NESBITT: I object to going into any inquiry in regard to that. As long as my learned friend gets the answer that they supplied goods and had a great number of sub-contractors, that is enough. As to who they were or what they supplied, that is not within the scope of this commission.

Sir WILLIAM MEREDITH: There can be no harm if he says the things they supplied were empty shells. That can do no harm.

Mr. JOHNSTON: That is all.

WITNESS: That is right, sir. Perhaps I ought to qualify it here. Mr. Watts was an official of the Canadian General Electric Company, not actually a manufacturer; he would not be regarded as a manufacturer in that light.

Sir WILLIAM MEREDITH: I do not suppose either of the four separately was a manufacturer, was he?

A. I regarded Mr. Cantley as the President of the company to be a manufacturer.

Q. But it was his company that was a manufacturer?—A. It was his company, of course, sir.

Mr. JOHNSTON: Isn't it the fact that those—empty shells I think they are called, under this contract—I do not want the price or anything else, I only want the fact; is it not the fact that these empty shells were manufactured and supplied by these four men without reference to sub-contractors at all?—A. No, sir.

Mr. NESBITT: I object to that. That is getting information which is none of my learned friend's business at present.

Mr. JOHNSTON: Was any of it manufactured—

Sir WILLIAM MEREDITH: What are you objecting to, Mr. Nesbitt?

Mr. NESBITT: This is getting into the subdivision of the contracts, what each one may have done. Once you open the door, we don't know where to stop.

Mr. JOHNSTON: I was asking what portion of this contract he could give me that was made by these four manufacturers themselves?

Mr. HELLMUTH: Or the companies represented by them?

Mr. NESBITT: What has that to do with this inquiry?

Sir WILLIAM MEREDITH: The Commissioners think you had better reserve that for the present and go on with something else if you can.

Mr. JOHNSTON: The outcome is that I shall have to strike out the whole of this, because the next contract is subject to the same questions, and I am sure that as regards No. 1, dated October 1st, 1914, there is no question to be discussed about that. The contract of the first of October, 1914, you cannot tell me of, so perhaps that will do in the meantime. If the Commissioners will permit me to see if I can finish this up now—

Q. You cannot tell me, Mr. Carnegie, what proportion of that contract was filled by these four manufacturers as such?—A. No, sir.

Mr. NESBITT: That is subject to the same objection. Do not answer that.

Sir WILLIAM MEREDITH: You had better not press it, Mr. Johnston. At present it seems not be within the scope of the inquiry.

Mr. JOHNSTON: I will say to the commission the reason I ask these questions so that when the Commissioners come to consider it they will have my views upon it, at any rate.

On the 20th of October, 1914, there is another contract with the same four men. On the first of July, 1915, there is a contract including fuses. What I submit is that it is important to ascertain the practice of the men themselves and what they did in the prior contracts under a similar condition, similar language, and for some similar purposes, what they did under the two prior contracts, as to who really were the parties to the contract, whether they were agents, whether they were trustees, or whether they were really manufacturing independently on their own account.

Hon. Mr. DUFF: If you think that is your point to elucidate the status of these four gentlemen in making a contract, one can see that that may be material. But I do not for the moment see the bearing of the question you put as to the specific amount manufactured by each of them.

Mr. JOHNSTON: If they were treated as independent manufacturers under two prior contracts, then a new contract was made out, and they were described in the same way and took the same relationship to General Hughes, or whoever made the contract.

What I say is that that is evidence, not as to the details of the contract, but evidence that they were acting as independent contractors.

Sir WILLIAM MEREDITH: I do not see how. The fact that they acted as independent contractors six months before there is any light on what their position was—the document speaks for itself, and their legal position is defined by the document they signed.

Mr. JOHNSTON: Assume that I am able to show that they did act as a matter of fact with that end in view, and that they were in reality the contractors and not mere agents, surely that would be important evidence to bring out?

Sir WILLIAM MEREDITH: Is it the purpose of your evidence to show that the 41 million dollars should have remained in these gentlemen's pockets instead of going back to the Imperial Treasury?

Mr. JOHNSTON: Not in regard to the 41 millions, sir, but the whole transaction.

Sir WILLIAM MEREDITH: If they were contracting for themselves, apart from what equitable principles might apply, this money was theirs; they have not acted upon that view in fact at all, but they have handed that money over to the Munitions Department.

Mr. JOHNSTON: But that is another matter. The question is, what were their rights?

Sir WILLIAM MEREDITH: I do not understand the bearing.

Mr. JOHNSTON: You do not determine yet as to what the position is. I hope I have made myself clear as to the object, that I have not to determine what was to be done with the forty-one millions, but to determine what their rights are and by the terms of the contract and what they did in other similar contracts worded in the way this was—

Sir WILLIAM MEREDITH: Surely on no legal principle can you ask to interpret this document by a document executed six months before.

Mr. JOHNSTON: Surely it would be evidence very strongly in favour of one side or the other if it could be shown in that contract they were contractors and there was a surplus of \$500,000 which they immediately handed over to the War Office—

Sir WILLIAM MEREDITH: Have we not been told what the facts were? It seems to me there is a great deal of fighting about absolutely nothing, and it has no bearing.

Mr. JOHNSTON: If you so rule, that it is not a proper question to ask I shall not ask it.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Apart from the technical thing how is it going to help us?

Mr. JOHNSTON: Would this strike your mind in this way; these four men had a contract as manufacturers; on the face of it, it is an absolute contract to make or lose on the transaction, that goes without saying; if it was shown that they did not take five hundred thousand which they made but handed it back to the general fund then the conclusion would be that they treated themselves as agents or trustees for the funds.

Sir WILLIAM MEREDITH: Is not that all spread out? Whatever the legal rights may be under this document the money that was in hand was treated as if it belonged to the Imperial Treasury and was handed over to the Munitions Board.

Mr. JOHNSTON: No evidence the Shell Committee so treated it.

Sir WILLIAM MEREDITH: By the fact that they handed it over.

Mr. JOHNSTON: I want to lead up what led to the handing over; if I am not permitted to go into the—

Sir WILLIAM MEREDITH: We cannot permit any general inquiry into the conduct of the Shell Committee; it is not open.

Mr. JOHNSTON: Quite so; but the conduct of the individuals I think is open, to that extent.

Sir WILLIAM MEREDITH: So far as they relate to the four specific matters that were referred to the commission, however.

Hon. Mr. DUFF: And to the status of the body that entered into the contract; but there are a great many ways that the thing can be looked at; one way of looking at it is that these four gentlemen were simply guarantors.

Mr. JOHNSTON: Another that they were independent contractors; another the agents of the Imperial Government.

Sir WILLIAM MEREDITH: We are not to find out as I understand it what their position was.

Mr. JOHNSTON: Their position will affect the whole matter of the inquiry perhaps, must—

Sir WILLIAM MEREDITH: I cannot see it at present.

Mr. JOHNSTON: If these gentlemen came forward to-day and claimed that this forty-one million dollars was their profit, that they were independent contractors, and it was well known surely would be—

Sir WILLIAM MEREDITH: Will you tell me what possible bearing that has upon the contract with the International.

Mr. JOHNSTON: Very great bearing because they fix the terms to suit themselves, if it did turn out as I say, that the whole profit went to these gentlemen and the whole loss had to be borne by them—assume that position—then the contract made with the International is not the test that governs the inquiry at all, but the test that governs the inquiry is these individual four men, what was their attitude, what did they do? Because we are not inquiring into the question of the President or Manager of the International or the American companies, but we are inquiring, as I understand it, into the conduct of the Shell Committee individually as well as a body.

Sir WILLIAM MEREDITH: With respect to these four transactions.

Mr. HELLMUTH: May I say a word in reference to what Mr. Johnston has said; it seems to me if I had treated these four contractors as independent contractors and having no feeling that they were acting as trustees or agents, there practically could be no inquiry at all, because in that case it would be nobody's business what prices they had arranged for fuses as they were to supply the entire article at a certain price to the War Office, and it would be no matter at all what they chose to

pay for any component part; but as they did, apparently, look upon themselves as agents to return the money then it became necessary to see in that way; so that I do not see my learned friend would get any further, but would rather get away from it by showing that they were independent contractors.

Mr. JOHNSTON: Perhaps that is so.

Hon. Mr. DUFF: I suppose Mr. Johnston's standing really is that one of the facts in relation to these contracts would be the status of the Shell Committee and the members of the Shell Committee who entered into them and their conduct with references to these contracts would be material to show; but surely one is getting pretty far afield when one goes into the details of these other contracts.

Mr. JOHNSTON: I was not going into the details; I do not want to be misunderstood in that way. What I was going into was the simple fact, let me put it, did these four gentlemen make a contract which they themselves filled, and were they themselves paid for? Now, I do not care what the contract was or the prices or anything else—that is the question I submit, and upon which I understand there is to be some deliberation perhaps. In deference to that I do not proceed further with this branch of the inquiry until I have the permission of the Commissioners.

Q. Another matter that I may take up that perhaps will not take very long. You fixed the price for time fuses, I understand, if I gathered from your evidence you were the gentleman who attended to that part of it, were you?—A. I, with General Bertram.

Q. I thought you said on the first day that General Bertram did not know anything about practical ammunition in that way, that is that you were the man who had the technical knowledge?—A. I told the commission that I accepted the responsibility for the prices; I said so.

Q. And was there another member of that committee who could determine the price but yourself?—A. Partially.

Q. Could he determine it as a whole at \$4 or \$4.50, whatever it might be, and who was it?—A. Not so well as myself I do not suppose, but General Bertram was there; we acted in concert.

Q. Who made the calculations as to the cost of these time fuses, let me take one for example; who made the calculation to get at the price?—A. What do you mean exactly by calculation?

Q. You swear you do not understand that question?—A. I know what calculation means.

Q. Will you answer my question?

Sir WILLIAM MEREDITH: This witness is entitled to be treated as a respectable man and not to be heckled.

Mr. JOHNSTON: I do not desire to do so.

Sir WILLIAM MEREDITH: Naturally.

Mr. JOHNSTON: What I say is, who made the calculations or ascertained the price of that fuse—

Sir WILLIAM MEREDITH: And he wants to know what you mean by making a calculation. Surely it is easier to tell him what you mean.

Mr. EWART: The question is objectionable on the ground that it assumes there were calculations made. The question should be, how were the prices got at, was it by calculations or considerations of existing prices?

Mr. JOHNSTON: Were there any calculations made to ascertain the price of these time fuses?—A. There was a lot of grave thought given to it, a great deal of thought and consideration; I don't know exactly, Mr. Johnston, you will excuse me but I am not going to be tripped up by you, not to-day, and if you ask me a straight question you will get a straight answer and not otherwise.

Q. I will appeal to the commission to say whether that is a straight question [Mr. David Carnegie.]

or not; were any calculations made?—A. Due consideration was given to the estimation of a fair price before that price was settled, with all the information we had available at the time.

Q. Do you understand what is meant by making calculations?—A. I have made a few calculations in my time.

Q. Then you understand the question; what calculations were made to arrive at the price of these fuses, if there were any?—A. I cannot give you.

Sir WILLIAM MEREDITH: Do you mean did he put down on a piece of paper what this and that thing cost, or whether it was a mental process by which he arrived at the whole thing?

Q. Mr. JOHNSTON: Did you make any figures at all in connection with the time fuses?—A. I do not think I made any figures regarding the component parts and the like.

Q. So as to add up, say \$4.50?—A. No, sir.

Q. How did you arrive at the price of \$4.50 or \$4.25, whatever it might be—I am not confining you to one?—A. I am not in a position to say.

Q. Cannot you give me some idea of how you arrived at the price of five million fuses at \$4 for one lot, and \$4.50 for another portion?—A. Let me see where you are, sir.

Q. Never mind where I am; please say where you are?—A. I cannot carry myself back with all the other work I have had to do since then, and particularly after the four days sweating here, I cannot carry myself back in imagination even, Mr. Johnston, to the details of the calculations then made; they were honestly made and that is all I have to say.

Q. I am not saying a word against that—you use the very word you objected to me using, calculations.

Sir WILLIAM MEREDITH: That is the result of bad example.

Mr. JOHNSTON: However that is your answer?—A. Yes.

Q. It is an important fact when the question of price, etc., and contracts would come up, it would be an important fact to ascertain how the price was arrived at, would it not, in your judgment?—A. Yes.

Q. You are not blaming me for trying to find out the method by which you arrived at the price of these fuses—that is not a blamable action?—A. No.

Q. You fixed the prices of certain fuses at \$4, certain fuses at \$4.50, it was a very important transaction involving millions of dollars as you understood, I mean, without going into the details at all, you would understand at once without estimating the cost of these time fuses that it would involve millions of dollars?—A. Yes. The order was ninety millions, you see, seventy millions of which depended on going to Canada if we got these fuses, and everything was in a hurry, you see.

Q. I ask you again, so as to call your attention to it, can you give me any idea or give me any help at all to the facts upon which the price of these fuses was based?—A. We had to consider on the one hand the estimate or the quotation of the people with whom we were bargaining, we had to consider the fact that they had to obtain machinery, we had the condition of the machinery market, and the prices at which they could buy the machinery; we had to consider the fact that they had to get gauges, things that were almost impossible to get, and therefore the prices were away up in the air, we had to consider the rising market of materials of which the fuses were made, markets which were also fluctuating, that no man could possibly sit down and calculate one day what a thing was and the next day another; we had to consider the fact of expert labour and the prices they had to pay on expert labour; there were so many considerations, Mr. Johnston, had you been there yourself with all your legality you would have been in a terrible stew.

Q. You see you are trying to get me into a terrible stew now?—A. No.

Q. That is still a little of the speech you made three days ago; I do not want that, because you have told us very fully and very frankly with regard to all these diffi-

culties; what I am trying to get at is can you help me in any way by showing me some figures, some estimates, or some calculation, take any word, as to how you arrived at \$4 instead of say \$8 or \$6 or \$10?—A. No figures at all I can show to you.

Sir WILLIAM MEREDITH: Perhaps you would ask him if there were any prices elsewhere that they could be compared with.

Mr. JOHNSTON: Had you any prices at that time to compare with the proposed price you were putting on these fuses?—A. Oh, yes, sir.

Q. What prices were these, where were they?—A. Now, let me see, we had prices from England on time fuses; we had an estimate from a reputable firm in Montreal of \$4 for the graze fuse, that is the No. 100 fuse.

Q. Who was that estimate from in Montreal?—A. The Northern Electric Co.

Q. Had you any correspondence with the Northern Electric Co. before you fixed the price?—A. It has been put in.

Q. Had you any correspondence on interviews with the Northern Electric before you fixed the price of the fuse?—A. Of what fuse?

Q. Time fuse?

Mr. HENDERSON: No, graze fuse?—A. They did not quote for the time fuse.

Mr. JOHNSTON: Well, the graze fuse?—A. Yes, sir.

Q. You had correspondence with them before you fixed the price of the graze fuse?—A. Yes.

Q. Where was that correspondence?—A. It is in there.

Q. Can you give me about the date of it?—A. Yes, I think it was about the 29th May when we received the quotation from the Northern Electric Co.

Mr. HELLMUTH: The witness was right.

Mr. HENDERSON: Exhibit 85, page 97.

Sir WILLIAM MEREDITH: That is the letter of Sise to the Shell Committee.

Mr. JOHNSTON: Is that the only letter that you recall?—A. I think that is so, sir; I mean that was the only quotation. There were other letters from that one company.

Q. This was the only quotation you had in regard to the prices of fuses except your own quotations that you made to various contractors?—A. Our own estimates.

Q. At that time when this estimate came in do you say that you had not fixed the price of the graze fuses and the time fuses as well?—A. We had fixed the price of time fuses, sir, because we had given a letter of order to Bassick on the 21st May, and we had given a letter of order to Harris on the 25th May.

Q. And had not you given these prices for graze fuses as well as time fuses?—A. No, sir.

Q. When did you first give the price on the graze fuses?—A. I cannot say, it was between the 29th May and the 19th June, and it was purely verbal negotiation between the two companies in question.

Q. So that there was no correspondence except this: "In the meantime without more definite information as referred to above, we will quote you on one million of these percussion fuses a tentative price of \$4.00 each, it being understood that this price can only be considered in the light of an estimate and that a firm quotation cannot be furnished without more definite information." So that you had no firm offer or estimate, if you choose to call it, or price fixed upon these fuses until you fixed it yourselves with the Bassick and the Harris people?—A. With the Ammunition people, not Harris; Harris did not participate in it.

Q. With the Ammunition people?—A. Yes, sir.

Q. Then what other information did you have with reference to the price of fuses excepting this Sise letter, that is from the outside I mean?—A. Are you referring to what information I had at the time or what information I have gleaned since then?

[Mr. David Carnegie.]

Q. No, not since, at the time?—A. We had no other information at the time excepting that letter of quotation from that company apart from our own judgment.

Mr. NESBITT: Graze fuses?—A. You are talking of graze fuse?

Mr. JOHNSTON: Yes; who were making graze fuses at that time?—A. I cannot tell you.

Q. Were the Morgan people making them?—A. No, sir.

Q. At their instance?—A. I believe not loaded fuse, no one in the States ever made a loaded graze fuse.

Q. What is the difference in price between the loaded and the unloaded, do you say?—A. By arrangement we have been able to get 27½ cents reduction.

Q. Then apart from that the balance of \$3.72½ cents that was being made, in that part of it that was being made in the States at that time that eliminated the loading?—A. Of that I am not certain whether the complete unloaded fuse, but I do know that certain component parts, if not all, I know that certain component parts were made of this fuse, and I do know also, Mr. Johnston, that in England at the time this fuse was let at \$3.60 with that little short bit of gain to it, \$3.60, which would be equivalent to \$3.30 as against \$3.72½ cents and that was let with a company, a big company with all the facilities, all the experts, and the machinery.

Q. I understood you to say, that is what you said the other day?—A. That is right; I can prove it too.

Sir WILLIAM MEREDITH: You are proving it now?—A. But I can show it in print.

Mr. JOHNSTON: I am taking your word for it.

Q. Why did not you make inquiries as to the price of this ammunition?—A. Now, sir, you do strike the nail, don't you? You have struck the nail right on the head. Why, let me tell you, sir, why; we were simply in the throes of a business that demanded immediate action; we were in the throes of a business that meant either the rejection or the acceptance of seventy million dollars of work for Canada, and we said as a committee, and as contractors let me say, and we maintain that it was within our right, and in the committee's right to place the work in the States or in Canada just as the committee preferred they should do it, and at the prices they considered were fair, and it was no man's business to inquire where we let it or at what price we let it; our business was to get it.

Q. How long would it have taken you to have inquired into the cost of this ammunition you speak of?—A. It might have taken a few minutes.

Q. And yet you did not exercise the few minutes to make inquiry?—A. It is very well put, sir.

Q. Is it true?—A. Is it true?

Q. Yes?—A. Is it true that we did not inquire?

Q. That you did not exercise the few minutes to make the inquiry as to what these things would cost?—A. Will you remember the circumstances; we were not sitting in Court, we were there busy with a multitude of things in the office at the time.

Q. I appreciate all that, and you have stated it?—A. Well, we were busily concerned with Canada's needs.

Q. You have stated that?—A. And we were looking simply as to how we could get the fuses in the quickest time—

Q. Yes?—A. And we had to negotiate with men with whom we had placed orders for two and half million time fuses, and we were not then dealing with Morgans; Morgans were the agents in the States, we were the contractors in Canada, and therefore we felt it was none of Morgans business what price we paid.

Q. Is that all you want to speak about on that subject, because I am going to ask you, I want to ask you the concrete question again, why did not you take the two or three minutes you speak of, because it occurs to me as being a very short time to make this inquiry, to inquire what these fuses were being produced at over in the States or somewhere else?—A. It was not our habit to inquire.

Q. That is your answer?—A. Yes, that is my answer.

Q. You did not do it anyway?—A. No.

Q. And as a result do you attribute the loss that you spoke of in these fuses, in the graze fuse I think it was you apologised for the other day?—A. Did I apologise?

Q. I thought it was pretty near it?—A. I do not know that.

Q. That you took the responsibility for the loss?—A. I do not quite see your point.

Q. Do you see the question?—A. What is the question because you are trying to confuse me.

Q. Did you assume the responsibility for the loss on these graze fuses being let at a much higher price than they ought to have been?—A. I assumed the responsibility for recommending to the committee that that price be paid.

Q. That is practically the same as I am asking you; having recommended that price you apparently thought that the price was too high after you got more light?—A. At the time I recommended that price I considered the price was fair, otherwise I would not have recommended it.

Q. Quite so; I am asking you, since that time you have got more light on the subject?—A. I wonder if the War Office has any more light on that subject, I wonder if the War Office when they let the contract at \$3.60 had any more light.

Q. I understand not, because Kitchener and you had the same salary?—A. I did not know it; I must treat you to dinner tonight.

At 1 o'clock p.m. the commission adjourned to 2.30 p.m.

AFTERNOON SESSION.

(Commission resumed at 2.30 p.m.)

Cross-examination of DAVID CARNEGIE, continued.

Sir WILLIAM MEREDITH: With regard to the matter we discussed before adjournment, as General Bertram is to be called, we consider that it will be better to raise the question then, and if it is clearly in your favour you may recall the witness.

WITNESS: May I claim the Commission's permission to read a wire?

Sir WILLIAM MEREDITH: Better show it to Mr. Hellmuth first, to see whether it is proper that we should hear it at all or not.

Mr. HELLMUTH: It is a telegram addressed to General H. M. Elliott, Master General of Ordnance, Ottawa, and is dated April 28th, 1916, sent from Montreal—Friday last.

Hon. Mr. DUFF: Of this year, 1916?

Mr. HELLMUTH: Yes, sir.

"If quoted correctly Col. Carnegie said to-day my salary was previously paid by War Office and is now by Munitions Board this is untrue. Of course my salary is still paid from Woolwich my travelling allowance being paid by Board.

"W. LYON BROWN."

(Marked Exhibit 244.)

Sir WILLIAM MEREDITH: One would almost think it was written by counsel.

Mr. HELLMUTH: And there is a note from Colonel Elliott to the witness saying that he had received the attached.

Hon. Mr. DUFF: Colonel Carnegie said that Colonel Brown was War Office Inspector.

[Mr. David Carnegie.]

Mr. HELLMUTH: Yes, sir, but his salary is paid apparently by Woolwich, and his travelling expenses by the Munitions Board.

WITNESS: Yes, sir.

Sir WILLIAM MEREDITH: The telegram is addressed to whom?

Mr. HELLMUTH: To General H. M. Elliott, from W. Lyon Brown.

Mr. NESBITT: Mr. Hellmuth had better state, so that it may appear in the record, that the telegram was handed by the witness to him.

Mr. HELLMUTH: Yes. That telegram has been handed by the witness to me.

Sir WILLIAM MEREDITH: Just now?

Mr. HELLMUTH: Yes, sir, just now.

Mr. JOHNSTON: I was talking about the question of prices?—A. Yes, sir.

Q. I notice that in the contract you made on the 21st of May, 1915, with Bassick, the Bassick party I mean— A. The letter we gave to them, sir?

Q. Yes; I suppose you felt bound by your letter?—A. Yes, sir.

Q. So that whatever you did you were going to conclude, and to carry out any formal contract?—A. Yes.

Q. I am not making any distinction, and I am assuming in all these cases that where you gave a letter you were bound to the extent the letter implied?—A. Yes, sir.

Q. At that time had you discussed with Bassick or any of these people, Colonel Allison, or others, as to the price of the time fuses?—A. Yes.

Q. Where had that discussion taken place, before the 21st of May, 1915?—A. It had taken place at the office of the committee, either in Montreal or at Ottawa. I forget the date we changed from Montreal to Ottawa.

Q. But it was at the office of the committee, wherever that was for the time being?—A. Yes, sir.

Q. Who were present at the time?—A. I presume General Bertram was with me.

Q. Do you presume. If you cannot recollect it, do not presume, as I cannot take presumptions. Do you recollect who were present at the time?—A. At what time?

Q. At the time of the conversation you have referred to?—A. We had several conversations.

Q. But any one of them.—A. Yes, General Bertram and myself.

Q. Which one?—A. I cannot give you any particulars.

Q. Was that the first conversation?—A. On the 21st?

Q. No, when you first discussed the time fuses with Bassick, or any member of his party?—A. I am not sure, sir, but what General Bertram and I did (and he will confirm it) was that we discussed the price when we met the experts produced by Bassick on May 14th in New York.

Q. Who were the experts, did you say, or do you remember?—A. Mr. Gladeck, with one of the explosive experts, Mr. Cadwell, whom I have already named, and the manufacturers who were present at that interview. Their names have been given, I believe.

Q. Bassick—what was his business?—A. He was a member of the firm of Burns and Bassick, of Bridgeport.

Q. Well, what was he, what was his business?—A. His business was the manufacture of interchangeable parts, locks and the like.

Q. Who was the other man you mentioned?—A. Mr. Cadwell.

Q. What was his business, do you know?—A. He had been for 15 years the vice-president of the Standard Screw Company.

Q. Do you know whether he was a practical man or not?—A. Do you mean, in the manufacture?

Q. Yes, in the making of these goods?—A. No, sir, not in the making of these goods, oh no, sir.

Q. He was not what you call a practical man?—A. That I do not know.

Q. The other man, who was he?—A. Mr. Gladeck was the other man I have named.

Q. What was his business?—A. His business was that of a ballistic engineer.

Sir WILLIAM MEREDITH: Translate that for the benefit of the public. What does it mean. Put it in English.

WITNESS: He was a man accustomed to the manufacture of ammunition and explosives.

By Mr. Johnston:

Q. It would not be right to pronounce it ball-istic?—A. Bal-istic.

Q. Does that refer to ammunition in the shape of balls?—A. No. It is just a general term.

Hon. Mr. DUFF: The science of projectiles, is it not?—A. That is so.

By Mr. Johnston:

Q. Where did this conversation take place?—A. It took place in the Manhattan Hotel.

Q. In whose room, do you know?—A. In a room provided by Colonel Allison.

Q. Was Colonel Allison then living at the Manhattan Hotel?—A. I presume so.

Q. You met pursuant to his call, did you?—A. We did.

Q. And was General Bertram there with you at that time?—A. Yes, sir.

Q. What was said or done with regard to the prices of these time fuses, the 80 or 50/44 or whatever they might be; what discussion did you have?—A. At that meeting?

Q. At that meeting, yes?—A. I do not recollect that anything definite was done then, or that any proposal was placed before us.

Q. Was anything definite discussed with reference to the cost or the price, at that meeting?—A. I believe we asked if they could name a price.

Q. You have no very distinct recollection of it apparently?—A. No, I have no very distinct recollection of it.

Q. I will assume that we are confined to your belief, as far as necessary; what was the price discussed?—A. There was no price discussed, no definite price discussed at that time.

Q. So that eliminating the first meeting on the 14th day of May, was it?—A. The 14th of May.

Q. Of 1915?—A. Yes, sir.

Q. You met, you and four or five others, including General Bertram?—A. Nearly a dozen.

Q. In Colonel Allison's room at the Manhattan Hotel?—A. Yes, sir.

Q. Apparently you had been subject to his call; he got the meeting together?—A. No, I don't think he got the meeting together, quite; Mr. Bassick I think got the meeting together. It was in response to a wire that has been put in.

Q. But it was at the call of some member of that meeting, neither you nor General Bertram?—A. Yes, sir.

Q. I am asked to say that the meeting was on the 1st or 2nd of May?—A. No, sir. The meeting we are referring to now was on the 14th of May, when I examined with General Bertram, the experts.

Q. Had you any meeting before that?—A. Yes, sir.

Q. I asked you about the first meeting at which the prices were discussed?—A. I mention now the first meeting, on the 14th of May.

Q. But you had had meetings prior to that time?—A. I had a meeting with Mr. Bassick, on the 4th I believe it was of May, at the Belmont hotel, when I met him first at the introduction of Mr. Yoakum and a Mr. Craven.

Q. Was Colonel Allison there then?—No, sir.

Q. Was there anything about prices then?—A. No.

Q. Had you any other meeting prior to the 14th of May, that you can give me?—A. With whom?

[Mr. David Carnegie.]

Q. With any of those gentlemen with regard to this contract?—A. Yes, sir. On the 1st of May I met Colonel Allison and asked him to introduce me to the manufacturers with whom I could place my particulars.

Q. Was that the first meeting?—A. That was the first meeting.

Q. So that we have been rather going backward to get to the first meeting. However, the first meeting was at the Belmont Hotel?—A. At the Manhattan Hotel.

Q. In whose room did that take place?—A. In Colonel Allison's room, that was.

Q. Who called the meeting, and who was there?—A. I called the meeting from the Belmont Hotel, at the request of the Minister of Militia.

Q. Where was the Minister of Militia at that time?—A. I believe he was in Ottawa.

Q. He was not in New York upon that occasion?—A. Not as far as I know.

Q. That is as far as you can speak, of course?—A. Exactly.

Q. Who did you say were at the first meeting you had?—A. I believe no one at the first meeting but Colonel Allison.

Q. And yourself?—A. And myself.

Q. What was the discussion between you and Colonel Allison?—A. There was only one discussion.

Q. Well, give it to us, whatever it was?—A. The discussion was that of placing before me, or introducing to me men whom I could place my proposals with, so as to get a quotation for the manufacture of fuses.

Q. Did you say what the particular subject matter of your proposals was?—A. Yes, sir.

Q. It was fuses?—A. Time fuses.

Q. Was there anything about graze fuses at that time?—A. No, sir.

Q. Then you go on until you come to the meeting of the 14th which seems to be the important one; tell me what took place at that meeting, if you can?—A. I examined, and General Bertram examined the men in question, as to their ability to manufacture fuses, and on the result of that examination we decided subsequently to place a contract with the American Ammunition Company.

Q. That is, the Bassick Company?—A. The Bassick Company.

Q. I do not want the words of it, but I want the general tenor of your conversation upon that occasion. What was it?—A. It must have been pretty uniform, because it took under the hour. It was a matter of investigating each man in turn. First of all we had to consider the men who were in a position, or shall I say the manufacturers that they had brought together, their ability to manufacture the component parts.

Q. You had never seen any of those men before?—A. I had never seen any of them before.

Q. And you did not know anything about them except what Colonel Allison told you?—A. I knew nothing about them.

Q. You knew nothing about Colonel Allison at that time?—A. I knew nothing about him.

Q. You were acting entirely upon the request of General Hughes, to see Colonel Allison?—A. That is so, sir.

Q. Did you understand that Colonel Allison was a manufacturer at all?—A. No, sir.

Q. Did you understand he was not a manufacturer, or did you know anything about it?—A. I knew practically nothing about it.

Q. Then was there anything determined upon at that meeting with reference to fuses or the price?—A. There was nothing determined.

Q. Then what was your next meeting with any of these gentlemen?—A. The next meeting was either in Montreal or Ottawa.

Q. Well, it was at the office?—A. Yes.

Q. We are not caring which place it was in in the meantime. Who were present at that meeting, the next meeting?—A. As I say, I believe General Bertram and myself, because we always met together discussing—

Q. That is rather reasoning. You do not recollect?—A. I do not recollect.

Q. Was there any one of these American gentlemen there on that occasion?—A. Mr. Yoakum and Mr. Bassick I believe.

Q. Were the two that were there?—A. Yes.

Q. Now, how did the conversation arise with reference to this, what was it?—A. The question we wanted to know was, what was their price.

Q. What date was that, do you remember?—A. I do not recollect.

Q. Was it between the 14th and 21st?—A. Yes.

Q. That is near enough. How long did that meeting take you?—A. I cannot say.

Q. You can tell me within a quarter of an hour.—A. They were backwards and forwards. It was a matter of barter.

Q. I know. But I mean the meeting when you came to some definite understanding.—A. You mean the meeting on the 21st?

Q. I mean between the 14th and 21st was there anything come to between those dates?—A. Nothing came to except on the 21st.

Q. So no prices were mentioned until the 21st?—A. Prices were mentioned.

Q. I am trying to get at what was said about prices.—A. About prices?

Q. Yes.—A. Oh, they were figuring around a price of \$4.50, between \$4.50 and something else; we were trying to bring them down.

Q. What was said in order to bring them down, was there any proposition made or anything of that sort?—A. On one side, we tried to show how the fuses could be made at a price comparable with the English prices, while, on the other hand, their argument was, "Why, materials are advancing, machinery prices are up in the air, we have to supply the gauges and so on." It was simply a matter of bargain.

Q. Did you know anything about those conditions on the American side yourself?—A. I knew little about the conditions of the time fuse on the American side.

Q. That is what I mean.—A. But I did know of the condition of prices on the English side.

Q. I am not asking you that. I am asking you if you knew anything of the condition of the market on the American side.—A. I knew something.

Q. What did you know?—A. I did know from my conversation with the Scovill people about their prices.

Q. What did you know about the prices?—A. If I remember rightly now—you are taxing my memory and I am only speaking from memory, subject to correction—

Q. Quite so.—A. That Mr. Goss, the head of the concern there, with whom I had the conversation either on the 2nd or the 3rd of May, informed me that the price he was receiving as the sub-contractor to the Bethlehem was something around \$4.

Q. Yes. Now, the price must have been agreed upon on the 21st?—A. Oh, yes.

Q. How did you come to fix \$4.50 or \$4.25?—A. \$4.25.

Q. \$4.25, yes. How did you come to fix upon that price?—A. We fixed it under very great pressure.

Q. Yes.—A. The people had their options on their experts, on their machinery, and on certain of their materials, and it was a question on their side about taking up those options, and it was a question on our side about getting the work started as quickly as possible, and we asked them, we simply beat them down to what we called a minimum price. We stated in our letter a minimum price, because we were then at that date indefinite as to the exact design of time fuse the War Office required.

Q. You beat them down you say. They wanted \$4.50, did they?—A. They wanted \$4.50.

Q. And you beat them down to \$4.25?—A. \$4.25.

Q. That was for three million?—A. Yes, three million.

Q. Bassick was present at that time, of course, because he made the bargain?—A. Yes.

Q. Then four days later you gave them \$4.50?

[Mr. David Carnegie.]

MR. GRANT: No, not until the 19th of June.

WITNESS: No, sir.

MR. JOHNSTON: The 19th of June?—A. Yes.

Q. You gave them \$4.50?—A. Yes.

Q. For that which they had agreed to do at \$4.25?—A. No, sir.

SIR WILLIAM MEREDITH: That is not accurate. A minimum of \$4.25.

MR. JOHNSTON: No.

SIR WILLIAM MEREDITH: Yes, yes.

MR. JOHNSTON: That was the most they were going to pay.

SIR WILLIAM MEREDITH: No, that is the minimum.

MR. HENDERSON: The least.

SIR WILLIAM MEREDITH: It was not to be less than that.

MR. JOHNSTON: The minimum is mentioned.

HON. MR. DUFF: \$4.25.

MR. JOHNSTON: They agreed to pay them at least \$4.25?—A. That is right, sir.

Q. On the other hand, on the 19th you agreed to pay them at least \$4.50?—
A. Yes, sir.

SIR WILLIAM MEREDITH: Was there that least in the 19th of June?—A. 19th of June.

Q. Was it flat \$4.50, or at least \$4.50?—A. Flat \$4.50.

MR. JOHNSTON: How did you come to increase the price?—A. Because they would not accept the price of \$4.25 under the new conditions.

Q. What were the new conditions?—A. Well, sir, on the 28th of May we received from the War Office definite instructions as to what they did require, and those instructions were that one-third of the order had to be supplied with fuses No. 100, the first intimation we had that No. 100 fuses were required, and we had given them a letter which, as you agree, was tantamount to a contract, for two and a half million time fuses at \$4.25. So that virtually we had to go, as I might say, cap in hand to them asking if they would agree to accept an alteration in the order that we had placed.

Q. Yes. At that time you had an offer from the Russell Motor Company at \$4.20?—A. For what, sir.

Q. At that time, about the time between the 25th of May and the end of May, you had for time fuses an offer from the Russell people at \$4.20?—A. Yes, sir. At \$4.20 we received an offer from the Russell Motor Company on the 26th, handed in verbally by Mr. Harris and Mr. Russell.

MR. GRANT: You mean personally, not verbally.—A. I beg your pardon, I mean personally.

MR. JOHNSTON: Had you any other offers at that time?—A. For what, sir, time fuses?

Q. Time fuses. Let us deal with that first.—A. We had the Fenn proposal.

Q. At how much?—A. There was nothing definite in that. It was a verbal offer.

Q. I know. Was there no price fixed?—A. Yes.

Q. What was the price?—A. The price was \$2.50 for loading, and that was given to me verbally at Wilmington by Mr. Fenn.

Q. And the cost of loading would be how much? \$1.25 I think you said.—A. I say my estimate of the cost of loading—it is not yet known, Mr. Johnston.

Q. But you estimated it at \$1.25?—A. My estimate was a minimum of \$1.25 and a maximum of \$1.50.

Q. Well, take it at \$1.50. How much did the Fenn people offer to do it for?—
A. \$2.50.

Q. That would be at the outside \$4 for the time fuse according to their story?—
A. Oh, no, sir, it was away up in the air. The loading would be \$2.50, you see.

Q. Yes.—A. My estimate for loading is between \$1.25 and \$1.50.

Q. So I understand.—A. Their quotation verbally to me was at \$2.50 for the loading.

Q. For loading alone?—A. Loading only.

Q. Did they give you the full price of the fuse when you were talking with them or discussing it?—A. They did discuss that, but I think it must have been a range of \$4.50 to \$4.60.

Q. Anybody else offering you anything then?—A. No, sir.

Q. Size was the graze fuse I understand?—A. Yes.

Q. In which he spoke generally of about \$4?—A. That is right, sir.

Q. Not making a firm offer at all?—A. Yes, sir.

Q. Were there any other offers made?—A. For what?

Q. For the time fuse?—A. No, not that I can recollect at all. We have hunted the files to find out.

Q. Did you get any letters from the Monarch Brass Company?—A. We may have done, sir.

Q. Did the Monarch Brass Company offer to produce time fuses unloaded at \$2.50 per fuse for the 80 Mark V?—A. Just one moment. Are you speaking at the time we are now dealing with?

Q. About that time?—A. I have no recollection of that. Where is the company located?

Q. The Monarch Brass Company.—A. Where is its situation?

Q. Toronto.—A. I do not know. I do not recollect that, sir.

Q. Do you recollect a man named Sherlock?—A. No, sir.

Q. No idea of that?—A. No.

Q. Is it so from your memory that he offered to produce a total of one million time fuses? Is that true?—A. I do not know.

Q. Is it true that he had been promised contracts but they had never been carried out?—A. Contracts for what, sir.

Q. For fuses. I am speaking about time fuses.—A. I do not know, I have no recollection of that at all.

Sir WILLIAM MEREDITH: I suppose you mean promised by the Shell Committee or the witness?

Mr. JOHNSTON: Oh yes, that is all I am speaking of.

WITNESS: Promised by me?

Mr. JOHNSTON: By you or the Shell Committee.—A. I have no recollection.

Mr. HELLMUTH: Have you anything?

Mr. JOHNSTON: Yes, we will try to get them produced showing what took place.

Mr. HENDERSON: It is a letter.

Mr. JOHNSTON: No, it is not a letter at all.

Mr. NESBITT: If you will give the date we will make every possible search for it.

WITNESS: Yes.

Mr. JOHNSTON: We have asked for the White correspondence, we know there was a lot of that, but that has not been produced.

WITNESS: Well, sir, any one is at liberty to hunt the files. I have had my boys hunting them.

Mr. JOHNSTON: I am not asking you about that.—A. But you say that you have asked for the White correspondence and it has not been produced. What is the implication?

[Mr. David Carnegie.]

Q. Nothing at all, except that it is not produced.—A. Oh, sir, the implication is that we have held back correspondence that we know to be there or that is there. We have done no such thing.

Q. You are far more suspicious than I am.—A. Perhaps so.

Q. I am not throwing out any suspicions.—A. Oh, well—

Mr. HELLMUTH: I asked for the White papers because they were among the names given to me. I asked for any names of anybody who had correspondence.

Sir WILLIAM MEREDITH: Who were the White people?

Mr. HELLMUTH: The witness has said he did not know of any.

Mr. GRANT: Melville P. White, Engineer, of the Canada Foundry Company.

WITNESS: We have searched the Canada Foundry Company's correspondence, and have not traced any letter from that Melville White, sir.

Sir WILLIAM MEREDITH: I thought Mr. Watt belonged to the Canada Foundry Company.

Mr. HELLMUTH: Mr. Watt did.

Sir WILLIAM MEREDITH: Yes, Mr. Watt.

Mr. JOHNSTON: You know the Northern Electric Company of Montreal?—A. Yes.

Q. You know Mr. Hathaway who represents that company?—A. I do, sir.

Q. Did you get letters from him from time to time for proposals to take a contract?—A. The time fuses?

Q. Or the graze fuses.—A. I put in the letter.

Q. That is the only letter?—A. Yes.

Q. Did you have any other correspondence?—A. Not that I know of.

Mr. NESBITT: Mr. Johnston, if you will give me that letter?

Mr. GRANT: This is confidential.

Mr. NESBITT: Very, I should suppose.

Mr. GRANT: Yes, it is.

Mr. HENDERSON: Somebody not in the business at all.

Mr. JOHNSTON: It is information. It does not say anything.

Sir WILLIAM MEREDITH: It is not a copy of a letter?

Mr. JOHNSTON: No, it is information about certain correspondence and asking if we had got it.

Mr. NESBITT: There is no necessity for making these suggestions. I am not acting aggressively towards you at all. If you will tell us we will set every bit of machinery at work for you. Perhaps Mr. Gideon Grant will let us know what is wanted.

Mr. GRANT: There are letters from Sherlock of the Monarch Brass Company.

Mr. STEWART: What is the name?

Mr. GRANT: Sherlock.

Hon. Mr. DUFF: An ominous name.

Mr. JOHNSTON: Sherlock acting on behalf of the Monarch Brass Company; White, acting on behalf of the Canada Foundry Company; Hathaway, acting on behalf of the Northern Electric Company. I may say we are advised they had a good deal of correspondence with your department.

Sir WILLIAM MEREDITH: Is there any such company as the Monarch Brass Company in Toronto?

Mr. JOHNSTON: Yes, the Monarch Brass Company.

Sir WILLIAM MEREDITH: That is not the Morrison Company?

Mr. GRANT: No, there is a Monarch Brass Company.

WITNESS: If they have got the correspondence why not get them to produce it, sir.

Mr. JOHNSTON: We will, but I would like to have it now.—A. I have not got it.

Q. There is an end of it. My learned friend's remarks about these various subjects are quite uncalled for.

Sir WILLIAM MEREDITH: I thought he was very pleased. He said he was not aggressive. He did not say it aggressively. Do not let us get back to a war footing, please, Mr. Johnston.

Mr. JOHNSTON: Oh, no.

Mr. NESBITT: I was on a peace footing absolutely this time.

Mr. JOHNSTON: Now, at that time when these contracts were made, the 21st of May, if you will, or the 25th of May if you will, these two contracts that we are speaking about, what offer or proposition had you made to any Canadian manufacturer giving specifications and drawings and price?—A. I do not know that we made any offer, sir.

Q. Very well. Then I will enlarge the question a little. With what firms or partnerships, individuals or corporations had you been interviewing or corresponding, except the Bassick and the Dr. Harris people?—A. During what period?

Q. At this period?—A. At that period?

Q. Yes, within a few weeks or months on either side?—A. There were the Fenn people of Wilmington.

Q. Perhaps I did not add, but I did intend to add Canadian. I do not want to go into the American field.—A. I know of no Canadian firm that was approached to make the fuses outside of the Canadian General Electric, which has already been put in.

Q. Yes, that speaks for itself.—A. I am speaking of time fuses.

Q. I am speaking of time fuses. When was the approach made by or to the General Electric, do you remember?—A. In February sometime. The letters are there.

Q. A long time prior to this. You had no specifications at that time?—A. Oh yes, sir.

Q. Had you?—A. Yes.

Q. Why were you waiting for specifications?—A. We were not waiting for specifications.

Q. Had everything right on the 21st of May?—A. No, sir.

Q. What were you missing then?—A. Just missing the question of the definite design.

Q. Would the design not be part of the specifications?—A. No.

Q. Not quite?—A. No, not quite. You see, from the time we were talking time fuses with Colonel Nicholls the War Office had been considering the advisability of using the No. 85 fuse made in America, because of the difficulty that presented itself to manufacturers in regard to making the No. 80.

Q. Yes.—A. And that question was really not settled until the 28th of May.

Q. Yes, exactly. So we heard. So that until the 28th of May the question of the American or the English had not been settled?—A. Not definitely settled, sir.

Q. Not settled at all?—A. Oh, well, it was settled in this respect, that from the point of view of the machinery required for a No. 85 or a No. 80 there was practically no difference.

Q. Was there any difference in the cost?—A. Oh yes.

Q. Then that was important?—A. It was important.

Q. You could not tell very well until you knew just what they wanted as to the price?—A. Exactly.

Q. Quite so.—A. That is why we mentioned minimum, Mr. Johnston.

Q. Were there any Canadian manufacturers about that time or prior thereto who approached you or the Committee on the question of manufacturing?—A. Oh, [Mr. David Carnegie.]

between the time of my interview with Colonel Nicholls and the time of our placing those orders with the two American companies a number of manufacturers came into the office and discussed the question of fuse making, but my mind was quite clear on this part, that in Canada we had no expert ability that could undertake the loading end of a time fuse to produce the article in the time required for the complete shells.

Q. You came to the conclusion that the two American firms could do it?—A. Yes.

Q. You had no idea who composed those American firms at that time?—A. Oh yes, rather.

Q. Who composed them, Yoakum?—A. It was no matter who were the titular heads, I was concerned with the men that were going to make the goods, and had satisfied myself that they could be made.

Q. Now, what men did you see that were going actually to make these goods?—A. I have told you, sir.

Q. These two men you spoke of. Gladeck was one?—A. Gladeck was one.

Q. Who was the other?—A. Cadwell.

Q. You do not mean to say that Cadwell was an expert mechanic in that way?—A. He was a sufficient expert to be entrusted with the position of Vice-president of one of the finest manufacturing concerns in the States.

Q. That does not necessarily imply that he was a mechanic to your mind?—A. I was not trusting entirely to Mr. Gladeck as a mechanic, I was trusting more to Mr. Gladeck—

Mr. HENDERSON: Cadwell.

WITNESS: Cadwell I mean, not Gladeck. I was trusting to Cadwell to organize the manufacturing establishments for the production of the mechanical parts, and I was trusting to Gladeck the ballistic engineer, to deal with the loading of the fuses.

Mr. JOHNSTON: Yes. Then somebody of course had to begin that work either in America or Canada.—A. Exactly.

Q. And do you mean to say that in your judgment there was not a Canadian competent or fit to enter into this work?—A. Now, sir, wait a moment.

Q. Yes.—A. In my judgment there were Canadians both fit and capable to enter into the work, but in my judgment there was no Canadian capable or fit to produce the work in the time required.

Q. Yes, I see.—A. A little distinction.

Q. Now, you had judgment upon the question of the American firms producing it within the time limited?—A. Yes, sir.

Q. That was falsified entirely by the non-production.—A. Why, not falsified entirely.

Q. Well, generally largely falsified by the default in production.—A. I named yesterday, sir, in this connection, that the production from the International Arms and Fuse Company compared favorably with the production of long established firms in England and in America.

Mr. CARVELL: Five per cent in eleven months.

Mr. JOHNSTON: One of them apparently, as we made it up yesterday, had about four or five per cent of production in nearly twelve months. Were you aware of that?—A. Oh, I am quite aware of it, sir.

Q. Very well. Take, for instance, the International. Is that the more favoured?—A. That is the company in question.

Q. Is that the more favoured one as to production?—A. As to time fuse production.

Q. Within the limits I mean. Now, the total that they made down to the end of April, which would be 11 months—

Mr. HELLMUTH: The 21st of April.

Mr. JOHNSTON: It does not say so here.

WITNESS: I think it was the 21st, around that time.

Mr. JOHNSTON: Oh yes, I made a note of it here in the margin.

Q. Up to the 21st of April, practically 11 months, ten months and a half if you want to be exact, and giving you the benefit of the odd days, their total production up to the end of March for nine and a half months was only 28,000 out of two and a half million; the April production was only 81,000; in all, 108,890 out of two and a half million. Do you call that fairly well up to production?—A. Now, sir, just let me tell you here that in that wire we received yesterday, between the 21st of April and the end of April there appears to have been produced 50,000. I mention this simply to show that in Canada when we started the work for months nothing was done comparatively, but when they got their plant and their experimenting over then there was such a rapidity of production that the balance was put in favour, spread over the whole period, of the production of a given output.

Q. Do you mean to say that they had not their plant last December, for instance?—A. What plant, sir?

Q. The International Arms & Fuse Company.—A. I do not mean to say anything of the kind.

Q. You say when they got their plant and everything going. Do you mean to say they were not going long before March and April?—A. No, sir, that is not it, you know that. The question of the fuse, the most difficult matter, and if we confine ourselves to the fuse there are, as I have said, something between sixty and seventy different parts in that fuse. Many of those component parts were being made by different makers outside the loading. Now then, those parts were brought into the loading factory, and since December I believe—I am subject to correction here—they had been trying to get the time burning satisfactory. That has involved the most exacting experiments and losses almost innumerable, and it is only within the last few weeks that they have got up to anything like production, and as was named in that wire yesterday, one day last week they produced 16,000.

Q. I know; you have told us all that. Now, I am not asking you about that at all. That may be due to the fact that this commission is sitting, so they are hurrying up.—A. But the commission was not sitting last week.

Q. But everybody knew about it.—A. The commission has nothing to do with the making of time fuses.

Q. The haste with which the goods are made may have something to do with this commission. Listen to me. 108,890 was the quantity delivered up to the 21st of April?—A. Yes, sir.

Q. You, I suppose, approved of the advances they have been paid according to this story \$1,687,500?—A. I do not touch the money end at all, except in that nice fat salary you speak of.

Q. You touch the money in this way, that you know what is going on, I suppose?—A. Oh yes, sir, I do.

Q. Now, you were paying them on July 14th, 1915, and down to November 3rd you had paid them \$1,687,500. That is according to the papers you produce.—A. Well, sir, I did not produce them, and therefore I cannot speak of them at all. I did not produce these figures.

Q. Do you mean to question them?—A. I am not questioning them, but I did not produce them, and I did not see them until they were handed to me yesterday.

Q. I assume those are correct. They come from the Committee Department.

Sir WILLIAM MEREDITH: What is the use now of getting into a tangle? The agreement provides for these payments. He was a party to the agreement and knows all about it.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: What is the use of getting it tangled up?

Mr. JOHNSTON: I hope I am not tangling it up.

Sir WILLIAM MEREDITH: But you all seem to be at cross purpose about something that is perfectly plain.

Mr. JOHNSTON: What I propose to ask the witness is this, if you will listen, witness, a moment.—A. Yes, sir.

Q. At the time these payments were made of \$1,687,500 on the 3rd of November, they had not made or delivered a single fuse?—A. On the 3rd?

Q. Of November?—A. No, they had not delivered any fuses.

Q. And they did not deliver any until four months later in March?—A. I believe that is correct.

Q. That is all I want to get at.

Mr. NESBITT: May I ask you to substitute for the word "payments" the word "advances" as provided for in the contract?

Sir WILLIAM MEREDITH: The Commissioners perfectly understand.

Mr. NESBITT: This is not done for the Commission.

Sir WILLIAM MEREDITH: We are not concerned with anything else.

Mr. NESBITT: Then perhaps I may be permitted to suggest that the question be put in proper so the people for whom it is put will understand. Those are advances provided for in the contract, and not payments at all, and they are all guaranteed to be returned by a guarantee company. They are not payments in any sense. My learned friend knows that. He uses that word "payments" advisedly and knowing it is the wrong word, and he uses it for the public press.

Sir WILLIAM MEREDITH: You ought not to say that.

Mr. ATWATER: If I may be allowed, Mr. Chairman, I was to make the same observation. I was going to interrupt Mr. Johnston to ask if it was suggested by this question that the company I represent was receiving payments other than any provided for by the contracts.

Mr. JOHNSTON: No.

Mr. ATWATER: And do the payments represent anything but advances.

Sir WILLIAM MEREDITH: I think we all understand that, Mr. Atwater.

Mr. ATWATER: So long as it is understood.

Sir WILLIAM MEREDITH: The document Mr. Johnston has in his hand shows they were advances.

Mr. JOHNSTON: I will use the word "advances" if there is any objection to the word "payments". I have no object at all in blackening the reputation of these companies. I am not attacking the companies, I am not attacking anybody. I am trying to get at the truth and your knowledge of it, Mr. Carnegie. I am more concerned with your knowledge than anything else. What I stated was advances, if you will, for one million and a half up to the 3rd November, which would correspond with the other company more or less, the American Ammunition Company got, and they had made at that time 821,000 fuses. Now, did you understand that to be the fact taken from the books?—A. Did you say December, sir?

Q. November.—A. No, sir, I do not think they had made that number of fuses in November.

Q. No, no.

Mr. GRANT: Up to April 1 that is.

Mr. JOHNSTON: The total I am giving you up to April 21. But they had received in money on account of their contract, to make it quite clear, up to the 3rd of November, \$1,560,000.—A. I presume that is right, sir.

Q. I am not bothering about interest.—A. No.

Q. And at that time, I ask you now, what quantity of fuses had they delivered?
—A. The American Ammunition Company?

Q. Yes, the American Ammunition Company?—A. I have got the figures here of 819,000 delivered to the 20th of the 4th—

Q. No, that is not my question. On the 3rd day of November, 1915, what quantity of fuses had the American Ammunition Company delivered?—A. I do not believe they had delivered any.

Q. I think you are right. Now then, having that fact before you, you see, I am dealing with the commission and not dealing with the companies—

Mr. HELLMUTH: Just one point, Mr. Johnston. I think you had better take them out of date. I do not think the contract calls for any deliveries before the 19th of November. That is the first time deliveries were called for.

Mr. HENDERSON: "Five months from date."

Mr. JOHNSTON: Now, from the time this contract was entered into, if you will be good enough to recall if you can, up to the time that new arrangement was made, had there been a new arrangement as to the extension?—A. There had been arrangement, made with the American Ammunition Company.

Q. What about the other?—A. It is still under consideration.

Q. Still pending?—A. Pending.

Q. Well, from the time that was taken up as to the extension and the pending one, what did you do with reference to these defaults, if any, at any time?—A. Do you mean personally?

Q. I mean you, as one of the members of the Board and having charge of that particular branch apparently, as to the turning out of these fuses.—A. We were all the time trying to find out how soon they would produce the work.

Q. What did you do? Tell me some specific instance, some fact or act that you did?—A. You will have to ask me some specific thing before I can answer it.

Q. I was not with you, so I cannot tell you.—A. I cannot answer you.

Q. You cannot answer?—A. I cannot answer, sir.

Q. Did you write any letters and receive any letters in reply on account of these defaults?—A. Oh yes, sir.

Q. Where are those letters?—A. Letters have been produced.

Q. All the letters on that subject?—A. I do not know that all the letters have been produced. There has been quite a pile of correspondence on the subject of the delay due to changes in design, and I think I might indicate here just briefly—

Q. That was in 1915?—A. No, the changes have been going on right from the beginning.

Q. Just confine yourself to this branch of it.—A. Yes.

Q. I do not want to go into the changes, I want to get at what you say you have done in regard to these delays—not the excuses for them, but what you did?—A. From the 15th day of May—

Q. What year?—A. 1915, until the 27th day of March—

Q. 1916?—A. 1916, between 80 and 90 cables passed between the Shell Committee and the Munitions Board combined.

Q. Yes.—A. And the War Office on the subject of the changes in design which had to be taken up with the two companies all the time backwards and forwards, so that we were all the time dealing with them.

Q. You were dealing with them?—A. Yes, we were dealing with them.

Q. Were there any complaints made or any questions as to default in not fulfilling the terms of the contract?—A. Oh, yes, indeed.

Q. What were they?—A. I cannot tell you, sir.

Q. You cannot tell?—A. No, not without referring to each detail. They were so numerous I could not possibly carry them.

[Mr. David Carnegie.]

Q. If they are so numerous you can pick out one?—A. Let me go over some alterations.

Q. Look at what they say.—A. First, on the 30th of July, 1915, we issued to them a new drawing calling for alterations in the graduated ring, and indicating that a small lining between the magazine and the platform might be eliminated, a small brass lining in which was fitted a powder pellet. Now, the lining meant the manufacture of a small tube to be fitted between the base of the platform and the magazine. To eliminate that saved the labour of making the tube in the first place, and the labour of fitting it in the second place. We got the permission of the War Office to accede to that request, as we pointed out to them that perhaps it would simplify the work and get the fuses produced more quickly.

Q. That was the company's proposal, the change I mean?—A. It came from the company in the first place.

Sir WILLIAM MEREDITH: Mr. Johnston, there was put in before the time for delivery was to begin a letter from Dr. Harris to the Shell Committee applying for an extension of time. That was before there was any actual default. Then there was put in also a letter from the Shell Committee refusing to recognize these claims, dated the 26th November.

Mr. JOHNSTON: Yes, I remember that.

Sir WILLIAM MEREDITH: Those are the letters at or about the time they were to commence delivery.

Mr. JOHNSTON: Col. Carnegie is going into history of certain changes to be approved by the War Office and suggested by these companies, I am not asking that at all.

Sir WILLIAM MEREDITH: You come down then about to the time when the Shell Committee went out of existence and the Munitions took it over.

Mr. JOHNSTON: He is still in; I wanted to know what he himself did, I am not involving the Munitions Board in this at all.

Q. What time was that letter?

Sir WILLIAM MEREDITH: The letter from Harris, 17th November, and the letter from the Shell Committee written by the witness to Harris is the 26th.

Mr. JOHNSTON: Take from the 26th November on, what I want to know is did you make any complaint to this company or these companies in references to the delays?—A. Complaints were made but the matter was dealt with by our fuse man.

Q. Did you make any complaints yourself?—A. Yes, sir.

Q. If so what complaints did you make?—A. I do not remember what complaint I made.

Q. Do you remember one?—A. Yes, I met the Cadwell people with Mr. Gordon, one of the members of our Board down in the States, down in New York, I think just at the beginning of November, prior to going to England, and went over the question of their contracts, and I believe that was the beginning of our negotiations with them for the new contract that was completed just a few days ago or a few weeks ago.

Q. Please answer my question; did you make any complaints to either of these companies or to both about the delays?—A. Yes, sir.

Q. That is not a complaint you have given me?—A. It was a complaint.

Q. Tell me what you said?—A. Complained about the non-delivery, sir.

Q. What did you say to them?—A. I cannot tell you that.

Q. Do you remember any of the conversation that took place between you and them on that occasion?—A. Yes, sir, I do remember that the whole subject of the complaint was that of the non-fulfilment of their contract within the time.

Q. What was said by you or the substance of what was said?—A. I cannot tell you.

Q. Is it not a fact that at that time they were looking for extension for delivery?
—A. Yes.

Q. Was not that the burden of their song at that particular meeting—A. Very likely that was a part of it.

Q. They were not complaining of delays?—A. We were.

Q. I have asked you to give an example and you did not give it, you do not remember?—A. I am perhaps dense.

Q. Hardly; on this occasion on the 21st May and on the 25th May, let me just get at this fact, on the 21st May it is said that a telegram was sent to you which you never received from the Russell-Harris people?—A. That is right, sir.

Q. What did you do when you discovered that they claimed a telegram had been sent?—A. What did we do?

Q. Yes, what did you do?—A. I do not know; I do not know that I did anything, kept busy with my work.

Q. When did they tell you that they had sent a telegram?—A. It must have been at their conversation on the 26th May.

Q. What did you do after that conversation you had with them, and I think it was contained in their letter was it not?—A. Yes, sir.

Q. What did you do with reference to that telegram, if anything?—A. I tried to find it.

Q. Where did you look for it?—A. In the office records.

Q. Did you look for it yourself?—A. No, sir.

Q. Who did look for it?—A. I do not know the man, I expect I would ask my secretary—

Q. If you cannot, give us a name so that we can trace it up in some way perhaps through him, what do you say, who was the man?—A. I cannot say.

Q. It was at that time rather an important matter was it not?—A. I do not think it was an important matter.

Q. It was of no consequence because you had let the contracts?—A. I did not say it was of no consequence.

Q. Is that so?—A. It was of consequence, certainly.

Q. In what way?—A. Well, it was of consequence to them, surely they would not have spent their money in sending the wire if it were not of consequence.

Q. But the fact that it was lost at that time on the 26th May was then a matter of no consequence at all to anybody, because the contracts were let and you could not give them any fuses, is not that right, at that time?—A. We could not give them any fuses of the five millions, that is so.

Q. And you have nothing else to give them excepting out of the five millions at that time?—A. We gave them to believe that if we got other contracts for which there was not the urgency that then existed that we would be prepared to consider any offer they had to make.

Q. Did you hear my question, which is a very simple one; you had no fuses at that time that you could give them a contract with regard to?—A. No, sir.

Sir WILLIAM MEREDITH: Do the telegraph companies here preserve the record of the receipts?

Mr. JOHNSTON: Six months.

Sir WILLIAM MEREDITH: I think they keep the receipts.

Mr. JOHNSTON: We inquired.

Mr. MARKEY: I think the rule is they are destroyed in six months, that is the receipts.

Mr. JOHNSTON: We inquired here and inquiry is being made at the other end.

Q. What was the first thing that you saw Lloyd Harris or Russell?—A. Regarding the contracts in question?

Q. Yes; I do not care about any other matters?—A. I believe it was about the 6th May.

Q. They wanted a contract apparently?—A. Yes, sir.

Q. Had they written to you about getting a contract before they saw you?—A. I do not recollect that; very likely they had.

Q. They saw you at the office, I understand, either Montreal or Ottawa?—A. Yes.

Q. A matter of no moment; and in that conversation I understand that they discussed the fuse manufacture in Canada?—A. Yes, sir.

Q. And that you told him to see Allison, that he had the negotiations in hand?—A. That is a lie.

Q. You need not make such an expression as that; I understand it will be so stated by a very respectable man or men?—A. I do not care although a hundred state it.

Q. What was said; who opened the conversation?—A. I don't know anything about it.

Q. If you do not know anything about it how can you swear to what was or was not said?—A. You are making an assertion that I said something about—

Q. No, sir, I asked you if you did say so?—A. I say definitely I did not.

Q. And I asked you the question and you say you have forgotten all about it, you do not remember the conversation.

Several COUNSEL: No, no.

Mr. JOHNSTON: Wait a minute, that you had forgotten about the conversation?—A. No.

Sir WILLIAM MEREDITH: Well, let us get on.

Mr. JOHNSTON: Do you recollect what was said on that occasion?—A. We discussed with them the question of fuses, time fuses, and asked them if they would look into the supply of them and send their quotation as quickly as possible.

Q. What was said in the beginning of this discussion that you speak of?—A. I do not know what was said in the beginning of the discussion.

Q. Do you remember any of the language used at all on that occasion?—A. I do not really know.

Q. Do not resent it?—A. I am not resenting it.

Q. Do you know what names were mentioned on that occasion that you can swear to?—A. Names?

Q. Yes?—A. I do not remember the names that were mentioned.

Q. Apart from the question as to what I have repeated to you, to see Allison, will you swear that Allison's name was not mentioned in some other connection on that occasion?—A. I won't swear to Allison's name not being mentioned, but I will swear I never told them or any other man to go to see Allison about fuses.

Q. And you say you won't swear that Allison's name was not mentioned some time on that interview but not in that connection?—A. I know nothing about it.

Q. Oh yes, you are the man who was there?—A. Who says I was there?

Q. You were there?—A. Are you referring to the conversation we had when they came to ask for particulars regarding the fuse contract.

Q. The first interview they had I have been talking about, in Montreal or Ottawa, I understand it was in Montreal, wherever the office was?—A. Yes, sir.

Q. That is the conversation I am talking about.

Sir WILLIAM MEREDITH: Between the 1st and 10th May.

Mr. JOHNSTON: It was on the 6th May I am advised, would that be about right?—A. That would be about right.

Q. Was there anything said on that interview, or not on that interview but in an interview a week later, on the 13th May, do you remember that?—A. About what?

Q. Do you remember the meeting on the 13th May?—A. I remember there was a meeting about that time.

Q. Was there anything said at that time about holding back a certain number of fuses pending the receipt of a proposal by the Russell Motor Car Co.?—A. I believe there was, sir; yes, sir.

Q. Try and tax your memory and let us see what was said about that; what do you say was said and by whom?—A. General Bertram and I were in conversation with them over the subject, and they then, as far as my memory carries me, stated all the preparations they had made towards the placing of their quotation with us.

Q. What were those preparations?—A. I believe they had been down to the States looking into getting machinery, I suppose, and materials and the like.

Q. Do not misunderstand me, did they tell you that they had been down to the States looking after machinery?—A. I do not remember what they told me; dear me, I have carried in my memory far too—

Q. I quite agree with that?—A. Well, I want a reasonable question.

Q. I want a reasonable answer, and I do not want to get that they must have said this; have you any memory of what was said?

Sir WILLIAM MEREDITH: Surely, you recollect the witness said upon this occasion he gave them to understand that part of the five million order they would reserve for them, and he afterwards said he apologized for not having kept his word.

Mr. JOHNSTON: Yes, but that is not what I am asking about now; I am asking him now what was said as nearly as he can tell us on that occasion, and he said he understood or believed they had gone to the States, and I am asking him if he remembers that they told him that, because you can see it may be a matter or subject of contradiction, that is all. I am not going back, you promised a million and a half or two million, was that the right number, that you sort of undertook to hold back if you could?—A. We mentioned some number, I could not say.

Q. Would that be according to your best memory?—A. I think it is more like a million or a million and a quarter.

Mr. HELLMUTH: I think that is what the letter says.

Sir WILLIAM MEREDITH: That is Mr. Russell's résumé of what has taken place.

Mr. HELLMUTH: Yes, I think so, a million to a million and a half.

Mr. JOHNSTON: Well, I will take a million; my advice was a little different.

Q. Now, that was on the 13th, and I asked if you remembered that occasion Mr. Russell saying that he had been in the States looking after machinery or otherwise?—A. I do not remember.

Q. Then on the 19th May, that was about a week later, do you remember that interview in Montreal in which Russell met you?—A. Yes, sir.

Q. Do you remember it?—A. I remember he did meet me about that time.

Q. That is after the holding back of a million to a million and a quarter, whatever it was, of fuses, pending the receipt of a proposal from him?—A. Yes.

Q. Now we will get the qualification as to the proposal that you made at the time; then about a week afterwards Russell met you in Montreal, did he not?—A. Either in Montreal or Ottawa.

Q. What did he tell you about the proposal?—A. He was still looking into it, and I mentioned at the time, I do remember mentioning at the time that we could not hold the thing open indefinitely.

Q. You told him to hurry up with his matter if he was going on?—A. Yes.

Q. He told you that a proposal would be submitted within a week on that occasion, did he not?—A. I do not remember that.

Q. Will you swear he did not?—A. No.

Q. On the 20th May, that would be the telegram I suppose that is missing, where they say that a proposal would be submitted in a few days.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: 21st.

Mr. JOHNSTON: Yes, it is wrong in the copy I have. 21st May, that is the telegram that is missing?—A. Yes.

Q. At that time you had made a tentative arrangement at any rate, to say the least of it, with Bassick?—A. Yes.

Q. Or Bassick's partner.

Hon Mr. DUFF: Does Col. Carnegie call that a tentative arrangement?—A. No, it was a letter of order.

Hon Mr. DUFF: I understood him to say a little while ago that it was in consequence of regarding himself as committed by these letters that he felt he was entirely in their hands later.

Mr. JOHNSTON: I should not have used the word tentative, because it was an agreement that the Shell Committee were willing to recognize, and confirm.

Mr. HELLMUTH: What date is that?

Mr. JOHNSTON: 21st May.

Mr. HELLMUTH: That is the same date as the telegram.

Mr. JOHNSTON: Now, on that occasion you gave Bassick three million fuses, was it?—A. Yes.

Q. At?—A. \$4.25 minimum.

Q. Of time fuses, English?—A. Yes, sir.

Q. Not graze?—A. No, it was not English, it was named in that letter that it might be No. 85 or Number something else.

Q. Well, on the 21st of May you knew that you had promised a million to a million and a quarter if they would hurry up the matter, as the matter was urgent, and get in their proposal?—A. We had not promised, but we said we could reserve.

Q. Reserve if you like; of course if their proposal was onerous as against you you would not have acceded to it likely, I mean unless it was a proposal similar to the other proposals you were getting; on the 25th May you made the contract for the balance?—A. Yes, sir.

Q. And changed later on the quantities?—A. Changed the same day.

Q. Who were present at the time you made the change?—A. It was changed by conversation with General Bertram and Bassick prior to the letter that was sent to them—you are referring to Bassick now?

Q. Yes, I am referring to the 25th May?—A. When the change was made from the three millions to the two and a half millions.

Q. Had Harris anything to say about that?—A. He had nothing to do with it.

Q. When did you enter into the agreement do you say, with Harris?—A. On the 25th May.

Q. Harris was not there, was he?—A. Yes, sir.

Q. Then how did you come to change from the three millions to the two and a half?—A. Because we let two and a half millions to Harris, but prior to the letting of it General Bertram phoned to Bassick informing him that the number that had been stated in the letter of the 21st would be cut down to two and a half millions.

Q. Why did you cut down to two and a half millions after having given the man practically a binding contract for three millions?—A. By arrangement.

Q. Why what reason was there for doing it?—A. Because we were anxious to obtain from the other company a minimum price of \$4.25.

Q. The three millions were given at \$4.25 were they not?—A. Yes, sir.

Q. So that there was no object in that apparently, unless you could explain it?—A. Yes, there was an object, sir; the object was simply this, that we could not treat with the Harris Company for two millions at \$4.25.

Q. Leave Harris out—oh, Dr. Harris, you mean?—A. Yes.

Q. Why would not you have treated with Dr. Harris for the two millions?—A. Because he would not come anything near the price for the two millions; we had in the first place a quotation from Dr. Harris for the five millions at \$4.90.

Q. When did he come down?—A. We got him down on that day of the 25th to accept two and a half millions at a minimum price of \$4.25.

Q. And you had Bassick of course at \$4.25?—A. Yes.

Q. Four days before?—A. Yes.

Q. Having disposed of the whole five millions, was there any discussion took place with reference to the Russell Motor Car Co.?—A. Yes.

Q. What took place between you and these gentlemen in regard to that?—A. On the 26th?

Q. No, on the 25th?—A. Nothing at all.

Q. Then on the 26th did you know that the Russell-Harris people were coming down to see you?—A. They sent us a wire.

Q. That was a wire on what date?—A. I believe it was the 25th that we had the wire from them.

Q. That they would be in Ottawa on the 26th to submit their proposal?—A. Yes, sir.

Q. You answered them; let me see what the answer was.

Sir WILLIAM MEREDITH: It is Exhibit 171, from the Shell Committee to Russell, of the 25th May.

Mr. JOHNSTON: Now, will you tell me when you saw these gentlemen on the 25th May, I am speaking of Bassick and Dr. Harris?—A. I did not see Bassick on the 25th.

Q. You saw Harris?—A. I saw Dr. Harris.

Q. And had you got Bassick's permission to cut down his tender?—A. I believe General Bertram had received it.

Q. Then on the 25th May what time did you see this gentleman about his contract?—A. I believe, sir, it was in the morning we discussed with Dr. Harris the price, because I understand he left with the 4.45 or something train.

Q. Was any agreement signed at that time?—A. No, it was the letter, sir.

Q. There was no formal agreement?—A. No.

Q. Then there was a letter; that letter was written when?—A. During the day, sir.

Q. By whom?—A. The initials would indicate by whom.

Q. You do not remember yourself?—A. No; it is just possible I dictated the letter, or General Bertram; I usually dictated after conversation with General Bertram.

Q. But you do not remember in this instance who did it?—A. I do not, sir.

Q. You do not remember who signed it?—A. I am almost sure General Bertram signed it; he usually signed all the letters.

Mr. GRANT: There are no initials on it; the number will be 76.

Mr. NESBITT: It was "Alex. Bertram."

Mr. JOHNSTON: Was it in duplicate?—A. You mean did we keep a copy?

Q. Yes, the original copy?—A. Yes, we would have the original copy, but the copies were not signed by the one who signed the letter.

Q. The contractor surely would sign the copy?—A. No, sir, it was simply a letter.

Q. Signed by the chairman or perhaps by yourself?—A. No, signed by the chairman.

Q. You think General Bertram.

Mr. HELLMUTH: I am asking Mr. Atwater, who represents the International, to have Mr. Harris bring the original here.

Mr. ATWATER: If it is required I will ask him to bring the letter.

Mr. JOHNSTON: You had, therefore, this letter you speak of, and you were then agreeing to make the price how much?—A. \$4.25 minimum price.

[Mr. David Carnégie.]

Q. That was the agreement at that time?—A. Yes, sir.

Q. Did you show General Bertram, or did General Bertram see this telegram from the Russell people on the 25th May?—A. I presume so, sir.

Q. I should think so because it is addressed to him?—A. Yes, sir.

Q. And being addressed to him would that come before him or before you as a rule?—A. Go before him.

Q. You did not examine or look over these documents addressed to him?—A. No, sir, the telegrams would go to the one to whom they were addressed.

Q. Then to whomever the telegram was addressed would be the person to whom the telegram would be delivered through some clerk in your office?—A. Yes, unless General Bertram happened to be away, and then it would be passed on to myself.

Q. And on that date some time in the afternoon you got this telegram, do you recollect about what time it was?—A. I do not, sir; it will state perhaps on the wire.

Q. 3.40?—A. That would be the time made by the telegraph office people would it not?

Q. Yes, whether it is the receiving or sending I do not know—

Mr. HELLMUTH: That would be the receiving time here.

Mr. JOHNSTON: Yes, the telegraph office of course, 3.40. Then having got that telegram was there any conversation between you and General Bertram with reference to the Russell people?—A. I don't recollect, sir, of any conversation.

Q. Wasn't it rather surprising that having got a telegram of that kind knowing what had taken place, that you did not discuss the situation with General Bertram?—A. Well, I don't say that I did not discuss it, sir. I don't say that I did not discuss it in the afternoon.

Q. But you have no recollection of it?—A. I have no recollection of having discussed it.

Q. Then my question was, wouldn't it be rather a surprising thing if you did not discuss it?—A. It would be surprising sir if a wire were received by General Bertram and he did not refer the matter to me, it would be surprising.

Q. It would not be surprising if the telegram happened to get into your hands and you did not refer it to him?—A. Oh, yes, certainly.

Q. General Bertram was there that day?—A. Oh, yes.

Q. So I may assume unless something to the contrary is shown, that he got the telegram?—A. Yes.

Q. Prima facie at any rate. And you say you have no recollection of any discussion between you and him?—A. When I say discussion I mean talk about this telegram?—A. I have no recollection, but in all probability there was.

Q. I don't want that, because I am willing to take your statement that you have no recollection of it?—A. I have no recollection, no.

Q. Then on the same day, the 25th of May, do you remember sending a message back to the Russell Motor Company people?—A. I don't remember sending a message back.

Q. What would "O" "N" mean?—A. That would be, "O'Neill."

Q. "D. C." means you?—A. Yes.

Q. So you must have seen that telegram because you answered it or at least wrote the answer?—A. Yes.

Q. "Please defer visit until you hear from us." Now at that time you had let your five million fuses?—A. Yes.

Q. You had come to your arrangement at \$4.25?—A. Minimum.

Q. It is all minimum prices, that is anything you have offered so far?—A. Yes.

Q. And you had a telegram that afternoon about these people being in Ottawa on Wednesday. I don't know whether that is the next day or not.

Mr. HELLMUTH: It was.

Mr. JOHNSTON: It was the next day I think. Why didn't you telephone or telegraph to these people that you had nothing to let them?—A. Well a wire was sent asking them to defer their visit.

Q. Why didn't you say we cannot give you any contract for fuses, we have let the whole amount?—A. Why didn't we?

Q. Yes.—A. Because we sent a wire instead sir.

Q. Your wire was, Please defer visit until you hear from us.—A. Yes.

Q. There was no object in them visiting you at that time as far as the five million was concerned?—A. No, that was why we sent the wire.

Q. Well don't you think it would have been a proper wire to have said, "Cannot give you any contract for fuses at present" or something of that kind?—A. That is what we thought was the best at the time, sir.

Q. At any rate you did not notify them on that very day although you had a telegram that they were to see you the next day to submit their propositions?—A. No, we asked them to defer their visit.

Q. You knew at that time that these people were looking for a contract?—A. Yes.

Q. You knew at that time that they were to be down the following day with a proposal?—A. We knew when we sent that wire.

Q. You knew when you got this telegram from them?—A. Yes.

Q. And you knew at that time that you had nothing to give them at all?—A. Yes.

Q. That the contract was let?—A. Yes.

Q. And the contract out of which you hoped to have reserved a million to a million and a quarter for them?—A. Yes.

Q. And yet all you say is, don't come?—A. Yes.

Mr. NESBITT: Not all he said, if you will read it. Otherwise you will say later that he swore to that.

Mr. JOHNSTON: You said that he sent this. "Please defer visit until you hear from us." Did you write to them that night?—A. I cannot say. I don't think we could have done.

Q. Did you ever write to them?—A. Oh I have written to Russell.

Q. I mean about this matter?—A. Oh they were there next morning.

Q. Certainly they were there next morning.—A. Or some time next day.

Q. And you have no reason to give us why you did not tell them straight out that they could not get a contract at the present time?—A. We told them to defer their visit.

Q. I am not disputing that.

Mr. DEWART: That is the reason.

Mr. JOHNSTON: Can you give us any reason why you did not formulate your telegram in a different way?—A. Ah, no sir, I cannot tell you that at all. Different people have different ways of working of course.

Q. Then they came down on May 26th?—A. Yes.

Q. And they submitted a proposal to you to make 1,250,000 time fuses at \$4.20 each?—A. Yes.

Q. Had you anything to complain of against the Russell Motor Company as a corporation or as a factory?—A. No sir.

Q. I suppose you know that they stand pretty high as manufacturers?—A. I knew that they had no facilities for the manufacture of time fuses, to produce the fuses we required in the time and that was the main thing with us. It was a question of getting the fuses in time.

Q. Why were you going to reserve one and a quarter million if you knew of that?—A. I would like if you would just put it the other way.

[Mr. David Carnegie.]

Q. No I will put it my way if you please?—A. Well that is quite right but we did not say we would place an order with them. What we did say was that we would reserve some, the numbers you have named, from a million to a million and a half, I don't know if these were the exact figures, but we did say we would reserve some until we got their quotation, but that was qualified, mind, on the 19th or 20th of May, when I met Russell and told him that we could not hold the matter open indefinitely and on the 21st of May you will observe from the letters we gave a letter to E. W. Bassick for three million and we reserved two million until the 25th when urgency demanded the placement of the orders. Absolute urgency.

Q. Yes?—A. Why?

Mr. NESBITT: Because Canadians were being blown to pieces at St. Julien because the shells were not there.

Mr. JOHNSTON: Is my learned friend giving evidence? Because if he is we would like to have him in the box.

WITNESS: Because those men had options on their machinery; they had options on their experts, which were heavy options.

Q. I will accept that statement and—A. I want to explain it.

Q. You have told us that.—A. Excuse me, I want to explain this, that we in the first place were absolutely satisfied that the two companies with whom we had completed our negotiations were able to fulfil the contracts, but we were not satisfied, I was not satisfied that even although Russell had put in his quotation on the 20th that I could have recommended the acceptance of that firm's ability to the Committee to produce the fuses without considerable investigation and as a matter of fact their quotation of the 26th, as I pointed out to them when we were there, the name of Kirby that was mentioned was the name of a foreman who had experience in the mechanical parts of the making of fuses and although they had quoted \$2 for the fuses I could not have recommended the Committee to accept it.

Q. Why? On account of Kirby?—A. On account of this, sir. It was a matter of getting fuses in time. Seventy million dollars depended upon our acceptance of the order. Seventy million dollars for Canada, and we had to place the work and it was a matter of absolute urgency.

Sir WILLIAM MEREDITH: What do you mean by urgency? Urgency in what respect?—A. Urgency, sir, in this respect. They had the machinery.

Q. I understood all that part. What was the urgency of getting forward?—A. The urgency of getting forward was for them to get their machinery purchased.

Q. No, no. Getting the article forwarded to where it was to be used in the field?—A. Oh, yes, sir. For this reason, we could not supply the complete ammunition without the fuses.

Mr. JOHNSTON: Quite so, but you were not to get the fuses for months.

Mr. NESBITT: Pardon me, Mr. Johnston, but I don't think the witness understands the commissioner's question. What was the urgency? What was the clamour for shells and where?—A. Oh, from England. England. Why the battle of Ypres on the 22nd of April, we had constant cables from the War Office saying: Send us the munitions, send us the fixed rounds, we must have them.

Mr. JOHNSTON: Now taking your own statement that you were not to get these fuses for how many months?—A. We were not to get the fuses, sir?

Q. For how many months?—A. Five months was the promise.

Q. And then you let them apparently—I am not blaming you for a moment—to companies that did not supply them for nine or ten months?—A. Well, sir, we let them in this knowledge that we had investigated the people that could do it. We had the best men, the best experts in the States were brought to bear. The best experts and I knew from all that had transpired previously that the only man in Canada with any knowledge whatever of these particular time fuses was Kirby, who I had interviewed in November, 1914, for the War Office.

Q. Well, didn't they have Kirby?—A. Who?

Q. The Russell people?—A. Yes, sir, but it was by way of comparison, I knew they had one, that one man, and I knew that the International Company with whom we had let the two and a half million had four experts of great ability and it was a question of trying to get the work done.

Q. I suppose you thought it was impossible for the Russell Motor Company to get experts if they got the contract, is that your stand?—A. That is, sir, my stand. This, that the people in the States were in a better position to get experts from the States than the people in Canada, from all the investigations I had made and from the high officers that had been interested in this matter.

Q. Was it your understanding or was it this that you acted upon, that the Canadians could not get the necessary number of experts, is that part of your contention?—A. That is part of my contention, sir.

Q. Now how do you know they could not have got experts as well as anybody else?—A. Well sir they had been down in the States from April 30th, according to their own statement.

Q. Looking for machinery?—A. No, sir, I beg your pardon, but anyway whether they were looking for machinery or for experts I impressed upon them at the times I saw them that the one difficulty that they had experienced in England was the loading of the fuses, and they were 25 days in looking out for the experts and all they produced was Kirby that had any knowledge whatever of the fuses.

Q. Then do you swear that one day at that time or any other time made any practical or material difference with regard to the production of fuses that were not to be produced for five months?—A. Yes, sir, one day did make—you see sir this, that when I received this letter my business would have been to go right and investigate the full question as to their ability to produce these fuses.

Q. It did not take you very long to investigate in New York?—A. It did, sir.

Q. How long did it take you, you were only there once or twice investigating?—A. But, sir, you will remember that from the 19th day of March until the time that we received this order for five million shells, Harris, Dr. Harris, had been writing and had been up at our office with a Captain Torney, and also a Mr. Cushing I believe amongst them had been there, so that they were for really weeks beforehand working on the fuse proposition with the object of gathering together the best experts they could in the States for this purpose.

Q. How many experts did they have engaged at that time under contract?—A. They had—

Q. That you know of. Don't guess at it?—A. Yes, sir, I am not guessing, not at all. There is no object in guessing. I want to be quite accurate.

Q. No object to you or me in guessing.—A. No. I had interviewed Colonel Birnie, one expert.

Q. Engaged by these people?—A. Yes, tentatively engaged. They held options, if I may put it in that way. I had interviewed Mr. Cushing, who as I have already explained, was an expert on the time percussion element of the American fuse.

Hon. Mr. DUFF: Are you speaking now of the International?—A. I am speaking of the International.

Mr. ATWATER: An inventor also.—A. Yes, an inventor also. I had also interviewed Captain Torney, and I believe—

Mr. JOHNSTON: No. What you know.—A. Well I say I believe I mentioned that, because I am not absolutely certain, that I had interviewed him at the earlier negotiations, but I did subsequently, Major Hawkins, who was also an expert. I do know that down in New York during either the first or second visit that I made I interviewed those four men and they, were actually men engaged in the charge of loading the American fuse.

[Mr. David Carnegie.]

Q. That is you were told they were?—A. Well they told me themselves and I had only their word, but I interrogated them as to their ability and judged as to the accuracy of their statements.

Q. Take the other one and how many did you have?—A. I had Mr. Gladeck who had taught the Bethlehem people the loading of their No. 80 fuse and who had taught the Scovill people the loading of their fuse and who had made it his business for eight years.

Q. That is you were told so?—A. Well I interrogated him so closely, sir, that I had no doubt left in my mind and the facts show that he had that experience.

Q. I am not complaining of that for a moment, but you are now giving us from inquiries that you made, the result?—A. Exactly, sir.

Q. Now tell me this, what factory did Harris have at that time?—A. Which Harris?

Q. Dr. Harris?—A. Oh, Dr. Harris. He had no loading factory. There was no loading factory in the States at all.

Q. What factory had the other man, Cadwell?—A. No loading factory.

Q. And the loading factories were important were they?—A. Oh yes, sir, they were.

Q. Is that the important part, according to your judgment?—A. Oh the loading is the important part, but they were able to get the loading factory ready before the component parts were produced.

Q. But I am asking you as far as the factory was concerned, these men as I understand it did not own a foot of factory and did not employ a single hand at that time.—A. Oh they owned many factories, I believe, the International Arms & Fuse Company—not under that name, sir—they had the American Machine & Foundry Company, a very reputable concern and they had also several other concerns, Dr. Harris, as you may know, of Toronto, the Manufacturing and Contracting Company there, and I believe he was associated with many other companies. In any case he was a man of considerable wealth.

Q. When did they get their factory?—A. They started their factory immediately.

Q. When did they get it if you please?—A. They started it almost immediately.

Q. So that they had to build a factory?—A. Oh, yes, sir.

Q. What about the other people, had they to build a factory?—A. They had to build one too.

Q. Do you mean to say, according to your light, that the Russell Motor Car Company had to build a factory for the purpose of the work?—A. They would have to do so, sir.

Q. That is what you say?—A. Well that is what I know.

Q. Mr. Russell and Mr. Harris I understand took a different position?—A. Perhaps so.

Q. That they had everything ready?—A. They had.

Q. Is that so, as far as the factories were concerned?—A. Well of course they can state that.

Q. And will you contradict them if they state it?—A. Well, sir, it would be a great surprise.

Q. Are you prepared to contradict them if they state it?—A. I would not like to contradict if they put facts in such form as to show that they had it, but I would be amazingly surprised.

Q. Do you know that the Russell Motor Car Company are one of the largest establishments we have in Toronto?—A. Sir, I had visited their factory and I know exactly what their factory was.

Mr. NESBITT: The only thing they loaded was stock, in my knowledge, with water.

Mr. JOHNSTON: Now on that date, I am speaking about the 26th, these men Russell and Harris came to Ottawa, and you told them that the contracts had been let for the total number of five million; two and a half million on May 25th, and two and a half million on May 21st. You informed them of that fact?—A. Yes, sir.

Q. Then was there some considerable discussion at that meeting?—A. About what?

Q. About the way in which they complained at having been treated?—A. Yes.

Q. They did make complaint?—A. Yes.

Q. And very serious complaints from their standpoint?—A. Yes.

Q. And pretty strong language was used on that occasion?—A. I don't think they used strong language, sir. I think they are gentlemen.

Q. Sometimes gentlemen use strong language you know. However, was it said on that occasion that they would complain to the Prime Minister?—A. Oh no, sir.

Q. Nothing of that kind?—A. Nothing of the kind.

Q. Did they complain to your knowledge?—A. I don't think the Prime Minister had anything to do with this matter.

Q. I am speaking of the fact; I do not care what the complaint was. To your knowledge did they complain, was that the course taken?—A. They spoke of having been disappointed.

Q. Did they write a letter setting forth their view of the case?—A. Yes, they did.

Q. Which was referred to you for your answer?—A. They have written to the Shell Committee several letters and they also wrote a letter, if that is what you are referring to, to the Prime Minister. Is that what you are referring to??

Q. That is what I refer to.—A. Oh yes.

Q. Setting forth their view of the case?—A. Yes.

Q. It is a mere matter of credibility as far as that letter is concerned. Did you make a reply to that letter?—A. I did, sir.

Q. And have you the copy of their reply and a copy of your reply?—A. Yes, sir.

Sir WILLIAM MEREDITH: I think they are both in or was that what Mr. Hellmuth said he would not put in?—A. That is what Mr. Hellmuth spoke of this morning.

Mr. JOHNSTON: Without suggesting it at all, I submit that there is no reason why those letters should not go in. I am not following it up further than to see what Harris said on one side and this witness on the other, and I do not care whether it was to the Prime Minister or to any one else as far as that is concerned.—A. If Sir Robert is prepared to give sanction to a private letter being put in, I am content.

Q. It was not a private letter by this man; it was on a public matter in a sense and it was by reason of complaint in regard to your conduct and as I am putting it in now entirely for corroboration because I assume Mr. Harris will be called and I want to see what attitude he took then.

Sir WILLIAM MEREDITH: You do not suppose a letter he wrote will corroborate him do you?

Mr. JOHNSTON: Yes, it will show his attitude at that time.

Sir WILLIAM MEREDITH: I should think that would not be corroboration.

Mr. JOHNSTON: Perhaps corroboration is not the correct word to use, but the letters together.

Hon. Mr. DUFF: The two letters together, his letter and the answer might.

Sir WILLIAM MEREDITH: Mr. Hellmuth, you spoke about a communication from the Russell Motor Company to the Prime Minister. Have you ascertained whether that is something that should go in?

Mr. HELLMUTH: No, I did not ask him I am sorry to say.

Sir WILLIAM MEREDITH: And I suppose you have not, witness?

WITNESS: I have not, sir.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Then that can stand until we see what is said about it.

Mr. HELLMUTH: I did not know whether really it was thought my duty to ask the Prime Minister if he was willing or not.

Mr. JOHNSTON: It is a public matter. I suppose it could be moved for in the House.

Sir WILLIAM MEREDITH: And it could be refused, I suppose, in the House.

Mr. JOHNSTON: Hardly.

Mr. HELLMUTH: I suppose the witness would have no objection to waiving any privilege about it?—A. None whatever sir.

Mr. HELLMUTH: I do not like to take it upon myself.

Sir WILLIAM MEREDITH: By the morning I suppose that can be ascertained, or perhaps between now and the first of July.

Mr. JOHNSTON: I do not feel the slightest objection to it myself. I do not see how that can effect it, or that it can affect the Government in any way, what Mr. Harris says on the one hand about a matter in the public service or public interest.

Hon. Mr. DUFF: But, Mr. Johnston, a letter to the Prime Minister on a public matter ought not to be produced and put in here without at least giving him the opportunity to say whether or not he objects to it.

Mr. JOHNSTON: That is what I am trying to do Mr. Commissioner. I am not asking to put it in now until it is well understood that there is no objection to it.

Mr. HELLMUTH: As I said before that letter merely, I think I will be borne out when it goes in as I have no doubt it does, does not really change in any respect the facts which have come out here, nor do I think probably there will be any difference between the position Mr. Harris and Mr. Russell will take as outlined in their letter and the position Mr. Carnegie has already taken as outlined in his reply.

Sir WILLIAM MEREDITH: If there is trouble about who shall inquire, perhaps the Secretary of the Commission can write to the Prime Minister a letter on behalf of the Commission and ask. Will you do that, Mr. Ritchie, or communicate with him verbally?

Mr. JOHNSTON: Perhaps it would be well for him to see the Prime Minister if it is convenient to the Premier, because we would like to have it in the morning. I won't be very long in the morning as far as I am concerned and I do not want to break in subsequently with a document of that kind.

Sir WILLIAM MEREDITH: Does it differ very much from what Mr. Russell wrote to the Shell Committee itself?

Mr. JOHNSTON: I do not know, have never seen it.

Sir WILLIAM MEREDITH: I suppose it is the same thing, going over again to their superior as he thought.

Mr. JOHNSTON: I have not seen the letter.

Sir WILLIAM MEREDITH: However, Mr. Ritchie will endeavour to find out what the Prime Minister's views are. What is the date of it?

Mr. JOHNSTON: It was some time in May or June was it?—A. Oh, no, I think it was late. Perhaps in October.

Mr. NESBITT: The 15th or 18th of November.

Mr. HELLMUTH: It was quite late in the Autumn. The letter was written in regard to getting other contracts and a sort of recital of what had taken place from their standpoint in regard to this fuse contract and it was passed over to Mr. Carnegie to answer and he answered it. I think it was in October but my learned friend says November.

Mr. JOHNSTON: It was the only letter, Mr. Hellmuth, that Russell wrote.

Mr. HELLMUTH: It is not very unlike in its material particulars the letter that Mr. Russell writes to the Shell Committee. It is T. A. Russell and Lloyd Harris. It is a jointly signed letter, and I will say this, I think it ought to go in.

Mr. NESBITT: Mr. Johnston, will you let me ask Mr. Carnegie: Do you know the exact date?—A. I have got the letter here, sir.

Q. What is the date?—A. The date of my letter to the Premier is October 12th. Q. Then I am mistaken.

Mr. HELLMUTH: I thought it was October. The other letter must be before that?—A. The date of their letter was October 2nd.

Mr. NESBITT: That identify it then. I was mistaken when I thought it was November.

Sir WILLIAM MEREDITH: The Secretary will note the date. Did the Prime Minister communicate with Russell?

Mr. JOHNSTON: No, he never heard and it was not produced in the House. Other letters were produced in the House.

Sir WILLIAM MEREDITH: That is probably the reason why Mr. Carnegie does not want to produce it without consent?—A. Oh, sir, I wish to produce it now.

Q. Without consent I said.—A. Oh, without consent. I beg pardon.

Mr. JOHNSTON: When they were down in Ottawa, Russell and Harris, on the 26th of May, did you tell them that the Shell Committee would cable to England and see if they could not get authority to accept their proposal?—A. I believe, sir, that we told them that we would do what we could to get additional orders for them and we would cable to England.

Q. Listen to the words. Did you tell them you would cable to England and see if you could get authority to accept their proposal?—A. I don't know that I did. I don't remember.

Q. Will you say you did not?—A. I won't say I did not, no.

Q. Did you tell them at that time that they would receive consideration in regard to any further orders that would be forthcoming?—A. I believe so.

Q. You believe you told them that?—A. Yes.

Q. Then on the 10th of July do you remember a letter, I think it is in, that the Shell Committee wrote to them for 500,000 of 100 fuses, coming to the graze now, at an average price of \$3.50 each?—A. Yes, sir.

Sir WILLIAM MEREDITH: Your date is wrong.

WITNESS: The date is wrong I think.

Sir WILLIAM MEREDITH: The meeting of the Committee was on the 17th of July.

Mr. JOHNSTON: The 19th. I said July.

Sir WILLIAM MEREDITH: Then that is probably right. I thought you were putting it at an earlier date.

Mr. JOHNSTON: That was a small amount, 300,000?—A. Yes.

Q. And they offered to do this small amount for \$3.50?—A. They did. They accepted the offer we made to them of 250,000 No. 100 fuses at \$4 and 250,000 fuses at \$3. That is the first lot to be made at the higher price and the second lot at the lower price.

Q. Now that would average them about how much per fuse?—A. \$3.50. Provided there were certain conditions. They had to be made in Canada.

Q. And by the way, talking of being made in Canada, who was the gentleman that proposed to organize a factory for part of this contract in Canada? Was that Dr. Harris?—Part of the fuse contracts, the five million fuses.—A. I don't quite recollect any proposal. Our first proposal?

Q. There is a letter there in which they say or you say that they will organize a company and start a factory in Canada for certain parts?—A. Yes, sir, Dr. Harris.

[Mr. David Carnegie.]

The original proposal from Dr. Harris under the name I think of the Standard Asbestos Company, was for the production of so many fuses in Canada. That was early. On the 26th or 27th of April.

Q. That was not very long before. Less than a month.—A. Yes but, sir, a month was a great deal to us.

Q. Not for starting in Canada. Don't misunderstand me.—A. No, but, sir, that was in connection with five million fuses, for the five million fuses.

Q. You are not excusing Dr. Harris for not settling in Canada?—A. No, but I am doing this, I am pointing out that while the original arrangement was to do a portion of the work in Canada, necessity called for all the fuses being made in the States.

Q. What necessity do you talk of?—A. Urgency, sir.

Q. How did you get ahead any further by getting it in the United States?—A. From the facts before us, because they had all the experts there.

Q. Why didn't they go on and make their fuses as they agreed to if they were so strong and so vigorous about their work?—A. They have done so.

Q. They have not come within miles of it, as you know, witness.—A. Well, sir, I named to you to-day, or at least I gave to-day or yesterday the fact that a firm in England received an order for two and a half million fuses, June, 1915, and produced only 48 thousand up to the middle of February of this year.

Q. I have nothing to do with that. I do not know the circumstances of it.—A. I am only comparing, sir.

Q. You are getting off on speech making and not answering the question. I say to you the English example has nothing to do with us for this reason and I will see whether you agree with it or not, that we do not know the circumstances and conditions annexed to that English factory?—A. But I know, sir.

Q. We do not.—A. I hope you will take my word.

Sir WILLIAM MEREDITH: He will tell you.

Mr. CARVELL: He won't tell us the name of the factory.

Mr. JOHNSTON: What is the name of it?—A. I cannot give it to you, sir.

Sir WILLIAM MEREDITH: He has a right to tell you without giving the name if he chooses. The name ought not to be given. That only affects the weight of the evidence, not the admissibility of it.

Mr. NESBITT: We will give that name to the commission and to Mr. Johnston, providing it does not go into the public press.

Mr. JOHNSTON: I am put off with this witness by reason of his counsel interposing and intervening at every possible moment.

Sir WILLIAM MEREDITH: That is not fair. Mr. Nesbitt, whatever he has done before, has not interposed now at all.

Mr. JOHNSTON: What I want to get at is this. This man did talk about making a portion of these at any rate in Canada?—A. Yes, sir.

Q. Now that is an answer. He never did start in Canada at all, never made any part as far as you know did he?—A. According to the contract he was not asked to do so, sir.

Q. I am not asking you that. Did he or not do anything in Canada?—A. He did not.

Q. Why was it not put in the contract that he should make a portion of his contract in Canada?—A. Because it was ultimately arranged that they should all be made in the States, due to urgency.

Q. And then I have asked you, the urgency was as to time?—A. Only, sir.

Q. Not as to time fuses, but as to time?—A. Solely.

Q. And we have your evidence as to what that urgency amounted to as far as these two factories were concerned. Have you anything to add to what you have said?—A. I have nothing to add.

Q. Was there any urgency excepting getting the experts? Any cause for urgency over the loading presses?—A. Yes, there was the urgency over the loading presses. I am giving you particulars.

Q. You gave us that.—A. I don't know that I have mentioned it before.

Q. Yes, you told us that.—A. Well, then, you have asked it again and I am just mentioning that these presses had been under option and other people were after them and the firms called for an immediate settlement in order that these options should be closed and to our advantage it was necessary that we should make an immediate settlement.

Q. Then you thought that a day was material?—A. Oh, every moment.

Q. Every moment was material?—A. Yes.

Q. Is it the fact that experts did go over to Canada or the States to follow this contract?—A. I don't know, sir.

Q. Did you ever hear of that before?—A. I never heard of it before.

Q. Now I see your letter to the Russell Motor Company shows this: Saturday the 17th. It was decided to offer your company an order for 100 fuses loaded complete but without gains at the following prices, 250,000 at \$4 and 250,000 at \$3. That was at an average of \$3.50?—A. Yes, sir.

Q. The above proposal was decided upon after a full discussion upon prices being paid in the United States, and the importance of starting manufacture of fuses in Canada was considered sufficient to justify the above prices. We shall be glad to learn if you are prepared to execute an order at the above prices after which contracts will be arranged. I have only one question to ask about that. What price for the same article were you paying in the United States?—A. We had let a contract at \$4 for the same article but with a company that had received an order from us for two and a half million time fuses and we subsequently asked them to accept in lieu of the two and a half million time fuses 833,334 time and 1,666,666 graze fuses, meaning of course that they were at a disadvantage over the other from having to make their dual arrangements for gauges, for machinery in each case, experts and the like.

Q. Either of these proposals is much larger than the one you were offering the Russell Motor Company?—A. Yes, sir.

Q. And you ought to have paid the smaller one more than the bigger one ordinarily speaking?—A. From that point of view, sir, but when we met at our committee meeting and decided definitely on the 19th of June to let those contracts, General Pease who attended also—General Pease is that expert Ordnance Officer from England and he attended the meeting of the 17th of July when we considered and came to that conclusion—considered the proposals of Lloyd Harris and Russell and we then came to that conclusion, now General Pease, as I have already stated, had learned from the States what prices were prevailing for this type of fuse there. Hence our decision to make that price of \$4 and \$3 in the proportions named.

Q. Now, General Pease, as you have already stated, had learned from the States what prices were prevailing for those at that time?—A. The decision come to was that price of \$4 and \$3 in the proportions made.

Q. That is hardly in line with the question. I want to be fair to you. You were paying more in the States for a large order than you were paying for a small order?—A. Yes. There is a consideration in that, and that is that the two and a half million fuses divided up into time and graze fuses placed with the American Ammunition Company had to be done for the completion of those shells. There was no special time element in the Russell Motor Car Co. contract, because that was an order for 500,000 that the Committee decided to place off its own bat, without instruc-

[Mr. David Carnegie.]

tions from the War Office, from surpluses that we considered we had, and that we could place the order just as we thought fit.

Q. You seem to have taken that position generally, from what you said this morning?—A. Yes.

Q. That you had a right to do that, independent of anybody?—A. Yes, after we concluded a contract with the War Office.

Q. But you were independent, and could buy them in such quantities and at such prices in Canada or the United States as you thought, according to your best judgment?—A. Yes, but I will qualify that. If we took a contract for a complete article the War Office never asked us at what price we made a contract for a complete article. It was a question of where the contract was to be put.

Hon. Mr. DUFF: I would like to ask the witness this: you said it was your business; did you mean by that that it was your business as between you and the War Office; what did you mean when you said that it was your business?—A. It was the committee's business.

Q. I mean by the committee, you; did you mean to say that as between the committee and the War Office that it was the committee's business and not the War Office's business?—A. Yes, sir.

Q. That is what I thought.—A. That is what I meant.

Mr. JOHNSTON: In August do you remember Mr. Russell and Mr. Harris being in Ottawa to make the contract for half a million fuses?—A. I don't remember, sir, but very likely they were here.

Q. Apart from the month, do you remember them being here?—A. Oh, yes.

Q. About the graze fuses?—A. Yes, sir.

Q. These were not the 500,000 we have been speaking about, were they?—A. There was only one contract with them.

Q. On July 17th you wrote offering a contract for 500,000 No. 100 fuses, on July 22nd it was executed, and on the 11th of August or thereabouts they were in Ottawa, were they not, to make the contract for those very fuses?—A. Not to make the contract. The contract I believe had been made.

Q. But that calls it up—to see about it?—A. Yes, sir.

Q. Did they ask you for an advance from the Shell Committee of \$100,000?—A. They asked for an advance from the Shell Committee, but I do not remember the amount.

Q. Did you refuse?—A. I said we had not made advances, that it was not our practice to make advances except on the price of cartridge case material.

Q. Did you say to them that no advances had been made to any other contractors?—A. No, sir.

Q. Or words to that effect?—A. No, sir.

Q. Mr. Russell and Mr. Harris being present?—A. They were present.

Q. What did you say in that connection if anything?—A. We were talking about advances to Canadian manufacturers, and we had not made any advances to Canadian manufacturers, and the whole substance of the matter was this, that if we commenced making advances to the Canadian manufacturers, every man making a shell, or a component part, had an equal right to an advance of money on his order.

Q. Let me ask a question which will do away with all discussion; did you say to them that no advances had been made to any other contractors except to manufacturers of brass cartridge cases?—A. I may have said that in connection with Canada.

Q. Did you say to them that no advances had been made to any other contractors and that no advances had been made on brass fuse contracts?—A. No, sir.

Q. That you deny?—A. That I deny, absolutely.

Q. Now, apparently along about that time in 1915 Russell was ready to make fuses in Canada or professed to be?—A. Yes, sir.

Q. You do not remember anything about that?—A. No.

Q. Sise of Montreal through Hathaway—can you find his correspondence?—A. Yes.

Q. We would like to have it. Sise apparently was ready; you remember that?—A. We have quotations from them, sir. You are going into subsequent correspondence.

Q. The Canada Foundry Company, what did they say long before this, the 27th of February—the correspondence is in?—A. Yes, sir.

Q. That is the Nicholls business. Did they come to you later on for the purpose of getting a contract on time fuses?—A. No, sir. You are referring now to what period?

Q. I am referring now to after the 27th of February?—A. Towards the end of 1915 I believe their name was put in as quoting for fuses.

Q. Did they get that from you?—A. No, sir.

Q. Did they get a contract from the War Office?—A. No, sir.

Q. For anything?—A. Yes, sir, for something.

Q. What was it for?—A. I think we placed a contract for cartridge cases and for primers.

Q. But direct from the War Office?—A. Nothing of that kind, I understand.

Q. Do you know whether there was any communication between the Shell Committee and the Canada Foundry Co?—A. There were communications between the Canada Foundry Co. and the War Office direct, and such communications were referred to us. That is right.

Q. Did they get a contract, to your knowledge, or the promise of one, from the War Office?

Mr. EWART: You are confining your question to fuses?

WITNESS: I thought he was referring to contracts generally.

Mr. JOHNSTON: No, fuses.—A. No sir, they got no contract from the War Office for fuses.

Q. Did they get a proposed contract, or a contract that you as a Shell Committee did not carry out?—A. For fuses?

Q. Yes, for fuses?—A. No, sir.

Q. Was there any correspondence about any such contract, or proposal?—A. About fuses? I believe there was correspondence about fuses.

Q. And I am speaking about fuses.—A. Yes, sir. I have told that already.

Q. What was that correspondence?—A. I cannot tell you off hand.

Mr. NESBITT: What has that to do with it; are we to be a board of inquiry for every disgruntled contractor as between them and the War Office? That was while I was in England, in January, and has nothing to do with the contracts before the committee.

Mr. JOHNSTON: Q. I understand that a fuse contract was made by the War Office with the Canada Foundry people, that it was referred to you. It is important in this way, that you have said a good deal about it, that there was no way of making these things in Canada promptly or intelligently as they were required?

Mr. EWART: What date, Mr. Johnston?

Mr. JOHNSTON: Any date.

Sir WILLIAM MEREDITH: He did not say that.

Mr. HELLMUTH: Perhaps Mr. Johnston will say, if this was about the time of the other contracts, if it was about the time that these other contracts were made, or anywhere within that time the Russell contract was made. It might be material.

Mr. JOHNSTON: I should think so.

Mr. HELLMUTH: If it is a matter of the year 1916, I would not think so.

[Mr. David Carnegie.]

Mr. JOHNSTON: If it had been, I would not have asked the question.

Mr. HELLMUTH: They say it was February of this year.

WITNESS: I have the information here, that on the 25th of November, 1915, the Canadian General Electric Company quoted us for time fuses.

Mr. NESBITT: This is not objecting to the Shell Committee. But surely there is some principal involved in this. My information is that this was made without reference to the War Office. The whole subject, as to their negotiations about munitions of war, as to the prices they paid, with whom they let contracts and everything else is most objectionable from the public standpoint, in England at least, to being made here.

Hon. Mr. DUFF: I cannot help thinking, Mr. Nesbitt, that it is better that Mr. Hellmuth should take an objection of that kind.

Mr. NESBITT: I am sorry for that, but Mr. Hellmuth perhaps does not know the point of view I am speaking of. If he would inform himself as to that, I think he would be ready.

Hon. Mr. DUFF: You are taking a very broad objection. Of course there may be specific things to be said in regard to these specific questions that it is proper to call attention to. But every broad objection like that covers a great deal of what we are going into to-day.

Mr. NESBITT: Yes, sir. And, speaking as a citizen more than as a counsel, I think that that objection should be taken and should be enforced. I know of nothing that would shake the whole morale of this country more than this.

Hon. Mr. DUFF: But you have no status as a citizen. When I suggest something to you, you should deal with it in a somewhat different spirit than that.

Mr. NESBITT: I merely mention the fact that I have not communicated with Mr. Hellmuth about it, in view of what you have said, and I leave it to Mr. Hellmuth to say whether he takes that view or not. I was putting it forward at the moment from instructions I have received as to the point of view across the water. I will communicate it to Mr. Hellmuth. It had not been suggested to me before. I was not in any sense intending to be discourteous or rude, or not paying proper attention to what may fall from your lips, sir.

Mr. HELLMUTH: I would like to say this, that if the question of these matters coming out is one of interest to the public in the sense that the people of Great Britain or ourselves might not like it, I have nothing to say, because the Government of Canada have seen fit to direct this inquiry, and it is not for me to criticize or to say anything in regard to it. It is only a question of degree, and not a question at all of kind, because we are entering upon an inquiry which washes any dirty linen we may have, in the eyes of the public, and it is not for me to say anything in regard to that. All I feel entitled to object to, and all I object to, as Government counsel is the bringing in of any matter that is not covered by the language of the Order in Council or anything in regard to which I am doubtful whether it should be investigated, or that should not be brought up and dealt with under the Order in Council.

Sir WILLIAM MEREDITH: Perhaps it would be convenient, Mr. Johnston, for you to tell us what you are going to show, to see whether it has any bearing upon the inquiry or not.

Mr. JOHNSTON: It is impossible to say, I know about these proposals and so on, the contracts, but I have not seen them.

Sir WILLIAM MEREDITH: Supposing there was a proposal, what bearing has it?

Mr. JOHNSTON: I cannot tell what the terms were, nor what the correspondence was. It may have a very important bearing.

Sir WILLIAM MEREDITH: But that was long after the contracts were entered into.

Mr. JOHNSTON: In the interests of justice, not to say anything about the public, it is important to see whether the broad statements brought out were so or not. The witness has spoken about not being able to produce these things in Canada.

Sir WILLIAM MEREDITH: If there were not facilities in the month of May to make the goods, what bearing would that have upon the question in November?

Mr. JOHNSTON: But here was a factory established for years, a factory that has not been changed, neither the General Electric Company nor the Canada Foundry Company, and what was good in November was good on May 25th.

Sir WILLIAM MEREDITH: I don't know that that follows. Isn't it somewhat singular that you appear to have overlooked the fact that the secretary of the company was a member of the Shell Committee. He was not likely to overlook his own company, one would think.

Mr. JOHNSTON: They tried to get a contract in February previous, but were not able to.

Sir WILLIAM MEREDITH: They declined it. They were not willing to undertake it then. That is what the letters show as I recollect them.

Hon. Mr. DUFF: Are these time fuses, or the other kind?

Mr. JOHNSTON: Time fuses, sir. I am not stating that these are instructions that can be taken with too great a degree of certainty. But I believe them to be correct.

What I want to show is and what I was going to add was this, that I am advised that it will be (but I cannot speak with assurance as to it) it may be that the only conclusion to be drawn from the evidence will be this, that the reason why contracts were not given in Canada was to enable these contracts to be given in the United States. Surely that is very pertinent to this issue. At any rate, I think that both the House and the public on both sides would like to know something about the truth of it.

Sir WILLIAM MEREDITH: We are not concerned with that. We are limited to the scope of the inquiry. If there are any representations to be made as to that, they can be made in the proper quarter, and the powers of the commission, if it is thought proper to do so, may be extended.

Mr. JOHNSTON: But there is always more or less explanation than one would give in a lawsuit tried in court.

Sir WILLIAM MEREDITH: I think you have had it already.

Mr. JOHNSTON: If we had not it from the commission I do not think we would have had it at all. I am sure my friends behind me would not have given a great deal of scope.

Mr. EWART: We are willing to give Mr. Johnston every facility.

Sir WILLIAM MEREDITH: I should not think there was much doubt about Mr. Johnston's position this afternoon.

Mr. NESBITT: I would like to ask my learned friend Mr. Johnston if there is a single paper he has asked me for that he has not got. I ask him that in the presence of the commission.

Sir WILLIAM MEREDITH: But he is not obliged to answer.

Mr. JOHNSTON: I will have to throw myself on the mercy of the court.

Sir WILLIAM MEREDITH: We are getting on very nicely. Do you want us to adjourn now?

Mr. JOHNSTON: It has affected my eyes very much, and I am pretty tired as well.

Sir WILLIAM MEREDITH: If it was only the witness, I would stay here until midnight. He improves with time.

Mr. JOHNSTON: Yes, sir, he mellows with age.

(Commission adjourned at 5 p.m. until 10 a.m. to-morrow, May 3rd, 1916.)

[Mr. David Carnegie.]



ROYAL COMMISSION.

SEVENTH DAY.

MORNING SESSION.

OTTAWA, May 3, 1916.

D. CARNEGIE (cross-examination continued by Mr. Johnston).

Sir WILLIAM MEREDITH: Now, Mr. Johnston?

Mr. HELLMUTH: One moment, Messrs. Commissioners, if you please. Last evening about eleven o'clock Mr. O'Neill, the secretary of the witness, came to me at the Chambers and produced to me two telegrams. He said he had gone over what he called the shipping room files, and had found among the papers there these two telegrams.

One of these is dated at New York, May 19, 1915, from T. A. Russell or the Russell Motor Car Company, to D. Carnegie, and the other is from Lloyd Harris, T. A. Russell, Russell Motor Car Company, to General Bertram, dated May 21, 1915.

The first of these telegrams is somewhat illuminative. Evidently it must have followed the change at that date, because it was just at that date that the offices were being changed. It is from New York, and has on it "via Montreal, Q., May 20, 1915. Showing evidently that it had gone to Montreal first and then been sent on.

D. CARNEGIE, Shell Committee,
Stevens Building, Ottawa, Ont.

Arrive Ottawa eleven thirty Thursday. Have made good progress.

T. A. RUSSELL.

(Marked as Exhibit 245.)

Mr. O'Neill, whom I will put in the box later on, tells me that he also found this telegram among the files of the shipping room:—

TORONTO, ONT., May 21, 1915.

General BERTRAM,
Shell Committee, Ottawa,

Have fuse matter well advanced have arranged for expert help with large experience with British fuse expect submit proposal early next week—

Mr. JOHNSTON: That is in already.

Mr. HELLMUTH: But I have the original now.

—our plans provide for important part of work being done in Canada from commencement of operations.

LLOYD HARRIS,

T. A. RUSSELL,

RUSSELL MOTOR CAR Co.

(Marked as Exhibit 246.)

SHELL CONTRACTS COMMISSION

Mr. O'Neill also brought me these two letters, which he did not find on the shipping file, but which were found in the ordinary files of the shipping office. I am putting these letters in, so that my learned friend Mr. Johnston will have the advantage of them in his cross-examination.

STANDARD ASBESTOS AND FUSE COMPANY,
PAPE AVENUE—TORONTO.

NEW YORK, N.Y., April 17, 1915.

Shell Committee,
Drummond Building
(Room 722),
Windsor and St. Catherine Streets,
Montreal, Canada.

GENTLEMEN,—The undersigned offer to supply the British Government, through the Shell Committee, with 5,000,000 Time and Percussion Fuses No. 80, Mark V (with cover and tin box) in accordance with specifications and blue prints at \$4.90 per fuse, delivered f.o.b. cars place of manufacture, freight prepaid to Montreal, Canada. The above price includes the assembling and loading of the fuse complete. Deliveries will commence within four (4) months after the signing of the contract, at the rate of 5,000 per day and be completed within twelve (12) months after the signing of the contract, and the undersigned will use their utmost endeavours to make the daily output as great as possible and the completion of the contract as early as possible. The terms of payment and other conditions of agreement of the contract with the Shell Committee, acting for the British Government, will be such as may be agreed upon at the time of the signing of the contract.

Yours very truly,

JOHN A. HARRIS,
President.

(Marked Exhibit 247.)

The other is a letter from the Canadian Westinghouse Company, Limited, Hamilton, Canada, and is dated May 11, 1915:—

Mr. H. A. BERTRAM,
Shell Committee,
Drummond Building,
Montreal, Que.

Dear Sir,—Your telegram of the 10th inst., asking if we are prepared to consider fuse manufacture, was duly received. We have considered the question, so far as the very general knowledge we have at hand as to what will be required permits, and have come to the conclusion that we could not undertake the manufacture of fuses without the installation of special machinery for that purpose. At present writing, as you know, we are very busy with the several different types of shells and component parts, and we believe it would not be best for us to take up the question of the manufacture of fuses.

Thanking you for your telegram, we are,

Very truly yours,
Canadian Westinghouse Company, Limited,
PAUL J. MYLER,
Vice-President.

(Marked Exhibit 248.)

[Mr. David Carnegie.]

I thought I ought to bring these documents to your notice at the first moment after I had received them.

Sir WILLIAM MEREDITH: Is Mr. O'Neill here?

Mr. HELLMUTH: Not at the moment, sir.

WITNESS: He will be here shortly, I think.

Sir WILLIAM MEREDITH: I thought it would be convenient to get the history of these at this stage.

Mr. HELLMUTH: Is Mr. O'Neill in the room, Mr. Carnegie?—A. He is not in the room, but he will be here presently, I am sure.

Mr. JOHNSTON: Did you get the letters and correspondence with Mr. White, of the Canada Foundry Company, Mr. Carnegie?—A. No, sir.

Q. Do you know where they are, or if there are any?—A. I don't know that there are any. I have had a search made for them.

Q. But you have not been able to find them?—A. No, sir.

Q. Then we will have to prove them in some other way, if necessary. Did you get the letters from Mr. Hathaway, of the Northern Electric Company, or letters from the Northern Electric Company?—A. The letter I put in is one which had been received. There are other letters which are being brought forward now.

Q. I am advised that there are quite a number, or several of them.—A. There might have been three or four bearing upon the subject, around that period.

Q. Have you any correspondence between Mr. Thomas and the Shell Committee?—A. There is correspondence, sir.

Q. Have you got that?—A. I have not got it here. It is in the office.

Q. That correspondence extends from about what date to what date—about?—A. About I should think from August perhaps on to the time of his leaving. I forget now exactly.

Sir WILLIAM MEREDITH: August of what year?—A. August of 1915, sir.

Mr. JOHNSTON: The time of his leaving was about when?—A. About November, I think.

Q. Where do you say that correspondence is?—A. It will be on our files, sir.

Q. That can be produced without much difficulty, I suppose?—A. Yes, sir.

Q. Can you send and get it, do you think?—A. Now?

Q. Yes.

Mr. NESBITT: I thought that was the correspondence Mr. Hellmuth said he had gone over, and that there was nothing in it relating to fuses.

Mr. HELLMUTH: I said I had been shown some letters at all events that had passed between the Shell Committee and Mr. Thomas, and that in those letters there was nothing in reference to fuses, but the letters were in reference to shell contracts, which are not the subject of this inquiry. That is what I said, and I do not feel that I have any right to produce those, because it would be going into matters in regard to which an inquiry was not granted, and which are not covered by the Order in Council.

Mr. JOHNSTON: No, but I would like to see the correspondence, I may quite agree with what my learned friend says. I am not saying that his statement is at all incorrect, but I should like to see the correspondence in order that we may examine it.

Sir WILLIAM MEREDITH: That will be for Mr. Flavelle to say. He is the Chairman of the Board.

Mr. JOHNSTON: It will do if my learned friend produces the letters, and whatever is relevant can be used.

Mr. HELLMUTH: Mr. Flavelle will have to take the responsibility. I am not say-

ing that anybody should produce correspondence dealing with shell contracts and which are not the subject of this inquiry.

Sir WILLIAM MEREDITH: It would never do to have these documents or the contents of them get out, if they are not properly the subject of this inquiry.

Mr. JOHNSTON: Certainly not. I would not use them of course without a discussion with Mr. Hellmuth, in any event.

Q. Then shall I say that these can be produced by Mr. Flavelle?—A. I cannot say, sir.

Q. Can you produce them?—A. If Mr. Hellmuth asks me to do so, or the Commissioners.

Mr. JOHNSTON: Then I will ask Messrs. Commissioners that some direction might be given. I do not want to spread them about, or anything like that. I could see them along with Mr. Hellmuth.

Sir WILLIAM MEREDITH: I would not take the responsibility of doing that until I hear what Mr. Flavelle has to say. He is the responsible head of that department. It may be all right. However, we will not reach that before the adjournment, probably.

Mr. JOHNSTON: I think we may, sir; I hope so at least. However, if there is any question about it, I may be allowed to put this witness back in the box and ask him?

Sir WILLIAM MEREDITH: Certainly. You may put him back as often as is needed.

Mr. JOHNSTON: There are one or two other matters, Mr. Carnegie.

Q. Can you tell me what correspondence there was (I am not asking you to produce correspondence of this kind), but what correspondence there was in which the personnel of the Shell Committee was made known to the War Office—if it was made known to the War Office?—A. I have no recollection, sir, of any particular correspondence apart from the letter heading itself, which would give the names of the members of the committee.

Q. The most of it was by cablegram and letter—the reason I am asking is because the most of it was signed “Shell Committee.”—A. All of the cablegrams I believe, or most of the cablegrams that went in cipher to the War Office were signed “Militia,” and not signed “Shell Committee.”

Q. If I remember correctly, two or three were signed Shell Committee?—A. That is so, when we sent them in open form.

Q. Then generally what correspondence did you have with the War Office, I mean the volume of it, I do not mean the cablegram?—A. It was very little; it was mostly cablegrams.

Q. Do you remember any letter having been sent to the War Office as a letter, not as a cablegram?—A. Do I recollect any?

Q. Yes?—A. Oh, yes.

Q. Can you tell me what is your best memory in regard to the time that any letter of that kind was sent?—A. Of what kind do you mean, sir?

Q. A letter, not a cablegram?—A. Any letter on any subject?

Q. Yes, in connection with the Shell Committee—I do not want the contents of it.—A. I cannot tell you. There were many letters.

Q. Up to what time?—A. During the whole of the Shell Committee's operations.

Q. Will you say during the year 1915?—A. I should say that.

Q. Do not say it unless you remember.—A. I am only trusting to my memory, sir.

Q. But have you any memory of any letter that stands out?—A. Yes, I have a memory of having personally written to the War Office.

Q. Signed by yourself, or on behalf of the Shell Committee?—A. I don't remember whether I signed it myself. As a rule, all letters were signed by the chairman.

[Mr. David Carnegie.]

Q. Another matter, Colonel Carnegie; who was the member, who was the gentleman connected with these transactions who had control of the matter, to whom others looked for initiation and completion of this work; was it to you?—A. To what work do you refer, sir?

Q. I am referring to the work of the Shell Committee; I am not going into anything else?—A. The chairman of the Shell Committee was the man to whom we looked as a committee for direction and completion of any contracts.

Q. Who was the practical man who carried it out, you?—A. Oh, there were a lot of practical men carrying it out, in the country.

Q. I do not mean the men working around as subs here and there and everywhere. I mean as a member of the Shell Committee, did you have largely the control?—A. When I became a member of the Shell Committee I took my part on that committee with every other member; but in addition to my membership I was the technical or the ordnance advisor of the committee.

Q. The reason I ask is that I see nearly all these telegrams and nearly all letters are signed with the initials "D.C."?—A. That would happen in this way, quite simply. I invariably conferred with General Bertram. There was a swing door between our rooms; we sat together in the same room, we sat at the same table and discussed matters across the table, and as a general rule the General would say to just draft that, in a general way. But really it was the mind of the General, as well as my dictation.

Q. I am asking for the fact as to how it was done, and as a rule the bulk of this correspondence was dictated by yourself after conferring with the General?—A. That is technical matters. There was the commercial side of the work which was handled by the General.

Q. I am talking of the making of the fuse contracts, who had the principal charge of the fuse contracts?—A. I was looking after the technical end; General Bertram was looking after the commercial end.

Q. What do you call the commercial end?—A. The commercial end is that end which definitely decides what the prices are to be.

Q. Who made the negotiations with regard to the prices?—A. Both General Bertram and myself in that case.

Q. What had Colonel Allison to do with that?—A. Nothing whatever.

Q. Would it be correct to say, as I am advised, that the reduction in the price of fuses and so on was accomplished by Colonel Allison or through his efforts?—A. I think you are quite safe in believing that a reduction was effected by the effort of Colonel Allison in bringing together the manufacturers with whom we ultimately made the contracts.

Q. But in making the contract?—A. He had nothing to do with the making of the contract any more than that water bottle.

Q. Very well, I want to get at the man who had to do with ultimately fixing the prices; I am not speaking about the initiative or the agency in getting men together; having got them together and settling upon the terms who would be the gentleman or gentlemen who had to determine or arrange about the prices or who did determine and arrange about the prices?—A. It came in this way, just let me explain as I have gone over the ground time after time; I had the responsibility of determining whether the companies were capable of producing the goods. Then General Bertram and I finally went and viewed the matter so as to have the confirmation of my report on the subject. Subsequent to that General Bertram and I had the matter of the prices with the people who came, these representatives who came to the office and negotiated verbally, and finally General Bertram placed the matter before our committee, and the committee considered the matter and the thing was done. These are the stages in the operation.

Q. That is not quite an answer to my question, I am speaking about the man who did the intermediate work, the man who entered into or who brought about a certain price upon which you were both agreed or to the extent of agreement subject to the Shell Committee's approval?—A. I have already said, sir, and you know it, I have already said that I take the responsibility, so that there is no good of shelving the matter.

Q. I am not shelving the matter at all; I was advised, as I told you, correctly or incorrectly, that Colonel Allison was a man who negotiated the prices and all the rest of it, that part of it?—A. He had nothing whatever to do with it, sir.

Q. Then as to the volume of the contract, was that in the same way?—A. Yes.

Q. Who was your superior officer, any one over the Shell Committee, any one beyond the Shell Committee?—A. No one beyond the Shell Committee had any right to dictate to the Shell Committee prices or disposition of contracts.

Q. What about General Hughes, had he any?—A. General Hughes, absolutely no right.

Q. I understand your position, no right?—A. No right.

Q. If there was a conflict between you and him according to your view of the matter the Shell Committee must govern?—A. Exactly so.

Q. Was he a member of the Shell Committee?—A. No, sir.

Q. Did he attend the meetings at all?—A. I believe I have seen him once at a meeting and at the final burial—I draw that word back, do not put that in the paper—

Q. It will likely be in the paper; you ought not to have said it so quickly?—A. I am very sorry.

Q. Because the papers generally take up the funeral procession after the burial if they can. Did you go to General Hughes at all to get his approval in any way of what was going on that you recollect of?—A. I recollect it well.

Q. What was it?—A. I have already said, I have already expressed—

Q. Give me an example of one case so that we can form our own ideas where you went to General Hughes to get his approval finally before you did anything further?—A. Oh, that is not what I am referring to.

Q. That is what I am referring to?—A. Oh, I see; we never went to General Hughes on any occasion that I remember for his final sanction on any price; it was our business.

Q. Or his preliminary sanction?—A. No, sir.

Q. So that statements to that effect would not be correct?—A. I want to make quite clear here on this point lest it get confused, that when General Hughes knew that we had a quotation from the Harris Company or under the name of Dr. Harris at a figure something over \$5 for a certain number, he talked with General Bertram and myself, and he said "I believe that fuse price can be cut down."

Q. Was that the only instance you remember?—A. Of what?

Of an interview with General Hughes with regard to the business of the Shell Committee; I mean the only specific instance?—A. No, no, not at all; night after night we went over for our inspiration from General Hughes and—

Q. So that General Hughes at any rate was in touch with the work of the Committee, was he, or was he not, you know?—A. Do I know? Yes, I know.

Q. Was he or was not he in touch with the work of the Committee from day to day?—A. Yes.

Q. He knew what was going on, of course?—A. We did not tell him everything; we heard stories of South Africa; it was an inspiration. You know, Mr Johnston, that we were working night after night till midnight, we were burdened working from early morning till midnight regularly except when out of town, and it was a great relief to get over to the Militia Office and hear stories of South Africa and other things.

Q. There is no doubt they were well told?—A. Well told.

[Mr. David Carnegie.]

Q. And I suppose amongst the characters who figured in the stories would be General Hughes himself sometimes?—A. Oh, well, I would not like to say that.

Q. Leaving the romance side of it, will you tell me whether or not you discussed generally with General Hughes matters relating to the Shell Committee's operations as to fuses or otherwise?—A. In the course of conversation we would say how we were getting on—why, the man was bubbling over all the time to know how the work was going through.

Q. That is where there was room outside the stories he was bubbling over?—A. Exactly.

Q. Would it be correct for me to say that General Hughes did know, generally speaking, leaving out very minor details, of what the work of the committee was and what they were doing with regard to the contracts and prices and everything else?—A. No, it would not be right at all.

Q. To what extent do you say he was familiar with the work of the committee?—A. I could not really say, sir.

Q. Can you form any judgment?—A. It was only a passing knowledge, he never said to us "Why, you must do that and you must do this."

Q. That is not my question; my question is not what you must do, what orders he gave or anything else, it is the other way entirely; it was what knowledge he had of what the committee was doing, not interfering with the committee in any way?—A. We told him as much as we could in the time.

Q. Or as much as you thought proper or necessary?—A. We had nothing to hide, we were quite open.

Q. So that from week to week he would know, for instance, you were letting contracts?—A. We did not tell him when we let contracts. You see, sir, it was like this, all the contracts were open to him, his department was the channel through which we got the cables, you see.

Q. He was a party to the contract?—He was the party to the contract, but simply a name as I have regarded it.

Q. Would not you explain to him when he came to sign the contract what the contract was?—A. True, but you see, Mr. Johnston, as I may explain again, we only drew up three contracts altogether, one on the first October, the second on the 20th October, and a third, including a schedule of all that had passed in between those dates on the 1st July, and it may have been signed either at that time or a day or two here and there; so you see if we did discuss at those times the details it would be only say on three different occasions as far as these contracts were concerned.

Q. The reason I am asking you this is you have generally been looked upon and treated as General Hughes' committee, the Shell Committee, the initiation of it apparently from the records would show that you were appointed for the purpose of aiding the Minister of Militia and Defence in regard to his department or his work, a portion of his work?—A. Well, of course the terms of our arrangement have been already set out; I believe the first arrangement was on a sheet of paper with the blue pencil giving the names of a committee that General Hughes had appointed.

Q. Was that put in?—A. Yes.

Q. Do you remember about what time?—A. Yes, it was about the 7th September, before I came to this country, at that time.

Q. September, 1914?—A. Yes.

Sir WILLIAM MEREDITH: It is Exhibit 9.

Mr. JOHNSTON: I see this is Valcartier Camp, 7-9-1914.

Col. Alexander Bertram,	}	Committee on Shells.
Thomas Cantley,		
George Watts,		
Col. Lafferty,		

SAM HUGHES.

(For action S. H.)

Q. Will you tell me if there was any other agreement or document of any kind signed by General Hughes?—A. I cannot say, sir; I believe all the documents have gone in.

Q. Have you any recollection of any other document but this one?—A. There was some authorization, but whether it was signed by him or not I cannot really say.

Q. What was the authorization that you as a Shell Committee got?—A. I do not really know what authorization we had apart from its formation in that manner.

Q. Were there any instructions given to this Shell Committee, and if so by whom?—A. The instructions we received were in the form of cables to complete work.

Q. Did you get any instructions here in the initiation of it—I am not speaking about the subsequent work?—A. Perhaps General Bertram might be able to tell better about the initiation.

Q. You do not know yourself?—A. I do not know more than what has been already said.

Q. Nothing much has been said on that point, I do not know that anything has been said on that point except that document?—A. There is really very little to say; we put in every document we could find relating to the formation.

Q. Was it published in the Gazette?—A. I believe the names of members of the committee were put in the Militia Orders, printed in the Militia Orders.

Q. That would be about what date?—A. Around November I believe that was.

Q. That might perhaps show any reasons given, or the duties defined or anything of that sort?—A. I do not think it will give that.

Q. However, we will look it up and see.

(General Sir Sam Hughes hands to Mr. Johnston Militia list, with Militia Order of November 23 attached.)

WITNESS: That is the paper (Militia Order dated Number 23).

Mr. JOHNSTON: That is the same thing as the note we put in.

Mr. HELLMUTH: No.

Mr. JOHNSTON: Excepting that some titles are given here; and Harston is added, and Benson:—

“Col. Bertram, Col. Benson, Col. Cantley, Col. Greville-Harston, Lieut.-Col. Watts, Major (Temporary Lieutenant-Colonel) Lafferty, E. Carnegie, Esq.”

That is what appears in the Militia Orders as being the Shell Committee, the Militia Orders of the 23rd November, 1914.

Sir WILLIAM MEREDITH: Are those orders from the Militia Council?

Mr. JOHNSTON: Quarterly List it says.

Sir WILLIAM MEREDITH: They emanate not from the Minister but from the Militia Council do they?

Mr. HELLMUTH: I have got a copy of them and they can be put in.

Hon. Mr. DUFF: What is the authority?

Mr. JOHNSTON: Headquarters, Ottawa.

Hon. Mr. DUFF: What is headquarters?

Sir WILLIAM MEREDITH: We will probably get that later; but I suppose this is what is done by the Militia Council; I do not know.

Mr. HELLMUTH: I have found another on the 5th April, 1915, and this is 174, Shell Committee, with reference to Militia Order 520, 1914; that shows the appointment of Colonel D. Carnegie.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: You have made a serious mistake in speaking of Mr. T. A. Russell; I see he is described in this order as Honorary Major, a member of the Land Transport Department.

Mr. HELLMUTH: It is very difficult to keep track of all the titles.

Mr. JOHNSTON: (Referring to Militia List) this is headed, page 2, "Department of Militia and Defence. Militia Headquarters, Ottawa, Minister of Militia and Defence; Hughes, Major General, Honourable S., M.P., and then the Military Secretary, and Deputy Minister of Militia and Defence." That is the caption of it. Then page one begins with "The King. The Governor General and Commander in Chief,"—and a whole lot of names appear; but the Shell Committee is not there. Then further on, "Branch of the Master General of Ordnance," Col. Benson at that time. "Inspection staff," "Standing Small Arms Committee," and the "Shell Committee." That is what appears in this book. So that it was a matter of regulation I suppose by the Militia Council.

Hon. Mr. DUFF: Ordnance Department.

Mr. JOHNSTON: That is the immediate direction would be the Ordnance Department. It would come under the general control of the Militia Council, one would suppose from that.

Q. However, that is the history of it as far as you can give us?—A. Yes, sir.

Q. Will you tell me, if you know, why that Shell Committee ceased to exist, what was the reason, if you know, that the committee was disbanded, if I may use the word, not buried?—A. I could not tell you exactly, sir, all that led up to that, but I am almost inclined to think that the press and politics, without any alliteration, had a great deal to do with it.

Q. Do you know at whose initiative the Shell Committee was disbanded—I am using the word disbanded, it may not be quite correct, but you know what I mean, terminated?—A. At the initiative I believe of Mr. Lionel Hitchens.

Q. Who was he technically speaking?—A. He was the representative of Mr. Lloyd George, Ministry of Munitions, England.

Q. Was there a meeting called at which he was present?—A. Yes, sir.

Q. And was the result of that meeting that the committee was terminated?—A. Yes, sir.

Q. And who was present at that meeting?—A. The names are recorded in the minute that has been filed.

Q. I do not know that those names have been recorded or read to us?—A. I believe it, sir. In addition to the names that have been recorded General Hughes was also present with Mr. Hitchens.

Q. Do you know the reason why that Shell Committee was disbanded?—A. I do not know, there were many reasons assigned why it was necessary to expand, but why it was disbanded I really cannot give you a full account; that would take a long time; I am hoping to write the history one day.

Q. You have dictated a great deal of it so far in the last five or six days; you might start the early chapters with that. Will you tell me, please, if you can, any reason?

Mr. HELLMUTH: I do not know, Messrs. Commissioners, we can go into the question of the disbanding of the Shell Committee here; that is certainly not a part of the scope of this inquiry. I mean, if that is gone into it means a very long matter.

Sir WILLIAM MEREDITH: I suppose he might be asked this, had these contracts in question anything to do with those matters.

Mr. HELLMUTH: I do not know that that should be taken up just in this way; it is not the question of what anybody thought of the Shell Committee, it is what the Shell Committee or its members did in reference to these contracts.

Mr. JOHNSTON: That is what I am asking.

Mr. HELLMUTH: I do not know that the opinion of anybody else as to their action, whether it is good or bad—I have no objection, I am not raising any objection, but the only question is if it is within the scope of this inquiry.

Mr. JOHNSTON: This witness was a member of that committee?

Mr. HELLMUTH: Yes.

Hon. Mr. DUFF: There is just one point that might perhaps help to elucidate that. When did the Shell Committee begin to communicate with the Ministry of Munitions instead of the War Office in regard to these munitions, when did that change take place?—A. About 1st December, 1915, when the new board was formed—oh, I beg your pardon, I did not quite understand, when the Ministry of Munitions took the work over—

Q. Was constituted, in April?—A. Then we commenced, our communications were directed to them.

Q. Were with the Ministry of Munitions instead of the War Office?—A. Yes, sir.

Q. And Mr. Thomas was here as the representative of the Ministry of Munitions?—A. Yes.

Mr. HELLMUTH: I understand, Messrs. Commissioners, I have just been notified that the reasons for dissolving the Shell Committee were set forth in a letter from Mr. Hitchens to the Premier, published in the press on or about 1st December last; if that is published of course there is no reason why it should not be in.

Mr. JOHNSTON: It was in Hansard I think at the time.

Mr. HELLMUTH: There we would have the reason.

Hon. Mr. DUFF: What date are you dealing with?

Mr. JOHNSTON: I am dealing with the last meeting as I understand it, of the Shell Committee.

Hon. Mr. DUFF: What date?—A. 29th November.

Sir WILLIAM MEREDITH: Was there anything in writing by Mr. Thomas? If there was we think we should see that before it is made public.

Mr. JOHNSTON: You mean anything with reference to the disbanding of the committee?

Sir WILLIAM MEREDITH: With reference to the reason or in connection with the action he may have taken, if he took any.

Mr. JOHNSTON: Was there anything in writing between the committee and Mr. Thomas regarding the disbanding of this committee, correspondence or otherwise?—A. There may have been, sir, although I do not recollect any specific reference to the disbandment of the committee, not in any writing that the Shell Committee had with Mr. Thomas.

Mr. HELLMUTH: I think I can explain that, Messrs. Commissioners. The disbandment of the Shell Committee was not done by Mr. Thomas. That work was taken up, if it is a work, by Mr. Hitchens, who came here, and the correspondence that I have seen, and I have seen the last date of it, between Mr. Thomas and the committee does not suggest even the disbanding of the committee. Generally speaking it puts his views in regard to the various matters of transaction of business, as though it was contemplated to continue. Then Mr. Hitchens appeared, occupying, as I understand it, just the same position as Mr. Thomas did, that is as the representative of the Minister of Munitions, and when Mr. Hitchens was here the committee disbanded and the Imperial Munitions Board was created. Now, I have not seen the letter that was given to the Premier and published in the Press, but that at all events would assume, I understand, to state the reasons why it was done. Whether it did state them fully or not I am not at all prepared to say.

[Mr. David Carnegie.]

Sir WILLIAM MEREDITH: Is that the witness' recollection, that there was no discussion with Mr. Thomas at that stage about the disbanding of the Shell Committee? —A. Yes sir, that is my recollection.

Mr. HELLMUTH: That is what the correspondence shows.

Mr. JOHNSTON: Well, we had better get the correspondence, perhaps, and that will set it at rest. I will go over it with you.

Sir WILLIAM MEREDITH: We think we will go over it before any of you, we will look over it first.

Mr. JOHNSTON: I have no objection.

Sir WILLIAM MEREDITH: If there is any correspondence we think it had better be handed in to us to look over.

Mr. EWART: And may I say, sir, that I hope you will consider the advisability of exposing any correspondence to Mr. Johnston under the seal of confidence.

Sir WILLIAM MEREDITH: We propose now to expose it to nobody but ourselves. Then we will determine what we will do, Mr. Ewart.

Mr. EWART: But you will consider the advisability of what I suggest, because of the connection between Mr. Johnston and Mr. Carvell which is now ascertained?

Mr. JOHNSTON: Is it?

Mr. EWART: The advisability of submitting it to him in confidence?

Mr. JOHNSTON: No, I do not desire—

Sir WILLIAM MEREDITH: However, it will be time enough to bid the Devil good day when you meet him. We have not come up to him yet.

Mr. JOHNSTON: Yes. All I can say is, I do not want anything shown to me in confidence. If this commission will examine the correspondence and will say that certain portions of it will or will not be used, I am bound by the decision of the Commission.

Hon. Mr. DUFF: I think we are entitled to ask you for your assistance, Mr. Johnston.

Mr. JOHNSTON: Oh, yes, I am quite willing.

Hon. Mr. DUFF: We will meet that when it arises.

Mr. JOHNSTON: I am quite willing, but I am only one, and I always like to bow to the majority of opinion in this matter of course.

Q. Then if you will have that correspondence and the Hitchens correspondence—may I include that, Messrs. Commissioners?

Sir WILLIAM MEREDITH: Do you mean that letter?

Mr. JOHNSTON: Whatever other correspondence there is. It may be all submitted to you.

Sir WILLIAM MEREDITH: I am of the idea that nothing of that should be done without Mr. Flavelle's approval. I do not think this gentleman without the consent of the Munitions Board has control of the document or any right to produce it.

Mr. JOHNSTON: No, but I suppose without calling Mr. Flavelle at all this commission could ask for the production of any document.

Hon. Mr. DUFF: Surely it will not be necessary to do any more than ask Mr. Flavelle.

Mr. JOHNSTON: That is all, I think. Mr. Flavelle, I understand is willing to produce any papers.

Hon. Mr. DUFF: The understanding being that they are produced for the commission for perusal in the meantime.

Mr. JOHNSTON: Yes. There is nothing private at all, it is all published I should think.

Q. Then you understand what is required so far as you are concerned? I want you to produce, if you can, the White correspondence, the Hathaway correspondence, and the schedule, which I have not yet seen, at least I do not remember it, which was made out as a sort of counterpart to the large schedule that is in showing all the contracts that were made?—A. I do not quite catch that last one, Mr. Johnston.

Q. There was a sheet schedule made out by the Shell Committee, as I understand it, showing the contracts that had been made with the War Office, or with the proper body in England. There were three or four—three I think?—A. They have gone in.

Q. But the other part of that schedule has not gone in showing the payments.

Mr. GRANT: The schedule showing the sub-contracts.

Mr. JOHNSTON: Prices, etc.

Mr. NESBITT: That we object to.

Mr. GRANT: He says he can produce it.

Mr. NESBITT: I know. We won't produce it unless the commission says so.

Mr. JOHNSTON: It includes fuse contracts I understand?—A. That is in, sir.

Q. No, the other one, the one showing the sub-contracts and prices, etc.

Mr. GRANT: The one that makes the difference of \$41,000,000.

WITNESS: I see, the summary of all the contracts?

Mr. JOHNSTON: Yes.

Mr. HELLMUTH: General Bertram is going to produce that.

Sir WILLIAM MEREDITH: We had better not take up any time now.

Mr. JOHNSTON: All right. So long as my learned friend undertakes to produce it I am satisfied.

Mr. HELLMUTH: I have seen it. It will be ready. I would have put it in this witness' hands, but General Bertram knows about it particularly, that is all.

Mr. JOHNSTON: Of course, Mr. Nesbitt is objecting. That is all so far as I am concerned.

Mr. HELLMUTH: No, do not let us have any misunderstanding. What I understood the objection of Mr. Nesbitt to be was to producing the sub-contractors' prices and names in those contracts. That is not what this shows. This statement—I do not want any misunderstanding, Mr. Johnston—this statement shows the War Office prices for the contracts that the War Office had made with these four manufacturers and the total cost of each entire article, not saying where it comes from, and the difference between the War Office prices and the prices of each completed article. That is the only document I know of.

Mr. JOHNSTON: I have not seen it, and it may not be the document I am looking for at all.

Mr. HELLMUTH: If it is here——

Mr. GRANT: We will see it when it is produced.

Mr. JOHNSTON: Now, just let me fix the dates if you will. The Shell Committee was disbanded on what date? Technically at that meeting I suppose.—A. The 29th of November.

Q. Thomas came here when, as near as you can tell me? I mean to Montreal or Ottawa?—A. I should say some time in July, near the end of July. That I am not sure of.

Q. That is Montreal or Ottawa?—A. Ottawa.

Q. The end of July?—A. Don't put the end, I am not sure.

Q. About the end of July?—A. Yes.

Q. And then was he here continuously for a certain time?—A. No, he was here for a few days, and then he went down to Nova Scotia visiting some works. Subsequently he visited some works in the West, Toronto and around in that direction.

[Mr. David Carnegie.]

Q. When did he come back?—A. From where?

Q. From where he went to. I do not know where it was.

Sir WILLIAM MEREDITH: Back to Ottawa do you mean?

Mr. JOHNSTON: Yes. You say he went away. I want to know when he came back.

—A. I will give you the itinerary of his movements as far as I have got it.

Q. Give me your best recollection about what time he came back here.—A. It would be about a week.

Q. That is near enough. That would be getting on into August?—A. It would.

Q. In August he came back. Then how long did he remain?—A. I cannot tell you.

Q. When did he leave?—A. I cannot say.

Q. Was he here continuously from August until November?—A. No, he was in New York a good many weeks at a time.

Q. So the best you can do for me is that he was here off and on from about the end of July to the 29th of November?—A. No, not the 29th of November.

Q. When did he leave?—A. I think it must have been about the beginning of November or else the end of October.

Q. He was not at the meeting?—A. No, sir.

Q. Now then, the new committee was formed on the 29th of November or thereabouts?—A. The first of December we met.

Q. That is thereabouts, that is the second day?—A. Oh yes.

Q. This I think you may allow perhaps. I submit it at any rate merely to get the fact. I am not going into it until a decision is arrived at by the Commissioners. Were the fuse contracts discussed as a fact—I am asking not for the discussion—were the fuse contracts discussed at that meeting which you have given us and at which Mr. Hitchens was present when the Shell Committee was disbanded?—A. I do not recollect that they were discussed, that there was any discussion whatever regarding fuse contracts at that meeting.

Q. Or any prices?—A. Or any prices.

Q. Will you tell me, without giving me the details until I get permission to ask it, the subject matter of discussion?—A. There is a resolution which has been put in.

Q. I am asking you what was the subject matter of discussion? I do not know what the resolution was.—A. We had several subjects.

Q. Several subjects?—A. Yes.

Q. Would you say you have no recollection of the fuse contracts being discussed?—A. No.

Q. Or prices?—A. If you will just wait until I refresh my memory.

Q. Very well.

Mr. HELLMUTH: This is the first of December meeting?

Mr. JOHNSTON: No, this is the 29th of November.

WITNESS: Nothing discussed on the fuse contracts.

Mr. JOHNSTON: Or the prices?—A. Or the prices.

Q. What was the subject matter of discussion, without giving me the discussion?

—A. Oh, various matters.

Q. Name one.—A. The Edward Valve.

Q. That was a fuse contract, was it not?—A. No, that was a cartridge case.

Q. Well, I am speaking about matters set forth in the order appointing the commission.

Mr. HELLMUTH: I read that, Mr. Johnston.

Mr. JOHNSTON: I know.

Mr. HELLMUTH: I read that resolution I mean.

Mr. JOHNSTON: Yes, I know; but I am trying to get from this witness what the subject matters were that were discussed.

Q. The Edward Valve was one. What else?—A. Must I go over all these external matters with you, sir?

Q. You go over as far as I am permitted to go with you.—A. Well, sir, there was only one matter relating to the four contracts now under discussion broached at that meeting.

Q. That is a simple answer. There is no objection to that. What was the subject matter of that conversation?—A. "The Edward Valve Company, represented by Mr. Wright, applied for an extension of their contract. Resolved that it is the sense of this committee that no further extension be granted."

Q. Now, do you say that so far as the fuse contracts were concerned that that was the only discussion that took place at the meeting of the 29th of November?—A. The fuse contracts, sir, were not discussed.

Q. Well, the contracts mentioned in the Order in Council, or the order appointing this Commission?—A. Yes, sir, that was the only matter.

Q. The only one. Was there any discussion at that meeting with reference to a change in the management or control of this particular business that we are inquiring into?—A. No, sir.

Q. Then can you tell me in a concrete way, if you can, what was the immediate cause of the change, if discussed at the meeting?—A. That is intricate, Mr. Johnston.

Q. You cannot tell?—A. No.

Sir WILLIAM MEREDITH: You are getting past the point. We said we will consider that. I do not think you should go into that yet.

Mr. JOHNSTON: I am not asking him what was said at all.

Sir WILLIAM MEREDITH: I do not think it proper that there should be any inquiry as to discussion upon any subject until we have seen the papers and ruled.

Mr. JOHNSTON: Very well. I did not so understand.

Sir WILLIAM MEREDITH: That was my idea about it.

Hon. Mr. DUFF: I think it is better. This witness can be called again.

Mr. JOHNSTON: I am quite content. I wanted to finish with him, that is all.

Q. Now, another question or two and then I will see how the matter stands. I want to know about this man Craven that you or somebody mentioned either in correspondence or otherwise. I think you mentioned Craven?—A. I did, sir.

Q. Did you lose sight of Craven entirely?—A. No, he has bobbed up now and again since.

Q. Like the rest of these men on the other side?—A. No, I think he is a member of a very reputable firm in Canada, the McAvity Company of St. Johns—a very reputable place.

Q. But did he have anything to do with you or with any of your concerns as far as you know after he bobbed up the first time?—A. No.

Q. Did you know anything of his movements or arrangements in connection with any of these matters that we are inquiring into?—A. Nothing at all.

Q. Or his connection?—A. Nothing, sir.

Q. You only met him once, was it?—A. I met him more than once.

Q. About business?—A. On what?

Q. Upon the business that he was connected with?—A. I think I must have met him more than once—once or twice, not many times.

Q. You did no business with him, did you?—A. No business whatever.

Q. Did you have any discussion with Mr. Craven about the fuse business or incidental matters?—A. Oh yes, he was at that meeting where Mr. Yoakum and Mr. Craven introduced me to Mr. Bassick.

Q. Yes. Was that the only part that he took in the negotiations?—A. That was the principal part.

[Mr. David Carnegie.]

Q. Do you remember anything else that he did?—A. No, I remember nothing else that he did of any moment.

Q. Now, what is your knowledge of Yoakum?—A. I have no knowledge of Yoakum beyond what I have said.

Q. How often did you meet him?—A. Oh, perhaps half a dozen times, perhaps more.

Q. You met him in connection with?—A. The fuse contracts.

Q. And with whom?—A. Well, principally Bassick. I met him once, or perhaps twice, with Colonel Allison, described in the proceedings here.

Q. Once or twice with Colonel Allison, and perhaps once or twice with Bassick?—A. Yes.

Q. Would that represent your dealings or intercourse with Yoakum?—A. No. Yoakum came to Ottawa and discussed with Bassick—I do not know how many times he was here. He was in and out of the office.

Q. Several times?—A. Several times.

Q. Did you know anything about Yoakum before?—A. Nothing whatever.

Q. Did you make any inquiries about Yoakum?—A. I did not consider that was my business.

Q. That is not an answer. Did you or did you not?—A. I did not.

Q. That is sufficient. Did you make any inquiries about Lignanti?—A. I never heard of the man's name until I saw it in Hansard.

Q. That was an honourable place to have it?—A. Very.

Q. Did you know anything about Cadwell before you dealt with him at all?—A. I never heard the man's name until I met him.

Q. You met him through?—A. Through Mr. Bassick.

Q. What did you know about Bassick, anything?—A. The first introduction was, I believe, on May 4th, when he informed me that he was a member of the firm of Burns & Bassick.

Q. Yes, I understand. But did you know anything of him before that?—A. Not a syllable.

Q. Did you make any inquiries with reference to him? I want to see if there was any information got.—A. Yes, I went with General Bertram to visit his firm.

Q. That was when?—A. It must have been the 14th or 15th of May, I think it was the 14th, the afternoon of the day when I with General Bertram interrogated the man in question.

Q. That is what you knew about these men. Did you know anything more about them than what you have told us?—A. Nothing more.

Q. Nothing more than what has appeared?—A. No.

Q. And Colonel Allison, what did you know about him before you were directed or suggested to go to the Edward Valve Company?—A. Nothing more than I have recorded.

Q. I have forgotten the previous story.—A. It is a long story.

Q. No, I do not want a long story. Did you know anything about him?—A. Nothing whatever.

Q. The only things you have recorded are certain meetings you had with Allison?—A. That is all.

Q. Did you make any inquiries regarding Allison at all?—A. No, sir.

Q. And the first introduction you had with him at all was through General Hughes?—A. The first introduction in this fuse matter was through General Hughes.

Q. Your first introduction to Allison in any other matter was through him?—A. No, sir, it was not through General Hughes. I have recorded the first time and the only time I met him before.

Q. You can tell me, perhaps.—A. Yes, it was in London, England.

Q. That was casually, was it?—A. Yes, a casual meeting.

Q. That was an introduction by Mr. Ross?—A. An introduction by Captain Sifton.

Q. He was also from Ottawa?—A. I do not know.

Q. Did you have anything to do with Captain Sifton afterwards?—A. No more than he was then busily engaged with the synthetic production of toluol and experimenting on that matter. He asked me if I would introduce him to the Chairman of the Explosives Committee at the War Office, Lord Moulton.

Q. Let me identify him, because his name I think comes up again. Is he a relative of Sir Clifford Sifton?—A. I believe he is the son.

Q. That is the Sifton you met at any rate —A. That is the Sifton.

Q. Can you tell me anything that would throw light upon what led up to this 5,000,000 shell contract?—A. Throw any light, sir?

Q. Yes?—A. All the light is vividly placed in the record.

Q. There is nothing said, at least so my assistant tells me, as to how this contract for 5,000,000 shells, which of course separated meant 5,000,000 fuses that we have been dealing with, nothing shows how that matter was first broached or brought about. Do you know?—A. Oh, yes, we cabled.

Mr. HELLMUTH: You are entirely misinformed. The matter was first brought about, carrying my recollection back, by a telegram from General Hughes—I should not say General Hughes, but from Militia to Troopers, complaining that a large order had been given to the Bethlehem people, and asking whether they could not get a part.

Mr. JOHNSTON: That is your statement. I have no doubt it is correct.

Mr. HELLMUTH: That went in at all events.

Mr. JOHNSTON: I am entitled to ask the witness if there was anything more.

WITNESS: Are you referring to the immediate order for 5,000,000?

Mr. JOHNSTON: No, I am beginning at the beginning. I want to know if there was anything more than what you have given us with regard to the initiation of that 5,000,000 order.—A. I happened to be away in British Columbia at the time when it was originated, and it was concluded before my return.

Q. So that you do not know?—A. I only know from the facts that were there on my return.

Q. On record?—A. On record.

Q. There was a matter I omitted to ask you yesterday, and I will ask it now. In regard to the Russell Motor Company. About September 10th did you ask for tenders for 1,000,000 fuses?—A. About that time I believe we did, around that time.

Q. That you notified certain manufacturers in Canada or in the United States, which?—A. Oh, just a minute, sir, if you will wait until I get my facts.

Q. Yes.—A. We received in September quotations from the Reliance Engineering and Manufacturing Company, Ottawa, for No. 80 time fuses loaded; that was on the 23rd of September; on the 28th of September we received a quotation from the Imperial Steel and Wire Company, Limited, Collingwood; on the 29th of September we received a quotation from the Russell Motor Car Company, Toronto; on October 2nd we received a quotation from the Canada Wire and Cable Company, Toronto; on October 4th we received a quotation from the Williams Manufacturing Company, Montreal; on October 2nd we received a quotation from the America Auto Press Company, New York; on the 7th we received from the same company an amended quotation; on the 21st of October we received from the Reliance Engineering Company in Ottawa an amended quotation; and also an amended quotation from the Imperial Steel and Wire Company, Collingwood, on the 23rd, and so on.

Q. I am not going into these details at all. I merely want to know if you received tenders or offers from certain people in the September movement that you had then on foot for 1,000,000 fuses?

Sir WILLIAM MEREDITH: Mention the year, please.

Mr. JOHNSTON: 1915.

[Mr. David Carnegie.]

Q. Have you got a copy of the letter calling for tenders, or a notice, or anything, any paper?—A. I do not know at this date. I believe they were asked through our fuse department at the time.

Q. Tell me what form that would take according to your best recollection?—A. It would be the form of a letter.

Q. What would you say in the letter? I want to get at what was said to these people?—A. We will be able to produce the letter.

Q. I thought you would have difficulty in producing it. How many people did you notify by letter to put in offers?—A. Let me explain, sir, that a great many people have been to our office and asked verbally for an opportunity—from the time of the commencing of the 5,000,000 fuses that were let in America, we had almost daily people coming in with proposals about fuses, and we recorded the names of people that were asking to be permitted to quote. So that while some of them might not have received a letter asking them to give a quotation, they would voluntarily send in a quotation for the fuses in question.

Q. Let me call your attention to this suggested fact, and you can answer whether it is correct or not. On the 10th of September you asked for tenders on 1,000,000 fuses and did not notify the Russell Motor Company, and only notified five manufacturers. What do you say as to that?—A. Oh, I do not know about that.

Q. Will you deny it?—A. Deny it? I am not going to deny that, of course not.

Q. It is not of course at all, it is a question of fact. Then that the Russell Motor Company did put a tender in, and that these tenders had to be in by September 30th—remember this was on the 10th of September that the notices are said to have been sent out—I am not saying they were, we will show that perhaps—that on the 10th of September they were said to have been sent out, the offer had to be put in by the 30th, and that no notice had been given to the Russell Motor Company?—A. What a surprising thing?

Mr. HELLMUTH: I quite understand that the Russell contract of the earlier date is one that may reasonably be compared as throwing some light upon what was done by the other, but how this question of contracts let in September can have any bearing on this fuse contract I cannot see. I do not know where we will get to if we pursue it.

Sir WILLIAM MEREDITH: I suppose the question is put to show that the Russell Motor Company were treated badly.

Mr. HELLMUTH: What has that got to do with this inquiry?

Sir WILLIAM MEREDITH: I do not know. It hurts Mr. Johnston's feelings perhaps.

Mr. HELLMUTH: A number of other firms might come here and say "We were exceedingly badly treated in September by this Shell Committee." If this Commission were to go into every contract that was let, it would be perfectly proper; but this Commission has to go into these specific contracts. I did bring up the Russell matter, but I brought up the Russell matter where it was absolutely at the same time as this to show whether or not there had been discrimination at that time between the parties. I care not for the purposes of this inquiry whether in September this Shell Committee did a thousand right things or a million wrong things; we are not inquiring into that.

Mr. JOHNSTON: No. I am asking this question for this reason, that at the time the Russell Motor Company failed in their application or in getting the one million or one million and a quarter fuses they were promised more or less at the time—and I am not speaking from this witness alone, as it will be shown that they were promised that they would get that later on—the next lot of a million they did not get, and they did not get a chance to get it.

Sir WILLIAM MEREDITH: What possible bearing has that upon this inquiry?

Mr. JOHNSTON: Well—

Hon. Mr. DUFF: What is your suggestion?

Mr. JOHNSTON: My suggestion is this. In regard to these fuse contracts there should have been the utmost good faith shown towards Canadian manufacturers and others that produced shells, and if there was discrimination that would be a wrong thing.

Hon. Mr. DUFF: You are suggesting that it is not merely discrimination in fact, but discrimination founded on deliberate intention to discriminate against these people?

Mr. JOHNSTON: Certainly.

Hon. Mr. DUFF: You are getting pretty far, you know.

Mr. JOHNSTON: I am getting it closer to the transaction, that at the time when Harris got this small contract which he did get, and at the time when he failed to get his one million or one million and a quarter in May, he was promised—I am reading this as subject to proof in addition to what has been said—he was promised that they would look after him in that respect. I say that that is a proper subject of inquiry, because in connection with these fuse contracts just as much is it a question of propriety on the part of the Shell Committee as to keeping its faith with Canadian manufacturers as is the doing of this work in Canada if the Russell Company promised to do it and could do it. Surely that must be relevant.

Sir WILLIAM MEREDITH: We think, Mr. Johnston, that that is not relevant.

Mr. JOHNSTON: I offer the evidence and will offer it later on.

Sir WILLIAM MEREDITH: It is no use offering it twice. When once we have ruled we have ruled. That ruling will cover any subsequent submission.

Mr. JOHNSTON: Very well. I cannot go any further in that respect.

Sir WILLIAM MEREDITH: Unless we should change our minds and come to a different conclusion.

Now then, who next occupies the field? Have you any questions, Mr. Carvell?

Mr. CARVELL: No.

Sir WILLIAM MEREDITH: Mr. Ewart, have you anything?

Mr. EWART: No.

Mr. NESBITT: Mr. Atwater?

Mr. ATWATER: I do not think I have any questions, Messrs. Commissioners, to put to this witness. I think he has answered everything.

Sir WILLIAM MEREDITH: Is anybody going to ask any further questions?

Mr. NESBITT: Mr. Ewart asked me to wait a moment.

WITNESS: May I get back to work?

Sir WILLIAM MEREDITH: Not yet. I thought you had been at work?—A. No, sir.

By Mr. Nesbitt:

Q. Just one or two matters. I want to see if I have got the proper understanding of them. Colonel Carnegie, you came into the matter about ten days or two weeks after the Shell Committee had been appointed as I understand?—A. Yes, sir.

Q. The records apparently show that prior to that time General Hughes had pressed the War Office for orders for Canada?—A. Yes, sir.

Q. And the result of that pressure was that the War Office gave an experimental order for 200,000 shells?—A. Yes, sir.

Q. Empty shells that is?—A. Empty shells.

Q. That was followed from time to time by other orders as shown by the cables here?—A. Yes, sir.

Q. All the transactions between this country and the War Office so far as orders are concerned you have put in the cables for?—A. Yes, sir.

Q. There is nothing omitted as far as you know?—A. Nothing.

[Mr. David Carnegie.]

Mr. CARVELL: Will you pardon me a moment. Does that answer apply to all orders for munitions of every kind, or only fuses?

Mr. NESBITT: Munitions of every kind.

Mr. HELLMUTH: No, it does not. Pardon me. The correspondence that has been put in between the War Office and the Shell Committee relates solely at the first to the shells leading up to the 5,000,000 order; but for other munitions I thought I had made it clear that I had not attempted to put in any cables. There are many more cables.

Mr. CARVELL: That is what I thought; but the answer of this witness would go to the extent of everything.

WITNESS: I understood Mr. Nesbitt to refer to the contracts in question. All the orders relating to the contracts up to July are included in the contract forms that have been put in.

Mr. HELLMUTH: But not all the cables that led up to them.—A. No. I misunderstood that.

Mr. HELLMUTH: There is no question about that at all.

Mr. NESBITT: They are all included in the three contracts that are put in?—
A. Up to the 1st of July.

Q. Apparently the War Office insisted upon knowing what these shells and other munitions were going to cost before they would give an order?—A. Yes, sir.

Q. In all cases?—A. In all cases.

Q. In other words, they were not taking the risk of manufacture experimentally in Canada?—A. No, sir.

Q. And the Shell Committee apparently consisted as a committee of the four contractors that have been referred to and three or four expert advisers, Ordnance Advisers?—A. Yes, sir.

Q. Colonel Lafferty, General Benson, yourself and General Harston?—A. Colonel Harston.

Q. And so far as these fuse contracts were concerned, am I correct in assuming that in the letting of those you had the advantage of full consultation with General Pease, the expert Ordnance Adviser of the War Office?—A. Yes, sir.

Q. He was present at the closing of the contracts in Ottawa?—A. Yes, sir.

Hon. Mr. DUFF: Would you mind, Mr. Nesbitt, just at that point asking if that applies to the documents which have been referred to as contracts, dated the 21st of May? The letters of the 21st of May?

Mr. HELLMUTH: And the 25th of May. There was one of the 25th.

Hon. Mr. DUFF: Well, those of the 21st and 25th.—A. No, sir, the subsequent contracts.

Q. That is all I wanted to cover, simply the effect of your answer.—A. Yes.

Mr. NESBITT: He was not here at that time, or was he?—A. He was not at Ottawa with us discussing it at that time.

Q. Now, then, a great deal has been said about the Russell-Harris matter, Mr. T. A. Russell and Mr. Lloyd Harris. Mr. Russell was, I believe, a special committee by himself for the Department—or do you know that?—A. I did not know that, sir.

Q. I noticed that Mr. Johnston called out that he was a director of transport or something of that kind.

Mr. JOHNSTON: Oh, no.

Sir WILLIAM MEREDITH: I spoke of that in reference to Mr. Russell's title.

Mr. HELLMUTH: I did not describe Mr. Russell as any official whatever.

Mr. NESBITT: Well, did you know that he had a great deal to do with the Department, were you informed of that, that he had bought all the motor trucks for the Department for the first Division?—A. No, I was not aware that he did that.

Q. You did let a contract for 500,000 fuses to Russell and Harris in July, did you not?—A. Yes, sir.

Q. Those were No. 100, those were not the time fuse?—A. No. 100, not the time fuse.

Q. Can you tell me just generally what was done about their deliveries?—A. Well, they had a great disappointment. They had let a very considerable portion of their contract to a company in the States, I think something like 200,000 of the main parts of the fuse, I think I am right in saying that, about 200,000 parts.

Q. I thought the object of the letting of this contract was to get the experiment begun of manufacturing fuses in Canada?—A. Well, that was the resolution, sir, at the meeting of the 17th July, and that was one reason why at that time, with our mature knowledge of the prices in the States, given to us through General Pease, we granted to them an order for 250,000 at \$4, and another of 250,000 at \$3, making an average price of \$3.50. But I do not recollect at the present moment what led up to the change of front in getting the fuses from the States. I am not in a position to say just what happened, but I do know that they ultimately had to cancel the order that was placed with the American Steam Gauge Company, I believe, of Boston, and they only had certain parts, they had not the whole 200,000 from them, only a small portion.

Q. The question I wanted to get at was this, that even afterwards when you said there was not the urgency and you were desirous of experimenting in Canada, did Russell and Harris, in carrying out that experiment of manufacturing in Canada, sublet the more important parts in the United States?—A. Well, I believe they asked us whether they could sublet parts of them.

Q. My question is, did they?—A. Oh, they did.

Q. So that your judgment apparently that fuses could not be manufactured in Canada, which was apparently the judgment of the War Office in their cable to you even at a much later date, when they say that there are only three firms manufacturing time fuses in England and doubting the ability of any person in Canada to do it—your judgment was verified months afterwards through Russell and Harris?—A. Those were simpler fuses, and I had no doubt in my mind that they could be made in Canada.

Q. But they apparently sublet them at once.

Mr. JOHNSTON: He does not say that.

WITNESS: They did.

Mr. NESBITT: They did?—A. Yes.

Hon. Mr. DUFF: Mr. Nesbitt, you put the question in this way, you asked if they had let the more important parts. Did you mean to say Yes to that?—A. Yes, sir.

Q. Or do you mean they had sublet the sets of parts, 200,000 sets of parts?—A. The cap, body, and the adapter, the main bulk of the fuse.

Mr. NESBITT: Those were unloaded fuses, were they?—A. The contract was let to them for loaded fuses, but subsequently it was amended to unloaded fuses as in the case of the American Company.

Q. Just another matter which was glanced at yesterday in regard to the manufacture of empty shells in Canada, you said it was the custom of the committee certainly at one stage or a later stage to supply the brass at all events, in order to keep the manufacturers from getting into competition with each other and running the market up amongst themselves?—A. Yes, sir.

Q. When did that practice begin?—A. It would be early in the year 1915, perhaps in March or April, or about that time.

Q. By that action of the Shell Committee did you make large purchases?—A. Very large purchases indeed, and very large profits were saved by doing so.

Mr. HELLMUTH: I do not like to interrupt Mr. Nesbitt, but it seems to me that this is going a little further than he ought to go, unless he will point out to what it leads. As to what purchases they made of brass, except in dealing with the cartridge

[Mr. David Carnegie.]

cases in regard to the Edwards Valve Company, we should not go into such a matter at all.

Mr. NESBITT: I thought they were contractors of the War Office, and as such sub-contracted.

Sir WILLIAM MEREDITH: All that has come out in Mr. Hellmuth's general examination, that they had made large purchases, and the witness gave us the prices. All I think we want to know about that has been given already; it has all been covered except one thing, as to the volume.

Mr. NESBITT: Yes, sir; and the date was not covered.

Mr. HELLMUTH: The date may not have been covered.

Mr. NESBITT: You said that more or less General Hughes kept in touch with what the committee were doing. Can you tell us (if I may so express it), what was the burden of the song of General Hughes from start to finish in regard to your actions as a committee?—A. It was a most inspiring song, sir.

Q. That may be, but what was the subject matter?—A. I could not really tell you. It was frequently—

Q. What was his attitude about manufacturing in Canada or manufacturing in the States, can you tell me?—A. There is no question at all about that. Why, he started the commission to go to British Columbia to inquire into the refining of copper and zinc, with the one object of getting copper bands produced in Canada instead of buying the stuff from the States. He also impressed upon us the necessity of making all our steel in Canada instead of making purchases from the States as had been done by the Dominion Arsenal up to the time of shell making.

Q. Is there anything else, now?—A. I don't think there is, sir.

Q. As to the manufacture of fuses, what effort if any did he make to get that done in Canada?—A. Well, I think he was knocking at me and knocking at General Bertram right from the beginning; when he heard that the Bethlehem people had got a big order in the States for complete shells including fuses, he not only inspired but he somewhat worried me by his insistence upon getting them made in Canada, hence the story that I had to tell and hope to tell in years to come, when I get a rest, of the whole thing and what led up to it.

Q. When you say "The whole thing," what do you mean by that?—A. I mean by that that I cannot really define anything in particular. I honestly state here that the inspiration to get everything made in Canada, if there was one inspiring force at all it was General Hughes behind the committee, and I have gone down to that office fagged out absolutely, like a wet rag, and have left there after midnight inspired to go back to the work with fresh zeal to work for Canada, because General Hughes inspired us—and I think General Bertram will verify every word I say.

Q. Is this a correct statement in reference to the fuse contract, that when you began to make inquiries about your ability to get fuses, I think you said the prices quoted to you were about \$6.—A. The price quoted for the small amount of 20,000 I think was named in the neighborhood of \$6 or \$7. I think that is on record.

Q. But for the 5,000,000 fuses.—A. The 5,000,000 price was \$5 and something, and the lowest figure named was \$4.90.

Q. That was the lowest figure, \$4.90?—A. The lowest named was \$4.90.

Q. Was it at that point that General Hughes said to go to Colonel Allison and see if he could introduce you to people to break that price?—A. I think that was the time.

Q. Was anything said as to manufacturing in Canada, at that time?—A. I believe if I am right General Hughes met Mr. Russell and Lloyd Harris in New York either on the 1st of May or the 30th of April, and told them to get into the business, urged them to get into the business, and it was through his efforts that they came to us, on the 6th of May I think it was.

Q. It was he that brought them into it?—A. Yes, sir.

Q. Brought it to their attention?—A. Yes, sir.

Q. Starting at the point that the lowest you could get the fuses down to was \$4.90, what was the result of Colonel Allison's efforts in bringing you into touch with Messrs. Yoakum, Bassick, Cadwell et al?—A. We got the surprisingly low figure, to my mind, of \$4.25 as a minimum. We had no other competitors. We got the other company into line. That was the result.

Q. Would it be fair to say this, that the result of that competition was a reduction of from \$4.90 to \$4.50 ultimately?—A. I am quite safe in saying that that was a very probable and likely thing.

Q. Was there much pressure, or great pressure at the time from the War Office for delivery to them at the earliest possible moment of every loaded shell you could send them?—A. There was very great pressure indeed, sir.

Q. You have described it here?—A. Yes, sir, and our cables will show it, if you care to look through there. We have many of them—there was great pressure.

Q. A shortage of shells at the front?—A. A shortage of shells at the front, and very great pressure.

Q. At the beginning, and until you got this 5,000,000 order, were you or were you not in uncertainty as to how far you would be able to get further orders from the War Office?—A. Well, sir, when I was at the War Office at the beginning of 1915, they told me definitely that the one thing was the completed article, and of course I knew that myself. They wanted the completed article, and they had only three sources of supply of fuses; they were getting them made in other countries, with the object of getting a help out. I cannot go into these matters, but the question was this: we wanted shells for Canada; I knew we had not factories that could produce the fuses with the skill they had. But we wanted the shells, the manufacturers were calling out for shells, and in order to fill the factories we were prepared to take an order for shells, place the shells in the factories, even though we had to go of necessity to the States to get fuses.

Q. In other words, every time fuse placed in the States meant a shell for Canada?—A. That is so, sir.

Q. For every \$5.00 for a time fuse in the States, it meant \$18.00 in Canada?—A. It meant \$13.00 in Canada; say \$4, as to \$13.

Q. Which otherwise must have gone to the States, as the \$2,000,000 order had gone to the Bethlehem Steel Company, which General Hughes had complained so about?—A. That is so.

Hon. Mr. DUFF: I would like to ask Mr. Carnegie at this point, if there is no objection to disclosing it, if there is do not hesitate to say so. With reference to the number 100 graze fuses manufactured by the American Ammunition Co. under the order from the Shell Committee, were those completed on this continent or were the shells shipped with the empty fuses, that is to say, with fuses, but without the detonators?—A. Yes sir.

Q. The detonators had to be added on the other side?—A. They had to be added on the other side, sir.

Mr. JOHNSTON: That is, on the English side?—A. Yes sir.

Mr. NESBITT: Even at the present time?—A. Even at the present time, sir.

Q. Did you find in the early stages of the Shell Committee a very great disinclination on the part of our manufacturers to undertake the business at all—many of them?—A. Yes, sir. Before my introduction to the work there was a disinclination because of the risks.

Mr. HELLMUTH: We do not need to know what happened before Colonel Carnegie came here.

Mr. NESBITT: All right.

Hon. Mr. DUFF: The American Gauge Company, whom you referred to as the sub-contractors of the Russell Motor Car Co. I suppose that was the same com-
[Mr. David Carnegie.]

pany as the company referred to in Mr. Brooks' report as having a sub-contract for the American Ammunition Co.?—A. Yes, sir.

Q. And they were also to make the fuses for the War Office direct?—A. Right.

Q. Were they the only company making that fuse in the States?—A. No, sir.

Mr. NESBITT: Something was said about Sir Courtenay Bennett, about not to do anything in regard to the letting of the time fuses until he saw you?—A. Yes, sir.

Q. Was the sole object of his saying that he could bring you into connection with Ryan and Dowler and those people, that he thought they would give you a lower price?—A. I understood that that was his sole object.

Q. Then you came to analyse their price, and it was higher in the first place than you subsequently got?—A. Than we subsequently got.

Q. Consequently you had no confidence in their ability to fill it?—A. Not quite that. They introduced us (General Bertram and myself) to a Mr. Ohmer, who had commenced to make Russian fuses.

Sir WILLIAM MEREDITH: We have that already. They could not do it.

Mr. HELLMUTH: They could not get away from the contract they had on hand.

Mr. NESBITT: Q. I only wanted to close it up, if that is correct?—A. That is right, sir.

Mr. NESBITT: I think that is all, Mr. Carnegie.

Sir WILLIAM MEREDITH: Do not be too rapid. Any other questions by anybody.

Mr. NESBITT: I want to put a general question, Mr. Carnegie. In the Order in Council, there is referred to this commission the question whether—"It is alleged that Mr. J. Wesley Allison had a very large interest in those profits or commissions," and it is suggested that through his influence, the Minister of Militia and the Shell Committee were induced to make the contracts in question. What do you say as to that?—A. As to what, sir?

Q. As to whether you were influenced to make those two contracts in question, either through the influence of the Minister or the influence of J. Wesley Allison?—A. I was not influenced in any way by the Minister or J. Wesley Allison to make those contracts—in any way.

Q. Am I right in gathering from your evidence that so far as J. Wesley Allison was concerned the sole part you know of his claim was his introducing you to Yoakum and Bassick?—A. Absolutely and only.

Q. He took no part in the discussion?—A. He took no part in the discussion whatever, sir.

Q. As to price, or as to whether the contract should be given, or any other particular?—A. That is right.

Q. And the negotiations, if I understand you, were conducted by Cadwell, Bassick and Yoakum?—A. That is right, sir.

Q. And those negotiations ended in a reduction of 40 cents at least in the very best price you had been able to get up to that date from anybody?—A. Yes, sir. Further, that our negotiations up to the 21st or 25th of May were for time fuses only, not for No. 100 fuses, and that Colonel Allison had no knowledge of a No. 100 fuse being made or being inquired for.

Q. As far as you know, did he know anything about their entering into the contract?—A. As far as I know, no, sir.

Q. Had you any discussion with him?—A. None whatever.

Q. Was there any substitution discussed in your conversations with him?—A. The substitution for the No. 100?

Q. Yes.—A. No, sir.

Mr. HELLMUTH: I am asked to ask you one question, Mr. Carnegie.

Q. Did anyone accompany you on the trip you made to British Columbia?—
A. Yes, sir.

Q. Who?—A. I was in company with Dr. Wilson, of the Mines Branch, and Dr. Stansfield, the three of us forming a commission to investigate the refining of copper and zinc.

Q. Did any one else accompany you?—A. My man, Mr. O'Neil.

Q. But outside of that?—A. None, sir.

Q. Did any of the parties, the promoters of these fuse contracts or introducers of them?—A. No, none whatever. I never knew anything about this fuse business until my return on the 26th.

Cross-examined by Mr. Atwater:

Q. You stated, Mr. Carnegie, with regard to deliveries made by the International Arms and Fuse Co., and gave a statement I think brought down to the 21st of April; can you tell me what their deliveries have been since that date?—A. Yes, sir. We had that yesterday or the day before. I think it was 158,000 or in that region.

Q. In addition to the statement you gave?—A. No, not in addition, that is the total.

Q. I am instructed that the International Arms and Fuse Co. have increased their production within the last 30 days from a daily output of 3,800 fuses to 16,780, up to last Saturday; can you say whether or not that is correct?—A. I cannot say, but it is a most encouraging word. I wish it had been three months ago.

Q. But you don't know?—A. I don't know, but I have no doubt about it, because their wire says that they had got up to 16,000. That is a splendid production.

Q. Would you consider that a good output?—A. I would consider that a good output; but 20,000 is the mark, and you tell them that, sir.

Q. But that is a considerable increase, is it not?—A. It is a considerable increase, very fine, very encouraging.

Hon. Mr. DUFF: I asked for the production of any further communications in writing some days ago, but I have not heard a word about it, between the 21st of May and the 19th of June.—A. I don't think we have found any, sir, but if there are any they will be found.

Mr. HELLMUTH: When Colonel Carnegie goes about his work I am going to suggest that he should not go such a distance away that we cannot get him back here again.

WITNESS: You will get me until midnight at the office, unless I am out of town.

Mr. HELLMUTH: But I do not want you at midnight. I understand you want to get back to your work.—A. I do, sir.

Mr. HELLMUTH: I mean, Messrs. Commissioners, that there is no necessity for his remaining in this room, but he can go to his work, where he can be got at any time; he should not go away from the city without letting us know.

WITNESS: No, sir, I will not.

Mr. HELLMUTH: I will call Mr. O'Neill now.

THOMAS W. O'NEILL, SWORN.

By Mr. Hellmuth:

Q. Mr. O'Neill, in regard to these two exhibits Nos. 245 and 246, are those the two you brought me last night to the Victoria Chambers?—A. Yes, sir.

Q. Where did you obtain those; where did you—I may say dig them out from?—A. I found them in the Imperial Munitions Board File Cabinet.

Q. Where from, what cabinet?—A. I found them in the old cabinet which contained the papers which had been transferred from the Shell Committee.

Q. What did you mean by telling me about the shipping file?—A. They were found in the shipping records.

Q. You were Colonel Carnegie's secretary?—A. Yes, sir.

[Mr. David Carnegie.]

Q. In the old Shell Committee?—A. Yes, sir.

Q. Had you seen these before yesterday?—A. Not to my recollection.

Q. That was where you found them at any rate?—A. That is where I found them.

Q. Why would they be in what is called the shipping file?—A. That I cannot say. I do not know.

Q. Would that be an ordinary place for them?—A. It would not.

Sir WILLIAM MEREDITH: Not the proper place.

Mr. HELLMUTH: Not the proper place, sir.

Q. Can you tell me now what time the move of the Shell Committee's domicile from Montreal to Ottawa took place?—A. I believe the general offices moved up on the 19th, but as far as I can remember General Bertram, Colonel Carnegie and I moved up on the 19th or 20th, I believe it was the morning of the 20th.

Q. But it was just at that date the move took place?—A. Yes, sir.

Q. These other letters that you have found and which have been put in from time to time were found, you tell me, on the ordinary file?—A. On the ordinary file.

Q. Is it not the fact that the files are there indexed according to names?—A. According to names, not the subjects.

Q. So that it is almost impossible to find a matter by the subject, but you want to know the name of the person from whom it came?—A. It is impossible to get them by subject, but now we can.

Q. If you want to get any letter from anybody you must have the name?—A. Yes, we must have the name, to find it.

Q. I believe there are many of them?—A. Yes, sir, thousands of them.

Q. I believe you gave me a larger number than that. There are a couple of rooms of them?—A. No, sir; several cabinets holding letters.

Q. The letters of the old Shell Committee?—A. Yes, sir. Several cabinets.

Brigadier-General Sir ALEXANDER BERTRAM, SWORN.

By Mr. Hellmuth:

Q. General Bertram, you were appointed in September of 1914, as a member of the Shell Committee; is that right?—A. I was.

Q. When, so far as your recollection goes, did you first hear of your proposed appointment, your appointment to the Shell Committee?—A. On the 2nd of September.

Q. Of 1914?—A. Of 1914.

Q. What was it, or whom did you hear of it from?—A. I received a notice from Lt.-Col. Lafferty, of the Dominion Arsenal, to attend a meeting of manufacturers to be held in the Militia Department, Ottawa, at the call of General Hughes.

Q. That was the first?—A. Yes.

Q. When was that meeting held?—A. It was held on the afternoon of the 2nd of September, between the hours of 12 and 4 o'clock.

Q. It was held in the afternoon of that day, at any rate?—A. Yes, sir.

Q. Who were present at that meeting, General Bertram; have you any memorandum?—A. I haven't the memorandum, but there were present—

Q. I see there were a very large number of these manufacturers, and I do not know that it is necessary really for you to give them?—A. They have been submitted. There were a number, and I have them here. There was A. R. Goldie, of Goldie & McCulloch Co., Galt; Mr. Hamilton, of the Canada and Machinery Corporation, Galt; Mr. G. W. Watt, Canadian General Electric Co., Toronto; Mr. H. Haight, Canadian Ingersoll Rand Co., Sherbrooke; Mr. Sangster, Canadian Ingersoll Rand Co., Sherbrooke; Mr. Winslow, Canadian Ingersoll Rand Co., Sherbrooke; Mr. E. Carnegie, Electric Steel & Metals Co., Welland; Lt.-Col. Lafferty, Dominion Arsenal, Quebec; Col. A. Bertram, John Bertram & Sons Co., Ltd., Dundas; Col. T. Benson, Master General of Ordnance, Ottawa; Lt.-Col. C. Greville Harston, C.I., of Arms & Ammunition, Quebec.

Q. I have the Minute Book of the Shell Committee here, and there was an organization meeting held September 2, 1914, as you say.

“A meeting of manufacturers was called by Col. Hon. Sam Hughes, Minister of Militia, at his office in Ottawa, September 2, 1914.”

The following gentlemen were present—those whom you have named. I am going to ask you to follow this:

“Colonel Hughes explained to those present that the British Government had asked for information regarding the position of Canadian manufacturers in regard to supplying them with 18-pr. shrapnel shells. On receipt of this inquiry he had communicated with gentlemen whom he thought would be interested in the manufacture of shells and would be glad to have advice from those present as to whether in their opinion this work could be done in Canadian shops in the time specified by the British Government.

“Lt.-Col. Lafferty explained in detail the process of manufacture, inspection, etc., at the Dominion Arsenal, also advising that drawings, samples and other data would be supplied by him.

“The delegation adjourned for consultation and after going into the question in detail it was decided that the shells could be manufactured in Canada.

“Moved by Mr. Winslow, seconded by Mr. Hamilton, that Colonel Bertram act as Chairman with full power to act between the manufacturers and the Minister of Militia through Col. Benson with the idea of working out and formulating some plan of organization for carrying on the work. Carried.

“Col. Bertram accepted and the meeting was adjourned.”

Does that at that date correctly outline the view that you and so far as you knew the others present took of their position?—A. Yes.

Q. That is you were not at that time contractors or thinking of being contractors, you were going to act?—A. Well.

Q. You see, I just want to show you what it says: “Moved by Mr. Winslow, seconded by Mr. Hamilton, that Colonel Bertram act as Chairman with full power to act between the manufacturers and the Minister of Militia through Col. Benson with the idea of working out and formulating some plan of organization for carrying on the work.”—A. Yes.

Q. So that you had not at that time considered any plans?—A. No plan at all.

Q. And you will not, I will not say that you were not thinking you were not contractors, you were not thinking anything about what your position was going to be at all?—A. No.

Q. I mean you had not formulated any position at that time, is not that clear?—A. Yes, that is right.

Q. The next thing I can find is on September 5th, there is an entry in this book, and of course when I find this here I want to know whether in your recollection, General, these entries correspond with what exactly was the fact; you understand, do you, I am not concerned now with anything else, but whether these represent the actual facts at the time?—A. May I read a letter that I wrote General Hughes the next morning?

Q. Oh yes I have not got it; I will be very glad to have it?—A. Very well.

Q. Have you got the letter there?—A. Yes, sir.

Q. Will you let me have it?

Mr. STEWART: I think you have a copy of it.

[Sir Alexander Bertram.]

Mr. HELLMUTH: You hand me this letter, and I read it. This is a letter you wrote on September 3, 1914:

"Hon. Colonel Sam Hughes,
" Minister of Militia,
" Ottawa, Ont.

"DEAR SIR,—

"I beg leave to report that the manufacturers who were present at the meeting yesterday have appointed me Chairman of the Committee. They thought it would facilitate matters a great deal if some person would act for them in conjunction with the Militia Department, and therefore be able to carry on this work in a satisfactory manner.

"A number of questions came up, such as,—

"Ordering material.

"Where it could be secured.

"Shortest date of delivery.

"Cost to the Government.

"They are going to look to me for this information, and I have volunteered to devote my whole time to this work, keep in touch with the heads of your Department, and report to you through Colonel Benson on the progress of the work.

"I am, therefore, to-day ordering material as suggested by yourself, so as to enable them to proceed with the various operations.

"Trusting this will meet with your approval, I remain,

"Yours very truly."

(Marked Exhibit 249.)

Q. That is a copy of your letter to General Hughes?—A. Yes. I did that for a purpose; when the meeting closed I reported with Mr. George W. Watts, to General Hughes in his office, and reported that I had been appointed chairman by the committee of manufacturers to carry on the work. He said "All right, go ahead; I depend on you carrying on the work." To confirm that, knowing he was a busy man I wrote him that letter the next morning.

Q. Let me call your attention to something in that letter. You say that "I am, therefore, to-day ordering material as suggested by yourself, so as to enable them to proceed with the various operations"?—A. That is, right.

Q. There are two matters there; first of all you got a suggestion as to ordering material from General Hughes?—A. Yes.

Q. What was that?—A. It was only just that he looked to me to go on with the work.

Q. His suggestion was to go ahead and get material?—A. That is right.

Q. What material, steel or what?—A. There was steel.

Q. Did you order material?—A. No, I did not, I had then gone into the question of where we could purchase our material; the letter gives a little more than I had really done.

Q. You had not actually ordered it?—A. No. I was working on the selection of the material where it should be got.

Q. Who were you doing that with?—A. My son.

Q. And you were considering the ordering of steel and other material?—A. Yes, sir.

Q. At that time were you making yourself responsible to the parties from whom you proposed to order it?—A. Yes, sir.

Q. Personally?—A. Yes, personally responsible.

Q. You proposed to make yourself personally responsible for this.

Sir WILLIAM MEREDITH: Does that mean the witness or the body whom he represented?

Mr. HELLMUTH: Did you mean yourself personally or anybody at all?—A. No, personally, myself.

Hon. Mr. DUFF: Perhaps you would ask him if in doing that he was acting as the representative of the manufacturers who were present at that meeting?—A. Yes, sir.

Mr. HELLMUTH: But you had not them bound in any way?—A. No, there were no definite plans at all, but I took on myself the responsibility of commencing the transactions.

Q. How soon after that did you give any orders, can you tell me, for material?—A. I cannot tell offhand at all.

Q. You and your son, however, at that time were making inquiries in regard to the material that you could get for these shells, this steel?—A. Yes, sir.

Q. And who were you contemplating or were you contemplating anybody at that time, as the manufacturers of the steel you were going to get?—A. On the 2nd September I had met the agent of the Crucible Steel Co. here in Ottawa, who had been furnishing the Dominion Arsenal with a special steel for the manufacture of 18-pr. shells. (An interruption.) I just lost the thread of the point.

Q. I asked you if you had made any arrangements for where the steel that you got would be manufactured into shells?—A. Yes, I am getting the story now. I had in my mind that the Nova Scotia Steel Co. were the only steel manufacturers in Canada who produced fluid compressed steel. I had been in their plant a few months before at North Sydney and saw the work being produced. When this agent put forth the argument that it was specially treated steel I had in mind the work that the Nova Scotia Steel Co. were doing. I, therefore, on my arrival in Montreal on the night of the 2nd got into communication with the agent of the Nova Scotia Steel Co. asking him to proceed to Quebec, to secure samples of the steel and see if he could produce steel of 45 to 55 carbon.

Q. As a matter of fact you see you had on the 2nd September really commenced the ordering so far as that is concerned?—A. Well, securing the information.

Q. There was nothing further as far as I can find in the way of correspondence or entry until September 5th and on September 5th you apparently received a wire, it is entered in this Minute Book on page 3:

On September 5, 1914, the chairman received the following wire from Col. Hughes:—

“Kindly met me with your Committee in Quebec at the Dominion Arsenal, Tuesday afternoon next. Wire me Valcartier Camp to remind me.”

And then this entry is in the book:

“No Committee had been appointed up to this time.”

—A. No, there had not; I was only the chairman of the manufacturers meeting.

Q. I see it is not called a committee up to that time. Then the next entry here is:

“Valcartier Camp, Monday Sept. 7th, 1914.

“Pursuant to the order of Col. the Honourable Sam Hughes”—that is evidently this telegram—“Col. A. Bertram, Montreal, Thos. Cantley, New Glasgow, N.S., George W. Watts, Toronto, met the Minister who stated that the Secretary of State for War had advised the Canadian Government that the War Office were desirous of having shrapnel shells made in Canada, that the Government had decided to intrust the matter to a Committee of Manufacturers and had so advised the War Office and had submitted the names of the gentlemen named above, which suggestion and the personnel of the Com-

[Sir Alexander Bertram.]

mittee had been approved by the War Office. That the Committee would be enlarged by the addition of three military officers."

Then this note:

"The Minister confirmed same by a memo, initialled by him for action."

Sir WILLIAM MEREDITH: That is Exhibit 9.

Mr. HELLMUTH: Does that correctly state so far as your recollection goes what did take place then?—A. Yes.

Q. Then on September 7th?—A. That was in the evening.

Q. September 7, 1914. "Minutes of meeting held at Chateau Frontenac, Quebec, September 7th, 1914, at 9 p.m."—you have been organized by a memorandum for action as a committee?—A. Yes, sir.

Q. And you called yourselves a committee then.

"Present: Colonel A. Bertram, Chairman.

Mr. Geo. W. Watts, Secretary.

Mr. Thos. Cantley."

—A. There was another there, Lieut.-Col. Lafferty.

Q. You have not got him down here?—A. No, but he should have been down.

Q. Do you remember his being present?—A. Yes, he reports here you will notice in the minutes.

Q. "Your committee took into consideration the following resolutions which were carried.

"Disposal—2,000 blanks.

Colonel Lafferty reported he could ship approximately "2,000 blanks by the end of the week."

Then I do not know whether this is material or not, is there any objection to this being read?—A. No.

Q. Then I will read it: "We recommend those to be distributed as follows:

John Bertram & Sons Co., Ltd.	500
Goldie & McCulloch Co.	500
Canada Foundry Co.	500
Canadian Rand Drill Co.	500"

—A. I might state there that those were the only people who had consented to take on this work up to this date.

Q. Those four?—A. Yes.

Q. John Bertram & Sons Limited are where?—A. Dundas, Ont.

Q. And we might as well know what is your connection with that?—A. I was president of the Dundas organization called John Bertram & Sons Co., Limited.

Q. And at this time to what extent were you personally interested in them?—A. I was to the extent of one share in the company, but there is an explanation, that there seems to be a misapprehension about my connection with the company, and it might as well be told here, because I have been—I won't speak of it—

Q. Make the explanation—A. We sold our business to an American concern ten years previous to this date called the Niles Beament Pon Co., and my interest went with that company of which the John Bertram & Sons company are the Canadian branch of that concern.

Q. Were you interested in the Niles Beament?—A. Certainly was.

Q. The Niles Beament were then practically the owners of the John Bertram & Sons Co. in Dundas?—A. Certainly.

Q. And you were a large stockholder in the Niles Beament?—A. I was.

Q. What were the Goldie & McCulloch Co.?—A. The Goldie & McCulloch Co. were engine builders in Galt. There is another thing I want to mention; this thing

[Sir Alexander Bertram.]

has been written up in the papers so much, I want to explain now, and this is my opportunity, that I had no connection with any other company in the Dominion or any place else. Now, I have been associated with a number of companies, and it has had to be denied, and I want to state it now.

Sir WILLIAM MEREDITH: I do not think he means associated; but his name has been associated?—A. My name has been associated with a number of companies with which I have had no connection.

Mr. HELLMUTH: You had no connection with the Goldie & McCulloch Co.?—A. No.

Q. You do not know about Mr. Watts?—A. I know George W. Watts, yes.

Q. You do not know whether he has any connection with Goldie & McCulloch?—A. No.

Q. He is connected with the Canada Foundry Co.?—A. Yes.

Q. As an official of the Canadian General Electric?—A. No, the Canadian Allis Chalmers Co. now.

Q. Col. Watts is an official of the Canadian General Electric?—A. The combination of the Canadian General Electric and the Canadian Allis Chalmers Co.

Q. I have no doubt he is also an official of the Canadian Allis Chalmers?—A. I suppose so.

Q. But he is an official of the Canadian General Electric, as I happen to know?—A. Yes.

Q. And is he also an official of the Canada Foundry Co.?—A. Yes.

Q. The Canadian Rand Drill Co.?—A. Of Sherbrooke.

Q. Are any of these three gentlemen—you say you are not—Mr. Watts or Mr. Cantley connected with them?—A. No, not connected.

Q. However, those four were the four it was then to be distributed amongst?—A. Yes, the 2,000 blanks.

Sir WILLIAM MEREDITH: What does blank mean?—A. Blank is the blank forging that makes the shell—is the forging.

Q. The forging of what?—A. Of the 18-pr. shell.

Hon. Mr. DUFF: It is the steel cylinder is it not?—A. Yes.

Mr. HELLMUTH: Does that mean these companies did the forging?—A. No, the machining and assembling.

Q. Then you got the steel supply:

“Steel supply.—Resolved that a supply of steel of the kind and quality now in the Arsenal be kept in stock sufficient for one full month’s work (or say 100 tons). This stock to be independent of and in addition to any supply of steel of Canadian manufacturers ordered or delivered.

“Inspection.—Whereas a vital point in the manufacture of shells is thorough inspection; therefore, we strongly recommend that the whole matter of inspection of shells be under the direct supervision of Major G. Ogilvie, R.A., a War Office appointee, and that he report direct to Col. Benson, M.G.O., Ottawa, on all matters relating to the inspection of ammunition.

“Approved.

“GEO. W. WATTS,

“*Secretary.*

“ALEX. BERTRAM,

“*Chairman.*

That meeting was held on the evening of the 7th at the Chateau Frontenac, Col. Lafferty being present in addition, as appears by the Minute?—A. Yes.

Q. What was the next thing that was done?—A. I might state that on the 3rd when I wrote General Hughes I submitted a list of manufacturers that we were getting into communication with for the purpose of doing this work. In submitting this list we were communicating with them for the purpose of taking up the machining and assembling of the complete shell and the manufacturing of the component parts.

[Sir Alexander Bertram.]

Q. General Bertram, I do not think that it is necessary, nor indeed proper, that we should go into all the different manufacturers, it is a very long list; you were good enough to let me have a copy of it, and I saw it, and besides I think it would take an infinity of time. You did then submit a list of a number of names, to whom—did you say to the General?—A. To General Hughes. That accompanied that letter on the 5th.

Q. I do not think we want those names Messrs. Commissioners; I am really only following this up, if I may so put it, to show the nebulous character of this committee, and how they really did not know themselves exactly their position. I do not propose to go into these shell contracts. Well now, General Bertram, after that meeting you saw from that time on, I see here, the cablegrams that came and went, that passed between the War Office and "Militia" here?—A. Yes, sir.

Q. Those were brought to you. I am not going through them all again. Then there are Minutes here which I think might really be put in in full practically because it is dealing with this organization or something of that kind. Will you listen to this, General Bertram, and see whether this is what took place and I am not going into the appointment of Mr. Carnegie or any of these matters:—

"Minutes of a meeting of the Committee held in Montreal, September 17th, 1914.

"Present: Col. A. Bertram, Chairman.

"Thomas Cantley.

"Geo. W. Watts.

"E. Carnegie.

"Lt.-Col. F. D. Lafferty.

"Office and staff.

"Motion Mr. Watts, Seconded by Mr. Carnegie:

"Resolved that the Chairman be authorized to immediately secure suitable office accommodation with the requisite fittings, furniture and supplies. Also to engage the necessary staff for the proper accounting and carrying on of the business of the Committee. (Carried.)

"Sergeant Harris.

"Moved by Colonel Lafferty, Seconded by Mr. Watts:

"Resolved that the Master General of Ordnance be requested to place the services of Sergeant Harris, R.C.A. (Director of Artillery's Office) at the disposal of the Shell Committee. (Carried.)

"Price—18-pr. Shell.

"Moved by Thomas Cantley, Seconded by Colonel Lafferty:

"Resolved that while the sum of \$8.55 was wired Colonel T. Benson, Ottawa, as the price at which 200,000 18-pr. shells would be supplied to the War Office, the total price to be paid to contractors should not exceed in all \$8.44 for complete shell. The difference of 11 cents per shell is to be set aside for an administration fund. (Carried.)

"The Committee adjourned to meet at Quebec, September 18th, 1914."

Now that is the entire entry of that particular minute.

Hon. Mr. DUFF: What does he mean by that? It is a shrapnel shell he is speaking of?

Mr. HELLMUTH: Yes.

Hon. Mr. DUFF: You did not mean the complete shell of course?

WITNESS: No. Empty.

Mr. HELLMUTH: No cartridge cases?—A. No.

Q. No fuses?—A. No.

Hon. Mr. DUFF: and no bursting charge?—A. No.

Mr. HELLMUTH: Just the empty shell. I want to get your mind at this time if I can. Apparently the Committee propose to provide a fund to carry on the work of the Committee?—A. Yes.

Q. And you propose to provide that fund in this way? The only contract, or whatever you like to call it, in contemplation at that time was this 18-pr. shell contract?—A. That is right.

Q. Then this was the position. You were proposing apparently to contract, not with the War Office, not with any authority at all, but you were proposing to contract with parties here?—A. With the contractors.

Q. With contractors here for shells at the price that the War Office had fixed, but you were only going to give the price the War Office had fixed less 11 cents, because you wanted to have that for administration?—A. That is it.

Q. Is that right?—A. That is right.

Q. You were treating yourselves at that stage at all events as a Committee acting for and on behalf of some military authority whether here or in England and not as contractors. Is that right?—A. That is right.

Q. At that stage, and not only from independent contractors but as a Committee you proposed to buy shells or some parts of them at least from members of that very Committee. I mean the whole committee would buy from I won't say members of that Committee but from companies in which members of that Committee were interested?—A. That is right.

Q. One question more. What if anything would be the position if you bought shells at \$8.44 or at a less figure if you could buy them from an outside contractor, Committee. I mean the whole Committee would buy from I won't say members of that Committee was interested in. What price would the company have to pay or to get?—A. They would pay just the same price.

Q. Now just generally, was there a variation in the price in favour of the members of the Committee?—A. Not at all. Probably it would be well to explain.

Q. I do not want to go into the whole thing generally; my friend, Mr. Johnston, can cross-examine in regard to anything; I want to just see whether you were treating yourselves—first of all you were treating yourselves, the Committee, as a body of trustees?—A. That is right.

Q. There is no question about that at that stage?—A. That is right.

Q. You were treating yourselves as a body of trustees, but some of the trustees if I may put it so, were interested in companies which could supply the shells. Is that right?—A. That is right.

Q. And those companies could get orders or might take orders but they had to take them at the same price as outsiders?—A. The same price.

Q. Is that right?—A. That is right. And I might state that until Colonel Carnegie was placed on the Committee I myself fixed the price after finding the costs of the material and such like to produce the shells. I fixed the price myself. None of the Committee knew the prices and what contracts were going to be given until they were mailed to the office.

Q. You were the—?—A. I was the Executive and the only one that knew the prices of material, and I did that for a purpose. For the purpose of working that surplus which you see now.

Q. We will come to that at a later time. However, it never entered your minds and I may put it as strongly as that—if I am wrong correct me—it never entered your mind at that stage that you could as members of that Committee, as four partners or as individuals get a price from the War Office, re-let it at a lower price and put the difference in your pockets?—A. I did not intend to put it in my pocket.

Q. No, I say you did not conceive that that was your position at that stage?—A. No, no.

[Sir Alexander Bertram.]

Hon. Mr. DUFF: Is it a fair summary of what has occurred down to this stage that what happened was that from the Canadian manufacturers who were considered to be immediately available for the purpose of doing this work, these gentlemen were selected and to them were added three military members, who were to act as a committee on behalf of the public.

Mr. HELLMUTH: I think that is putting it very clearly.

WITNESS: I felt like this: it was a position of trust and I wanted to make the best of it.

Q. The general body of Canadian manufacturers had been summoned, a certain proportion attended, and out of those you were nominated?—A. Yes, and I was responsible that that work was conducted properly.

Q. And according to that memorandum, to practically act on behalf of the general body?—A. That is right.

Hon. Mr. DUFF: The general public.

Mr. HELLMUTH: The general public, but also to act for the Canadian manufacturers generally and find out what they could do?—A. Yes.

At 1 p.m., Commission adjourned to 2.30 p.m.

AFTERNOON SESSION

WEDNESDAY, the 3rd day of May, 1916.

Mr. HELLMUTH (continuing his examination of General Bertram):

Q. Now, General Bertram, I find in the Minute Book of the Shell Committee a copy of authorization dated the 19th of September, 1914, and this is from General Hughes and it is as follows:—

The Shell Committee appointed by Colonel the Honourable Sir Sam Hughes, September 7th, 1914, consisting of:

Colonel Alexander Bertram, Thomas Cantley, Geo. W. Watts, Colonel Benson, Colonel Harston, Colonel Lafferty, and E. Carnegie.

And of whom Colonel Bertram is Chairman, are hereby authorized to proceed with the manufacture of 100,000 mark III 18-pr., and 100,000 15-pr., shrapnel shells empty, to conform with War Office drawings and specifications.

The Committee to purchase the material (in Canada if available) make and execute contracts with manufacturers for machine work assembling, etc.

The shells made by the Committee to be inspected by or under direct supervision of Major G. Ogilvie, R.A., or such other inspector as the War Office may designate—in short to do all and anything necessary in the premises.

A credit of two million dollars should be available on which cheques may be drawn as authorized by the Committee, who will report to Colonel T. Benson.

The Committee will tender a true and accurate account to the Honourable the Minister of Militia and Defence of all expenditures made.

Approved.

SAM HUGHES, Colonel,
Minister of Militia and Defence.

Now do you remember getting that authorization —A. Yes, sir.

Q. I would like you to find a letter from Colonel Benson, Master General of Ordnance, to yourself. Have you got a copy of that there —A. A cable

Q. No I don't think it is a cable. It may have been but I have this and I will read it:—

From the Master General of Ordnance, Canadian Militia,

To Colonel A. Bertram, 723 Drummond Building, Montreal.

Sir,—I have the honour to inform you that the War Office has cabled that they accept the conditions for the manufacture of 18-pr. and 15-pr. shrapnel shells. That is, 100,000 of each, delivery at Montreal, 18-pr., 20,000 by first November and 30,000 monthly thereafter. 15-pr., 20,000 by first December and 30,000 monthly thereafter. Subject to the general inspection in Canada as agreed upon.

The War Office trust the delivery will be made punctually.

A formal agreement should be drawn up by the Committee and signed by the Honourable the Minister and companies tendering as soon as possible.

I have the honour to be, sir,

Your obedient servant,

T. BENSON, Colonel,
Master General of Ordnance.

[Sir Alexander Bertram.]

Q. Do you remember receiving that? That is a letter and it has no date on it. Have you got the original?

Hon. Mr. DUFF: Colonel Benson at that time was here in Ottawa, was he not?—
A. This letter was sent from Ottawa to me in Montreal.

Mr. HELLMUTH: It is Ottawa, September 21st. Now at that time, General Bertram, the cable which I have put in previously must have passed between "Troopers" and "Militia."—A. Right.

Hon. Mr. DUFF: We have the cablegram of 18th September.

Mr. HELLMUTH: Oh yes.

Hon. Mr. DUFF: And that is what you are referring to?

Mr. HELLMUTH: Yes.

Sir WILLIAM MEREDITH: The letter has nothing about prices but the cable mentioned prices.

Mr. HELLMUTH: Yes, the cable did mention prices.

Q. And you knew of the prices at that time?—A. Yes, sir.

Q. Then I am going to put in a letter of September 15th from you to the Minister of Militia. That is the one that encloses the list of manufacturers. I do not think that letter went in. I will read it now and you can say if this is right.

(Exhibit 250.)

"SEPTEMBER 15, 1914.

"Hon. Col. Sam Hughes,

"Minister of Militia, Ottawa, Ont.

"Dear Colonel:

"In reply to your wire message—Will you kindly proceed with the manufacture of shells as per the arrangement,—as yet I have not received confirmation of that order—I beg leave to report that the committee is proceeding with the work on the 18-pounder shells.

"We have ordered material for this work to start operation, and might state that we are having this work distributed amongst all the factories in the west and several factories here in Montreal, the names of which I am enclosing.

"I would also like to state that we are going on with the understanding that all material will be ordered by this committee, and if any persons should make requests for you to order the material, kindly refer them to my office. At the same time we are collecting information regarding prices and can assure you we will use our utmost efforts to secure the lowest prices in the market. After we have secured this information we will name a price on the shells finished.

"Trusting you will clearly understand that in ordering this material we are doing so on the supposition that no orders will be issued by the Department which will conflict with our mode of procedure, I remain, yours very truly,

"ALEX. BERTRAM, *Chairman.*"

Q. Have you a copy of that?—A. Yes, sir.

Q. Because if you have I will put it in, or I can get one here. I want to ask you a bit about that if I may. You say that you are collecting information regarding prices and using your utmost efforts. "After we have secured this information we will

name a price on the shells finished." I gather from that and from other matters that appear, that the Shell Committee of which you are Chairman fixed a price which you would give for the shells and that that price for that particular empty shell was the same for everybody and there was no tendering at competitive prices. Is that right?—A. That is right.

Q. The policy of the Shell Committee was, we will fix what we think after gathering information is a reasonable price for these shells and we will adopt that method as in our judgment better than—I do not say it was—the method of the calling for tenders?—A. Yes, sir, that is right.

Q. So that after that price was fixed if any manufacturer wanted to manufacture shells he was obliged to take it at the figure you have named?—A. That is right.

Q. And he got no more nor no less?—A. That is right.

Q. Every one had the same price?—A. The same. That was done so as not to put the manufacturers in competition with each other and in all probability prices would go up if they all appeared on the market at the same time.

Q. I understand that whatever the reason may have been, in your judgment at all events and in the judgment of the Committee, whether you were ultimately right or wrong in it, you thought that you would secure a better price by doing that than by going into competition?—A. Yes.

Sir WILLIAM MEREDITH: I understood the witness to say he fixed these prices.

Mr. HELLMUTH: Did you fix them yourself or did the Committee?—A. I did myself.

Q. Then the Commissioner is quite right. You fixed that?—A. Yes.

Q. Now I have a copy of that which I will put in as Exhibit 250.

Mr. GRANT: 250 was the letter from General Benson.

Sir WILLIAM MEREDITH: 250 is the letter you have just read of the 15th of September.

Mr. HELLMUTH: Yes, I did not put the other in.

Q. Now did you not about that time, the 18th or 19th of September, go to Valcartier with Colonel Cantley?—A. Yes.

Q. And whom did you see there?—A. General Hughes and Sir Robert Borden.

Q. And was that in regard to this shell contract or these contracts, or I won't call it contracts, these supplies?—A. Yes, sir, it was.

Q. Then what was the discussion or conversation there in regard to them as best you can recollect it?—A. We gave a price of \$8.55 and \$8.30 on those shells. I think the next day an American came in and told us that one million shells had been allotted by the Morgan Company to a manufacturer in the United States at \$10. We became alarmed at our price, thinking we had taken it on too low and took the train for Quebec, drove out in the evening to Valcartier, met General Hughes and Sir Robert Borden for the purpose of securing an assurance from them that if we had taken this on at too low a price that we would have some security from some source whereby we as a Committee would not suffer any loss.

Q. And did you discuss that with them?—A. Yes.

Q. And there was nothing as far as I can find at all in writing between you?—A. No, but we were told not to worry, to go ahead.

Q. Is that the substance of that conversation, not to worry but to go ahead?—A. That is right. As short as I can put it.

Q. I have already put in as an exhibit a cablegram of September 19th, stating that they had accepted the prices offered for the 100,000 each 15-pr. and 18-pr. and to proceed. Then when did you learn about the contract that you were to enter into or that you did enter into with the other four manufacturers of October? You appar-

[Sir Alexander Bertram.]

ently knew from what you have told me when you went down and saw Sir Robert Borden and General Hughes that you were undertaking something, the Committee was at all events?—A. Yes, sir.

Q. But you had not at any time entered into any formal contract?—A. No, sir.

Q. When did you first hear of the formal contract; can you tell me that?—A. You mean an order or a contract?

Q. I mean a contract. The contract that you four made with General Hughes as representing the Secretary for War, the first of October I think.—A. I think it was some time in October. General Benson had either written or wired.

Q. Wait until I see if I can find that. Have you got it there?—A. No.

Q. Can you give me the date?—A. That a formal contract should be drawn up?

Hon. Mr. DUFF: We had that.—A. Yes you have that some place.

Q. It is Colonel Benson's letter of 18th September?—A. That is right.

Q. I do not think you made that an exhibit but it was read. The last sentence is that there should be a contract between the Minister of Militia and the companies tendering.

Mr. GRANT: The 21st of September, that is. Not the 18th.

Hon. Mr. DUFF: Then I have the wrong date. The cable was the 18th.

Mr. HELLMUTH: Then General Bertram, who was it that prepared the contract?—A. The draft.

Q. What do they call him, the Judge Advocate General?—A. Colonel Henry Smith. He came to Montreal and discussed the formal contract.

Q. He submitted the formal contract. Then do you remember whether it was executed at all about that time or whether it was later?—A. It was later.

Q. That is although it bore date the first it was executed later. And do you know whether anybody revised it or went over it after the Judge Advocate General Smith had drafted it, did you take any part in considering it?—A. Oh, yes.

Q. But you did not take I suppose any legal part?—A. Oh, no.

Q. Did you at that time understand and appreciate the fact that so far as the Secretary of State for War was concerned, you had entered into a contract with his representative for the delivery of these articles?—A. Yes, sir.

Q. You did appreciate that?—A. I did.

Q. Well, then, had that any and if so what bearing on your mind in regard to possible profits we will say, by getting the work done at any lower price, that is did it change the intention that you have said you had before of not making profits out of being able to get this from sub-contractors at lower prices?—A. Well to tell you the truth we didn't take time to consider it very much. We were busy hustling other things. I did not worry over it very much anyway.

Q. Well, then, General, after that when did you first learn or appreciate the fact that there was going to be some difference, considerable or otherwise, between the War Office prices and the prices at which you had let these contracts to sub-contractors. When was the earliest that you appreciated that?—A. Oh, it would be probably a week or ten days after. On the first order you mean?

Q. Yes?—A. Yes.

Q. A week or ten days after you appreciated the fact that there was going to be a profit?—A. Yes, sir. I began to collect prices of the component parts and estimated a surplus in the first place to carry on the business of inspection and the clerical work in connection with the Committee.

Q. Well now was that probably discussed with other members of the Committee at first?—A. No, sir.

Q. Did you discuss it with any one at that time?—A. No, sir, I did not.

Q. When did you first, if at all, discuss that with any one and with whom?—A. With General Hughes.

Q. And about when was that?—A. Oh, probably November or December.

Q. That is in November or December of 1914?—A. Yes, sir.

Q. And perhaps you will tell me what the discussion was?—A. I came up to Ottawa on some business in connection with the work and showed General Hughes a statement of the profits on the component parts of the shell, which amounted to a considerable sum.

Q. Could you give me any idea of the sum?—A. I have the original. I think on the first 200,000 shells we estimated a surplus of \$52,000.

Q. It was quite a sum at all events. Will you continue then? When you told him that, what next?—A. Well I found that our expenses in running the Shell Committee were a great deal less than I expected, and wondered what we were going to do with the surplus. I think I suggested that if we had a surplus we would turn it over to the Patriotic Fund. General Hughes said: "No. Give it back to the War Office."

Q. So that at that time, let me understand it, you were prepared to turn the surplus over to the Patriotic Fund. That is you were not suggesting keeping it?—A. Oh, no.

Q. That had not entered your mind then?—A. No, we were doing it as a patriotic job.

Q. And General Hughes said, "Turn it over to the War Office?"—A. Yes, sir.

Q. Now that is in December or November?—A. I couldn't tell. It was some time about November or December. You know at that time we had no idea of getting any future orders.

Q. Then to follow this out for the moment, you did get a number of future orders as you know?—A. Yes.

Q. And was it borne in on your mind when you got these future orders that there were going to be future surpluses?—A. Yes.

Q. What did you do in regard to that, did you communicate that to anybody?—A. No.

Q. Until when? When did you next if at all speak of a possible surplus and to whom? Carry along from the time you spoke to General Hughes in November or December, whom next did you discuss that with, that there might be a surplus?—A. I would rather not give that for publication, unless the Commission desire it.

Q. You did discuss it did you?—A. Yes, I was asked to report to a high authority on the progress of our work, which I did.

Q. And about what date was that?—A. Some time in May or June. It was after we arrived in Ottawa.

Sir WILLIAM MEREDITH: When he speaks of high authority perhaps he would not object to say, does he mean Canadian or Imperial?

Mr. HELLMUTH: My learned friend Mr. Johnston tells me that he is quite satisfied.

Q. And in May or June you say it was?—A. I think some time about the first week in June.

Q. May I ask whether then the amount was still about \$52,000 or whether it had grown into millions?—A. No, it had gone up to \$14,800,000.

Q. So that at that time you had a surplus in sight of did you say \$14,800,000?—A. On orders of \$152,000,000. I think you have the original statement.

Q. No, I have not that but I have a much later statement. Then what is the next occasion on which this question of surplus was to be dealt with?

Mr. NESBITT: Would you get what was said to that authority if anything?

Mr. HELLMUTH: Thank you.

Q. Was there any discussion with that high authority with regard to surplus?—A. Yes, sir.

[Sir Alexander Bertram.]

Q. And as I understand you said you then stated that you were going to turn that back?—A. And told him that my ambition was that we should turn out a creditable job for Canada.

Q. And turn that back to the War Office?—A. Turn it back to the War Office.

Q. Then between that and the final retirement or resignation of the Shell Committee on the 29th of November, 1915, were there any further interviews or letters or anything of that kind in regard to this surplus?—A. Nothing, only when Mr. D. A. Thomas arrived I reported the facts to him.

Q. And did you tell him about the surplus?—A. Yes.

Q. And that you proposed to return it to the War Office?—A. Yes.

Q. You told Mr. D. A. Thomas that?—A. Yes.

Q. And that would be about July or August, 1915, would it not?—A. Yes, after he had inspected our mode of conducting the work in the office and our accounts.

Q. Then on November 19th, this has already been referred to in evidence, it appeared that at that meeting it was resolved, the 29th of November, that all the rights and powers now vested in the Committee, together with all the moneys at the credit of the Committee be transferred to and vested in the British Government or anybody appointed by that Government provided that the Committee is at the same time relieved from all further liability and the British Government undertakes to carry out all the Committee's obligations.

Resolved further that the present officers of the Committee be authorized to sign the necessary cheques and documents if any to complete the transfer.

Q. Was that done?—A. Yes, sir.

Sir WILLIAM MEREDITH: To whom was the money transferred?

Mr. HELLMUTH: Who was the money transferred to?—A. The Imperial Munitions Board.

(NOTE.—The questions which follow down to page 352 were put by counsel with reference to a document purporting to be "Statement of Orders showing estimated total cost, together with surplus which is based on prices allowed by the War Office from the inception of the Shell Committee to the time of the reorganization." The statements in this document were held by the Commissioners not to be proved, and it was not admitted in evidence.)

Q. Now I have here a statement which I spoke to my friend about in regard to these various contracts, the War Office prices and the actual cost. I do not think that it is in the public interest that all these various names—of course I have no objection to my friend Mr. Johnston seeing it—but I don't think it should be spread upon the Minutes, Messrs. Commissioners, because it simply means this that where they show these profits it may be that the manufacturers and others might think they should get better prices.

Mr. JOHNSTON: I do not see how that would affect the manufacturers. I do not care about the names. I am not troubled about the names.

Mr. HELLMUTH: I will put this in then.

Sir WILLIAM MEREDITH: Has that got the names in?

Mr. HELLMUTH: No, there are no names on this. I think what I saw first had names. It is a statement of orders showing estimated total cost together with surplus which is based on prices allowed by the War Office from the inception of the Shell Committee to the time of the reorganization.

Now the first column shows the article. I am not going through them all. I will take 15-pr. shrapnel empty lot 1, 100,000: Lot 23, 200,000.

The second column shows material ordered.

The next column shows the balance to fill at present prices.

The next column shows the total cost.

The next column shows the War Office price and then two columns one showing the surplus and the other the deficit?—A. Yes, sir.

Q. The deficits are four in number totalling \$593,046.39. And the surpluses, a great many in number total \$42,690,630.96.

Making after deducting the deficit and the overhead charges, the inspection, the gauges, to November 30th, 1915, when they went out of office, a total surplus of \$41,360,184.26.

Now I see, General Bertram, that the material actually ordered amounted in all to \$269,470,000. I am not giving the odd hundreds.

And that the balance to fill at present prices, that is material yet to be got at the time this was handed over, amounted to \$33,654,000. I am leaving out again the odd hundreds.

Now, when you went out of office you had not got all the material that was required to complete these orders?—A. No, sir.

Q. And you had not got it by according to your estimate this \$33,654,000. That is right, isn't it?—A. Yes.

Q. And that was an estimate, it must necessarily have been?—A. Yes, it was an estimate.

Q. So that accordingly as that would vary—please follow me closely here—for instance if this material had cost an additional we will say ten per cent, three million, that would have reduced your surplus by three million?—A. Certainly.

Q. But if the estimate was out the other way and these materials could be got ten per cent cheaper, it would increase your surplus by the three million, is that right?—A. Yes, that is right, and that is what has taken place to-day.

Q. It has taken place to-day, variations in that?—A. Yes.

Q. The total that was yet required was 33 million, so that the variation in the surplus could only be based on the variation in that estimate of 33 million.—A. That is right.

Q. Now I am not going, because I don't think it is germane to this inquiry, to go into the profits on some of these articles. But let us take the 18-pr. fixed with fuse.—A. That is the 1,666,000 odd.

Q. Now the material ordered was the total cost in that case?—A. Yes.

Q. \$27,182,796.32, and all the material was ordered, there is nothing yet to be ordered in regard to that?—A. That is right.

Q. This applying to the 30th November in regard to all the material. The War Office price for that was \$29,999,988, and on that item you show a surplus of \$2,817,191.68?—A. Right.

Q. Well, now, what is the next item, \$1,200,000?—A. That is high explosives. The 1,666,000 high explosives.

Q. 18-pr. high explosives?

Sir WILLIAM MEREDITH: There are two sums of that.

Mr. HELLMUTH: I am talking of 18-pr. fixed with fuse.

Hon. Mr. DUFF: It may be 18-pr. shrapnel or high explosives.

Mr. HELLMUTH: We come to 18-pr. high explosive later on. I am speaking of a specific item. It is under the same heading. I take that to be 18-pr. fixed with fuse, 1,200,000.

Hon. Mr. DUFF: You take that to be shrapnel do you?—A. No, that is high explosives. It is under the column of H.E. Fixed. That is another order.

[Sir Alexander Bertram.]

Mr. HELLMUTH: Then that has nothing to do with the five million order, has it?
—A. No.

Q. Then I won't take it.

Mr. STEWART: Mr. Hellmuth, the three items that come into the five million order you can identify at a glance, because they are each 1,666,000.

Mr. HELLMUTH: Then that item does not come into the five million fuse contract?
—A. No.

Q. So we will leave it. As I say I am only taking the ones that come under that. Now we come to 18-pr. H.E., and while there are several items mentioned there, the only one with which we are concerned in this inquiry is Lot 16, which is 1,666,666.

Hon. Mr. DUFF: That is Lot 9 you are speaking of.

Mr. HELLMUTH: No, I am speaking of Lot 16, 18-pr. H.E.

Mr. JOHNSTON: That is one-third of the five million fuses.

Mr. HELLMUTH: I dealt with one-third and this is another. Now the material ordered there was \$26,375,094.95, and there is an estimate of a balance to fill at present prices of \$404,498.90. That is as of the 30th November?—A. Yes.

Hon. Mr. DUFF: I suppose that would be 18-pr. H.E. complete with fuse would it?—A. Yes, sir.

Q. That is to say in so far as that fuse was completed?—A. Yes.

Q. Because curiously enough in the other one it is spoken of as fixed with fuse but in this fuse is omitted?—A. Well it should have had that there. All those five million shells were with fuses.

Mr. HELLMUTH: Well then I see that the total cost of that, that is the total cost adding 404 odd thousand is \$26,779,593.85, while the price that the War Office was giving for that was \$27,499,989 showing a surplus or profit on that transaction of \$720,395.15. Is that right?—A. Yes.

Q. Now there is only one other item in regard to these fuses?—A. Four point five.

Q. Four point five howitzer lot 15. That seems to be the largest profit altogether. That was the same in quantity, 1,666,666. The material actually ordered at the time of the 30th of November was \$30,722,418.92.

And the balance is comparatively small compared with that amount, yet to be ordered, the estimate of the balance \$734,591.

The total cost of that lot \$31,457,009.92.

Whereas the War Office price, and I want to speak to you about this, is \$41,666,650.

Showing a surplus on that order of \$10,209,640.08. It occurred to me there must have been something—

Mr. CARVELL: Wrong.

Mr. HELLMUTH: It occurred to me there must be some mistake in regard to those figures. In getting that, General Bertram, it seemed to me that there must be some error, I am not at all imputing anything except miscalculation, but I think there must be some miscalculation. The other figures appear natural but in regard to that, that you should have had a War Office price of 41 millions and that you should have been able to supply it at 31 million seems to me to require some explanation.

Sir WILLIAM MEREDITH: If you look a little further up you will see, cost 14 million, at War Office prices 19 million. And a little further up, cost fourteen million seven hundred odd, War Office, twenty-one million.

Mr. HELLMUTH: Yes but there is nothing Mr. Commissioner, quite as big as that.

Sir WILLIAM MEREDITH: Yes.

Hon. Mr. DUFF: There is War Office prices 28½ million.

Sir WILLIAM MEREDITH: The one marked 33 H.E. fixed, the profit is larger ratably than this.

Mr. HELLMUTH: Yes, but I would not have thought the War Office price, that is what is bothering me, for those high explosives——

Mr. CARVELL: It is \$16.50 you will find on page 40.

Hon. Mr. DUFF: It is at page 50, \$16.50.

Mr. HELLMUTH: I will tell you frankly, looking at the figures I thought there was on that rather a deficit than a surplus.

Sir WILLIAM MEREDITH: Then where did they get the money to hand over to the Munitions Board? They say they handed over the forty odd million.

Mr. HELLMUTH: No, they transferred what they had got.

Sir WILLIAM MEREDITH: It is said they handed over money.

Mr. HELLMUTH: They transferred what was in the bank. I do not understand that there was any 41 million in the bank at that moment.

Mr. EWART: It was in the business.

Mr. MARKEY: The British Government gave them funds from time to time. We do not know what balance stood at their credit.

Hon. Mr. DUFF: Cannot you ask this. I see the War Office price for the howitzer is \$41,666,000. Now it is a simple matter of calculation. It is $1\frac{2}{3}$ times $17\frac{1}{2}$ multiplied by a million. That is a very simple thing. It is just about thirty million and that seems to be the exact figure given there as being the cost.

WITNESS: I have not seen these figures myself for some time.

Mr. HELLMUTH: Who prepared this statement, General Bertram?—A. The officer in charge of the statistics.

Q. Who is that?—A. Mr. Hirschel.

Hon. Mr. DUFF: But there would be an allowance on that I suppose necessarily of $27\frac{1}{2}$ cents. There must have been an allowance on that $17\frac{1}{2}$, which would not make much difference, of $27\frac{1}{2}$ cents because of the absence of the detonator.

Mr. HELLMUTH: What I thought was, every other item as far as I could roughly check them, I mean of these different items that I have referred to, those three, the War Office price appeared quite accurate.

Hon. Mr. DUFF: Yes, but is the War Office price being calculated there at these prices?

Mr. GRANT: It should be \$29,166,000.

Hon. Mr. DUFF: Does not the mistake arise in this way; is the War Office price not being calculated by or with reference to the cost of the components? For example with reference to the cost of fuses instead of with reference to this.

Mr. HELLMUTH: No, the War Office price is calculated, I am telling you what I have been informed, in this way.

Hon. Mr. DUFF: I understood that was the theory.

Mr. HELLMUTH: The War Office price is calculated on the figure that for a specific article the War Office has fixed. Of course if the War Office had increased that figure they would take then the War Office price.

Hon. Mr. DUFF: Has that been examined carefully? Was there any change in that howitzer price in consequence of these fuse contracts or in consequence of any other contracts with regard to the component parts?

Mr. HELLMUTH: No, I cannot find any evidence that there was any change in that regard at all. But I do not want to in any way mislead. It struck me, General Bertram, and I may be all wrong, that your 41 million would just have to come down ten million, to 31.

Mr. MARKEY: No, that is only one item.

Hon. Mr. DUFF: I think it is about 30.

[Sir Alexander Bertram.]

Mr. HELLMUTH: I am only speaking in regard to the three items I am going into now. There may be others of course. I am only speaking of the three specific items of shells and howitzer shells.

Hon. Mr. DUFF: Has anybody calculated the first column there or at least calculated the price, the War Office price with reference to the first column?

Mr. CARVELL: That comes from the Shell Committee not the War Office.

Hon. Mr. DUFF: According to the column it does but has any one calculated the figure to see whether it does not correspond with the price of \$16.50 or \$17.50.

Sir WILLIAM MEREDITH: You are taking up a lot of time with this. Would it not be the better plan to get the gentleman who prepared this to tell us what he did, and then if you want to ask General Bertram any questions you can ask him afterwards.

Mr. HELLMUTH: The only thing was, my friend Mr. Johnston asked me if I would have this statement as soon as possible and I was anxious to do it, and I thought it my duty to point out what I thought was apparent on the face of the document, that there had been a mis-calculation in regard to one at least of these items, but I cannot prove this by General Bertram because he did not prepare it.

Sir WILLIAM MEREDITH: How far away is this Mr. Hirsch?—A. I can get him in ten minutes.

Hon. Mr. DUFF: He had better have time to think.

Mr. HELLMUTH: I was going to suggest that one copy be sent to Mr. Hirsch and let him go over it and see.

Sir WILLIAM MEREDITH: The language of that is misleading. "Material". In view of what General Bertram has said. He spoke of buying the raw material. It may be confused with that. I suppose the material means there the component parts that they get from the different people. I do not see where the column is for the large quantity of powder and so on that they bought.

Mr. HELLMUTH: That comes in with material ordered.

Sir WILLIAM MEREDITH: That is a misleading expression, "Material ordered."

Hon. Mr. DUFF: Was that material simply supplied to the manufacturer at prices?—A. At prices. We purchased the material.

Sir WILLIAM MEREDITH: It is not material supplied. It is really articles purchased.

Mr. HELLMUTH: Yes, sir. Take for instance the first item. It simply means an entire article cost \$797,000, and that was its total cost. Then the War Office has allowed that amount.

Sir WILLIAM MEREDITH: I think he had better change that word.

Hon. Mr. DUFF: Was this a statement made up at the time

Mr. HELLMUTH: Do you know whether this was made up at the time?—A. Previous to the Shell Committee giving up.

Q. Yes, that is what I understood. It is dated the 30th of November, 1915, so it must have been made up about that time. However, I will call Mr. Hirsch.—A. This was submitted I think to the War Office.

Q. Is it Mr. Hirsch?

Mr. NESBITT: Hirschel.

Mr. HELLMUTH: Then what I want him particularly to do is to take those three items which make up that five million and get that as accurately as he can.

Mr. GRANT: The first two are exactly right with the War Office prices.

Sir WILLIAM MEREDITH: There is no use wasting time with this discussion about figures. You can get it all explained.

Mr. HELLMUTH: Shall I put that in?

Sir WILLIAM MEREDITH: I would not put it in just yet. Although it does not make any difference.

Mr. GRANT: There will be difficulty in referring to the testimony if it is not put in.

(NOTE.—The document was not admitted in evidence.)

Q. Now, General Bertram, I am going to take you away from that subject for a minute, if I may, as we are going to leave that question until we can speak as to these figures?—A. All right, sir.

Q. I want to take you now to the time when you had obtained an order from the War Office for five million rounds of fixed ammunition; you will remember the circumstances in connection with that—the documents have gone in. You had by Exhibit No. 45, at page 49, received this cablegram:—

“Can Shell Committee divide five million rounds complete ammunition as follows:

“One-third 4.5 inch Lyddite howitzer;

“One-third shrapnel 18-Pr.

“One-third high explosive 18-Pr.

“and what price 4.5?

“Presume propellant included? Is it cordite or nitro-cellulose?

“Fuse for shrapnel must be twenty-two seconds, but for H.E. graze fuse.

“Where will fuses be obtained? We are apprehensive of interfering with existing orders in the United States.”

You had for the third of them apparently, according to that cablegram, a graze fuse, the other being a time fuse?—A. Yes, sir.

Q. At page 51, on the 30th April, as Exhibit No. 49 you had this:—

“Minister of Militia,

“Ottawa.

“4317 Cipher A.-2. Your 313 cipher and our letter of April 5th. Can you now quote for No. 80 fuse for high explosive shells?”

That was a cable from “Troopers.”

So that although the first cable had said in regard to graze fuses, now it was suggested they should be time fuses, No. 80?—A. Yes, sir.

Q. Do you remember that?—A. Yes, sir.

Q. Do you remember those circumstances?—A. Yes, sir.

Hon. Mr. DUFF: Just at that point, Mr. Hellmuth, I don't know whether General Bertram is the right person to go into it or not, but is it to be assumed that that is the meaning of that cablegram; is it to be assumed that that cablegram suggests that the fuse for the howitzer, for example, was to be an 80 fuse? I know the cablegram you are reading of the 30th April. “Can you now quote for No. 80 fuse for high explosive shells?” The first suggestion of that is in the cable of the 25th of March, apparently.

Mr. HELLMUTH: That may be, but they had apparently definitely by the first one I put in named the exact three classes of shells they wanted, and they had said that the fuse for shrapnel must be 22 seconds, but for the high explosive graze fuse.

Hon. Mr. DUFF: Quite so.

Mr. HELLMUTH: And now they are talking about No. 80 fuse for high explosives.

Sir WILLIAM MEREDITH: There is no question about it being a substitution for the first one.

Mr. HELLMUTH: That is what I am coming to now, sir.

Q. Tell me what your understanding was, if you will, General Bertram, whether it was this way or that way, that you understood then that that inquiry had anything to [Sir Alexander Bertram.]

do with the high explosive shells which the previous cablegram had spoken about for the graze fuse, or whether you thought there was any change in regard to it?—A. I do not recollect very much about it, only that I knew that our order called for fuses for five million shells, the details of which I left to Colonel Carnegie.

Q. So that you did not follow that up?—A. No, sir. I never looked into it.

Q. Then I cannot get any light from you on that.

Hon. Mr. DUFF: We did not get any explanation of it from Colonel Carnegie.

Mr. CARVELL: Colonel Carnegie said he was not present when that answer was sent, sir.

Mr. HELLMUTH: Following that cable, there is a cable on page No. 59, which is Exhibit No. 56:—

“Will you please quote for fuse 100 for 18-pr. high explosive shells”?

Hon. Mr. DUFF: May I suggest this; are you proposing to get any explanation from General Bertram on this?

Mr. HELLMUTH: I cannot now, because he simply does not know. I may have to get some further information about it.

Hon. Mr. DUFF: Because there is an earlier cable there that cannot be neglected if the cables are to be considered—from that point of view.

Mr. HELLMUTH: I wanted some explanation, to satisfy myself about that, if possible, and Colonel Carnegie may have to be recalled in regard to it, sir.

Q. However, General Bertram, what you say is this, that you knew fuses were required, and the particular character, whether time or graze, you were leaving that with Colonel Carnegie; is that right?—A. That is right, sir. He was responsible.

Sir WILLIAM MEREDITH: That would make no difference; he would interpret the cable, whether he was there or not.

Hon. Mr. DUFF: It is not a question of sending the cable or receiving the cable; it is a question of their conduct. There must have been some misapprehension. I cannot help thinking that there must have been some other communication.

Mr. HELLMUTH: I had not got what was to my mind a satisfactory explanation of what they understood at that time, and I may have to recall Colonel Carnegie about that.

Q. Now, General Bertram, at all events, after these cables had come in about fuses, you knew fuses were required—you knew that?—A. Yes, sir.

Q. What did you first do, or what was the first that you took any part in, in order to secure those fuses; do you remember that; who did you first see in regard to the matter?—A. About fuses?

Q. Yes?—A. We had been discussing fuses from November of the year previous, with customers, when they came in. We had a sample shell and fuse on the table, and all manufacturers came in there, and were asked to look over them.

Q. Did you do the talking with them or did you leave that to Colonel Carnegie?—A. When it came to the subject of describing the fuse, Colonel Carnegie did that. I was looking out for prospective customers.

Q. That is, prospective suppliers of fuses?—A. Prospective suppliers of fuses.

Q. Did you see, for instance, Colonel Nicholls, did you see him at all about fuses, and did you have any discussion with him?—A. I think I had. In fact I brought the attention of Colonel Carnegie to the fact that the factory at Peterborough was suitable for the manufacture of fuses.

Q. Passing from that, do you remember Dr. Harris some time before any contracts were made being present at the Shell Committee's offices?—A. Oh, yes.

Q. He was, was he not?—A. He was the first to seriously take up the proposition of the subject of submitting a proposition on fuses.

Q. You know when you started negotiations or discussions with Dr. Harris—do you know when that was?—A. Very early in the year.

Q. Would it be as early as February, do you think?—A. I imagine so, yes, sir.

Q. We need not get the exact date. Then Dr. Harris was more or less constantly coming backwards and forwards in relation to that, was he not?—A. Yes, sir.

Q. Were you ascertaining at all at that time about what his price was likely to be?—A. No, sir.

Q. You left the negotiations in regard to finding what that would be before it came to you to Colonel Carnegie; is that right?—A. Yes, sir.

Q. When did you first see or hear anything, or did you hear anything about Colonel Allison in connection with fuses, or putting you in touch with anything of that kind?—A. Dr. Harris and his people had interviewed us at Montreal several times in connection with fuses. At that time they were the only people to seriously take up the matter, although we had been in constant communication with people as they came in, with regard to the manufacture of fuses. We were anxious to make the complete shell, and I think as far as I can recollect it was after we moved to Ottawa that the subject under discussion had got to a serious point of whether we should give Dr. Harris an order for 5,000,000 fuses or not.

Q. I think you are getting too far on. Didn't you go down to New York with Colonel Carnegie?—A. This was previous to that.

Q. You have forgotten my question. Didn't you see Colonel Allison in New York?—A. Yes.

Mr. HENDERSON: He has not reached that.

WITNESS: I just want to lead you up to that time.

Mr. HELLMUTH: You did not change your office, according to the evidence, from Montreal to Ottawa, until the 20th or 21st of May?—A. No, sir.

Q. Before you changed your office, hadn't you been down to New York, and hadn't you seen Allison?—A. Yes, sir.

Q. Then I am right?—A. Yes, you are right.

Q. You had therefore seen Colonel Allison before you had closed or before you had changed your offices?—A. Yes, sir.

Q. What I want to know is, please (and we will get back to that—throw your mind back to it) how did you come to see Colonel Allison, I will put it?—A. I met Colonel Allison, I am very certain, for the first time on the 14th of May in New York.

Q. How was it you came to see him, who put you in touch with Colonel Allison in any way?—A. General Hughes, through Colonel Carnegie.

Q. General Hughes through Colonel Carnegie?—A. Yes, sir.

Q. Had you any direct conversation with General Hughes in regard to Allison, or did it come to you from Colonel Carnegie?—A. I have forgotten really. I know the sum and substance of what took place was that General Hughes said, "Your prices are too high, I can get you lower prices."

Q. You had reported to General Hughes the prices?—A. Yes sir.

Q. That Dr. Harris was asking?—A. Yes sir.

Q. It was somewhere about \$4.90, if I remember right?—A. Originally it was \$5.10.

Q. But was reduced to \$4.90?—A. Yes.

Q. And you cannot tell me from recollection whether General Hughes himself or Colonel Carnegie told you that General Hughes had said to see Allison; is that it?—A. That was it.

Q. The sum and substance of it?—A. The sum and substance of it.

Q. To see if you could get some one who would break the price?—A. Yes, sir.

Q. Is that right?—A. Yes, sir.

Hon. Mr. DUFF: Mr. Hellmuth, the offer of Dr. Harris, the President of the Manufacturing and Contracting Company of Canada, Limited, is dated the 19th of March, and is on page 67.

Mr. HELLMUTH: The point is this: had Dr. Harris, up to that time—

[Sir Alexander Bertram.]

Hon. Mr. DUFF: That is the offer he speaks of, of \$4.90.

Mr. HELLMUTH: Yes sir.

Q. Had Dr. Harris up to that time, the 19th of March, 1915, come down in his price, or did it still stand at \$4.90 at that time?—A. Yes, sir.

Q. You say yes, that it stood at \$4.90?—A. At \$4.90.

Hon. Mr. DUFF: It was two months after that that you met Allison for the first time?—A. Yes, sir.

Hon. Mr. DUFF: You seemed to intimate that it was right away.

Mr. HELLMUTH: Had you ever met Colonel Allison before that, General Bertram?—A. No, sir. I had never heard of the man.

Q. On page 53 of the evidence there is a draft contract dated the 1st of May, or there had been a draft contract, and that draft contract had put in a price of \$4.50 to include the fuse complete with cover, etc. What I am asking you is, had you at that time anybody—Dr. Harris or anybody else, in contemplation who had accepted that price of \$4.50 of May 1st?—A. At what date?

Q. On May 1st; had they accepted that price at that date?—A. I don't think so.

Q. That is, the Standard Asbestos Company?—A. Yes, sir.

Q. What I want to get at is this, had that price been fixed on then by them—I am quite aware that you wanted to get them at \$4.50, \$4.25 or \$4.00, but did you accept that price?—A. They were giving us a price.

Q. But you produce among the papers or papers are produced from the papers of the Shell Committee that show a proposed draft contract; it does not say that the Shell Committee were prepared to give that price nor that the vendor was prepared to accept that price, but there is just the draft contract. What I am asking you is, had you at that time or had you not Dr. Harris or anybody else who was prepared to accept a contract to supply 5,000,000 fuses at \$4.50?—A. Not outside of Dr. Harris.

Q. But you told me Dr. Harris' price was \$4.90?—A. His price was \$4.90. We had no price at \$4.50.

Q. You wanted to get it \$4.50 or lower?—A. I wanted to get it at \$4.25 if I could. That was what I was after.

Q. At all events, you went down to New York; you did not go down to New York on May 1st with Colonel Carnegie?—A. No, sir.

Q. You went down on May 14th. I want you to tell me what took place in New York when Colonel Allison was there, in regard to this fuse contract, either between him and you and Colonel Carnegie or between any of the people to whom he introduced you; try and tell me, as far as your memory goes, what took place; give it to me in its order?—A. We were met at the station by Colonel Allison, went to the hotel, had breakfast, and the people that had promised to meet Colonel Carnegie were there to definitely demonstrate their ability to undertake a contract. That was what Colonel Carnegie went for.

Q. Who were they, do you remember who they were?—A. There was quite a number of them.

Q. Do you remember their names, General Bertram?—A. I remember Mr. Bas-sick, Mr. Yoakum, Mr. Gladeck, and there were a number of foremen of some factories there.

Q. Do you remember whether Mr. Cadwell was there?—A. Mr. Cadwell was there, yes, sir.

Q. Those were the people you saw?—A. Yes, sir.

Q. What part did you take in the discussion?—A. I was an onlooker.

Q. Was anything at that time, in your presence, said in regard to price?—A. —No, sir.

Q. Nothing at all?—A. No, sir. It was investigating their ability—and that was why I was there—to see this thing confirmed.

Q. Did you go anywhere to any of these factories with Colonel Carnegie?—A. Yes, sir, we went to Bridgeport in the afternoon.

Q. What was the name of that factory?—A. The Burns and Bassick Company, and the Remington Typewriter Company.

Q. Did you go back to New York again?—A. I went back to New York again.

Q. And did you see those people again there or not?—A. I could not remember that. I don't think so. I don't think we saw any of them.

Q. You concluded nothing with them definitely then?—A. No.

Q. And that was on the 14th of May?—A. Yes.

Q. Did you come back to Ottawa from New York or to Montreal?—A. No, we did not.

Q. What did you do?—A. We interviewed Sir Courtenay Bennett. Then we stopped over until the Monday.

Q. You stopped over the week end, where there was that conference with Ryan?—A. Yes, sir.

Q. You heard what Colonel Carnegie said about that?—A. Yes.

Q. If you want to add to or qualify that in any way, you may do so.—A. Nothing at all, in any way.

Q. You got back here about the 16th or 17th of May; you remember getting back to Montreal—when I say here I mean Montreal?—A. Yes.

Q. Had you seen Mr. Russell before that, or Lloyd Harris?—A. Oh, yes, I think so.

Q. Do you remember where you had seen them?—A. No, I cannot say. It was either in my office or in the hotel.

Q. I assume you had a great many people you were constantly seeing every day?—A. Yes, sir, a quantity of them.

Q. You do not pretend to tell me that you can give me the day you saw them?—A. No, sir.

Q. Can you tell me anything in regard to what you said to them in any of those interviews prior to your going down to New York on May 14th?—A. All I can remember is that when they spoke to me about anything I said "Get your proposition ready and put it in." I never wasted very much time on people when they came in; I hadn't the time. All we wanted was for them to put in their proposition in writing, and we would discuss it.

Q. On May 20th or May 21st, when you were changing here, it is said that a telegram (and there is no doubt about it, because the telegram is in) was sent from them about their going to put in a proposition shortly; that is the telegram that Colonel Carnegie says he did not receive, and that the correspondence was about. Can you tell me whether you have any recollection or not of that telegram?—A. No, I cannot. I wish I could.

Q. You haven't any recollection?—A. No. I wish I had.

Q. At all events at that time you knew that Russell was proposing, or Russell and Harris were people who were proposing to put in a proposal?—A. Yes, sir.

Q. Were you present at the interview with Russell and Harris, or Russell when according to Colonel Carnegie a promise was made that part of the order to the extent of a million or a million and a third would be kept in reserve, were you at the meeting?—A. I could not say at all.

Q. Have you any recollection of it?—A. I cannot say definitely at all.

Q. But have you any recollection of it?—A. I know there were certain promises, but I could not say definitely.

Q. You cannot say definitely about them?—A. No, sir.

Q. One thing more: Colonel Carnegie was asked whether he had suggested to them or stated to them that if they wanted a fuse contract they were to go to Allison?—A. To whom?

[Sir Alexander Bertram.]

Q. That they were to go to Allison; did you hear Colonel Carnegie asked that question when you were in court here or in the presence of the Commission?—A. I never heard of such a thing.

Q. I ask you if you heard Colonel Carnegie asked by my learned friend, Mr. Johnston—perhaps you were not in court—whether he had suggested to them that they must go to Colonel Allison if they wanted a fuse contract?

Mr. JOHNSTON: To see Colonel Allison.

Mr. HELLMUTH: To see Colonel Allison, if they wanted a fuse contract; did you hear him asked that question?—A. No.

Q. Then I will ask you, were you present at any conversation of that nature?—A. I never heard of any such thing. The suggestion is so foreign to anything that we would do, or that Colonel Carnegie would do; he would not do such a thing.

Q. Did you ever suggest that they should go to Colonel Carnegie?—A. No, sir, I would not do anything of that kind, you would not think I was a fool. You must remember, Mr. Hellmuth, that any transaction that took place had to take place with me personally; I did not have any intermediate—what would you call it?

Q. Intermediary?—A. Yes, source of information. I never allowed any one to do that; they had to come to me direct in every case, that is in the question of prices and the allotting of contracts or business, the technical part of the work was carried on by Colonel Carnegie and our other experts in connection with the Shell Committee.

Q. You knew, as you have told me, about some promises—generally, although you cannot give them specifically—some promises made to Lloyd Harris and Russell that they would be able to put in offers, that there would be some reservation?—A. Yes.

Q. On the 21st May you wrote a letter to Bassick practically assuring him of an order for three million fuses, at a minimum of \$4.25; do you remember that then?—A. Yes, sir.

Q. That left you with two million fuses not pledged to anybody on the 21st May?—A. Correct.

Q. Did you appreciate that?—A. Right, yes.

Q. On the 25th or possibly on the 24th Colonel Carnegie has said that you telephoned to Bassick, Dr. Harris being there or being in the town, that you telephoned to Bassick and induced him to reduce his order to two and a half millions?—A. Yes, sir.

Q. Did that take place over the telephone?—A. Yes, sir.

Q. On that same day you give a letter to Dr. Harris for two and a half millions, on the 25th, at a minimum of \$4.25, and on the same day you write another order to Bassick for the two and a half millions, making up a total of five millions?—A. Yes, sir.

Q. Getting rid of the whole of your five millions?—A. Yes, and I was mighty glad to get rid of it.

Q. What I want to ask you is this, had you at the time and if you had perhaps you will tell me your recollection about it, had you at the time that you gave these two letters or rather at the time you gave the letter to Dr. Harris received a telegram from Russell asking him to give you an interview the next day when he would bring his proposition with him?—A. No, sir.

Q. Do you remember when he came in?—A. No.

Q. Had you it at that time?—A. No.

Q. Did you know of the answer that was sent telling him not to come and to await hearing from you, do you remember that?—A. I remember something about it, but it is very hazy.

Q. Can you tell me whether that was before or after Harris had been there?—A. After.

Q. Then were you present after that when Harris and Russell did arrive the next day, that is Lloyd Harris and Russell?—A. Yes.

Q. He arrived the next day and complained of the treatment, if I may put it that way, they had received in regard to this matter?—A. Yes.

Q. Do you remember what took place then; if you can remember it I would rather you would tell me what you do remember; if not I shall have to ask you whether certain things did take place; do you remember what took place?—A. With Harris and Russell?

Q. Yes, on that day?—A. No, I could not remember the words.

Q. Could you remember the substance?—A. I informed them I was sorry, that I had let the contract the day previous.

Q. Were they so indignant as to have a scene there, may I put it?—A. No, no. They were disappointed, and there were hundreds of others disappointed the same way with contracts, we had them in every day, lots of them were disappointed in not getting contracts.

Q. Did you say to them, or did Colonel Carnegie say to them in your presence that they were trying to get or hoped to get some future orders?—A. Oh yes.

Q. And then they would try and give them something?—A. Yes.

Q. I do not remember the exact words, but something to that effect?—A. Yes, we gave them encouragement.

Q. Is there anything more in regard to the interview on the 26th May that you can recollect?—A. No, nothing, it did not last long.

Q. Had you any correspondence, I am not speaking of the letters which have gone in, some of which are signed by you and dictated by Colonel Carnegie, but had you any correspondence that is in your mind with Mr. Russell or Mr. Lloyd Harris?—A. That correspondence was carried on by Colonel Carnegie, very often referred to myself.

Q. Had you any technical knowledge yourself as to what was required either in the manufacture or in the filling of time fuses?—A. No, nothing only on the mechanical parts, I knew nothing about the filling or the loading. As a mechanic I knew the mechanical part, because the fuse was taken apart and all the different components were exhibited there.

Q. Did you have any discussion with General Pease when he was out here in regard to these fuses?—A. Oh, yes, a good deal too. He demonstrated the difficulties they had in England in manufacturing the fuse.

Q. May I ask you were you satisfied with whatever information Colonel Carnegie had given you or any information you may have obtained from General Pease, were you or were you not at the time satisfied with the prices at which the contracts of June 19 were let to the American Ammunition and the International?—A. I was satisfied with the price.

Q. Did you know or had you any personal knowledge of the men of the International outside of Mr. Harris, did you know any of the others?—A. Oh yes, I knew Mr. Patterson, who had risen from the ranks as we call it, a mechanic originally, and a designer of machinery for cigarette machinery for the American Tobacco Co.—

Q. American Tobacco Co.?—A. Yes, he was a practical mechanic, and Mr. Cadwell of the other company I understood to be a mechanic, because during our visit through Burns and Bassick and the other companies, Cadwell and I were associated together all the time during our conversation; I remained with him for the reason that he was originally a mechanic and a manufacturer, and I wanted to learn his ability and that is why I stopped with him during the afternoon.

Q. May I ask you if you have been through the mechanical training yourself?—A. Oh yes.

Q. So that so far as the mechanical part of it was concerned you felt competent to form an opinion?—A. I say mechanics, there is a sort of Masonic feeling between mechanics, and we understand each other.

Q. At all events you stick pretty close; did you go through these factories with Cadwell?—A. I did; it was the practical men I wanted to get after and see what they could do.

Q. What conversation, if any, did you have with Mr. Yoakum?—A. None at all.

Q. With Colonel Allison?—A. None at all.

[Sir Alexander Bertram.]

Q. And Mr. Cadwell, and who was the other man?—A. Gladeck and Cadwell were the people I kept in touch with.

Q. And Bassick?—A. And Bassick, yes; Bassick was a manufacturer.

Mr. CARVELL: Craven?

Mr. HELLMUTH: Yes, what about Craven?—A. I never met him—I met him in Montreal, I know Mr. Craven very well—

Mr. HELLMUTH: But I mean in connection with these contracts?—A. No, I never knew he had any connection with them at all.

Q. But you know Mr. Craven?—A. Yes.

Q. What is Mr. Craven?—A. I never knew really what his business was; I had met him at the Windsor in Montreal, and here in Ottawa, previous to the undertaking of the shell contracts, knew him for a year or two before; he was a promoter and I imagine broker's agent, or something of that kind.

Q. He was not a mechanic?—A. Oh no—well, I would not say yes or no.

Q. He was not the sort of man anyway you would cling to as a brother mechanic with that Masonic bond?—A. I had little to do with Mr. Craven—a very nice chap.

Q. Can you tell me whether you had anything to do with the preparation of the contracts of the 19th June, or whom you entrusted that to; I mean the contracts with both these companies, the International and—?—A. Letter or contract.

Q. The actual contract?—A. I had them read over to me several times; I left it—

Q. Did you give the instructions to have them prepared?—A. Oh my, yes.

Q. And I see it was Mr. Orde?—A. Mr. Orde and Mr. Riddell and Colonel Carnegie superintended getting the thing into shape.

Q. Then I want to see if there is anything further in the minutes in regard to these contracts which has not been brought out?—A. Meeting on June 19th.

Q. I want to put in anything that I can possibly find in the minutes, in regard to fuse contracts or fuses. The first entry that I can find in the minutes is in the minutes of the meeting of the Shell Committee held on April 27th at which apparently there was a full attendance, and also the Ordnance Adviser, Colonel Carnegie, was present. Then this is "Suggested contracts with Standard Asbestos and Fuse Co. for fuses submitted and discussed"?—A. That is with reference to that letter you read yesterday.

Q. Yes. Then there is this:—

Moved by Mr. J. W. Borden, and seconded by Mr. E. Carnegie:

That whereas Mr. D. Carnegie, Ordnance Adviser, is going to the United States to look into the capabilities of the firms negotiating to make fuses, be it resolved that upon his return and reporting favourably upon the ability of the firms to do the work the Chairman be authorized to proceed with the contract on the basis discussed.

Can you tell me what was the basis discussed at that time, or have you a recollection of it?

Hon. Mr. DUFF: That is the contract at page 53.

Mr. HELLMUTH: The draft one of \$4.50.

Hon. Mr. DUFF: Yes.

Mr. HELLMUTH: Do you know whether that was the draft form of contract we put in at \$4.50, do you remember whether that was the basis discussed or not?—A. No, I could not say. I fancy this was a proposition that was put in by Dr. Harris.

Q. But there was no proposition by Dr. Harris at that time as far as I can find.

Hon. Mr. DUFF: I think there is some misapprehension; if you look at the last question on page 53 and the first question on page 54, it was the Harris proposal.

Mr. CARVELL: At \$4.50 too?—A. He had been dickering back and forward.

Hon. Mr. DUFF: The question immediately following the draft, you see, page 53, and then at the top of the page 54.

Mr. HELLMUTH: Oh yes, "The terms of the proposal".—

Mr. HENDERSON: I think if you get the original, Exhibit 50, it will show that the price was filled in at some later date.

Hon. Mr. DUFF: If you look at the question below, about the middle of page 54, just following the cable, just below Exhibit 51.

Mr. HELLMUTH: Yes:

Hon. Mr. DUFF: Then follows the minute of April 27; the minute of April 27 follows that interview of April 26.

Mr. HELLMUTH: I am instructed that the figures \$4.50 were filled in subsequently; I do not know whether that is the case or not. No doubt there was a proposal; there is no question about this, there was a proposal from Dr. Harris the only question, and I do not know what the fact is myself, the only question that is in my mind is whether that proposal at that time was at \$4.50 or whether it was still at \$4.90, and they filled up a draft contract that subsequently had \$4.50 put in.

Mr. HENDERSON: \$4.50 put in; blank as drawn.

Mr. HELLMUTH: Do you remember?—A. I am quite sure that the price then was \$4.90.

Q. The odd thing about this resolution I may point that out to you, General Bertram, is this, that the resolution is, "Be it resolved that upon his return and reporting favourably upon the ability of the firms to do the work the Chairman be authorized to proceed with the contract on the basis discussed".

Hon. Mr. DUFF: Col. Carnegie's evidence is that that is exactly what happened; he went down and investigated and reported unfavourably, and consequently the proposal was not accepted; at that time he was not satisfied, at least as I read his evidence.

Mr. EWART: Then they went down with General Bertram afterwards.

Hon. Mr. DUFF: Yes.

Mr. HELLMUTH: It was May 1 he did not come back satisfied.

Hon. Mr. DUFF: It is all there at page 54 and the following pages.

Mr. HELLMUTH: Then I find on the 12th May the minutes of a meeting of the Shell Committee.

Sir WILLIAM MEREDITH: Did you put those minutes in?

Mr. HELLMUTH: No, I only read that portion of it, and the reporter has taken that down.

Q. In the minutes of the meeting held on May 12 in regard to fuses the only thing is this, the chairman reported the state of negotiations regarding fuse contracts, still under consideration. You had not gone down yourself to New York until two days later; that is right?—A. That is right.

Q. You did not go till May 14. Then in the minutes of the Shell Committee of June 4, 1915, the last item is, "chairman reported progress regarding negotiations for manufacture of fuses." Do you remember, General Bertram, whether at that meeting of June 4 you advised the committee of the two orders that you had given on May 25, taking up the entire five million fuses?—A. I cannot recollect the incident; if it is in the minutes it is all right, I was there.

Q. In the minutes you simply reported progress regarding negotiations; I wanted to know if you had specifically reported you had done that.

Hon. Mr. DUFF: What meeting is that you are referring to there?

Mr. HELLMUTH: June 4. You see on that date, Messrs. Commissioners, the whole five million at a minimum of \$4.25 had been allotted.

Hon. Mr. DUFF: Was there no meeting?

Mr. HELLMUTH: There is no meeting then till we come to June 19.

Sir WILLIAM MEREDITH: What was the date when the acceptance of that offer was signified by the other party? That did not come till considerably later?

Mr. HELLMUTH: That did not come till the 19th.

Sir WILLIAM MEREDITH: I suppose the man who wrote this treated it as still being under negotiation until they had assented.

Mr. HELLMUTH: Then I did put in the minutes of June 19. On June 19 both the people of the International and the people from the American ammunition were in Ottawa with their lawyers, the contracts whether they had been previously drafted or not, were then executed on that day, and you remember signing them as chairman do you not?—A. Yes.

Q. I want to ask you something about the signing of those contracts—

Hon. Mr. DUFF: Was there ever any acceptance?

Mr. HELLMUTH: There was no acceptance I think.

Hon. Mr. DUFF: Sir William Meredith is under the impression there was an acceptance. Was there any acceptance of the thing as it stood?

Sir WILLIAM MEREDITH: I have a very strong impression that there is a letter from Harris accepting their proposition; I am trying to find it.

Mr. NESBITT: I do not think so, I have not seen any.

Mr. GRANT: I have gone through them all, and there is none.

Mr. HELLMUTH: I do not think so; my recollection is that of the other counsel here, that there was nothing; but I am very likely mistaken.

Mr. LAFLEUR: You are quite right I think; we have not received anything from them.

Mr. HELLMUTH: I think, Messrs. Commissioners, you will find it went on in that way until they came here—my recollection is this, that they came here on the 18th, that they bartered backwards and forwards then.

Mr. GRANT: Followed him from Montreal to Ottawa.

Mr. HELLMUTH: Came here on the 16th, they were here four days; the negotiations were going on to see whether they could come to terms.

Hon. Mr. DUFF: And then a letter was given which contained a minimum price and left it very widely open as to the design.

Mr. HELLMUTH: Yes. I think, Messrs. Commissioners, we might say this, that practically, I may be doing wrong to either one or the other, but I do not think I am, when I say this: I think it was perfectly clear that after that minimum letter was given, and the evidence of the International and the American people will make this clear, that both those people went straight on, ordered supplies, employed their experts and were practically in such a position that they could hardly retreat entirely from the contracts, but it was still a question of what the terms would be of it.

Hon. Mr. DUFF: Yes, the only point is with reference to this entry "Negotiations" in the minute.

Mr. HENDERSON: Until on the 18th June—

Mr. HELLMUTH: It seems to me that what they might have said is "Negotiations which have culminated in orders being given."

Hon. Mr. DUFF: Perhaps you would not mind asking General Bertram if he regarded the letter of the 21st as committing him to the terms of it in such a way that he could not properly withdraw.

Mr. HELLMUTH: The 21st or 25th?

Hon. Mr. DUFF: The 21st, take either one.

Mr. HELLMUTH: When you gave the letter to the American Ammunition Co. on the 21st May for the three millions and when you modified that on the 25th May and gave a letter for two and a half millions at a minimum price of \$4.25 and on the same day gave a letter to Dr. Harris's company for the same quantity at the same minimum price, did you or did you not consider that you were committed to those companies?—A. Certainly.

Q. Certainly what?—A. Committed to giving them an order.

Q. For those quantities?—A. For those quantities.

Q. At what price?—A. At a minimum price of \$4.25.

Q. You considered yourself at all events committed?—A. We considered ourselves under obligation and committed to place an order with those two companies.

Q. And that the price would not be less than \$4.25?—A. I would not—

Q. What?—A. I am not definite about that. I know we spoke of a price of \$4.25.

Q. I know. I am not asking you about price, I am asking you as to the fact whether you were definitely committed to make a contract with them?—A. Yes, sir.

Mr. HENDERSON: I think you will find page 111 shows.

Hon. Mr. DUFF: Who were present at this meeting?

Mr. HELLMUTH: At this meeting of June 4th?

Hon. Mr. DUFF: Yes.

Mr. HELLMUTH: Because that is the one I am asking about.

Hon. Mr. DUFF: Yes, that is the one I am referring to. I want to ask General Bertram about one point to see whether he can enlighten me at all.

Mr. HELLMUTH: At the meeting of June 4th there were present General Bertram, General Benson, Colonel Cantley, Colonel Greville-Harston, Colonel Watts, E. Carnegie, Colonel Lafferty and Colonel D. Carnegie.

Hon. Mr. DUFF: The point there is this. Did you report to Colonel Benson and Colonel Lafferty, for example, the fact that you were committing yourselves to a contract for five million time fuses?—A. Yes, sir.

Q. Well, why is there no reference to that in the minutes? You see, General Bertram, the point that is pressing me a little is this. It is quite obvious that, whether justifiable or not—that is immaterial for the present, I do not want to ask you to discuss that at all—you misapprehended the intentions of the War Office?—A. In regard to the—

Q. One and two-third million of these fuses were to be graze fuses?—A. Yes.

Q. On the misreading of the War Office telegram you signed these documents, which, although not in the form of contracts and wanting certain essential legal elements, such as fixed price and so on, you regarded them as really committing you as business men?—A. Yes, sir.

Q. I am pressed a little to understand how that very serious step could be taken and there should be no memorandum of it in the minute book and no reference to the military members of the Committee.—A. On the 4th of June?

Q. Yes. I would rather not press General Bertram for an answer to that offhand if he has not considered it.

Mr. HELLMUTH: No. I think perhaps I did not appreciate fully that myself until quite recently, if I may say so, or I would have impressed it upon Colonel Carnegie, and I think, if I may be allowed, I will ask Colonel Carnegie at another time to explain it.

Sir WILLIAM MEREDITH: Perhaps you will ask him who wrote the minutes.

Mr. HELLMUTH: Who wrote the minutes?—A. Colonel Watts.

Sir WILLIAM MEREDITH: I suppose they were taken down on sheets of paper and copied in the book afterwards?—A. Oh yes, sir.

Mr. HELLMUTH: Was Colonel Watts the gentleman who took them down on sheets of paper?—A. Yes, sir.

[Sir Alexander Bertram.]

Q. You had not a shorthand reporter taking them down?—A. No, he wrote it down.

Q. He does not write shorthand himself, I suppose, he writes longhand?—A. Yes, longhand.

Sir WILLIAM MEREDITH: I do not know whether it is wise to ask him now if he recollects what was in fact reported to the Committee in regard to what had been done. Do you recollect that?

Mr. HELLMUTH: Do you recollect whether when you met this Committee on the 4th of June among other matters that you were telling them about business you had done—and I suppose the meetings lasted more than three minutes, which is about all the amount written out would take—did those meetings last some time?—A. Sometimes all day, very seldom under the full day.

Q. Now, at that meeting of the 4th of June can you put your mind back at all as to whether you and Colonel Carnegie, or Colonel Carnegie when you were present, told the members of the Committee about these letters that had been given about the fuse contract, how you were getting on, how you proposed to divide it between the American Ammunition Company and the International, giving one 2,500,000 and the other 2,500,000; was that actually said?—A. It was discussed.

Q. It was?—A. The work in connection with the giving the contract.

Q. I am not talking of the 19th of June when the formal contract was made. I am talking of your Committee.—A. Colonel Carnegie always reported in a general way the proceedings of any transactions that had taken place with regard to fuses.

Q. I know.

Sir WILLIAM MEREDITH: Has he any recollection of what was said with regard to these fuses, what the nature of the report was? If he has not it is no use wasting time.

Mr. HELLMUTH: Yes.

Q. Have you yourself tried to throw your mind back, have you any recollection of what was said?—A. No.

Q. At that meeting have you any recollection of what was said? I do not mean the words, but the purport of what was said?—A. No.

Q. Have you any recollection in your own mind of whether these two letters were referred to at that meeting which you have given?—A. No, I cannot remember that.

Q. So when you tell me—A. All I remember is when I signed the letters. The letters were brought in to me by Colonel Carnegie and I signed the letters.

Q. But you cannot remember what took place at this meeting?—A. No.

Q. We will have to call somebody else.

Hon. Mr. DUFF: Yes, because in the meantime the cable of the 28th of May had been received, and somebody must have been aware that a rather serious mistake had been made.

Mr. HELLMUTH: I did read the minutes of the 19th of June in regard to this matter. If somebody will have a copy made I will put in the whole of the minutes of the 19th of June, because I do not think I did read everything there, and there are other references in regard to this matter which I see now and which are somewhat important.

This is:—

Minutes of meeting of the Shell Committee held at Ottawa on Saturday, June 19, 1915, in the offices of the Committee, at 10 a.m.

Present:—Brig.-Gen. A. Bertram, Chairman; Brig.-Gen. T. Benson, Col. C. Greville Harston, Lt.-Col. F. D. Lafferty, Hon. Col. D. Carnegie, Mr. E. Carnegie, Hon. Lt.-Col. G. W. Watts, Mr. J. W. Borden.

Lt. General Pease, representing the War Office, also attended the meeting by request.

The Chairman reported the appointment by the Minister of Militia of Mr. Alexander F. Riddell as Financial Supervisor to the Committee, the appointment having been approved by the Prime Minister.

Mr. Riddell was invited to sit with the Committee.

The Chairman reported in regard to proposed agreements with the American Ammunition Company Incorporated and the International Arms & Fuse Company, both of New York, for the manufacture of fuses, that he had looked into the standing and capacity of both companies, and was satisfied that they were able to carry out their agreements. He also reported that Mr. J. F. Orde, K.C., Solicitor to the Bank of Montreal, who had advised the Bank in reference to the proposed agreements for fuses, had been engaged by him to act with the Committee in preparing the agreements. Mr. Orde now attended the meeting and submitted the draft agreements.

The draft of an agreement marked 'A' with the American Ammunition Company, Incorporated, of New York, for the manufacture of 1,666,666 No. 100 loaded fuses at \$4 each and 833,334 No. 80-44 loaded fuses at \$4.50 each, was read to the Committee, and it was resolved that the said agreement and the terms of payment and delivery therein set forth be approved and that the Chairman be authorized to sign the same on behalf of the Committee.

The draft of an agreement marked 'B' with the International Arms & Fuse Company of New York for the manufacture of 1,666,666 No. 80 Mark 'V' fuses and 833,334 No. 80-44 fuses at \$4.50 each was read to the Committee and it was resolved that the said agreement and the terms of payment and delivery therein set forth be approved and that the Chairman be authorized to sign the same on behalf of the Committee.

The Chairman reported that negotiations were now in progress with a Canadian Company for a further quantity of fuses to be made in Canada.

With reference to proposed draft of an Order in Council regarding the constitution of the Shell Committee, handed to General Bertram for the consideration of the Committee, it is resolved that this draft does not in the opinion of the Committee meet the situation, and the Committee now submit an amended draft.

Undertakings for delivery to the War Office were discussed and it was resolved that definite statements of probable production in July and August be sent to the War Office within the next week.

It was further resolved that it is desirable to do all possible to encourage the production of zinc in Canada.

It was moved by Colonel George Watts, seconded by Mr. E. Carnegie, and resolved that the Committee desires to record its sincere appreciation of having the assistance of Lt. General Pease at this meeting and the Committee hereby tenders him their hearty thanks.

I did not put that in, but in view of what was said I think I had better.

(Marked Exhibit 252.)

Q. After that meeting of the 19th of June, what did you next do, if anything, in regard to inquiring as to the fulfilment of the contracts by those two fuse companies, the International and the American; did you take any part in inspection or inquiry in regard to whether—A. No.

Q. You left that to Colonel Carnegie?—A. Colonel Carnegie.

Q. Then I want to ask you in regard to the International, outside of the price paid, what, if anything, did you know of any commission or remuneration to anyone?—

A. Never heard of any.

Q. When did you first hear of them?—A. Of commissions?

Q. I do not know that there are any in regard to the International?—A. No.

Q. You did not hear of any?—A. I never heard of any.

Q. Were you approached by anyone in regard to any commission so far as the International was concerned?—A. No, sir.

Q. Or any remuneration? I leave out by way of expenses.—A. No, sir.

Q. Now, we will take the American Ammunition Company. What do you know of any commission or remuneration there beyond the purchase price?—A. Never heard of any. I did hear these charges were brought up in Parliament.

Q. But before that?—A. Never suspected anything.

Q. And is it so, so far as anybody approaching you, that that did not take place?—A. No, never.

Q. Never approached by anyone?—A. There was never any person in connection with these whole contracts—

Q. Now, I am not—A. Any suggestion of anything of that kind at all with me.

Q. I am not asking you that. I am asking you about this specific contract.—A. Yes.

Sir WILLIAM MEREDITH: Don't you let him give a good certificate to all the manufacturers of Canada?

Mr. HELLMUTH: He has done it. I did not ask him.

Q. At all events no one in connection with these two contracts has asked you to pay him anything by way of honorarium, remuneration, commission, or anything?—A. Never heard of it.

Q. There is no need of going with you through the deliveries of these, because we have had that all done.—A. Just stop a moment.

Q. Yes.—A. I remember when meeting Colonel Allison in New York he stated both to Colonel Carnegie and myself that all he was doing was out of friendship to General Hughes, and that is the only conversation that I ever had with Colonel Allison in any shape or form that I remember.

Mr. NESBITT: I would suggest here that you ask whether prior to any Order in Council there was any influence by anybody brought to bear upon him to let the contract to either of these parties.

WITNESS: I am glad you are bringing that up, because that is a point I have heard of.

Mr. HELLMUTH: What influence or duress, if any, was brought to bear upon you in regard to letting either of these two contracts?—A. None at all, none at all.

Sir WILLIAM MEREDITH: There is one thing you have not put in there. What did you say, coercion?

Mr. HELLMUTH: Duress.

Sir WILLIAM MEREDITH: Put in persuasion.

Mr. HELLMUTH: What person, if any, exercised any persuasion with you to let these contracts or either of them?—A. None at all. No one ever suggested or used any influence.

Q. Or persuasion?—A. To direct me to give contracts.

Q. Direct or indirect?—A. If you and others had anything to do with me in connection with the Shell Committee you would not dare try such a thing.

Q. Now, let me just understand this. May I put it this way? In letting those contracts to these two companies the influence upon your mind, as I understand your evidence, was the advice that was offered you by Colonel Carnegie?—A. Absolutely, exactly.

Q. You trusted him?—A. I trusted him absolutely, and at the same time I used my own judgment.

Q. I do not say you did not use your own judgment. But it would be perhaps wrong to say that Colonel Carnegie's technical knowledge and description to you of it

would not have an influence upon you in regard to whether these people were proper people or not?—A. Yes, certainly. I did not know anything about fuses and I had to be directed by his knowledge.

Sir WILLIAM MEREDITH: Did he exercise any judgment as to the urgency of letting these contracts?

Mr. HELLMUTH: You have heard what the Commissioner has said.

A. Yes, sir.

Q. Did you exercise any judgment in regard to the urgency of letting these contracts?—A. Yes, sir. I had been urging for weeks.

Q. To what?—A. To have the contracts closed so as to let people get started to manufacture fuses.

Mr. NESBITT: Mr. Hellmuth, I was going to suggest this to you and to the Commission. I know that General Bertram has been very ill all winter and has been down south for his health—

WITNESS: I am prepared to go on and sit all night to get this job finished.

Mr. NESBITT: I see, I was going to say perhaps you were tired.

WITNESS: Not a bit.

Mr. HELLMUTH: I have got to take some little time in going through the Edward Valve, not that it would be very long, but I have to go through the contract with you.

A. That will be very short as far as I am concerned.

Q. All right. If it is we will go on with it. I am very glad to hear it.

Mr. HELLMUTH: Just here, Messrs. Commissioners, I do not think any good purpose would be served in taking General Bertram over the deliveries. We have them all and we are going to show exactly what took place. I suppose he could not throw very much light upon it, I mean under the fuse contracts.

Q. Perhaps you can tell me what first you knew about the Edward Valve. Whom did you see first in regard to that?—A. With the Edward Valve, I did not hear this evidence, I have not been here.

Q. We put in letters that passed between—A. But to my recollection there was an urgent demand for cartridge cases, and we looked about to see where we could get some immediate service so as to receive cartridge cases at once, and amongst others Colonel Carnegie got in communication with Allison, and as far as I can recollect this Valve Company was brought in touch with us, and they made great promises that they would deliver almost immediately cartridge cases.

Q. And they did not perform?—A. They did not perform, it was a complete failure.

Q. There was just one thing, the price was \$2.43?—A. Yes. We were glad to get them at any price if we could get them at that time, because the thing was so urgent that we should ship fixed ammunition.

Q. Colonel Carnegie has told us that there were great numbers of shells and no cases and they were piling up.—A. Yes, I think we had probably a million and a quarter shells finished without cartridge cases at that time stored in Toronto and Montreal.

Q. Then do you recollect that at a subsequent date, quite a bit subsequent to that, the manufacturers of cartridge cases here in Canada began to supply the demand much more freely, and you were not so keen about getting them from the Edward Valve?—

A. Yes.

Q. And you know nothing was paid out there and nothing came of it?—A. Yes.

Q. Did you pay anything to anybody to get that contract?—A. No.

Q. Any commission or remuneration?—A. Oh, no.

Q. Did you promise any if the contract went through?—A. No promises.

Q. Were you induced or influenced by anybody to enter into that?—A. No. I think the suggestion to get in touch with Allison came from Colonel Carnegie or myself.

Q. There is just one other matter, and that is—

[Sir Alexander Bertram.]

Sir WILLIAM MEREDITH: You are half an hour ahead, but if you can finish so much the better.

Mr. HELLMUTH: I do not think we ought to have the cross-examination unless you want it.

Mr. JOHNSTON: No, it will be much shorter if I take it to-morrow.

Mr. HELLMUTH: Colonel Bertram, there is just one other matter, and that is picric acid. Can you tell me what, if any, contract the Shell Committee made with the Providence Chemical Company for picric acid?—A. Never heard of any.

Q. Did you make any contracts for picric acid?—A. No.

Q. Did you promise anybody any compensation or remuneration in connection with the supply of picric acid?—A. No. We had lots of applications, but we knew the War Office was not interested, so we turned everything down.

Q. In regard to cartridge cases, can you tell me what prices you had actually paid for cartridge cases?—A. We paid all the way from \$2 to \$2.55.

Q. I am speaking of prices to Canadian manufacturers?—A. Canadian manufacturers, in the neighbourhood of \$2.50 I think.

Q. What was the lowest?—A. I think \$2.10, if I remember \$2.10 was the lowest.

Q. No, I think I saw some \$2?—A. \$2? I have forgotten. They are all the way down to \$2, something like that, I would not be certain of that.

Q. But your recollection is, and we will prove it if it is necessary.—A. I know the first order we took was at a price of \$2.55 with the War Office, which we let at a much less price.

Mr. MARKEY: It is a comparison between the contracts let in Canada and in the States.

Mr. HELLMUTH: No. You have not quite appreciated Colonel Carnegie's evidence. He says the manufacturers at that time could not deliver enough. That is what General Bertram says.

WITNESS: That is right.

Mr. HELLMUTH: And they would not take them at any price.

Mr. MARKEY: If you get the deliveries we will have it all right.

WITNESS: The same thing happened with our forging plans. When we first started this we could not get forgings quick enough and we looked for other sources outside to keep the factories going.

Hon. Mr. DUFF: Were these cartridge cases for complete shells or empty shells?—A. Complete shells. This is the cartridge case.

Q. But you spoke of the urgency?—A. For fixed ammunition.

Q. I have not made myself clear. You spoke of having a million and a quarter shells without cases?—A. Yes, sir.

Q. At what date was that?—A. I think—

Q. About approximately?—A. About the middle of the year. I think it was sometime about the end of June or July.

Q. It would be about the end of June, 1915?—A. Yes.

Mr. HELLMUTH: It was the middle of June.

Hon. Mr. DUFF: Then you do not mean they were literally shells complete without cases, because you had not fuses at that time I understand.—A. No, we did not have fuses and we did not have enough cases, and the War Office wanted the fixed ammunition without the fuse. We did not have that.

Sir WILLIAM MEREDITH: Colonel Carnegie told us that.

WITNESS: Yes.

Mr. HELLMUTH: Just let me explain that, if I may. Quite apart from the five million—

Hon. Mr. DUFF: I understand perfectly.

Mr. HELLMUTH: There were these cases?—A. Yes.

Mr. MARKEY: Colonel Carnegie said there were four contracts let in Canada. It was merely the quantities under those contracts and the deliveries.

Mr. HELLMUTH: I think that is all I have to ask General Bertram.

That letter of the Premier has been asked about. Of course, I want to put that in.

Have you heard from the Premier, Mr. Ritchie?

Mr. RITCHIE (Secretary to the Commission): Not yet.

Sir WILLIAM MEREDITH: Mr. Hellmuth, although we are only Commissioners, the practice that prevails in Courts ought to prevail here; when counsel have anything to say they should rise, not address the Commission sitting.

Mr. HELLMUTH: I have not.

Sir WILLIAM MEREDITH: I have not made any remarks in regard to you. It is a general observation.

Mr. MARKEY: I apologize.

Sir WILLIAM MEREDITH: You are not the only one, Mr. Markey. It is all right, but it is better always for counsel to stand up; then we can see them.

Hon. Mr. DUFF: And hear them sometimes.

Sir WILLIAM MEREDITH: Yes.

Mr. MARKEY: I was making merely a suggestion to Mr. Hellmuth. So far I have not taken any part in the proceedings; therefore I did not rise.

Sir WILLIAM MEREDITH: I had no intention of reflecting upon anybody, Mr. Markey, except upon Mr. Hellmuth for stealing another half hour.

Mr. HELLMUTH: I seem to get all the censure. Fortunately it goes off very easily.

Sir WILLIAM MEREDITH: Well, I suppose there is nothing more to be done to-night.

Mr. HELLMUTH: I am afraid not.

(At 5 p.m., May 3rd, Commission adjourned to 10 a.m. to-morrow.)



ROYAL COMMISSION.

EIGHTH DAY.

MORNING SESSION.

OTTAWA, Thursday, May 4, 1916, 10 a.m.

Examination of Brig.-General Sir ALEXANDER BERTRAM, continued.

Sir WILLIAM MEREDITH: Now, Mr. Johnston?

Mr. JOHNSTON: You spoke, General Bertram, of a certain interest that you had in contracts through your connection with the Bertram Company of Dundas?—A. Has that anything to do with this investigation?

Q. It was your own statement?—A. Yes, sir.

Q. And you having stated it, I think I am entitled to inquire a little about the particulars?—A. All right.

Q. You stated that you had one share in the Bertram Company of Dundas?—A. Yes, sir.

Q. You knew that that was only a nominal share?—A. Yes, sir.

Q. That the assets were held by the Niles Beament Co., of the States?—A. Yes, sir.

Q. And that the company in Dundas was kept alive by five shareholders at one share each, in order that it might have an existence?—A. Yes, sir. I thought I told you all that yesterday?

Q. Be good enough to be not quite so impatient?—A. I did it all to clear the air.

Q. I am not asking you about that. The profits made by the nominal Bertram Company of Dundas went to the Niles Beament Co.?—A. They did.

Q. And you hold, as you said, a large amount of stock in that company?—A. I told you all that yesterday.

Q. If it is a sore point, I cannot help it; did you get your profits from the Niles Beament Co. on your stock?—A. No, sir, I did not, and I will tell you why. The Niles Beament Co. were paying no dividends for the past four years.

Q. You got whatever profits might be coming; you were entitled to them?—A. Sure.

Q. And the real interest you had in the Bertram Company of Dundas was whatever was represented by your stock in the Niles Beament Co.?—A. Right.

Q. Plus one share?—A. Yes. I told you all that yesterday. I want to add something to it. When I took on this work I disassociated myself from my own company and devoted my whole time to this work; I had no reports, did no business with our company, and had no connection with them in any shape or form.

Q. I am not saying you had?—A. I want to tell you all this.

Q. Tell it as emphatically as you like, it don't make any difference to me.

Mr. EWART: It is a sore point.

Mr. JOHNSTON: Not at all.

WITNESS: I have nothing to hide.

Mr. JOHNSTON: I am not saying you have. The profits that were made out of these particular contracts (without going into them) amounted to a very considerable sum undoubtedly?—A. I have not had any benefit from them.

Q. But do they amount to a considerable sum?—A. I have no idea. I have had no report from the company for the last two years.

Q. Very well; you have no idea?—A. Not at all.

Q. Let me understand as to what you said yesterday; did you say you fixed the prices of these various articles?—A. I did.

Q. What had Colonel Carnegie to do with that fixing of prices, anything?—A. Nothing.

Q. So that the prices, I may take it, in all these cases were fixed by yourself?—A. Colonel Carnegie had nothing to do with it until he was appointed a member of the Committee.

Q. Which Committee are you speaking of?—A. The Shell Committee.

Q. After that what had he to do with it?—A. We consulted together. I took him into my confidence.

Q. But the final decision rested with you?—A. It did.

Q. And you exercised that right which you had?—A. Sure. What was I there for?

Q. I don't know. Take the contract that you told us about yesterday, which I should like you to explain a little; you spoke of a certain cablegram that passed and about your fixing the price upon 18-pr. shrapnel—I am not going into the question of how it was made up, I am simply asking you whether or not you did fix that price?—A. Yes, sir.

Q. The result of that was a cablegram from Hughes to Troopers?—A. Yes, sir.

Q. The price fixed by you on the 19th September, 1914, was \$8.55?—A. \$8.55.

Q. That was accepted by Troopers under Exhibit No. 18; there was a cablegram accepting it?—A. Yes, sir.

Q. You stated—correct me if I am wrong—that you had made up your mind in the end of November or some time in November, that there would be a profit at \$8.55?—A. Yes sir, long before that.

Q. Up to that time, at any rate?—A. Yes, sir.

Q. On the 24th November you cabled for four hundred thousand of the same kind of material?—A. Yes, sir.

Q. The same article?—A. Yes, sir, on which we had a loss.

Q. Wait a minute, you are too anxious to answer?—A. I want to hurry the job up.

Q. Although you had made up your mind that there would be a profit at \$8.55 (and I am going to ask the reason) your offer at that time was \$9.25?—A. At what time?

Q. On the 24th?—A. \$9.25 on what?

Q. 18-pr. shrapnel with the box; I will give you the difference between them, with the box as being the difference, and see how that worked out with you?—A. I think it is \$6.

Q. And that was valued at about 20 cents to the box, we heard the other day?—A. Do not misconstrue that. There were six shells in a box and the box cost \$1, and the price on the shell was a one-sixth part of the box, the price on the shell.

Q. That would be what—I am giving 20 cents.

[Sir Alexander Bertram.]

Sir WILLIAM MEREDITH: We do not want to be exercised in simple arithmetic. We can divide it ourselves.

Mr. EWART: I wish to point out to the Commission that the contracts Mr. Johnston is referring to now are not within the scope of the Commission at all, the boxes, empty shells, and the prices for them.

WITNESS: I never heard of any \$9.25. The four hundred thousand were taken at \$6.

Mr. EWART: I wish to press my objection, that this has nothing to do with the matters in question. If it is followed up it will lead to endless questioning and cross-questioning. If Mr. Johnston goes into these questions we will have to go into other things.

Mr. JOHNSTON: I will read a portion of the letter so that it will call it back to your mind.

On page 32 of the printed record, in Exhibit No. 28 this appears: "Can also supply further four hundred thousand 15- or 18-pr. shrapnel shells, empty, packed in ammunition boxes same delivery, price nine and a quarter dollars each, including boxes, not including cost of inspection."

Now, will you tell me (and I am not asking for anything further than the mere fact) why you asked \$9.05, which should be \$9.25 with 20 cents off for the box, when you told us that you had made up your mind that there would be a profit at \$8.55?—A. I will tell you why. \$8.55 includes the box.

Q. Was that the only reason?—A. I don't know, I don't remember that price of \$8.55.

Q. It is in Exhibit No. 16?—A. I don't remember that.

Q. On the 18th of September General Hughes sent to "Troopers" the following: "Reference your cipher September 17th, Committee reports price of 100,000 shrapnel 18-pr. as per your cablegram specifications will be \$8.55 each delivered at Montreal, 20,000 by November 1st, and at least 30,000 monthly thereafter." Do you remember that?—A. Was that the first one?

Q. That is the first offer I can find as to price?—A. Yes.

Q. And that was on the 18th of September?—A. Yes, sir.

Q. Then "Committee report 100,000 shrapnel price \$8.30 each."—A. 15-pr.

Mr. EWART: Better read it, Mr. Johnston.

Mr. JOHNSTON: Very well. "Committee report 100,000 shrapnel 15-pr. shells." Then there was an acceptance of that price under Exhibit 18 on the 18th of September, but no fuses discussed at all.

Q. That you told us was, as I took it down, you were satisfied there was a profit on that contract?—A. Just go back now. At the time we realized we were going to get a profit was long after the 18th of September, I said several weeks.

Q. You said that in the end of November you would make up your mind that there would be a profit at \$8.55, and you said to-day that long before that you had made up your mind that there would be a profit. You have sworn to it this morning?—A. Well, what about it?

Q. What do you say about it yourself—I am not giving evidence.—A. What is the question?

Q. The question is, that you said yesterday that about the end of November you made up your mind that there would be a profit at \$8.55?—A. Yes, sir.

Q. This morning you said that long before that you had made up your mind that there would be a profit at \$8.55?—A. I said that tentatively.

Q. Now, I am asking you how it was that you demanded for the same article \$9.05, 70 cents difference on the shell, on the 24th November according to this cable; I want the reason for it?—A. I cannot remember.

Q. You cannot give me any reason for it?—A. No.

Mr. EWART: He gave one reason, the boxes?—A. You must recollect that the first order was without boxes, which cost us \$1 each.

Q. I am allowing you 20 cents, which is more than you say it cost, and allowing that I am asking you for an explanation why this took place?—A. I cannot go back.

Q. Your counsel seems to intervene and say you have answered it?—A. I cannot remember, I have never seen the letter or cable since; we do not sit poring over these things every day.

Hon. Mr. DUFF: Perhaps, Mr. Johnston, you might draw General Bertram's attention to a sentence lower down, to be quite fair.

Mr. JOHNSTON: "Early decision necessary as prices raw material advancing rapidly;" what do you say as to that, do you remember that?—A. That governed the situation a good deal, and probably we had in mind that at the time, because we had information that they were giving higher prices in the United States—nothing like being on the safe side.

Q. Then whom did you consult with reference to prices in that case?—A. With my secretary.

Q. Is that all?—A. Yes.

Q. Did Colonel Carnegie know about these prices from you?—A. Nothing definite.

Q. What would he know if he did not know anything definite, because there was only the one thing, the quality of the shell and the price that you fixed?—A. At what date was that?

Q. I am speaking now about November?—A. Yes, yes he discussed prices.

Q. Have you any recollection of discussing this particular matter with him?—A. Oh, yes.

Q. What is your recollection about that?—A. We discussed prices and the advance in the prices of material and a great many other things to arrive at a price on the shell.

Q. That would be before the 24th November, which was the day you fixed the price I think?—A. Yes.

Q. You did fix a price on the 18th September at a lower rate, \$8.55?—A. Yes.

Q. Do you remember any discussion with him, not generally you did have this or that, but do you remember any particular discussion as to price—this was the initiation, you know, of the business?—A. On the 18th September.

Q. Or in September?—A. I do not think he had arrived here in Canada at that time.

Q. What time did he join the Board?—A. Some time about the 20th.

Sir WILLIAM MEREDITH: He was appointed inspector on the 24th September.

Mr. HELLMUTH: Ordnance adviser?—A. Yes.

Q. When did he become a member of the Board?—A. On in 1915, about May or June, I do not know.

Q. It was after this occurrence anyway?—A. Yes.

Q. You see the reason I am troubling you?—A. You are not troubling me one bit.

Q. I am troubling you to get an answer which I am not getting; I am asking you if you recollect any particular conversation with Carnegie or anybody else when you came to fix the price at \$8.55 or at \$9.25?—A. I cannot remember any conversation at all excepting what you see on record in black and white; I know we discussed it.

Q. You cannot tell me then as to what information you got from Carnegie or anybody else that brought you to these prices?—A. Yes, he had lots of information he brought with him from England.

Q. I dare say, but about these particular prices, if you will confine yourself to that, about these particular prices that I have referred to, can you give me any conversation or any interview?—A. No, I cannot; we were in constant communication; he was on one side the table and I was on the other.

[Sir Alexander Bertram.]

Q. He was not on one side of the table until he came out in September?—A. No.

Q. The first one I am talking about is the 18th September?—A. Oh, well.

Sir WILLIAM MEREDITH: Well what is the use of asking whether he talked with a man who was not here?

Mr. JOHNSTON: Where the witness gives general evidence—

Sir WILLIAM MEREDITH: This witness is to be treated at present as a respectable man.

Mr. JOHNSTON: I hope I am treating him as that. If you take that view I shall not examine him.

Sir WILLIAM MEREDITH: Certainly, the most searching, but treat him as a respectable man.

Mr. JOHNSTON: In what way am I treating him as not a respectable man?

Sir WILLIAM MEREDITH: It seems to me you are treating him just as you would treat the commonest kind of a witness that you thought was dishonest.

Mr. JOHNSTON: Surely not; I certainly resent that accusation against my treatment of the witness.

Sir WILLIAM MEREDITH: I cannot help you resenting it; it is my view of the way in which you are conducting the examination.

Mr. JOHNSTON: If I am simply to go over in a polite manner with any witness I might as well not be here at all.

Sir WILLIAM MEREDITH: As I say, the most searching examination, but do not make offensive observations.

Mr. JOHNSTON: I do not know of any offensive observations I have made.

Sir WILLIAM MEREDITH: I think that discussion as far as I am concerned will cease now.

Mr. JOHNSTON: Did you consult any other colleagues at that time about prices?—A. No, sir.

Mr. JOHNSTON: I did intend to ask this witness—of course I feel somewhat hampered after the remarks made—

WITNESS: Do not feel that you are offending me, Mr. Johnston; I want to give you everything, and I will take it in the most pleasant way.

Mr. JOHNSTON: I want to mention a matter to the Commissioners, General, just for a moment; I wanted to ask this witness, if I go on with him at all, as to certain matters in connection with that contract of the 1st October in which these four gentlemen for the first time became parties to the dealing in shells that I abstained from with the other witness because the question was reserved as to whether or not—

Mr. EWART: We cannot hear you, and we really would like to hear.

Mr. JOHNSTON: As to whether or not I should go into that matter and that point I understand was reserved; if the Commission is of opinion that I ought not to ask questions in regard to that I shall not put any further question.

Mr. HELLMUTH: May I intervene for a moment; anything that bears upon the question of contractual relationship or trustee relationship I would not desire to prevent, as far as I am concerned, any inquiry into that; going into the particular contracts that were made outside of the scope of this is another matter, but the questions that would lead up to that I should think in view of the dealings with these particular contracts might be asked; that is the way it occurs to me.

Mr. JOHNSTON: I may say that the question of what took place as gathered from various witnesses may be important from our standpoint, from my standpoint at any rate, and I so submitted at the time; in addition to that the contracts have been proved and they are before the Commission, and surely it is open to me to examine as to the contracts proved by my learned friend Mr. Hellmuth, and made part of the record.

If they can be proved and nothing more said about it then of course my duty is very simple, as I should not ask if the Commissioners so rule, and I would not even attempt to lead up to that.

Mr. HELLMUTH: I am not objecting to your asking any questions in regard to those contracts that were entered into between the Shell Committee or the four members of the Shell Committee and the Secretary of State for War through General Hughes; all I am objecting to is your going into the contracts that these parties made with others in regard to the matter, but I should think it is quite proper to find out from those contracts and from other circumstances what the relationship was; in regard to that I do not certainly interpose; I shall be glad if it were done.

Mr. JOHNSTON: I answer that by saying that the question of the relationship having been asked yesterday and emphasized with General Bertram as to whether or not they were contractors or mere trustees or agents, or whatever one may choose to call them, that that question depends entirely upon what was done under these contracts after they were entered into, and the facts connected with the contracts themselves, and with the action of this witness or any other witness, ought to be available to me for the purpose of showing what the real relationship was notwithstanding the evidence my learned friend offered yesterday in regard to the fact that they were not in reality contractors but agents.

Sir WILLIAM MEREDITH: You have not made it at all clear to me the scope of the inquiry you desire to enter into. Do you propose to enter upon an inquiry as to contracts, the details of contracts that were entered into with regard to other matters than the four that are referred to this Commission to examine into the prices at which those contracts were let or taken from the War Office, and the prices at which they were let to those who contracted with the Shell Committee—is that what you propose to do?

Mr. JOHNSTON: And the relations between the parties as to their dealing and how the account was kept and the payments made; that is what I stated at the time, at least I intended to state that at the time, when the Commissioners thought until further consideration I ought not to deal with the matter, and I have ceased dealing with the matter.

(The Commissioners confer.)

Sir WILLIAM MEREDITH: Mr. Johnston, the Commissioners are of opinion that you can make inquiries of this or any other witness as to the relationship between the Shell Committee and the War Office, or the Minister of Militia, but you cannot enter into the particulars of any of the transactions that are not the subject of this inquiry.

Mr. JOHNSTON: It occurs to me with all deference, if I cannot go into the particulars—take, to make it quite clear I will give the dates of the contracts: October 1, 1914, Exhibit 23; October 20, 1914, Exhibit 31; July 1, 1915, Exhibit 122—now, the superficial facts or the facts that bear generally upon the contracts have been given; that, as I understand it is—

Hon. Mr. DUFF: Let us take the first one and let us understand; this is the contract between the War Office and these gentlemen.

Mr. JOHNSTON: Yes.

Hon. Mr. DUFF: The observations of Sir William Meredith were not directed to this contract.

Mr. JOHNSTON: Then 20th October, 1914, Exhibit No. 31.

Hon. Mr. DUFF: That is the same thing, that is the contract between the War Office and these gentlemen.

Mr. JOHNSTON: Yes. The 1915 one, July 1, page 139.

[Sir Alexander Bertram.]

Hon. Mr. DUFF: That is the same thing.

Mr. JOHNSTON: They are all upon the same basis, and what I asked permission to go into was this, I wanted to show what these four gentlemen did, and in order to show that I want to ask the witness as to prices that they got from the War Office, and the prices that they paid to the subcontractors.

Sir WILLIAM MEREDITH: That involves going into each one of the transactions mentioned in that agreement; only four of them are the subject of this inquiry.

Mr. JOHNSTON: I do not want to have any misunderstanding about what I desire to do, and I am putting it plainly now to the Commissioners as to what I propose to do subject to the ruling of the Bench, and I understand the ruling is I am not entitled to go into the particulars of these matters to ascertain the facts as I have outlined them.

Hon. Mr. DUFF: The particulars of the prices of particular contracts other than these four contracts.

Mr. JOHNSTON: Yes.

Hon. Mr. DUFF: That is to say there is no question of contracts for fuses—

Mr. JOHNSTON: No, I understand that, as far as the fuses are concerned, but the fuses are included with other matters in a contract of the 1st July, 1915, because there was a lump sum of \$16.50 as to these four contracting parties, nominally or really contracting parties, and as I pointed out, and as I again point out, that in order to ascertain the exact status of these gentlemen I ask to be allowed to go into the transaction, and let me make it as general as possible, into the whole transaction which will bear not upon the question of fuses but upon the position which these gentlemen actually occupied towards the War Office or towards anybody else with regard to these contracts or contracts for similar purposes.

Sir WILLIAM MEREDITH: I think our ruling is plain, Mr. Johnston; you will proceed having regard to it, please.

Mr. JOHNSTON: I do not know that I can make it clear to myself.

Sir WILLIAM MEREDITH: If you will ask your questions and they are contrary to the ruling we will deal with them.

Mr. JOHNSTON: Perhaps I can put it in the form of questions that will explain what the ruling is and what my position is, that I should inquire and do inquire from this witness as to the persons to whom subcontracts were let, and the prices under the contract of the 1st October, 1914—

Sir WILLIAM MEREDITH: That is excluded except to these four contracts that were—

Mr. JOHNSTON: I am speaking now about 1st October, 1914—

Sir WILLIAM MEREDITH: As I understand what you have said, if there is a full price \$16.50, part of it only the fuse, the ruling would not prevent you going into an inquiry as to the rest of the \$16.50, whatever it is.

Hon. Mr. DUFF: That is with regard to the five million.

Mr. JOHNSTON: Yes, I understand that.

Mr. EWART: That is not the contract of the 1st October.

Mr. JOHNSTON: But the 1st October contract, 1914, is not that kind of contract, as you will see; so that if that is the ruling I cannot go into these very matters I am speaking about, and there is no use putting questions which would be ruled out.

Sir WILLIAM MEREDITH: No, no use taking up unnecessary time.

Mr. JOHNSTON: Because each question would be ruled out, and I do not want to take that position at all.

Mr. HELLMUTH: In regard to the ruling the questions that are directed towards elucidating the position of the four gentlemen with the War Office, whether they

were, although legally contractors, treating themselves as trustees or agents, I do not understand any questions of that kind are ruled out.

Sir WILLIAM MEREDITH: Certainly not.

Mr. HELLMUTH: Nor any inquiry in regard to any prices or any contracts that were made in regard to the fuses with the American Ammunition Co.

Sir WILLIAM MEREDITH: Certainly not.

Mr. HELLMUTH: But if my learned friend Mr. Johnston wants to ask in regard to another contract or sub-contract made by these four gentlemen with somebody else in relation to a matter which is not covered by the terms of the Order in Council he cannot go into that.

Sir WILLIAM MEREDITH: That is the ruling.

Hon. Mr. DUFF: Or which has nothing to do with the contract of the five million.

Mr. JOHNSTON: I have raised the question because I have taken one contract as a sample of the 1st October which has nothing to do with fuses, and is only brought forward by myself for the purpose of showing the actual contractual or other relationship of these parties, and in order to do that it would necessitate my going into the question of their sub-contracts, or payment, and the method of payment, and method of book-keeping and so on, which of course would be necessary to show whether they were contractors or agents.

Sir WILLIAM MEREDITH: You are aware, of course, the Order in Council provides for the reference of other questions to this commission if it is thought expedient to do so. If anybody thinks that these matters ought to be inquired into, and we are to stay here all summer doing it, I suppose representations can be made—Mr. Carvell is a member of the House, he can bring the matter up and ask that the power of the inquiry be extended, but we must keep within the terms of our map.

Sir WILLIAM MEREDITH: You understand, Mr. Johnston, that with regard to this five million contract, the question of profits made by anybody is open to inquiry.

Mr. JOHNSTON: I understand that.

Hon. Mr. DUFF: Not merely as to the fuses, you know.

Mr. JOHNSTON: Yes. And as to the five million fuses, not merely as to the price of fuses but the prices under the sub-contract and so forth.

Hon. Mr. DUFF: As to profits, as to fuse contracts, made by anybody. The fuse contracts were—speaking very roughly—an element in the transaction with regard to the five millions and what has been said with regard to other contracts does not apply to the five millions.

Mr. JOHNSTON: I understand that the five millions is open to all investigation and all inspection of papers and all examination that may be deemed necessary.

Now in view of the ruling I am taking this responsibility, of deferring, with your permission, the cross-examination of General Bertram until representations may be made in the proper quarter, and which will be made, as to permission or such amendment of the Order as will enable us to go into the question that I have brought up and which we think is very important.

Sir WILLIAM MEREDITH: Does that mean practically an investigation of all the transactions of the Shell Committee?

Mr. JOHNSTON: No. Oh, no.

Sir WILLIAM MEREDITH: I do not see what else it could mean.

Mr. JOHNSTON: There are three contracts here.

Mr. HELLMUTH: That is every transaction of the Shell Committee, taking the contracts, let it be understood clearly, of October 1, October 20, and July 1, with the War Office. That covers as I am instructed every transaction of the Shell Com-
[Sir Alexander Bertram.]

mittee with the War Office for munitions up to the time of their going out of office in November. After the first of July as I understand it, there were no further contracts, because the orders put in hand up to the first of July covered the contracts, is that not right General Bertram? That is as I am instructed at all events that it covers everything. Now there may possibly be one contract, but the contract of the first of July on its face covered an enormous number of contracts. They were grouped and put in as one contract and it was said that from the contract of the 20th of October to the contract of the first of July every intermediate order or contract by way of cable was included in that, and I am not aware that after the first of July there were any other contracts taken, but it is possible there may be one.

WITNESS: I think there were.

MR. CARVELL: According to this there were some \$150,000,000 worth.

MR. HELLMUTH: After the first of July?

WITNESS: Yes.

MR. HELLMUTH: Then I am wrong in that. I thought that covered everything up to the end of November. I was wrong, Messrs. Commissioners, there were after the first of July contracts which were not covered by that first of July contract, so that of the three hundred and thirty or forty million total of contracts I am advised that there were after the first of July some one hundred and fifty?—A. One hundred and fifty to two million.

Q. So that that would mean entering into contracts for a little more than half of the total work of the Shell Committee. That is what it would mean.

SIR WILLIAM MEREDITH: We do not intend to follow strictly the rules of *nisi prius* with this witness; if you desire to discontinue his cross-examination now, you can do so and bring him back again, under reasonable arrangements with the other counsel.

MR. JOHNSTON: I desire to adhere to the ruling and at the same time to protect my own position. I think an opportunity should be given, as you mention Mr. Carvell, a member of the House, or any one else, to bring the matter up in order to see what the authority that constituted this Board will do in regard to the functions in reference to these matters. That is all that I desire. So I would therefore defer further examination of General Bertram, subject to your approval, until such convenient time within a reasonable time, in the next week or so at any rate I should imagine we will get some decisive action, and then continue it on that occasion.

SIR WILLIAM MEREDITH: There are a good many matters that you are going to examine him upon, apart I suppose from the one we are discussing. Will that disarrange the plan? For instance now the shell contract, Allison's connection, Yoakum and all these; is that to stand over or may that not go on now? I am asking with a view to the regularity.

MR. HELLMUTH: I think perhaps, Messrs. Commissioners, I might outline the way that I propose and the order in which I propose to present the evidence to the Commission, so far as it has been tendered to me and the witnesses have stated their intention of being present.

I propose to call Mr. Orde, Mr. Riddell, or Mr. Hirschel or somebody who made these figures. I also propose to call Colonel Cantley, a member of the Shell Committee; Colonel Watts, a member of the Shell Committee; and Mr. E. Carnegie, the remaining manufacturing member of the Shell Committee.

After that my friend Mr. Atwater has told me that Mr. Harris, Mr. Paterson and, I think, Major Hawkins have stated they are all engaged at present with the International development of these fuses and they have said they cannot give any great time to come here, important as it is, but that they would be here on Monday. Now I feel that on their promising to be here Monday I cannot force them to come before. They say that they are very busily engaged there.

Then I propose if they will be present, and I am advised that they will be present, to call Mr. Cadwell of the American Ammunition, Mr. Yoakum of the American Ammunition, and I don't know whether Mr. Gladeck will be here or not. Possibly he will.

Then Colonel Allison will be called, and as far as I know the only other witness will be the General. General Hughes himself.

Now that was the order, I may say quite frankly, in which I propose to bring these witnesses before the Commission, or about that order.

I thought that it would be proper that after we had had the story from Dr. Harris, Paterson, Yoakum, Cadwell and Allison, we should hear what General Hughes had to say in reference to their various statements.

Mr. CARVELL: Pardon me a moment, please. You have left out the name of Mr. Flavelle.

Mr. HELLMUTH: I will call Mr. Flavelle. You are quite right. But I do not know that Mr. Flavelle can tell us much about what happened at the Shell Committee, but he can tell us about the deliveries.

Then I would be very glad to call anybody who would give information from, if I may put it, the other point of view. For instance, Mr. Lloyd Harris and Mr. Russell. And it struck me that it was my duty to call Mr. Kyte who had made these charges, and obtain from him if he has it, all the information he has in regard to the matter.

Sir WILLIAM MEREDITH: Mr. Johnston?

Mr. HELLMUTH: No, Mr. Johnston has not made the charges. He is only the bursting charge.

Mr. JOHNSTON: I am afraid the Commissioners would not allow me to give evidence.

Mr. HELLMUTH: I want to make this statement in regard to it, Messrs. Commissioners, because there may be a great many other people who could throw light upon these facts, and if there are and if they will come to me, and I care not from which quarter they come, I will be glad to get whatever information will throw light on this, but I do not know of anybody else.

Sir WILLIAM MEREDITH: Are you offering a bonus?

Mr. HELLMUTH: A commission.

Mr. JOHNSTON: I do not understand how my learned friend is going to get on with the other members of the Shell Committee who will be all subject to the same question as General Bertram. They must be, and perhaps General Hughes as well. I do not see any reason why the same subject matter should not be dealt with by all gentlemen who had connection directly with the Shell Committee. Now I think it is very unsatisfactory to go in pieces as it were. I think that the question of enlarging the scope is the first thing to be determined. That will have to be done within the next two or three days. It cannot be done otherwise, because the House will likely prorogue very shortly. In a few days I understand.

Mr. HELLMUTH: I will relieve my learned friend's mind of one thing. I propose to call Colonel Cantley and Mr. Watts and Mr. E. Carnegie,—there may be other matters incidental—but mainly to show what I was not able to obtain from General Bertram, and that was what took place and what discussion occurred. The General said quite frankly that he could not remember. What discussion occurred. I do not know whether they can, for I have not at present spoken to them about it. What occurred at these meetings, I think it is June 4, in regard to what information they received from Colonel Carnegie at that time in regard to these contracts.

Mr. JOHNSTON: Yes, but my learned friend will see that they are all parties to these contracts.

Mr. HELLMUTH: I quite appreciate that.

[Sir Alexander Bertram.]

Mr. JOHNSTON: And therefore the same difficulty will arise with regard to each one of them as has arisen with regard to General Bertram. I may say that I am advised that an application would be made or may be made, will be made perhaps I might put it, for the purpose of covering just such questions as I have raised, and if so, and the powers grant it, we need not go over the whole matter a second time, objecting and ruling out evidence and taking part of the evidence and so forth, so that if the House was seized of the urgency of the matter I have no doubt they would act and say at once Yea or Nay. If they say that the order stands as it is then we are governed by the decision of the Commissioners and I just proceed subject to that restriction. That is all I can say about the matter.

Mr. HELLMUTH: Well, I hope it won't be necessary to adjourn this Commission at this stage.

Sir WILLIAM MEREDITH: Is that the suggestion?

Mr. HELLMUTH: I take it that that is what it means.

Sir WILLIAM MEREDITH: That cannot be.

Mr. HELLMUTH: We surely are not going to be thrown back a week. One has to give up a good deal to be here for weeks at a time, and I have arranged with Mr. Atwater that he will bring his clients on here. I think he will confirm what I have said, to be here on Monday; and with Mr. Orde and these others I have just about enough I think to fill up the balance of the week or very nearly so. We are adjourning on Saturday.

Sir WILLIAM MEREDITH: There is a name that has been mentioned in connection with these fuse contracts, that has not been mentioned by either of you.

Mr. HELLMUTH: Lignanti?

Sir WILLIAM MEREDITH: Yes.

Mr. HELLMUTH: If Lignanti will come I will have him here. I cannot promise, because he may not come. It is for him to say. I hope he will.

Sir WILLIAM MEREDITH: We will have to go on sitting as we have been sitting, making any postponements that are necessary to enable Mr. Johnston to conduct his case as he desires to conduct it, but we cannot consent to any postponement of the sittings of the Commission.

Mr. HELLMUTH: I understand my learned friend Mr. Johnston does not intend at the present time to continue his cross-examination of General Bertram, and I am quite willing to do this: I want to accommodate my learned friend and I am willing to put no questions at the present time to Colonel Cantley, or Mr. Watts, or Mr. E. Carnegie, in regard to the contractual relationship, but confine it to what they knew about these fuse contracts. Of course in that case I would have the right to get my evidence in chief upon that, if I can call it in chief, because I am not confining myself to direct.

Sir WILLIAM MEREDITH: I think these difficulties will disappear as we get on.

Mr. HELLMUTH: I think that is very likely.

Mr. JOHNSTON: The contract is in and these other three gentlemen are parties to it, and therefore I could not be limited with regard to them.

Sir WILLIAM MEREDITH: Have you concluded what you are going to ask General Bertram?

Mr. JOHNSTON: At present, yes.

Hon. Mr. DUFF: Before General Bertram leaves the box I want to ask him one question, but the question ought not to be answered without some time to think about it. I would rather you would not answer. I asked Colonel Carnegie, following up an answer that he had given, I think it was to Mr. Johnston, I am not quite sure,

and for the purpose of getting an explanation of an answer that he had given, whether he considered that the price in the case of the fuse contracts was the business of the committee and not the business of the War Office, and his answer was that that was his view. Now the question I wanted to ask you was, whether that was your attitude towards that business, but I do not like to press you for an answer to it at the moment if you feel any difficulty about it, or if Mr. Nesbitt thinks the question should not be answered now.

MR. NESBITT: Oh I do not care at all, my lord.

WITNESS: I looked upon the fuse as a component part of the order and we did not think that it was any person's business as long as we produced the complete shell.

HON. MR. DUFF: At the price?

WITNESS: At the price or lower than the price given us by the War Office.

HON. MR. DUFF: That was in substance the answer that Colonel Carnegie gave.

MR. GRANT: There is a mistake in the record there, Mr. Commissioner. Page 303.

HON. MR. DUFF: I know. It is quite wrongly reported.

MR. HELLMUTH: That is all for the moment, General Bertram. You may have to hold yourself in readiness at a later date to return.—A. Yes, I am ready.

MR. HELLMUTH: A letter has been received in regard to the communication from Mr. Ritchie to Sir Robert Borden. The answer being:—

"I beg to acknowledge your letter of the 2nd inst. I have no objection whatever to the letter from Mr. Lloyd Harris to me being put in evidence. It might be proper however that the reply of Mr. Carnegie, to whom the communication from Mr. Lloyd Harris was submitted, should also in that case be received in evidence. If I remember correctly, Mr. Carnegie's reply was submitted to Mr. Lloyd Harris. Yours faithfully,

"R. L. BORDEN."

SIR WILLIAM MEREDITH: Somebody said it was not.

MR. JOHNSTON: Oh, no. I did not say it was not submitted to him.

SIR WILLIAM MEREDITH: I thought somebody said they never got the report.

MR. HELLMUTH: Have you got a copy of that letter? Because I would like to put that in now. That is the letter from Mr. Lloyd Harris to the Premier.

MR. JOHNSTON: I think that what was said was this, that I said I had never seen it. I had not one. But I did not know whether Harris had got it or not.

MR. HELLMUTH: Messrs. Commissioners, I understand that letter is on its way. Meanwhile Mr. Hirschel is here, he is the gentleman who prepared the statement.

MR. JOHNSTON: I ask the Commission to permit Mr. Grant to examine.

MR. HELLMUTH: I was going to call the witness, but he has dashed out of the room.

MR. CARVELL: I think I ought to state to the Commission as to this statement. Mr. Hellmuth proposes to put in an amended statement. We would have no objection to him putting in a statement if we were allowed to cross-examine upon it and get some information.

HON. MR. DUFF: The Commissioners have not ruled that this statement is evidence, yet, you know.

MR. CARVELL: But the difficulty is, a mass of figures are thrown at us and we have no way of testing them. We have found twelve million dollars of a mistake and I believe that has been amended. A mere bagatelle I suppose.

[Sir Alexander Bertram.]

Mr. HELLMUTH: When Mr. Carvell says that he has found twelve million dollars of a mistake, might I humbly take credit for finding ten million of the twelve.

Mr. CARVELL: I think it is eleven and a half to be correct.

Mr. JOHNSTON: Then follow the principle of the fuse contracts and divide it in two, each taking half.

Mr. HELLMUTH: Well, perhaps this had better be kept off until we have the general ruling. I will call Mr. Orde.

JOHN FOSBERY ORDE, sworn.

By Mr. Hellmuth:

Q. Mr. Orde, you are a practicing barrister and solicitor here in Ottawa?—

A. Yes, sir.

Q. And have been I won't say for how many years?—A. Twenty-five years this month.

Q. And you are the senior member of the firm of Orde, Powell and Lyle?—A. Yes.

Q. Now will you tell me when first you had anything to do with the Shell Committee or any contracts or agreements on its behalf, first, and how you came into it?—A. On the 7th of June last, that is 1915, I received a telephone message from Mr. Parker, the Manager of the Bank of Montreal, asking me to meet him at the Shell Committee's office. I did not know then where it was. They had just recently moved to Ottawa. I went down that morning with him and met there first Colonel Carnegie.

I was there on behalf of the Bank of Montreal. I am the local solicitor for the bank here, and I need not go into that, because it had reference to this proposed contract for fuses or these contracts for fuses which they were about to enter into, and had reference to the banking arrangements which the Shell Committee wished to make.

They were suggesting a somewhat complicated method of carrying the account in New York and making the payments for the fuses. There were certain things which they suggested, or rather which Colonel Carnegie suggested, to which I objected on behalf of the bank.

In the course of the interview I asked to see the contract which they proposed to make, and Colonel Carnegie showed me a typewritten document in which no company's name had been yet entered, setting forth the terms of the proposed contract.

Q. Have you got that typewritten document?—A. No, I have not that. I have something here which is an amended form of that, but I have not that. I glanced over it rather hurriedly. It covered six or seven pages of typewritten matter and seemed rather complicated, but I glanced over it hurriedly and I asked him who drew it. He said that it had been drawn by himself, based on what I understood to be some earlier contract.

This was my first relationship with the Shell Committee. I had never met them before. I had never met Colonel Carnegie before. And I said to him that it was not in a sense any of my business, except in so far as it involved the bank, but as it seemed to involve a very large amount of money I thought that contract ought to be very carefully revised. Apparently, I gathered from what he had said, that no solicitor had had a hand in the preparation of that particular document.

He called in General Bertram, whom I had never met before, and I repeated to General Bertram what I had said to Colonel Carnegie, and as a result of that General Bertram said to me "Take this contract up to your office and prepare a memorandum for me of any of your suggestions." I did that and sent him a memorandum.

Q. Have you that memorandum?—A. I have a copy of it. My signature does not appear but that is a carbon copy.

Sir WILLIAM MEREDITH: What is this?

Mr. HELLMUTH: A memorandum for Brigadier General Bertram.

WITNESS: By the way, Mr. Hellmuth, I ought to ask this question first before I give this evidence. I presume I am released by the members of the Shell Committee from any question of privilege or any claim which they may have?

Mr. HELLMUTH: I ask the counsel for the Shell Committee if that is so.

Mr. NESBITT: Yes.

Mr. HELLMUTH: Then we may go on.

(Exhibit 253.)

"Memorandum for Brigadier-General Bertram, Chairman of the Shell Committee, Ottawa, Canada.

"1. I would suggest the addition to clause 12." Then you had a draft contract before you?—A. Yes, but I sent it back with the memorandum.

Q. "1. I would suggest the addition to clause 12 which provides for the cancellation of the contract at any time in respect of any fuse deliveries whereof are then in arrears of some such words as the following: 'Notwithstanding such cancellation the purchaser shall be entitled to recover from the company such damages as he shall have sustained by reason of the company's default.'"

I do not remember, but do you know whether that did go into the contract eventually?—A. Well, not ultimately. It went into the draft which was afterwards submitted to me as a foundation for the negotiations.

Q. I see. We will come to that.—A. For reasons which I will explain later, that did not go in.

Q. "2. In addition to the bond which the company's bank is to give to the purchaser's bank for the refund in the event of default of any advance payments made by the purchaser, the Shell Committee ought to insist upon a guarantee bond from some responsible guarantee company in a sufficient sum to insure the performance by the company of the contract. Strictly speaking it is not necessary that a clause to this effect should be put in the contract, because the guarantee bond can be made the matter of a separate arrangement, but it could do no harm to add to the contract a clause to the following effect: 'The company shall procure and furnish to the purchaser a bond in the sum of \$ from some guarantee company acceptable to the purchaser guaranteeing to the purchaser the due performance by the company of this contract and the payment by the company of all damages which the purchaser may sustain by reason of any default of the company.'"

Sir WILLIAM MEREDITH: Had the draft to which that referred a provision as to the guarantee that was to be given?

Mr. HELLMUTH: I cannot get that. Have you got a copy of the draft that was submitted to you?—A. On that date. No. It may be on the files somewhere.

Q. Can we get that, please? I would like to have that. I will go on while that is being searched for.

Mr. NESBITT: What was it that was put in?

Mr. HELLMUTH: I know some contracts are in.

Mr. NESBITT: The reason I ask is that I have a sort of recollection that that draft was put in.

Sir WILLIAM MEREDITH: There is a draft in.

Mr. HELLMUTH: But I do not think that draft was the first draft.

Mr. NESBITT: That may be.

Hon. Mr. DUFF: That is the draft of the contract that was not executed, I think.

WITNESS: That was the Stewart Company.

Mr. HENDERSON: Page 115 of the report shows it.

Sir WILLIAM MEREDITH: That is the agreement with the American. That is in. [J. F. Orde.]

Mr. NESBITT: Mr. Stewart says he has given you everything he has found up to date. I fancy you will find that is in.

Mr. HELLMUTH: Did I put it in?

Hon. Mr. DUFF: I think the draft that went in was the draft of a contract for cartridge cases.

Mr. HENDERSON: There were some pen and ink alterations in the document that went in. That is spoken of.

Mr. HELLMUTH: Mr. Stewart makes the suggestion to me, which may be correct and may explain matters, and that is that there was a draft some time before by Messrs. Stewart & Stewart, of Montreal, and that Colonel Carnegie made a copy of that draft and that that was what was sent to Mr. Orde.

Now if I can get Exhibit 50, perhaps you can tell me whether it is a similar draft that was sent to you.

Hon. Mr. DUFF: Colonel Carnegie did not say anything about it. He did not say he had copied that.

Mr. HELLMUTH: I am showing you Exhibit 50 which is a letter from Stewart & Stewart enclosing their draft. Was it this that was shown you?—A. No, it was not at all in that form. I think I can explain and we can get some light on it in this way. It is carrying you forward a bit but it will explain it. In reply to that memorandum I got an acknowledgment the same day, signed by General Bertram, with Colonel Carnegie's initials in the margin, which I have here, to the effect that they were embodying my suggestions in the contract. Now later on I was handed a document, which I have here now in my hands, which appears to embody those suggestions which I made and which so far as my recollection goes is substantially the contract, the draft as it was first handed to me with those suggestions.

Sir WILLIAM MEREDITH: Hadn't you better have General Bertram's reply?

Mr. HELLMUTH: May I just finish this, Mr. Commissioner? He says: "3. In paragraph 11, I would suggest that instead of the words 'the bond covering the same' should be used 'the said bond of the company's bank covering same.' Otherwise the word 'bond' might be confused with the Guarantee Bond to be given by the Guarantee Company.

"4. The suggestion that the Company or the Company's bank should pay interest on the advance payment is really a matter of bargain. In any event objection would doubtless be taken to paying interest at a higher rate than the usual bank interest which would be about three per cent.

"5. Without attempting to criticize the form of the contract it seems to me that in view of the fact that the fuses are to be manufactured in accordance with certain drawings and specifications which constitute a part of the agreement it would be more logical to have the provisions for packing the fuses which are contained in paragraph 2 and in paragraph 14 set forth in the specifications and not in the body of the contract itself unless there are other reasons for not doing so. It seems to me also that some of the provisions regarding packing contained in paragraph 2 are duplicated in paragraph 14. Would it not be better to incorporate that portion of paragraph 2 which deals with packing, etc., in paragraph 14?

"6. In paragraph 13, the expression 'or allies' while we all know what it means is really a little vague. It would be more fitting to have it read 'or the allies of Great Britain' and I should think that the words 'for the purpose of the present European War' might fittingly be added."

You were looking to other allies with some other title?—A. It was very vague I thought.

Q. '7. It is to be noted that the contract is silent as to the place where the fuses are to be manufactured. If there is any understanding with the manufacturing company on this point it ought to be embodied in the contract.

"8. I have not had time to give this matter all the consideration that it deserves and the foregoing suggestions are merely those which occur to me after a very hasty perusal of the contract."

Then you sent that memorandum, returning with it the draft that had been sent to you. Now you have a letter there as to that?—A. There is a letter acknowledging it.

Q. Then you received this reply from the Shell Committee:—

(Exhibit 254.)

"We are in receipt of your memorandum of to-day's date giving suggestions for amendments to contract form handed to your Mr. J. F. Orde, K.C., for which we thank you. We have embodied your suggestions in the contract."

That is signed by the Shell Committee, Alex. Bertram, chairman. The date of this is the same date, the 7th of June.

Q. Now Mr. Orde, I would like you to proceed. What took place after that?—

A. Do you want everything in connection with the Shell Committee from then on?

Q. Certainly.—A. That day at lunch time—I may say that I was a little bit alarmed at the prospect of this huge contract apparently being drawn up and finally signed without proper legal advice. It worried me a bit and not knowing what the constitution of the Shell Committee was or anything about it, I did not dream for example that I was going to be called in to do anything more at that moment—I mentioned the matter to Mr. Meighen, the solicitor general, and told him that I thought an official from the Department of Justice ought to be detached from the Department and sent over and given a place in the Shell Committee, to remain there until the end of the war, to see that the legal end of the business was properly looked after.

Mr. Meighen said he would look into it and I think the next day I was told either by Mr. Meighen or Mr. Doherty, the Minister of Justice, that the Shell Committee was not a branch of the Dominion Government and they had nothing to do with it so far as that was concerned. But probably as a result of what I said, I was told two days later that I would be asked, I think Mr. Riddell, the Financial Supervisor of the Committee, told me that I would be asked to look after the legal end of this particular transaction, and as a result of that I have been constantly employed by the Shell Committee up to its demise and since by the Imperial Munitions Board in connection with the legal work here.

Now I heard nothing further about this matter until the 16th of June on which day I received a request to go down to the Shell Committee's office.

Mr. NESBITT: That is June, 1915?—A. Yes. I received a request to go down to the Shell Committee's office and meet certain gentlemen.

I went down and I met there, in addition to General Bertram and Colonel Carnegie and Mr. Riddell of the Shell Committee, Mr. Cadwell, Mr. Yoakum and Mr. Frank Calahan who I was told was the solicitor for the American Ammunition Company. I had never met any of these three last named gentlemen before.

Now I was engaged from then onwards—I say this by way of explanation—the morning of the 16th of June until late in the evening of the 19th of June, that is four solid days, practically every morning, afternoon and evening, at numerous conferences with these representatives of the American Ammunition Company, and also with Dr. Harris and a Mr. Carpenter, the legal representative of the International Arms and Fuse Company.

Mr. HELLMUTH: What was that name?—A. Carpenter. From New York. Discussing the terms of these contracts.

I ought to add that in addition Mr. Smellie of Ottawa was called in by the American Company to assist, in addition to Mr. Calahan. I want to mention that because I was so constantly engaged that it is impossible to say just where and when certain

[J. F. Orde.]

and per day within six months from date of signing contract, the total of two and one-half million fuses (2,500,000) to be delivered by the 30th of April, 1916.

4. The Purchaser shall under the direction of the Chief Inspector of Arms and Ammunition provide for the reasonable prompt examination and inspection of the fuses at the factories where same are manufactured and loaded.

The said fuses shall be proved by the Chief Inspector of Arms and Ammunition at Quebec or at such other place or places as may be designated by him.

5. The decision of the Chief Inspector of Arms and Ammunition and his Inspectors regarding the acceptance or rejection of any fuse or part thereof shall be final and binding between the parties hereto.

6. The Purchaser shall pay the Company for said fuses as and when he shall have received triplicate invoices for same properly numbered, together with the certificate of the Chief Inspector of Arms and Ammunition or his Deputies certifying that the fuses covered by said invoices have been accepted.

7. The Purchaser shall make an advance payment in a New York Bank of 15 per cent of the total amount of the purchase price to the Banker of the Company (approved by the Purchaser) at the following rates and periods:

1. 10 per cent on signing the contract.

2. The remaining 5 per cent to be paid in equal monthly instalments, over a period of four months from the signing of the contract.

8. The said advance payment to be returned to the Purchaser's bank at the rate of 15 per cent upon each and every invoice for fuses as and when paid by the Purchaser.

9. The Purchaser shall also make a payment to the Company equal to two-thirds of the price of the finished fuse. On the receipt of certificate from the Chief Inspector of Arms and Ammunition or his Deputies, after the completion and inspection of the mechanical parts of the fuses and their delivery to the loading contractor's factory or factories. Such advance payment shall be made on a number not exceeding one million fuses under the whole contract and shall not exceed the sum of three million dollars (\$3,000,000). The above advance payment made for the purposes of aiding the Company to finance this contract shall not in any way constitute an acceptance of said fuses or their parts by the Purchaser.

10. The Bank of the Company shall by proper instruments on the Company's behalf, bind itself to the banking house of the Purchaser, that the total amount of cash advanced by the Purchaser and paid into the bank of the Company, will be refunded to the Purchaser's Banking House in the event of the non-delivery of the shipments, in payment for which such cash was advanced, and further that in the event of the Company failing to complete any part of the contract number of fuses upon which advance payment has been made, the amount of money advanced in part payment to be refunded by the Company's Bank to the Bank of the Purchaser in respect of any fuses upon which payments have been made by the Purchaser.

The Bank of the Company shall also, on the Company's behalf pay to the Bank of the Purchaser, interest at the rate of 3 per cent per annum on all moneys advanced to the Company's Bank under clause seven, from the date of the receipt of the money until repaid to the Purchaser's Bank.

11. The Company shall procure and furnish to the Purchaser a Bond in the sum of two million dollars (\$2,000,000) from some Guarantee Company acceptable to the Purchaser, guaranteeing to the Purchaser the due performance by the Company of this Contract and the payment by the Company of all damages which the Purchaser may sustain by reason of any default of the Company.

12. When the conditions above stated in paragraphs 8, 9 and 10 are met by the seller, the purchaser agrees that the bond covering the same may be cancelled.

[J. F. Orde.]

13. The Purchaser, at his option may cancel this contract at any time in respect of any fuses, deliveries whereof shall then be in arrears.

Notwithstanding such cancellation, the Purchaser shall be entitled to recover from the Company such damages as he shall have sustained by reason of the Company's default.

14. This agreement is entered into by the Purchaser on the understanding that the Company in executing the terms and conditions of same, shall not knowingly interfere with existing contracts of the British War Office or Allies of Great Britain for the purposes of the present European war.

15. The 80/44 fuses are to be packed in tin-lined wooden boxes each containing 40 fuses or such other number as may be decided by the Purchaser. The same to be securely held in position to prevent their movement in the boxes during transit. Fuses to No. 100 design are to be packed separately in tin boxes and subsequently packed in tin-lined wooden boxes for shipment. Packing cases to be supplied by the Company to designs supplied by the Purchaser.

In witness whereof the parties hereto have duly executed this agreement.

Signed, sealed and delivered
in the presence of

(Marked as Exhibit 255.)

Then having received that Exhibit 255, you proceeded to do what, Mr. Orde?—
A. May I say first that the pencil memoranda which appear on this and which are in my handwriting are just rough notes probably made at the time I was getting instructions.

Q. Were you sitting down, you and Mr. Calahan, and was this on the 16th?—A. Yes, on the 16th, we met in the Shell Committee's office.

Q. And Calahan representing the Company?—A. Yes,

Q. And you representing the legal end, and Mr. Smellie there?—A. Mr. Smellie was not there the first day.

Q. It was Mr. Calahan on the one side, so far as legal gentlemen are concerned, and you on the other?—A. Yes.

Q. And may I say all the clients of both that we have heard of, that is Yoakum, Cadwell and who did you say else?—A. That is all.

Q. And General Bertram?—A. General Bertram, Colonel Carnegie and Mr. Riddell. May I say this with regard to Mr. Yoakum. Mr. Yoakum was there when I first went down. I don't think he remained very long, but I think on one later occasion he came into the office with Mr. Cadwell and Mr. Calahan. That is into my office. He took no practical part in the discussion. I mean he did not enter into the matter so far as we were concerned, so far as the negotiations were concerned, at all.

Q. Who was the spokesman?—A. The spokesmen for their side were Mr. Cadwell and Mr. Calahan. In fact I asked at one time who Mr. Yoakum was and they said he was in some way connected with the Company. I did not bother my head much about it. I think one of them said he was a rich man and I concluded he had some interest in the matter and there was nothing further. I did not bother my head about it, but Mr. Cadwell and Mr. Calahan were the two men who really represented them so far as speaking was concerned.

Q. May I ask again who besides yourself, for I will put you down as one of the speakers on that side, who besides yourself was the speaker or the man who discussed it?—A. General Bertram, Colonel Carnegie and Mr. Riddell all took an active part in settling the terms of this contract.

Q. Now we have got to the morning of the 16th when you have this document?—

A. Yes. We were there some time in the Shell Committee's office getting our instructions and I think discussing many of the terms of the contract.

There was one aspect of this contract which the lawyers did not approve of at all. The Shell Committee had some complicated idea that the Company would have its bank in New York; and the Shell Committee would have its bank, the Bank of Montreal, and in some way this matter of guarantees with regard to advances to be made, should be worked out between the banks.

So far as the Bank of Montreal was concerned, we did not wish to assume any responsibility in that connection, and Mr. Calahan saw the difficulty too on their side. So that the question of working out the guarantee for the advance among the banks was abandoned and the final arrangement whereby the advances were to be guaranteed by the Guarantee Company was adopted.

Now after the interview in the morning of the 16th, we all went back to my office. I say we all. Mr. Calahan and myself and Mr. Cadwell. And we proceeded to dictate the agreement and try to get it into shape.

Q. You had this?—A. I had this as the foundation for it? Now that went through many transformations before the agreement was finally signed. We had numerous conferences at the Shell Committee's office and at my office discussing many of the details of the agreement. There were certain matters which I wanted to get in. I wanted to have from the Guarantee Company a guarantee of the due performance of the contract. We were told that that would be a tremendous thing to expect any Guarantee Company to undertake and the premium would be very large, and the Shell Committee or its representatives finally abandoned any such suggestion.

Q. Taking in place a guarantee in case of default in performance?—A. Yes. Well, I wanted a guarantee which would cover any damages which the Committee might sustain by reason of default, but the contract as ultimately settled upon did not provide for damages to the Shell Committee for default at all. The only penalty for default was the cancellation of the quantity as to which the company might be short. There was no provision one way or the other with regard to penalties.

Q. I understand the provision only covers the return of moneys advanced for which work had not been done?—A. Yes, that is so far as the guarantee was concerned it only covered a return of money.

Q. Were they left to their legal position in regard to liabilities?—A. I think so. Nothing was said one way or the other.

Hon. Mr. DUFF: In the event of default—I have forgotten the phrase exactly—not owing to causes beyond their control, there would be the usual legal responsibility, but there was no guarantee with regard to that?—A. No. Whatever legal liability the company incurred it still stood. There was nothing negating that liability. Now the next day, Dr. Harris turned up and we had conferences with him. Remember these conferences did not take place with the two companies together at the same conference.

Mr. HELLMUTH: Were they together at the final?

A. They were ultimately when the contracts were being signed, but during the course of the negotiations, up to the final signing, we did not discuss matters which involved the relationship of the Committee and one company in the presence of the representatives of the other; although with only minor exceptions, the two contracts virtually took the same form there was a slight difference ultimately arranged with regard to the advance. One company I think got a little better terms than the other as the result I think of a certain amount of holding out.

Now, in the first place, you will see that the contract as submitted to me was a contract between a company as vendor of the one part and Brigadier General Alexander Bertram as purchaser on behalf of the Shell Committee.

Personally, I did not like that. It did not seem to be fair to General Bertram to make him personally contract in this way, and I ascertained that orders which the [J. F. Orde.]

Shell Committee had been in the habit of giving had always been in the name of the Shell Committee. I was shown I think at the time the form or order which they were in the habit of giving. This is not the actual piece of paper, but it is the same form that they were in the habit of using. And their letters, as shown by the letter which I have put in, were headed the Shell Committee and were signed The Shell Committee. So as a result of that the wording of the party of the second part was changed so as to read "The Shell Committee as represented by General Bertram, its Chairman."

Now, one of the things that was first asked me by the lawyers from New York and by Mr. Callahan in particular, because I do not think Mr. Carpenter turned up until the last day or the last two days, was an inquiry as to what was the Shell Committee. They asked me if it was an incorporated body. They were a little bit worried about it. I said No, it was not incorporated. They wanted to know if it existed under and by virtue of any Dominion statute. I said it did not. As a result of their inquiries I had to inquire and I was told that the Shell Committee had been appointed by General Hughes, the Minister of Militia, on behalf of the War Department. And I was also shown the Militia Orders in which the earlier members of the Shell Committee were named. As a result of that I proposed to describe the Shell Committee as it is described in the agreement, that is a body appointed by the Minister of Militia and Defence of Canada on behalf of the British Government for the purpose of the purchase of munitions of war.

I was told by Mr. Callahan and Mr. Cadwell that it was necessary for them to raise money on the strength of this contract, in New York, and they were very much afraid of an agreement in that form. They said their bankers there would not understand about the Shell Committee, that it was a purely voluntary body, and they wanted some further signature to it or something which would give it some authenticity. They asked me if I thought it probable that the Dominion Government would in some way execute the contract. I said I did not think there was the slightest possibility of getting that. It was out of the question. I gave that answer from what had been said to me before of the Shell Committee's independence of the Canadian Government altogether.

Then they asked if it was possible to get the authorization or ratification of the War Office. I said I concluded that they could probably get that, that that could probably be obtained but it would take considerable time, it could hardly be done by cable, and they were anxious to get to work.

Then they made the suggestion that perhaps General Hughes who had apparently on behalf of the War Office appointed the Committee, would be willing to ratify the contract on behalf of the War Office.

I said I thought that possibly he would and that I would ask General Bertram if General Hughes would do that, and in anticipation of his consenting to that Mr. Callahan and I prepared a certificate. He first wrote out a form of certificate which he would like to have signed and which I would not accept, and then between us we prepared a certificate which was ultimately put at the bottom of the agreement.

Q. Let me just have that.—A. I have a copy of it here before me. This is the one:—

"I, Major General, the Honourable S. Hughes, Minister of Militia and Defence of the Dominion of Canada, in accordance with authority duly conferred upon me by His Britannic Majesty's Government, hereby ratify and confirm on its behalf the foregoing agreement between the American Ammunition Company, incorporated, and Shell Committee."

Q. That was the final result of an agreement between you and Callahan as to its form?—A. Yes. I asked General Bertram I think on the morning of Saturday the 19th of June, when we had got the terms of the contract pretty well into shape, I explained to them what these gentlemen wanted and asked him if he would ascertain

whether or not General Hughes would ratify the contract. He told me later in the day, I think at lunch time, that he had spoken to the General about it and the General would be down at the Committee meeting that afternoon, for the purpose of signing it. I might say that the Committee was meeting on that Saturday, in session the whole day long, and I think I was present on two or more occasions during that day discussing certain aspects of that contract with the Committee.

Q. Did you see at that time the various members of the Committee when it was being discussed?—A. Yes.

Q. At the Committee meetings?—A. All those gentlemen named were present in the afternoon finally when it was signed and during I think the greater part of the discussion.

Q. Was it on that day or can you tell me from recollection whether it was on that day that in addition to the members of the Committee General Pease was there?—A. Yes, General Pease was there and took a very active part in the discussion.

What was worrying General Pease more than anything else was the question of deliveries. The question of price was never mentioned but he did appear to be anxious to get deliveries and objected to the various features of the contract which seemed to give opportunities for delay. That clause about strikes and acts of God and so on. He wanted to have that all struck out and he wanted to get them tied down to as binding a bargain as possible with regard to time. That appeared to be the only consideration in General Pease's mind.

Q. Did you say the price was never mentioned?—A. I don't think the price was ever mentioned by General Pease. The question of price was mentioned, because the whole contract was read over. I don't know that these other gentlemen were present when that was done, but the final meeting at which the contract was signed and at which we were all present, the American Ammunition people, Lloyd Harris, Mr. Smellie, Mr. Carpenter and so on, at that meeting there was a good deal of discussion about that particular aspect of the contract, and there was one or perhaps two clauses inserted in the contract with pen and ink, as a result of the discussion which then took place. We did not have time to get it re-engrossed and typewritten. General Hughes came down to that meeting that afternoon, but he took no part in the discussion of the contract in regard to its terms; he sat at one side. Finally when the document came to be signed he appended his signature in the place at the foot. When I say he took no part, he may have interjected a remark or two. I am not sure that the contract as a whole was read over by General Hughes. He only attended the meeting as far as I know for the purpose of signing that certificate. He would not have attended that afternoon except that General Bertram had asked him to come for the purpose of signing it.

Q. Tell me, had you and the solicitors prior to that meeting (because that seems to have been the meeting) agreed upon the form of the contract?—A. Yes, the general terms of the contract, in fact in all particulars with one or two exceptions it had been agreed to the day before; I cannot tell exactly when, but you see the contract was drawn, altered, re-drawn, and re-engrossed three or four times during those three or four days.

Q. When you say contract, you mean the two contracts?—A. I mean the two contracts.

Q. You say it was signed by General Bertram, as the copy shows?—A. Yes, sir.

Q. Well then, that ended your connection with it?—A. In a sense it did.

Q. Tell us what happened?—A. We were there that afternoon until 8 o'clock that evening. I did not get away to dinner that evening until 8 o'clock. We were in there getting the specifications, the drawings, which were very voluminous, signed and initialled by the various parties. These men wanted to go back to New York with their contracts complete, and that involved a great deal of trouble and time. Then in the evening I went to the Chateau Laurier to meet General Bertram and Colonel Carnegie, and the representatives of one of the companies—I think it was the Inter-

[J. F. Orde.]

national Arms and Fuse Co. although I am not sure of that, or which group it was. One of the contracts by the way had not been signed by the New York people; the International people had not brought up their seal, the American Ammunition Company had; for example some comment was made upon the fact that Mr. Callahan was Secretary then, and apparently was not secretary afterwards, or before—I forget which; I was told that he had been appointed Secretary of the company for the express purpose of signing, and had come up to Ottawa and had to bring the seal there for that purpose. One of the contracts had a certificate appended to it by Mr. Watts, certifying that resolution had been duly passed authorizing its execution. They had not carried their contract away that day, and did not get a certificate. That explains why one has a certificate on the back of it, and the other has not.

Q. When you had done that what took place; what was the next?—A. The next thing I did was, that on the 21st of June 1915 I wrote a letter to General Bertram. That was on the Monday following.

Q. On the 21st June you wrote this letter to General Bertram:—

“Brigadier-General Alex. Bertram,
“Chairman, The Shell Committee,
“Ottawa, Canada.

“Dear General Bertram:—*Re Fuse Contracts.*

“I enclose herewith the following documents:—

1. One of the duplicate originals of the Agreement dated the 19th instant with the American Ammunition Co. Incorporated, the other duplicate being in the possession of the company.

2. “Four extra copies of this agreement for future reference. Col. Watts said he would want one copy to be inserted in the Minutes.

3. “Four copies of the agreement of the 19th instant with the International Arms and Fuse Company of New York. Both the duplicate originals of this agreement which were duly executed by you and by Major-General Hughes were, as you will remember, taken by Dr. Harris to New York in order that the execution should be completed there by his Company and returned here for your records. When returned the foregoing copies should be made complete by copying in the signatures of the officers of the Company.

4. “Certified copy of the Resolution passed by the American Ammunition Company Incorporated authorizing the execution of the agreement by its President and Secretary.

“I think that Dr. Harris also took with him duplicates of the specifications and drawings referred to in the agreement and he was to have one set duly initialled by the officers of his company and returned with the agreement.

“With regard to the specifications and plans for the American Ammunition Company's contract it was understood that as soon as they were ready they would be handed to Mr. J. F. Smellie of Messrs. Lewis and Smellie who has been acting here as Solicitor for that Company and I told Mr. Callahan that if possible I would try and have them handed to Mr. Smellie today in order that he might forward them to New York.

“It will be important now to settle the form of the Guarantee and I enclose herewith my draft of a form which I propose sending to New York at once for approval there but before doing so I should like to know whether or not you or Col. Carnegie have any suggestions to make.

“Yours faithfully.”

(Marked Exhibit 256.)

So apparently you had received instructions, or assumed that you had instructions to prepare a draft of the Guarantee Bond; is that correct?—A. That is correct. During the course of the negotiations, during the four days, the form which the Guarantee bond was to take was discussed upon several occasions between Mr. Callahan and myself.

Q. You were speaking about Mr. Callahan and yourself; what about Mr. Carpenter?—A. Mr. Carpenter did not turn up until near the last. He pretty well complied with what Mr. Callahan had done.

Q. He was satisfied that Mr. Callahan was looking after his company sufficiently well to ensure the protection of his own?—A. Yes.

Q. Have you got the draft of the bond?—A. No, I cannot put my hands on it.

Q. Was the bond you drafted in substance—was it or was it not—the bond which was accepted by the Guaranty Trust Company?—A. Yes. You will observe that the two bonds are not worded in quite the same form. They are supposed to accomplish the same result. That came about in this way. One of them came up in that form, and looking after it over I did not want to unnecessarily cause delay, so I accepted that form, and that company continued to send its bonds in that form.

Q. Substantially the same form?—A. What took place in regard to these bonds was this; there was some delay in the earlier bonds coming up, I don't know what the cause of it was, but I presume it was the delay in making arrangements with the Guaranty Trust Company. That Company had been accepted by the Committee as a company which they could accept. Its name had been given in sometime before, and when the bonds came up I observed a curious discrepancy in regard to the stamps which were on them, and I caused an inquiry to be made in regard to that, and it turned out that the stamp bore no relation to the amount of the bonds, but apparently had some relation or were fixed according to the amount of the premium, and then I certified to the bonds as being satisfactory, and I understand that the money was then advanced.

Q. Perhaps you can tell me this (because we have not had it) who was to pay, so far as you know, for the premium?—A. The premium on the bond?

Q. Yes.—A. It was never discussed. Presumably by the companies.

Hon. Mr. DUFF: They were to produce the bonds—to furnish bonds?—A. Yes, sir.

Mr. HELLMUTH: But you understood that the Shell Committee, the purchaser, was to place their advance in New York funds?—A. The contracts so provided.

Q. And that they, the Shell Committee, would have to pay the cost of exchange, so as to make it New York funds?—A. Under the contracts all advances or payments otherwise had to be made at par in New York.

Hon. Mr. DUFF: They had to produce the money in New York.

Mr. HELLMUTH: Q. That is so, they had to produce the money in New York?—A. Yes.

Q. You finally approved of the bonds; do you know whether the money was paid?—A. Unless the Shell Committee were deceiving me, the money was not paid until the bonds were approved of by myself.

Hon. Mr. DUFF: That can be got from somebody, I suppose.

Mr. HELLMUTH: I think the very dates of the bonds and of the payments will show.

Hon. Mr. DUFF: In point of fact they were paid by cheques of the Shell Committee?

WITNESS: The bonds were sent up from New York to the Bank of Montreal in Ottawa. I don't know whether there was a draft drawn with them or not, but the instructions to the bank were to hand over the bonds to the Shell Committee on receipt of the funds from New York.

Q. So that the moneys were paid on the strength of the bonds coming in?—A. On the strength of the bonds coming in. If you want the dates of the bonds I can give them to you shortly. The first bond, the 13th of July, 1915, was the date of my letter approving those two bonds.

[J. F. Orde.]

Q. Which bonds were those?—A. The bonds for the original 10 per cent advance under each.

Q. Approved on the same day?—A. Approved on the same day.

Q. The 13th of July?—A. Yes. Then on the 27th of July I approved of the International Arms & Fuse Company's second bonds. But there was some delay in regard to the American Ammunition bond, because it did not contain a clause that I wanted to be inserted making it quite clear that the bond was in addition to and not in substitution of any early bond. That was made quite clear at last, so I certified to the second bond of the American Ammunition Company.

Then on the 25th of August I certified to the third bonds of both companies. On the 23rd of September I certified to the fourth bonds of both companies, and on the 3rd of November to the last one of both companies.

Mr. HELLMUTH: In every case, according to that, your certificate for the bonds for each advance of the four periods into which the five per cent was divided, as well as for the first ten per cent, was obtained?—A. Yes, sir.

Q. Now, Mr. Orde, is there anything further in relation to the matter that is within your knowledge?—A. Regarding the contracts?

Q. Yes.—A. During the regime of the old Shell Committee, you are speaking of?

Q. Yes.—A. There is just one matter in connection with the International Arms & Fuse Company. There was some correspondence—you have asked me a very sweeping question—there was some correspondence between myself and Harris that without the permission of the Commissioners I do not think I ought to disclose. It has nothing to do with the Enquiry. I will communicate it to the Commissioners or to yourself. It does not bear on this, and in view of the War I do not think it ought to be mentioned.

Hon. Mr. DUFF: Has it any relation to the contract?—A. It has relation to the contract, in a sense, but it has nothing to do with the Commission. I think the Commissioners would decide at once it is a matter that should not be disclosed.

Mr. HELLMUTH: Show it to the Commissioners, and I will wait until they decide.

(Witness consults the Commissioners.)

Is it a matter to be gone into?

Sir WILLIAM MEREDITH: No, I think not.

Mr. HELLMUTH: Mr. Orde did not show it to me, and I do not want to see it; I would rather not.

Sir WILLIAM MEREDITH: He mentioned that there was a difference between the two contracts in some particulars, did he not?

Mr. HELLMUTH: Yes, sir.

Q. What is the difference, and which of the two companies is it in favor of, if either—I assume it is in favor of one or the other.

Mr. CARVELL: The companies, or the parties to the agreement?

Mr. HELLMUTH: One contract will be more beneficial in regard to that matter to one company.

WITNESS: They differ in two particulars, one of which is very slight. If you look at paragraph 10 of either of the two contracts, you will see, I take both contracts.

Mr. HENDERSON: Look at page 117.

Mr. ATWATER: The American Ammunition Company Agreement starts at page 115.

Mr. HELLMUTH: Clause No. 10, did you say?—A. Clause 10 has reference to the advances which would be made when the component parts of a complete fuse had been completely made but before the assembling and loading. In one case you will see that the advance was 66½ per cent of the price.

Q. In the case of the American Ammunition Company, the advance was 65 per cent?—A. It was 65 per cent in the case of the American Ammunition Company, and 66 $\frac{2}{3}$ in the case of the International Arms and Fuse Company.

Mr. HENDERSON: It is found on page 123.

WITNESS: The reason of that change was this, that the basis of the negotiation was an advance of two-thirds of the price, but in figuring it out the American people came to the conclusion that it would be simpler to make it 65 plus 15 making 80, and not bother about fractions. As far as that is concerned the International Company had a slight advantage there.

Q. They had 1 $\frac{2}{3}$ per cent more of an advance on the component parts than the other?—A. Yes.

Mr. EWART: Were they not both 15 per cent?—A. Yes, sir.

Mr. HENDERSON: The 15 per cent was the same, but one got 65 per cent on the component parts when manufactured, but before assembling, and the other got 66 $\frac{2}{3}$, so that in that respect the International Company had an advantage of 1 $\frac{2}{3}$ per cent in the advances.

Then in paragraph No. 13 of both contracts, which deals with the application of the advances, you will find there is a decided difference. In the case of the American Company, as completed fuses were delivered from time to time, only 50 per cent of the purchase price was to be paid out of the advances, and the remaining 50 per cent was to be paid by the Board, or by the Committee. But there was some check on that. It was rather complicated, and hard to work out, but in the 13th paragraph of the International Company contract the total amount applicable became 15 plus 66 $\frac{2}{3}$, making 81 which should be applied towards payment of the finished fuses, so that in that respect the American Company had got a decided advantage.

Mr. NESBITT: It is the other way.

Hon. Mr. DUFF: The advance was exhausted more rapidly in one place than in the other.

Mr. HELLMUTH: In the International contract the advance was repaid you say—I do not quite follow you?—A. This would be the situation in regard to any completed fuses. Any fuses which had been completed so far as their component parts were concerned, but which had not been assembled or loaded, if the terms of the contract were strictly complied with there would have been in respect of those completed parts an advance of 15 per cent plus an advance of 66 $\frac{2}{3}$ per cent, in the case of the International Company, and in the case of the American Company 15 plus 65—in one case 81 $\frac{2}{3}$ per cent and in the other 80 per cent would have been advanced up to that date. When it came to the delivery of the completed fuses under the International Company's contract there would have had to be appropriated towards payments of each completed fuse as delivered—

Q. Appropriated out of the advance?—A. The company would in a sense be debited with the 81 $\frac{2}{3}$ per cent, and would only get 18 $\frac{1}{3}$ of the purchase price per fuse.

Hon. Mr. DUFF: That is the International Company?—A. The International Company. In the case of the American Company what would happen would be this, that only 50 per cent of the advance would be applied on payment of the completed fuse as delivered, and 50 per cent more would have to be paid by the committee, the result being that 30 per cent of the amount advanced in regard to each fuse would still remain advanced, but in regard to that there was a check somewhere of one million dollars. I don't know how it works out.

Hon. Mr. DUFF: What page was that, did you say?

Mr. HENDERSON: It commences at page 115, sir.

Hon. Mr. DUFF: Does the default clause deal with it at all?

[J. F. Orde.]

Sir WILLIAM MEREDITH: There is something about the million dollars.

Mr. HENDERSON: It is at the beginning of paragraph No. 10, "further advanced payments to the company in New York funds up to but not exceeding in the aggregate," etc.

WITNESS: Mr. Gordon, of the Imperial Munitions Board asked me some time ago to prepare a memorandum giving him my views as to how it was worked out, which I did.

Mr. HELLMUTH: I will get that in a moment. This is on page No. 117, about the middle of paragraph 10: "Provided, however, that if the amount of the advance from time to time made under this paragraph remaining in the hands of the company unapplied towards payment for completed fuses, as provided in paragraph 13 hereof, shall reach one million dollars, no further advances shall be made under this paragraph until said amount remaining in the hands of the company unapplied shall have been reduced by further applications thereof towards final payment under said paragraph 13 and then only in such sums that the total amount of said advances so remaining in the hands of the company unapplied towards final payment shall again reach one million dollars"—that was the check?—A. Yes, sir.

Q. You said you prepared—did you prepare a memorandum in regard to the application of that?—A. Yes. Mr. Gordon asked me to.

Q. Who is Mr. Gordon?—A. Mr. Gordon is one of the members of the Imperial Munitions Board, C. B. Gordon of Montreal. He asked me to prepare a memorandum in regard to the application of these moneys under these contracts, and I prepared two memoranda, one in regard to each contract.

Q. And that is your view as the adviser of the former Shell Committee and of the Munitions Board now to be acted upon by the Imperial Munitions Board in regard to these contracts?—A. Yes.

Q. Whenever it was given it was given for that purpose?—A. Yes.

Mr. HELLMUTH: I think I ought to put that in as an exhibit.

Sir WILLIAM MEREDITH: How much will it cost to print it—as much as it will cost to discuss it?

Mr. HELLMUTH: I think all parties would like to hear the views of the witness.

Sir WILLIAM MEREDITH: Fasten them together, then.

Mr. HELLMUTH:

MEMO FOR IMPERIAL MUNITIONS BOARD.

Re International Arms and Fuse Company Fuse Contract.

1. This contract calls for the manufacture and delivery of "completed fuses" in accordance with the specifications. There is nothing in this contract which can relieve the Company of this obligation. The provision for part payment when the component parts of complete sets are manufactured does not affect the Company's obligation to assemble and complete the fuses. See the last sentence of paragraph 10.

2. Advance payments were to be made as follows:

15 per cent of the whole contract price (that is 67½ cents for each fuse) during the period between the 19th June, 1915, and the 19th October, 1915. (Paragraph 9.)

66⅔ per cent of the purchase price as soon as complete sets of the mechanical parts of fuses are manufactured and shipped for delivery at the loading assembly or assembling factories. This would be two-thirds of \$4.50 (that is, \$3 on each fuse), but as the total amount to be so advanced is limited to \$3,000,000, these advance payments would apply

only to the first million fuses. On the remaining million and a half no advances are required. (Paragraph 10.)

3. Paragraph 13 explains how these advances are to be applied. On the first million fuses, the advance would equal $81\frac{1}{2}$ per cent of the purchase price (that is \$3.67 $\frac{1}{2}$ per fuse) leaving $18\frac{1}{2}$ per cent, or $82\frac{1}{2}$ cents per fuse, to be paid as the completed fuses are delivered. On the remaining million and a half only 15 per cent, or $67\frac{1}{2}$ cents per fuse, would have been paid in advance, leaving 85 per cent, or \$3.82 $\frac{1}{2}$ cents per fuse, to be paid as the completed fuses are delivered.

4. By paragraph 14 the Company can be put in default for non-deliveries by giving ten days' notice, and to the extent of such default the Board can then cancel the deliveries. All advances in respect of such cancelled deliveries then becomes immediately repayable to the Board.

5. By paragraph 15 the Company must procure guarantee bonds for all advances made under paragraphs 9 and 10, and as the Company makes default and any advance payments become repayable to the Board, the guarantees to the extent of the amount so repayable would become enforceable against the Guarantee Company.

MEMO FOR IMPERIAL MUNITIONS BOARD.

Re American Ammunition Company Fuse Contract.

Fuse Contract.

1. This contract calls for the manufacture and delivery of "completed fuses" in accordance with the specifications. There is nothing in the contract which can relieve the Company of this obligation. The provision for part payment when the component parts of completed sets are manufactured does not affect the Company's obligation to assemble and complete the fuses. See the last sentence of paragraph 10.

2. Advance payments were to be made as follows:

15 per cent of the whole contract price (that is $67\frac{1}{2}$ cents for each fuse) during the period between the 19th June, 1915, and the 19th October, 1915. (Paragraph 9.)

65 per cent of the purchase price as soon as complete sets of the mechanical parts of fuses are manufactured and shipped for delivery at the loading or assembling factories. This would be \$2.60 each on the \$4 fuses and \$2.92 $\frac{1}{2}$ each on the \$4.50 fuses, but as the total amount of such advances remaining unapplied towards final payment must not at any time exceed \$1,000,000, assuming that the proportion of two \$4 fuses to one \$4.50 fuse is maintained (see paragraph 3a), no further advance could be demanded beyond the first (approximately) 370,000 complete sets of parts until some of them are assembled and loaded and delivered to the Board. After that advances would be made on the same basis as further complete sets of parts are manufactured, with this double limitation, namely, that as soon as such advances again bring the balance of advances under paragraph 10 unapplied towards final payment up to \$1,000,000, they would again stop, and that they must finally stop when the aggregate amount of such advances (whether applied towards payment or not) have reached \$3,000,000.

3. Paragraph 13 explains how these advances are to applied. As completed fuses are delivered 50 per cent of the purchase price is to be taken from the fund as created by the advances, and the remaining 50 per cent is to be paid by the Board. It is obvious that as the advance payments up to a certain point will have been calculated at the rate of 80 per cent (that is, 15 plus 65) of the

[J. F. Orde.]

purchase price this method of applying the advances will carry over a portion of the advances towards later deliveries, but this is compensated for by the fact that the total amount of the 65 per cent advances remaining unapplied must never exceed \$1,000,000. For example, on the first 370,000 fuses (on a 2 to 1 basis) the advances would have been as follows:—

Under paragraph 9	15 per cent
Under paragraph 10	65 “ “
	—
Total	80 “ “
The amount applicable towards final payment would be	50 “ “
	—
Leaving to be carried over	30 “ “

30 per cent on 370,000 fuses would amount approximately to \$458,800, so that, assuming that no further deliveries of complete fuses were made, advances on complete sets of parts would cease as soon as a further sum of \$541,200 (that is, 65 per cent on about 200,444 fuses) had been advanced. The fact that the total amount of the unapplied advances under paragraph 10 can never exceed \$1,000,000 constitutes an automatic check upon the effect of the carrying over of the difference between the 80 per cent and the 50 per cent.

4. By paragraph 14 the company can be put in default for non-deliveries by giving ten days' notice, and to the extent of such default the Board can then cancel the deliveries. Upon cancellation the company must repay to the Board all unapplied advances in respect of such cancelled deliveries up to 50 per cent of the purchase price.

5. By paragraph 15 the company must procure guarantee bonds for all advances made under paragraphs 9 and 10, and as the company makes default and any advance payments become repayable to the Board, the guarantees to the extent of the amount so repayable would become enforceable against the Guarantee Company.”

(Two memoranda marked as Exhibit 257.)

Now, Mr. Orde, much as I dislike to part with you, have I come to the point where we might break, or is there anything more?—A. Nothing more in connection with these fuse contracts, I mean up to the time the Shell Committee ceased to exist.

Q. Well then, since then?—A. Since then I have had numerous conferences with regard to the Board and in regard to the situation. I don't know that anything arises out of that. I have also been present on one or two or three occasions at conferences here with Mr. Cadwell and their legal representative and the members of the Imperial Munitions Board, in regard to the delays, and as to what action should be taken.

Q. And in regard to the International Company?—A. There have been no conferences of that sort.

Q. At least you have not been at any?—A. No.

Q. But you had been at some conferences; were you the counsel and solicitor who drafted and advised upon the fuse contract?—A. No. I did not know until the other day that these contracts had been drawn. I don't know who did that. I believe somebody in New York did it, or possibly somebody from Montreal. I think I know who did it, but I am not quite sure about it.

Q. At all events, you did not do it?—A. No, sir

Q. Had you anything to do with the draft contract?

Sir WILLIAM MEREDITH: Did he say that he had something to do while advising the Shell Committee, in discussions with the Ammunition Company, about deliveries and so on?

WITNESS: With the Imperial Munitions Board.

Q. But with the Shell Committee?—A. Not with the Shell Committee, sir.

Sir WILLIAM MEREDITH: I thought he spoke of the Shell Committee.

Mr. HELLMUTH: I understood not with the Shell Committee. And I suppose that what the Munitions Board did, whether rightly or wrongly, is not before this Commission.

WITNESS: They were not to begin deliveries until November.

Hon. Mr. DUFF: There were some changes made before that.—A. I had nothing to do with that, sir.

Q. You had nothing to do with those changes?—A. No.

Mr. HELLMUTH: We will part with the fuse contracts for the moment; had you anything to do with the preparation or negotiations for the Edward Valve matter?—A. In one sense. Let me just tell you what happened.

Q. I would much rather you did.—A. I rather intimated here the other day to some gentleman that I had nothing to do with the Edward Valve Company contract. What took place in regard to that was this; on the 30th of June last, Mr. Riddell gave me a memorandum, which I have here, instructing me to prepare the contract, with the name of the company in blank, for 300,000 cartridge cases.

Mr. HELLMUTH: This memorandum is in Mr. Riddell's handwriting?—A. Yes, sir.

Sir WILLIAM MEREDITH: What is the date?—A. The 30th of June, 1915.

Mr. HELLMUTH: There is nothing on this showing the date?—A. No, but I know that that is the date, from my own memoranda.

Mr. HELLMUTH: It is to prepare a

“Contract between the Shell Committee and the _____ Company on the lines of the fuse contracts for 300,000 cartridges cases British specification per drawing A-26 and specification L-3307 at \$2.30 each, delivery 40,000 per week commencing in five weeks, subject to cancellation in case of failure to deliver in the time and at rate aforesaid.

“Advance of 25 per cent on amount of contract to be made, Company to furnish Guarantor satisfactory to Committee.”

(Marked as Exhibit No. 258.)

Did you prepare that, Mr. Orde?—A. Not exactly, sir. What happened was this. That was very late in the day. I had been engaged all that day in this very room at a hearing before the Railway Commission. I was going out of town the next day, which was the first of July, with my wife, for three or four days, and I gave instruction to Mr. Powell my partner to take one of the fuse contracts, which had been the only contract we had to do with, and use it as a foundation, and with the instruction I gave him to prepare a contract along the lines of Mr. Riddell's memorandum.

Q. And did Mr. Powell do that?—A. Mr. Powell did that and that explains something which I think ought to be explained, and that is, that in that draft contract there is appended at the foot a certificate apparently to be signed by General Hughes, which I would not have suggested myself at all, but Mr. Powell finding it on the draft contract simply copied it in as a matter of course thinking that was the way the Shell Committee wanted it. There is a copy of the contract which I find in my file.

Mr. HELLMUTH: Although I have put in one draft I will put in this also so that the Commission may have everything before them.

[J. F. Orde.]

Draft.

Memorandum of Agreement made in duplicate this day of A.D. 1915.

By and between

The Company, a body politic and corporate having its head office in hereinafter called the "Company" and acting herein by its President and its Secretary, hereunto duly authorized

Party of the First Part.

And

The Shell Committee, a body appointed by the Honourable the Minister of Militia and Defence of Canada for the purpose of purchasing munitions of war for the British Government, hereinafter called the Purchaser and acting herein by BRIGADIER-GENERAL ALEXANDER BERTRAM, its Chairman.

Party of the Second Part.

Whereas the Company is prepared to manufacture Cartridge Cases and the Purchaser is desirous of purchasing Cartridge Cases from the Company on the terms herein contained.

Now therefore this Agreement witnesseth:

1. The Company agrees to sell and the Purchaser to purchase three hundred thousand (300,000) inch Cartridge Cases to be in accordance with the British drawing and specification furnished by the Purchaser, namely, drawing No. A. 26 and specification No. L-3307 which drawing and specification form part of this agreement and are initialled by the respective parties hereto for identification.

2. The price of Cartridge Cases shall be two dollars and thirty cents (\$2.30) per Cartridge Case in lawful currency of the United States of America in New York funds. All Cartridge Cases shall be packed as hereinafter provided and shall be delivered f.o.b. at the Company's or its sub-contractors works for shipment to such place or places as may be designated by the Purchaser.

3. The Company shall begin to make deliveries of Cartridge Cases under this agreement not later than five weeks from the date of the execution of this contract and deliveries shall then be made at the rate of at least forty thousand (40,000) Cartridge Cases per working day thereafter and shall continue at such rate until all of said three hundred thousand (300,000) Cartridge Cases shall be delivered.

4. The Purchaser shall under the direction of the Chief Inspector of Arms and Ammunition provide for the prompt examination and inspection of the said Cartridge Cases at the factories where same are manufactured. As soon as the Company shall notify the Purchaser that manufacture hereunder has advanced sufficiently to require inspection, the Purchaser shall keep at all times at each of said factories an Inspector or Inspectors whose duties shall be to inspect all of such Cartridge Cases and to promptly inform the Company and the Purchaser of the results of such inspections. The Chief Inspector of Arms and Ammunition and all other inspectors appointed by him or by the Purchaser shall at all times have access to the factories of the Company and its sub-contractors, and the Company shall provide all necessary and suitable accommodations for the purpose of all inspections required at any such factories.

5. The Company's Manufacturing and Inspection gauges shall be provided by the Company. The Inspection gauges may be checked from time to time with the master gauges of the Inspectors of the Purchaser.

6. The said Cartridge Cases shall be proved with promptness by or under the direction of the Chief Inspector of Arms and Ammunition or his duly appointed Deputy, at Quebec or at such other places as may be designated by him in the Dominion of Canada or in the United States of America.

7. Lots of cartridge cases (other than cases selected for proof) to be delivered hereunder shall not be required to be delivered for shipment to the Purchaser as hereunder provided until all inspections and tests required by the Purchaser in connection therewith shall have been completed and all certificates required hereunder shall have been properly issued.

8. The decision of the Chief Inspector of Arms and Ammunition or any of his duly authorized Deputies regarding the acceptance or rejection of cartridge cases shall be final and binding between the parties hereto.

9. The Purchaser shall make an advance payment to the Company in New York funds of twenty-five per cent of the total amount of the purchase price on the execution of this contract and the delivery to the Purchaser of the proper agreement of guarantee hereinafter mentioned.

10. The said advance payments being made for the purpose of aiding the Company to finance this contract, shall not in any way constitute an acceptance of any completed cartridge cases by the Purchaser.

11. Final payments for lots of completed cartridge cases accepted and shipped shall be due and payable by the Purchaser to the Company seven days after the date of mailing in New York to the Purchaser at Ottawa, or at the option of the Company seven days after the delivery in New York to the agency of the Bank of Montreal in New York, of invoices in triplicate properly numbered together with Bills of Lading therefor.

12. The Company shall be entitled at its option to draw on the Purchaser for any moneys payable from time to time by the Purchaser to the Company hereunder by draft, payable seven days after date without grace, in New York funds in the city of New York, accompanied by the invoices and Bills of Lading therein mentioned. All payments shall be due and payable in New York funds in lawful money of the United States of America or its equivalent.

13. The advance payments mentioned in paragraph 9 of this agreement shall be deemed to be advances made in respect of, and towards payment for, the whole three hundred thousand completed cartridge cases covered by this agreement and shall accordingly be applied *pro rata* on the purchase price of lots of Cartridge Cases as the same are delivered from time to time so that so long as the Company is not in default in making deliveries hereunder, payment in advance on each lot of Cartridge Cases delivered will have been made to the extent of twenty-five per cent of the purchase price, and only seventy-five per cent of the purchase price on each lot of Cartridge Cases delivered to the Purchaser shall require to be paid by the Purchaser in order to complete the payment of the total purchase price therefor but if the Purchaser shall have cancelled any deliveries previously due and in default under the terms of this contract as hereinafter provided, the advance payment of twenty-five per cent in respect of the Cartridge Cases so in default shall be applied by the Company in or towards payment of the said seventy-five per cent of the purchase price of the Cartridge Cases then delivered as aforesaid, unless such advance payment has been already repaid to the Purchaser as hereinafter provided.

14. If the Company shall be at any time in arrears in the deliveries of Cartridge Cases required by this agreement, the Purchaser at its option may, at any time and from time to time after the expiration of days from the delivery at the Company's office in the city of New York of written notice of the Purchaser's intention so to do, cancel so much of this agreement as relates to any Cartridge Cases deliveries whereof shall be so in arrears (unless prior to the expiration of said period of days the arrears have been made good by the

[J F. Orde.]

Company); and the Company shall thereupon repay to the Purchaser any moneys advanced hereunder applicable towards the purchase price of said Cartridge Cases so in arrears and cancelled; but the Company shall not be held responsible otherwise for the non-performance of this agreement due to any cause beyond its reasonable control. The Company, however, hereby agrees to use all reasonable endeavours and make all reasonable efforts to manufacture and deliver all such Cartridge Cases in accordance with the terms of this agreement. A time allowance shall be granted the Company for any time lost through strikes, fires, acts of God, delays in inspection caused by the Purchaser, or other acts of Purchaser, or other causes beyond the Company's control.

15. The Company shall procure and furnish to the Purchaser an agreement or agreements of guarantee in a form acceptable to the Purchaser by a Guarantor or Guarantors agreeable to the Purchaser guaranteeing the repayment to the Purchaser by the Company of all moneys so advanced which in the event of cancellation for non-deliveries shall become repayable by the Company to the Purchaser under the provisions of the next preceding paragraph. Said agreement or agreements of guarantee at any time in force may be reduced in amount from time to time as the advance payments covered thereby are applied hereunder.

16. The Company shall pay to the Purchaser interest at the rate of three per cent (3%) per annum upon the amount advanced by the Purchaser under paragraph 9 hereof calculated from the date of such advance to the respective dates when the same shall be applied towards payment under paragraph 13 hereof; adjustments of interest to be made monthly.

17. This agreement is entered into by the Purchaser on the understanding that the Company in executing the terms and conditions of same, shall not knowingly interfere with existing contracts of the British War Office or the Allies of Great Britain for the purposes of the present war.

18. The said Cartridge Cases are to be packed in tin-lined wooden-boxes, each containing Cases or such other larger number as may be decided by the Purchaser. The same to be securely held in position to prevent their movement in the boxes during transit, packing boxes are to be supplied by the Company at its own expense, the designs thereof to be supplied by the Purchaser.

19. This contract shall not be assigned by the Company either in whole or in part without the previous consent in writing of the Purchaser but the Company may employ such sub-contractors as it may desire in connection with its performance of this agreement. Upon request of the Purchaser the Company shall keep the Purchaser advised from time to time of such sub-contractors so employed by it.

20. This contract shall be binding upon the successors and assigns of the respective parties hereto.

21. This agreement shall be construed under and governed by the laws of the state of New York.

In witness whereof the parties hereto have duly executed this agreement the day and year first above written:

Attest.

By

COMPANY.

.....
Secretary.

.....
President.

Signed, Sealed and Delivered
By The Shell Committee In the
Presence of,

} The Shell Committee
By.....
Chairman.

I, Major General The Honourable S. Hughes, Minister of Militia and Defence of the Dominion of Canada, in accordance with authority duly conferred upon me by His Britannic Majesty's Government hereby ratify and confirm on its behalf the foregoing agreement between the

Company and the Shell Committee.

Dated at Ottawa, Canada this _____ day of _____ A.D. 1915.

Witness

(Marked as Exhibit 259.)

WITNESS: That explains what is otherwise a somewhat extraordinary fact, namely, that while that company has its headquarters in Chicago, the contract has at the foot, "This agreement shall be construed under and governed by the laws of the State of New York." Mr. Powell had apparently copied in what was in the other contract.

Q. It is copied exactly?—A. It is copied exactly.

Q. It was taken from your fuse contract?—A. Yes, taken from the fuse contract.

Q. And there wasn't any difficulty at that time on the part of Mr. Powell with any of these contracts?—A. No.

Q. You knew all about it?—A. Yes. Neither of us had ever heard of the Edward Valve Company, as far as I know.

Q. Have you anything more about the Edward Valve Company?—A. Nothing more.

Q. Is there anything further in regard to the fuse contracts, so far as the Shell Committee was concerned, or the Edward Valve contract that you can throw any light on?—A. There is one matter which I thought ought to be explained, because it was something said in Parliament, in regard to the Russell Motor Car Company and the Bank of Commerce. Do you want that explained?

Q. Certainly, if you can explain it we want it explained. What is there about the Russell Motor Car Company contract that you wanted to explain; I don't quite understand it?—A. The point I wanted to make was this: some comparison was made, I think it was in Parliament, between the advances made to these fuse contractors and the Russell Motor Car Company in this way, that in one case the Shell Committee had merely deposited the money with the Bank of Commerce, subject to its drawing it out by its own cheques, which was not an advance at all, whereas there was a real advance in the case of the others. I think it is only fair to explain that that was done because the Bank of Commerce wanted it done that way, and the Russell Motor Car Company wanted it done that way. I have here the draft of the arrangement between the Shell Committee, the Bank of Commerce and the Russell Motor Car Company as first drawn by myself.

Q. Will you let me have that please?—A. Yes. This is the form in which it was first drawn, if you leave out all the ink alterations.

Mr. HELLMUTH: You say it was first drawn without the ink alterations. This document is:

MEMORANDUM OF AGREEMENT made in Triplicate this _____ day of November, A.D. 1915.

Between

RUSSELL MOTOR CAR COMPANY, LIMITED, a body corporate having its Head Office at the City of Toronto, in the Province of Ontario, (hereinafter called the "Company")

Of the First Part

And

THE CANADIAN BANK OF COMMERCE, a Chartered Bank of Canada (hereinafter called "The Bank")

Of the Second Part,

[J. F. Orde.]

And

THE SHELL COMMITTEE, a body appointed by the Honourable the Minister of Militia and Defence for the purpose of purchasing munitions of war for the British Government, hereinafter called the "Committee", and acting herein by Brigadier General Alexander Bertram its Chairman,

Of the Third Part.

WHEREAS by a Memorandum of Agreement dated the 17th day of August A.D. 1915, the Company agreed to sell to the Committee five hundred thousand (500,000) number 100 loaded fuses for the prices and upon the terms and conditions more fully therein set forth.

AND WHEREAS for the purpose of carrying out the said contract the company has expended and must expend large sums of money in the purchase of materials and in the process of manufacturing said fuses before any deliveries of completed fuses and the payment of the purchase price therefore can be made, and the Company has requested the Committee to make an advance of fifteen per cent of the purchase price and to deposit the same in the Bank to be held and applied by the Bank as more fully hereinafter set forth.

NOW THEREFORE THIS INDENTURE WITNESSETH:—

1. The Committee shall deposit in the Bank the sum of two hundred and sixty-two thousand five hundred dollars (\$262,500.00) being fifteen per cent of the total amount of the said purchase price as follows:—

(a) \$175,000 on the execution of this agreement.

(b) The remaining \$87,500 in equal monthly instalments of \$28,875, each, over a period of four months from the date of the execution of this agreement, the first of such instalments to be deposited at the expiration of one month from the date of such execution;

and the said sums so deposited shall be placed by the Bank at the credit of a special account and shall be dealt with as hereinafter provided.

2. As and whenever (in black ink "from time to time the Committee shall notify the Bank in writing under the hand of its Chairman that") the Company (in black ink "is") entitled under the said agreement of the 17th August, 1915, to payment for deliveries of finished fuses, the Bank shall (in black ink "thereupon") pay to the Company, out of the said moneys so deposited, a sum equal to fifteen per cent of the amount then payable by the Committee to the Company as to the purchase price of the said deliveries (in red ink "as stated in such notice or notices") and the same shall thereupon be credited by the Company in part payment therefor and the Committee shall pay to the Company the remaining eighty-five per cent of the said purchase price.

3. If at any time any portion of the said agreement is cancelled by the Committee because of the Company's failure to make deliveries in accordance with the terms thereof, then the Bank shall forthwith repay to the Committee out of the said moneys so deposited as aforesaid so much of the said moneys as would otherwise be applicable towards the purchase price of the number of fuses so cancelled, that is, fifteen per cent of the purchase price thereof, (in black ink "and the Bank shall be entitled to act upon written notice from the Committee under the hand of its Chairman that such cancellation has taken place") (in red ink "and as to the amount of purchase price affected by it".)

4. The Company shall pay to the Committee upon said advances interest at the rate of five per cent per annum computed from the dates when the same shall be respectively made by the Committee to the Bank as aforesaid and calculated up to the dates when the same shall be respectively applied by the Bank in part payment of the purchase price or repaid by the Bank to the Committee in case of default as the case may be; adjustments of interest shall be made monthly.

IN WITNESS WHEREOF the Company and the Bank have hereunto affixed their Corporate Seals countersigned by the hands of their duly authorized officers in that behalf and the said Brigadier-General Alexander Bertram on behalf of the Committee has hereunto set his hand and seal.

Signed, Sealed and Executed by the Company, in the presence of,	}
Signed, Sealed and Executed by the Bank, In the presence of,	
Signed, Sealed and Executed by Brigadier-General Alexander Bertram on behalf of the Committee, In the presence of,	}

(Marked as Exhibit 260.)

WITNESS: That was altered as you see in ink. It was altered as a result of the objections taken by the bank. The bank did not apparently want to assume any responsibility in regard to the paying out of that money, and the bank suggested that the money should be deposited in a separate account in the name of the Shell Committee. I objected to that, or rather the Shell Committee through me objected to it, as it complicated their book-keeping system, they would have to draw up two sets of cheques as far as this particular work was concerned, one on the Bank of Montreal and another cheque on the Bank of Commerce. They preferred to get rid of that money as a matter of book-keeping, and in order to try to meet their suggestions I altered it in the form in which you see it in black ink, and it finally came in and was accepted by me in the form in which it appears, with the red ink additions.

Q. So that the black ink additions were made to comply with the requirements of the bank?—A. As far as we were willing to meet them. I have the correspondence here—

Q. Well, at all events you say that that alteration in making the change or difference in that way was at the suggestion of the Bank of Commerce?—A. Yes.

Q. Is there anything else you can help us by throwing any light upon in regard to these fuse contracts, the Edward Valve, or the Russell Motor Car Co?—A. There is only one other matter, I do not know that it is pertinent or not exactly, it has been touched on here so much, and that is the question of the dissolution of the old Shell Committee and the formation of the new Imperial Munitions Board.

Q. Can you tell us about it?—A. I was consulted by Mr. Hichens several times while he was here with regard to that, and I discussed that matter with him and advised him, and I also discussed it with the Premier. I prepared for Mr. Hichens a memorandum showing what I considered to be the Constitution of the Shell Committee and advising as to the steps that should be taken to bring about the change from the old committee to the new committee, whatever it should be. That memorandum I showed to the Premier before showing to Mr. Hichens. It received his approval, and it was approved by Mr. Hichens; he approved of my having shown it to the Premier, and my suggestions were substantially carried out.

Q. Have you that?—A. I have a copy of the memorandum. I do not think there is anything in it which is subject to any privilege, and I do not think there is any reason why it should not go in.

Q. I have just been handed another document, and I think this might as well go in. There could not be any question of privilege in regard to this, because apparently already there has been printed, I am advised, in Hansard Mr. Hichens' letter acting upon this, so that I think both should very properly come before the Commission touching on the status. This is the memorandum:

[J. F. Orde.]

"Nov. 25 1915.

"Re Shell Committee—Memorandum.

"1. Although the present Shell Committee, as I understand it, was originally constituted as a Committee representing Canadian Manufacturers for the purpose of entering into contracts on their behalf with the Minister of Militia acting for the British Government the Committee has since become a Committee representing the British Government and making contracts on the Government's behalf with manufacturers.

"2. Consequently the resignation of its members may be effectually addressed to any one having authority to accept it, but it might be prudent to have such resignation addressed both to the Minister of Militia who appointed the Committee and to Mr. Hichens as the representative of the British Minister of Munitions."

"Suggested Method of Reorganization.

"1. Members of the Shell Committee to meet and pass formal Resolution that in view of the desire of the British Government to re-organize and strengthen the Committee the members of the Committee should resign and that all the rights and powers now vested in the Committee together with all moneys at the Committee's credit should, subject to its being relieved from all further liability, be transferred to and vested in the British Government or any Committee which the latter may appoint to supersede the present Committee and that the present officers of the Committee be authorized to sign the necessary cheques and other documents, if any, required to complete the transfer.

"2. The individual members of the Committee to send formal letters of resignation addressed both to the Minister of Militia and to Mr. Hichens.

"3. Mr. Hichens thereupon, by virtue of his authority as the representative in Canada of the Minister of Munitions to formally appoint the new Committee naming its Chairman and, if part of the scheme of re-organization, defining the scope of the new Committee's authority and in a general way the duties which it is to perform.

"4. The exact position regarding the supposed credit accumulated in favour of the original Committee representing the saving in prices fixed by the War Office to be clearly settled so that no question may arise in the future in this regard. This might be expressly covered by the terms of the Resolution providing for the transfer of moneys, etc., to the new Committee or by a separate Resolution to be passed at the same time.

"5. Can any question arise as to whether or not the members of the present Committee are entitled to remuneration for their services? I have not been informed except in a general way and largely by hearsay as to what were the terms upon which they undertook to serve upon the Committee. This question ought not to be overlooked.

"6. It would be well after the appointment of the new Committee to have its appointment expressly confirmed over the signature of the British Minister of Munitions. While probably unnecessary owing to the wide scope of Mr. Hichens' authority, this is desirable so as to avoid explanations which frequently have to be made on the execution of contracts as to the authority of the Committee. The fact that a change has been made in its constitution may accentuate this feature. I would suggest that this formal confirmation of the re-constituted Committee, when obtained, should be published in the Canada Gazette.

"7. It is also desirable, in view of the wide spread misunderstanding as to the constitution of the Committee, etc., that a statement should be made to the

public. This might take the form of a letter from Mr. Hichens addressed to the Premier."

(Marked Exhibit 261.)

Mr. HELLMUTH: I think it properly follows that this letter should go in, because apparently the suggestion made by Mr. Orde was followed up?—A. Yes.

Mr. HELLMUTH: This is from the Chateau Laurier, Ottawa, November 29, 1915:

"The Rt. Honourable

"Sir Robert L. Borden, G.C.M.G., etc.,

"Ottawa, Ont.

"Sir,—

"I think it may be convenient if I place on record a brief narrative of the circumstances, since my arrival in Canada, leading up to the changes which are now to be made in the constitution of the purchasing agency for munitions of war in Canada on behalf of the British Government. These changes, which are the logical consequence of the altered conditions, have been approved by H.R.H. the Governor General and your Government, and I am therefore authorized by the Minister of Munitions to announce that they will come into force as from 30th November, 1915.

"Since my arrival in Canada on October 26, as representative in this country of the Minister of Munitions in succession to Mr. D. A. Thomas, my colleague, Mr. R. H. Brand, and myself have, at the request of yourself and General Sir Sam Hughes, concentrated our attention upon this problem of adaptation to the changed conditions. For that a re-organization was necessary to meet the altered circumstances was generally recognized by all those most intimately connected with the Shell Committee, and General Bertram was among the first to call our attention to the fact, and to suggest that the new problems of administration on a greatly increased scale required for their proper direction an expanded organization.

"The Shell Committee, which was appointed in September, 1914, by the Minister of Militia and Defence to deal with the munitions orders placed in Canada by the Imperial Government, has, I think, met with remarkable success in dealing with a difficult task. In the early days the problem was to persuade manufacturers to undertake the work of making shells, which was quite new to them, and presented formidable difficulties that caused many of the leading firms to hold back. The orders at that time destined for this country were on a small scale; there was naturally no assurance of continuity in the work, and the prospects of success were doubtful. The readiness with which Canadian manufacturers adapted themselves to a new industry is, I think, remarkable, and although as in England, they have often been unable to live up to their original promises, yet they have nothing to fear from a comparison with the early efforts of firms of the highest standing in England.

"Speaking generally, I think it may be said that the earlier difficulties have now been overcome, and the work of the administering body in Canada has entered upon a new phase. In the first place, it has been realized that shells can be successfully and profitably manufactured in Canada, and instead of holding back, there is now a keen competition on the part of manufacturers to secure contracts. Secondly, the volume of orders placed in Canada has grown at a very rapid rate, and the output both of shell cases and component parts has increased so largely as to require a more highly organized department to ensure efficient co-ordination and prompt deliveries. Thus from a small beginning the activities of the Shell Committee have grown with startling rapidity and now embrace the administration of funds more than twice as large as the annual revenues of the Dominion Government. It is obvious, therefore, that the original organization needs amendment to conform to the

[J. F. Orde.]

actualities of to-day. I should like to take this opportunity to point out, after a careful inquiry into the facts, that the Shell Committee has been subjected to much unfair criticism. It was, as I have said, appointed to deal with orders of modest proportions, and from the nature of the case was intended to be educative rather than administrative. It was natural, therefore, that it should contain an infusion of steel manufacturers whose advice and experience was necessary to the proper development of the new industry. The measure of their success can be gauged by the remarkable results achieved. The facts speak for themselves. There are now some 320 firms in Canada manufacturing shells or their component parts and in the short space of 14 months the Shell Committee, with the active encouragement and support of General Sir Sam Hughes, have developed the largest industry in the whole of the Dominion. They have been the means also of bringing into certain important industries subsidiary to shell making which will have a permanent effect in developing the resources of the country. For example: copper has hitherto been produced in the form of 'matte' and sent to the United States for refining. Arrangements have now been made for the refining to be undertaken in Canada and the new plant will shortly be in operation, which will give an impetus to the copper mining industry of the country. Similarly, Canadian zinc ores which contain about equal quantities of lead and zinc have hitherto been shipped from Canada in the raw state. Owing to the demand created by the war orders and the encouragement of the Shell Committee the electric refining of zinc is now being developed in Canada on a commercial scale and this, together with the derivative industries connected therewith will, there is good reason to believe, now be established on a permanent basis in Canada. Brass will also shortly be made in the country on a considerable scale. A great impetus has likewise been given to the manufacture of explosives; nitrocellulose powder, tri-nitro-toluol and sabulite are now being produced on a large scale and at moderate prices. Canadian competition has resulted in keeping down the price of these commodities and has enabled the Shell Committee to effect large economies. Important fields of industry have thus been opened up in Canada as result of the activities of the Shell Committee. It would be outside the scope of this letter to suggest that the time has come when attention should be paid to the question how these new industries and those derivative from them, which owe their origin to their demand for munitions of war, can best be developed and encouraged so as to form a permanent part of the industrial fabric of Canada, but no doubt your Government is fully alive to the situation. As a result of the war industries set in motion under the auspices of General Sir Sam Hughes and the Shell Committee, an army of some 100,000 skilled mechanics and workers has been maintained and trained up in Canada. They are a permanent asset to the country and the skill which they have acquired will be of lasting benefit after the war in building up the commercial prosperity of Canada.

"These far reaching and important results have not been achieved without the most exacting and strenuous labour, which has fallen more particularly upon General Bertram and Colonel Carnegie, and which a single-minded enthusiasm for the cause has enabled them to sustain. Perhaps I may be allowed to add also that these striking results owe their inception and a large measure of their development to the practical zeal and the active encouragement of General Sir Sam Hughes. To conceive a big idea is hard, but to give effect to it in action demands qualities of a rarer kind. I wish therefore to place on record that the Shell Committee have for the past fourteen months been carrying on a work of the most exacting and strenuous nature, and that they have fulfilled their task well. The changes therefore which are now being made are

the logical development of their work—the necessary superstructure upon the foundations laid by them.

“As explained to me by yourself and General Sir Sam Hughes, it is the wish of your Government that, since in actual practice all munitions orders for the Imperial Government are placed by the British Ministry of Munitions with the Shell Committee, there should be a direct relation between the purchasing agency and that department which, since the establishment of the Shell Committee, has been constituted to deal with munition supplies, and that this logical business connection should be given effect to now that the extended scope of the functions of the Committee make a re-organization imperative. In order to carry out your wishes and to make it clear that the purchasing agency is administratively independent of the Canadian Government, the members of the existing Shell Committee have tendered their resignations to the Minister of Militia by whom they were appointed, and a new Board entitled the Imperial Munitions Board has been constituted by the British Minister of Munitions as from November 30th, 1915, to deal with such purchases of munitions supplies as may from time to time be entrusted to it by the said Minister. All the rights and powers heretofore vested in the Shell Committee, together with all the moneys at the Committee's credit, have been transferred to and vested in the ‘Imperial Munitions Board,’ and the Shell Committee has been relieved from all liabilities, which will be assumed by the new Board acting on behalf of the Minister of Munitions.

“The ‘Imperial Munitions Board’ has therefore been appointed by and is responsible to the British Minister of Munitions. At the same time, however, it is clearly of vital importance that the support and co-operation of the Canadian Government should be maintained, and that there should be some ‘nexus’ between the Imperial Government, the Canadian Government and the purchasing agency. The Minister of Militia will in any case, I know, use all his influence to support the development of munitions supplies in Canada. But it is very valuable that there should be a recognized continuity in the work and that it should be clearly seen that the new Board will receive from him the same encouragement and support that has contributed so materially to the success of the Shell Committee. At the request, therefore, of the Minister of Munitions, General the Honourable Sir Sam Hughes, K.C.B., Minister of Militia and Defence, has accepted the position of Honorary President of the Imperial Munitions Board.

“The following gentlemen, with their consent, have been appointed members of the Board:

J. W. Flavelle, Esq. (Chairman with executive administrative powers),
 Gen. Alex. Bertram (Deputy Chairman),
 Hon. Colonel David Carnegie,
 G. H. Dawson, Esq.,
 G. B. Gordon, Esq.,
 J. A. Vaillancourt, Esq.,
 E. R. Wood, Esq.

“Mr. J. W. Flavelle has with great public spirit undertaken to make the work of the board his primary consideration, and he has made the necessary arrangements to this end. I am glad also to be able to tell you that Mr. C. B. Gordon, of Montreal, has kindly promised to devote a great part of his time to the work, and I am confident that his wide business experience and reputation will contribute largely to the success of the undertaking.

“I take this opportunity of giving public recognition on behalf of the Minister of Munitions to the valuable services rendered by the members of
 [J. F. Orde.]

the Shell Committee in developing the resources of Canada for the production of munitions of war. They have been willing to lend their services during the period of development when their experience, which has been freely given, has been of the greatest assistance in overcoming the initial difficulties. But these have now been surmounted and the justification no longer exists for a board of experts. At the same time it would be a great loss if the wide experience they have acquired were not made available to the new 'Imperial Munitions Board,' and I attach great value to the assurance they have generously given that they will be willing to afford every assistance in their power to the new Board.

"I have the honour to be, sir,

"Your obedient servant,

"W. L. HICHENS."

(Marked as Exhibit No. 262.)

Mr. HELLMUTH: Now, Mr. Orde, anything more?—A. I do not think so, sir, unless somebody can remind me of something I have overlooked.

Q. I cannot, because I really did not know you had made the suggestion of that until you brought it out.

Sir WILLIAM MEREDITH: What was the object of making these payments with regard to plant in connection with the Russell contract; why was not the ordinary course taken of payment by the Purchaser when the goods were supplied?—A. I have no means of knowing that.

Q. Was it not in effect to give a credit to the Russell Company?—A. It was a form of advance, the Russell Company had applied for the advance.

Q. The reason I asked you was you said something rather different from that?—A. It was an advance but it was being made in different form; the Bank was to act as the custodian of the moneys car-marked for the purposes of the contract.

Hon. Mr. DUFF: Is there any specific explanation or specific point relating to the delay in getting the guarantee after the execution of the contract; there was a period of a month?—A. I have no explanation.

Q. I am only asking you if you know of any particular fact bearing on that?—A. No, I do not think so.

By Mr. Carvell:

Q. Have you a copy of the alleged or supposed agreement furnished you around the 7th June by the Shell Committee?—A. No, I have not that; I returned that the same day to General Bertram.

Q. But it was on perusing that document that you wrote the letter making certain suggestions?—A. Yes.

Q. Certain suggested changes in the agreement?—A. Yes.

Q. Do I understand that the real substantial difference in the agreement as you suggested it, and the agreement as it was finally signed on the 19th June, was that your suggestion provided for a guarantee of the due performance of the work according to the contract with a penalty in case such was not done, and that is not the case of the present guarantee?—A. That was largely I think the nature of my suggestion; the contract as drafted on submission to me was from a lawyer's point of view a very difficult one to work out; it would in effect have made four parties to the contract, in this sense, that there was to be a sort of contractual relationship by way of guarantee between what the contract called the Purchaser's Bank, that is the Bank of Montreal, and the company's bank, which would be some bank in New York.

Q. It was not so much the form of the contract which I was referring to as the substance?—A. The substance of it as a contract, as a bargain, was a matter which

was none of my business, it was only my duty looking at that document and endeavoring to advise my client as to what ought to go into it that I had to consider it at all.

Q. And then is it the fact that you advised your client in substance that there should be a guarantee either in the document or by separate document?—A. Yes, I advised—

Q. Providing not only for the return of the money under certain contingencies, but also providing for the due execution of the work?—A. For the performance of the contract.

Q. And providing a penalty or something in the nature of a penalty if the contract were not carried out according to the conditions?—A. It did not get the length of a penalty; the memorandum speaks for itself.

Q. I realize that; I have not got the document. I am asking you generally what your understanding would be. That condition of affairs does not exist in the present agreement between those two companies and the Shell Committee?—A. No.

Q. I think you gave generally, but will you tell me a little more in detail why your suggestion was not accepted?—A. There were two reasons why that was not carried out; one was that so far as the guarantee was concerned it would be impossible to obtain from a guarantee company a guarantee bond in such wide terms as that; we were told that the premium which would have to be paid would be so enormous that it would be impossible.

Q. Are you giving this as your judgment or what you were told?—A. This is what we were told.

Q. By whom?—A. By the solicitors for the different companies, and it seemed a sort of obvious thing on the face of it, because the performance of the contract was a pretty big undertaking for anybody to guarantee.

Q. Did those companies at that time tell you when they had been organized, and what their assets, properties were?—A. No, not at all; I never entered into that; I did not know that they had been in existence for years, I did not know when they had been incorporated.

Q. Have you since learned that they were only organized one of them within ten days?—A. Just as the result of what I have read in Hansard and the newspapers.

Q. You have not satisfied yourself of the fact?—A. No, I have never looked into that, never been instructed to.

Q. And that phase of it was not discussed at all?—A. No.

Q. It would be fair to say in advising the Shell Committee you were relying more upon the bond which might be obtained from a guarantee company than you were upon the resources of the companies themselves?—A. Yes, if the bond itself was good, then apart from default in the contract, that is failure to make deliveries at all, which was practically covered by the cancellation of orders, the Shell Committee was protected because the advance up to the per cent up to which the advance went would necessarily come back, and no further payment would be made.

Q. They were protected for repayment of money advanced?—A. Yes.

Q. But not protected for the completion of the contract, except the power of cancellation?—A. No.

Q. And as Col. Carnegie says it was a matter of urgency to obtain the goods or the fuses, there was no protection along that line?—A. Damages would not protect in that regard, because there was no other market in which you could buy fuses; it was not like a contract where you could go into the open market and make a purchase and charge the difference to the contractor.

Q. Was there anything said in the negotiations from the 16th down to the 19th about the prices of these various fuses with either or both of the companies or were the prices all settled before you entered negotiation?—A. Prices were all settled so far as I am concerned when I got my first instructions on the 16th June.

[J. F. Orde.]

Q. That is \$4.50 for time fuses and \$4 for graze fuses?—A. Yes, exactly, as the contract says.

Q. Were the prices for either or both kinds of fuses settled in the proposed agreement submitted to you on the 7th June?—A. I cannot tell you that, Mr. Carvell, at all; I have no recollection as to whether or not the price was in the draft contract.

Q. Would not that draft contract be available, Mr. Hellmuth?

Mr. HELLMUTH: I have asked for it.

Mr. NESBITT: We will try and get it.

Mr. CARVELL: We would like to have it if you can find it?—A. I think substantially the price was settled because I have it in my mind that the two contracts aggregated about twenty million dollars.

Q. In the memorandum which you submitted to the Shell Committee I think there was a suggestion that the place of manufacture should be specifically set forth in the contracts, do you remember whether that was discussed or not at the interview?—A. You must remember I made that suggestion on the 7th June without any real knowledge of what a fuse was, or as to how it was to be made; I have learned a good deal since. When we came to discuss that aspect of the matter we were told that the parts would be made in different parts of the United States, and it would be impossible to mention any particular place, and I was told it was not necessary to put that in.

Q. Were you also told that these companies, or either of them, did not possess a factory of their own at that time?—A. Nothing was said about that one way or the other; I understood from both representatives that they were making already contracts and getting options for machinery and plant, and putting up buildings. It was quite clear from what they said that this was a new enterprise and that they would require new buildings and new plant.

Q. They would require?—A. Yes.

Q. And did not have them at that time?—A. In a general way; I don't mean to say they said they had absolutely nothing.

At 1 p.m. the Commission adjourned to 2.30 p.m.

AFTERNOON SESSION.

OTTAWA, May 4th, 1916.

Continuation of examination of Mr. J. F. ORDE:—

Sir WILLIAM MEREDITH: Have you concluded with this witness?

Mr. HELLMUTH: I have.

Sir WILLIAM MEREDITH: And Mr. Johnston, or you, Mr. Grant?

Mr. GRANT: No questions.

Sir WILLIAM MEREDITH: Mr. Atwater, you wanted to ask a few questions.

Mr. ATWATER; With your permission I would like to ask one or two questions, my Lord.

By Mr. Atwater:

Q. Mr. Orde, you spoke this morning of meeting the representatives of these two different companies for the contracts for fuses. I think you told us you never met them together except on the final occasion when the contracts were signed?—A. I would not like to say I never met them together, because we were constantly

meeting for conferences and I think I met them at lunch at the Club and in one way and another the whole of those four days, but substantially I think we discussed matters with the representatives at different times.

Q. At different times?—A. Yes.

Q. That is, the negotiations as you understood it were being conducted with the representatives of these two companies independently of each other?—A. No, they each knew pretty well what was going on, because the ideas of one were embodied in the contract of the other, and so on.

Q. But I mean, they were not at all conferring with you at once, they had separate interviews?—A. Yes.

Q. Now, you said the representatives of one of the companies stated to you about wanting to finance on the strength of the agreement. Is that so?—A. Yes.

Q. What company was that?—A. That was the American Company. That came really from Mr. Callahan, the legal representative of the American Company.

Q. Mr. Callahan, who was acting as the Secretary of the American Company?—A. Yes.

Q. No such representation was made to you by Dr. Harris or the representatives of the International Company?—A. I don't think any representations were volunteered by Dr. Harris, but I think he became aware of the reason why the other people had asked it, and he asked for a similar certificate on his contract. But I do not remember that he said he had to finance.

Q. No. I quite understand that he took advantage of the same certificate on his contract that was accorded by you to the American people?—A. Yes.

Q. But what I am asking you is this, was there any representation made by Dr. Harris or the International Company that they wanted to raise money on the strength of the contract?—A. I do not recollect of any such statement having been made; it may have been.

Q. But you would not say so, would you?—A. No.

Q. My instructions are that there was no such thing done or asked for.—A. It is quite possible, because it was suggested and practically adopted in the case of the other, and they may have taken it for granted that they would get the same advantage.

Q. But was this suggestion of financing on the strength of the contract which was thrown out to you by Mr. Callahan, the representative of the American Company, made to you in the presence of Dr. Harris or any representative of the International Company?—A. I would not like to say that it was or was not. It undoubtedly came from the American people. They were the ones who wanted the contract strengthened so far as the Shell Committee's side of it was concerned.

Q. For the purpose of financing?—A. For the purpose of financing.

Q. They were the only ones you can remember who put the question of a guarantee or a certificate by the Minister on that ground?—A. That question was brought up before Mr. Carpenter had reached Ottawa representing your company.

Q. And Mr. Carpenter was the legal representative of the International Company?—A. Yes.

Q. Now, you stated that there was a difference in the amount of stamps affixed to the two guarantees that were given by the two companies for the repayment of advances. Is that correct?—A. That is correct.

Q. Was it a material difference?—A. I forget what the total amount of the stamps was, but the value in stamps appeared to have some relationship to the amount of the bond, and in one case the ratio was just double what it was in the other, and I could not understand it.

Sir WILLIAM MEREDITH: I thought you said it had relation to the premium.—A. I meant the amount. I do not know what the percentage was, but it varied. It just happened that the amount of the stamps in one case was double in proportion to the amount of the bond that it was in the other, and undoubtedly the premium must have

[J. F. Orde.]

had some relationship to the amount of the bond. I could not quite understand that until it was afterwards explained that the stamps had relation to the premiums so far as the amount was concerned.

Mr. ATWATER: That the amount of stamps was fixed on the amount of the premium that was exacted from the Company purchasing the bond?—A. Yes, the premium did not appear on the bond at all.

Q. Quite so. But you learned that the amount of stamps required on the bond was regulated by the amount of premium exacted from the company purchasing the bond?—A. Yes.

Q. And which Company's bond bore the greatest amount of stamps?—A. I am speaking merely from recollection, and my memory may be at fault. I would much prefer that the answer should be got from the bonds themselves. If you want my memory upon it I will state it now.

Q. What is it?—A. My memory, whether correct or not, is that the larger amount in stamps appeared on the American Company's bond and not on the International, but I would like to have that correct by some reference to the bonds.

Q. If it is material we will refer to the bonds. I think you are correct. Would you say, roughly speaking what was the proportionate difference?—A. The amounts were double. For example, if one was five-tenths of one per cent—I do not know that that was the amount—the other was—

Q. Two and a half of one per cent?—A. Of one per cent.

Q. In reference to this guarantee you were asked by Mr. Carvell about the discussion that took place as to putting up a bond by these companies for the due performance of their obligations under the contract. That, I understand you to say, was a clause that was suggested by yourself in the contract?—A. Yes.

Q. Were the reasons given to you why such a clause inserted in the contract would be practically an impossibility?—A. Well, there were two reasons given. The first was the enormous premium that probably would have to be paid to procure a bond of that sweeping nature; and the second was this consideration, that the contract was for the manufacture of fuses, which was a new venture so far as these people were concerned, and that the Committee was practically in this position, it wanted fuses, it would take whatever fuses these people could supply, and the Committee felt, as I understood it, that if there were delays which prevented the fuses being delivered it could not be helped, but the sooner the fuses came the better—if there was going to be delay it could not be helped, but the Committee was to be at liberty to cancel for non-delivery. Nothing was said in the contract about the remedy in damages for failure to perform the contract.

Q. I suppose if such a bond as you had suggested for the complete performance by the contracting company of all their obligations had been given, that the premium on that you contemplated would be paid by the contracting Company, would it not?—A. There was never anything else but the obligation on the part of the contracting company to put up whatever bond was required.

Q. And if that premium amounted to any excessive sum it might render it impossible for them to undertake the contract?—A. Yes.

Q. Such a bond would practically amount to an insurance policy?—A. That would be the effect of it.

Q. Thanks.

By Mr. Nesbitt:

Q. It would no doubt raise the price of the fuses very much, would it not?—A. I suppose so, in the sense that it would increase the expense to which the manufacturing company would be put.

Q. Well, have you ever known of a Guarantee Company giving such a bond in the case of the execution of work?—A. No, I cannot say that I have. It was an idea of my own.

Q. I mean to say that so far as I know it is an unheard of requisition.—A. Possibly. You must remember that my original suggestion was made in a very hurried manner. That memorandum was very hastily prepared, General Bertram wanted it that day, and I ran over the contract rapidly and suggested what I thought ought to be taken into consideration for the purpose of strengthening the position of the Shell Committee.

Q. In reference to the advances was the claim made by these companies that the Allies, so far as the United States was concerned, in every case made advances on munition contracts?—A. I think I heard that mentioned, but the question of the advances had all been settled so far as I am aware before I was called in.

Q. Do you know from other knowledge that that is the fact?—A. I have been told that, but I have no immediate knowledge of it.

Q. All munition contracts in the United States insisted upon any of the Allied Governments?—A. I was told, for example, by these gentlemen, that they had to make purchases of powder and all sorts of raw materials, which, although not deliverable for some months hence, owing to the great pressure on all the manufacturers in the United States, required in many cases immediate deposit of 50 per cent of the purchase price in order to get the then prevailing prices and to ensure delivery of the goods. I remember Cadwell told me that had to be done in regard to powder and other things.

Q. And did he further say that in many cases, in certain kinds of steel at any rate, that they insisted upon full cash with the orders to ensure delivery?—A. I don't remember steel being mentioned. I don't know to what extent steel enters into these fuses. Copper was mentioned and brass. But that was an aspect of the matter that did not much concern me as a lawyer.

Q. I understand. Did you see anything of Colonel Allison in connection with these negotiations?—A. I never heard Colonel Allison's name mentioned in connection with fuse contracts or in connection with the work of the Shell Committee as long as I had anything to do with it until I heard his name mentioned in Parliament, or rather read the fact that it had been mentioned in Parliament.

Q. He took no part in the negotiations?—A. I never saw Colonel Allison until he entered this room here the opening day of this investigation.

Q. In reference to urgency, are you able to speak of your own knowledge of the work of the Committee at that time?—A. Well, I am almost afraid, Mr. Nesbitt, to answer that question for fear that what I may say may seem exaggerated. I had a good deal to do from that time onwards with the Shell Committee's work, I was constantly there, sometimes twice a day, sometimes day after day, sometimes after an interval of a few days, but I advised and assisted in a large number of different contracts, and I may say, I think without exaggeration, that I never saw two men so tremendously under pressure of work as Colonel Carnegie and General Bertram were. They were not only working from early in the morning to six o'clock at night and frequently after six, but evening after evening there were men in the anteroom waiting for them. I have seen as many as twenty or thirty men waiting outside in succession to see General Bertram and that thing was constant in my experience. It was a matter of the greatest difficulty at times to get access to General Bertram and Colonel Carnegie to get some information or instruction that I wanted. Most of my instructions came from Mr. Riddell, the financial supervisor, and sometimes I would have to wait an hour or half an hour to get hold of Mr. Carnegie about some technical matter to clear up some contracts. They were working under tremendous pressure, and it has been a mystery to me how those two men have stood it as they apparently have.

Q. That is all, thank you.

Sir WILLIAM MEREDITH: Anybody else?

Mr. EWART: Just one question.

[J. F. Orde.]

By Mr. Ewart:

Q. The Russell Motor Company contract provided for 15 per cent of the contract price being paid into a bank, Mr. Orde?—A. Yes.

Q. And that money was to be paid out to the Russell Motor Company as they performed their contract, that has been spoken of as an advance to the Russell Motor Company. In some respects it appears to be rather a guarantee that the Shell Committee would pay the contract price as it fell due?—A. No, that is a wrong view of it. Perhaps I can explain it again. The Russell Company wanted an advance of 15 per cent, similar to the advance which the American companies had got on their fuse contracts, but instead of putting up a bond they made the suggestion that as they could get the money from their bank if we would advance it to the bank or put it in the bank so that the bank would have that additional amount of money for the purpose of facilitating advances to them, it would answer the purpose and save the trouble of giving a bond, which was a very sensible way of working it out. My original draft, after discussion of the matter with Mr. Lloyd Harris and Mr. Russell, was that the moneys should be paid to the bank and placed at the credit of the special account, and that as the Russell Company became entitled from time to time to payment the proportionate amount of the 15 per cent of the shipment should be drawn from this fund, or rather paid over by the bank to the Russell Company. Now, that placed the bank in funds for the purpose of enabling them to finance the Russell people.

Q. So that it was really an advance to the Russell Motor Car Company?—A. The agreements went on to provide what would happen in case of non-delivery.

Q. What bank was it?—A. The Canadian Bank of Commerce.

Mr. HELLMUTH: That is all. I have nothing further to ask.

I propose now to put in letters of which I have copies that were written to the Premier by Lloyd Harris and Mr. Russell.

Sir WILLIAM MEREDITH: One or two?

Mr. HELLMUTH: There are three, I think, there are two letters from Lloyd Harris to the Premier and the other is a letter in reply from Colonel Carnegie to the Premier, who had sent on to him the letter from Lloyd Harris and Mr. Russell.

Sir WILLIAM MEREDITH: Put them all in this one exhibit.

Mr. HELLMUTH: Yes, sir, I will put that in as one exhibit. The letter of October 2nd, 1915, enclosed what may be termed the main letter from Lloyd Harris and T. A. Russell.

RUSSELL MOTOR CAR Co., LIMITED.

WEST TORONTO, October 2, 1915.

Personal.

Rt. Hon. Sir Robert Borden,
Prime Minister,
Ottawa, Canada.

My Dear Sir Robert,—

Referring to our interview of yesterday when you asked me to furnish you with a memorandum of our experiences in negotiating with the Shell Committee—for the establishment of a fuse manufacturing, assembling and loading plant in Canada, Mr. Russell and myself have carefully prepared a condensed history of these negotiations, which I now beg to enclose for your information, and which you may or may not use at your discretion.

I have no desire that this matter should be a source of worry or trouble to you, but hope that having the information it may be of assistance to you.

On the latest request of the Shell Committee we have submitted a proposal, on September 30, for the establishment of a plant for the manufacture, loading and assembling of time fuses in Canada. I heard at the Shell Committee offices that only two proposals had been submitted within the time limit given, one being ours.

We have also submitted a proposal to largely extend our plant for the manufacture of graze fuses, offering to make and supply 1,500,000 graze fuses in addition to the order we are working on. Both of those proposals will no doubt be considered by the Shell Committee, and we will be advised of their decision in the matter.

I want you to clearly understand that I desire all of my efforts to do good work for the cause to rest entirely on the merits of our case, and that you must not feel in any sense bound to use your influence to do anything in the matter. I simply want to do everything I can to help, and if you can at any time use my services do not hesitate to call on me. Yours very sincerely,

LLOYD HARRIS.

“Memorandum of negotiations of Russell Motor Car Company, Limited, with Shell Committee *re* Fuses.

“April 30, 1915.—Messrs. Russell and Harris met the Minister of Militia in New York, and the Minister told Mr. Russell to get busy and see what we could do in establishing a fuse plant in Canada.

“May 6, 1915.—Mr. Harris met General Bertram and Colonel Carnegie of Shell Committee in Montreal, and was advised that they had instructions from the War Office to purchase 5,000,000 time fuses, and were negotiating with United States interests to manufacture them. After discussing the matter they stated that they would be glad to hear from us regarding the possibility of making at least a part of this order in Canada.”

Mr. HELLMUTH: I stop there a moment. Evidently whatever the mistake was, it was a mistake which was carried into their negotiations with Russell and Mr. Lloyd Harris, as well as others. I continue:

“May 13, 1915.—Messrs. Russell and Harris met Messrs. Bertram, Carnegie and Lafferty of Shell Committee in Montreal, reported progress, and stated that while they could not undertake the making of the total quantity required in Canada in the time allowed, they would submit in a very short time a proposal to make approximately one quarter or one third of the number required. It was then definitely arranged that while the Shell Committee might have to place a part of the order immediately in the United States, it would hold out one to two million until the Canadian proposal could be submitted.

“May 20, 1915.—Mr. Russell met Colonel Carnegie in Ottawa, and advised him that he expected to have a definite proposal ready to submit inside of a week. Colonel Carnegie replied to hurry as the matter could not be held open indefinitely.

“May 21, 1915.—Messrs. Russell and Harris met in Toronto with all facts and figures necessary to base a proposal—”

That was a meeting between Mr. Russell and Mr. Carnegie themselves, with Mr. Harris.

“and on the same date wired the Shell Committee as follows:

“Have fuse matter well advanced. Have arranged for expert help with large experience with British Fuse. Expect submit proposal early next week. Our plans provide for important part of work being done in Canada from commencement of operations.”

“May 25, 1915.—Wired Shell Committee that Russell and Harris would be in Ottawa the following day to submit proposal.

[J. F. Orde.]

"May 26, 1915—Messrs. Russell and Harris arrived in Ottawa with a proposal to establish in Canada a fuse manufacturing, loading and assembling plant, and to supply 1,250,000 British time fuses at \$4.20 each."

Sir WILLIAM MEREDITH: Isn't the date wrong; didn't you say the 21st; isn't the 25th the previous one?

Mr. HELLMUTH: Yes, sir, the 25th.

"They were then told by Messrs. Bertram and Carnegie that the Shell Committee had awarded contracts with the United States concerns at \$4.25 each, within the previous three days.

"Subsequently the Shell Committee were advised by the British War Office that instead of all time fuses being required they wanted two-thirds of the total of five million time fuses, and one-third graze fuses. It was then arranged that one of the United States firms tendering would receive an order for 2,500,000 time fuses at \$4.50 each, and the other United States firm would receive an order for 833,000 time fuses at \$4.50 each, and 1,667,000 graze fuses at \$4 each.

"Messrs. Russell and Harris were then assured that they would receive consideration when further orders were to be placed.

"July 19, 1915.—Finally after many interviews and much correspondence the Shell Committee wrote Russell Motor Car Co., Ltd., offering an order for graze fuses as follows:—

250,000 at \$4 each

250,000 at \$3 each

which averages \$3.50 each compared to the price of \$4 each paid to a United States Company.

"July 22, 1915.—The Russell Motor Car Co., Ltd., wrote the Shell Committee accepting order for graze fuses as above.

"August 11, 1915.—Messrs. Russell, Harris and E. B. Ryckman met Colonel Carnegie for the purpose of settling details of formal contract for 500,000 graze fuses. We suggested that the Shell Committee should make an advance of \$100,000 to assist us in financing purchase of machinery, equipment and materials involved. This Colonel Carnegie refused to consider and stated that no advances had been made on other contracts excepting in connection with some contract for brass cartridge cases.

"We have found since that on the contracts for fuses with United States manufacturers an advance of 15% had been granted by the Shell Committee or a total of about \$3,000,000. On the same basis we were entitled to an advance on our contract of \$262,500. On learning this we applied for the same advance as had been given to the United States firms, but as yet this has not been acted upon.

"September 10, 1915.—Letters were sent out by the Shell Committee to a few Canadian manufacturers asking for tenders on 1,000,000 time fuses, tenders to be in Ottawa by September 30. We did not receive a request to tender, but heard that such tenders were being asked for, and immediately wrote to the Shell Committee for information, and had their reply dated September 24, asking us for tender by September 30. Although we have had only five days to comply we have tendered to furnish 1,000,000 time fuses at \$4.60 each and propose to establish a complete plant in Canada for this purpose if awarded a contract.

"We have also submitted a proposal to the Shell Committee agreeing to add to the plant we are installing in Canada for the manufacture of graze fuses, and to supply 1,500,000 graze fuses at a price of \$2.20 each.

"This is a brief statement of our experiences in this matter, and which we now submit in writing so that you may have the facts before you, which you may use or not at your discretion.

"LOYD HARRIS.

"T. A. RUSSELL."

"October 12, 1915.

"The Rt. Hon. Sir Robert Borden, G.C.M.G.,

"Prime Minister of Canada,

"Ottawa.

"Dear Sir Robert:—

"I have the honour to acknowledge your kind consideration in giving me the opportunity of reading the personal letter you received from Mr. Lloyd Harris, dated 2nd October, together with memorandum of negotiations of the Russell Motor Car Co., Limited, with Shell Committee *re* fuses.

"The first point I should like to deal with is that raised in paragraph under date of August 11th, where my veracity is questioned. I do not remember the details of the conversation to which they refer, but I never forget the principles which underly all my conversations and I am certain that I could not have told them that no advances were made on fuse contracts in the United States, it being not the case.

"I may have said, and rightly so, that no advances of money had been made by the Shell Committee to manufacturers of shells in *Canada*, as it was not then the policy of the Committee to make advances on contracts other than on certain raw materials. We had, however, no option in the case of the United States manufacturers as they refused to contract without an advance of money.

"Coming to the question as to why contracts for fuses were placed in the United States instead of Canada, I can honestly affirm that both the Minister of Militia, the Hon. Sir Sam Hughes, and the Shell Committee did everything in their power to induce Canadian manufacturers to undertake this work. As far back as last November General Hughes impressed upon the Committee, and upon myself in particular, the necessity of manufacturing fuses in Canada. I understand also that he personally approached several important manufacturers and urged them to consider the matter.

"While in England last December I studied the latest methods of manufacturing fuses at Woolwich Arsenal with the object of having them made in Canada. On my return to Canada General Sir Sam Hughes again advised Colonel Nicholls to consider the matter and I followed this up with a visit to the works of the Canadian General Electric at Peterborough and conferred with the officials who went into the matter very thoroughly and considered the proposal then made to manufacture 20,000 on an experimental basis. Colonel Nicholls replied on 15th February that he would not care for his company to undertake the responsibility of commencing the manufacture of fuses with the insufficient information then available; the order also being too small to warrant commencing manufacture.

"The Minister of Militia approached him again on the subject and on the 17th February I wrote, asking him to reconsider the matter, knowing that one of his foremen had been engaged for several years at Vickers Limited, England, on fuse manufacture, and that he was the only man in Canada who had any experience of fuse manufacture. He replied on the 22nd February that, while recognizing the excellent facilities at Peterborough, it would be unfair to his company to commence manufacture unless he had a definite understanding as to how they were to absorb their costs.

[J. F. Orde.]

"Having exhausted what I believed to be the only probable source of manufacture in Canada, and not having then any other proposals before me, I considered it was a waste of time to pursue the investigation of other Canadian facilities for doing this work.

"Several manufacturers came to Montreal and examined the section of No. 80 fuse I brought from England, but after explaining to them the methods employed in producing them they decided not to go further in the matter.

"Then again I was informed when at the War Office that one important firm in England who had undertaken the manufacture of No. 80 fuses before the war began had lost heavily on the venture, although they had brought Woolwich experience to their aid.

"You will, therefore, appreciate my desire to avoid risks of failure in Canada, which to me did not seem unlikely if the work were undertaken without the necessary technical skill and sufficient time to produce a satisfactory article. Knowing that the essential feature of the whole matter was rapid output I could not honestly recommend the Committee to accept such risks and they unanimously agreed to place the work in the States.

"The first American concern (now known as the International Arms and Fuse Company) asked to tender for the 5,000,000 fuses had previously submitted a quotation on March 19th for the American No. 85 fuse. They had also gone into the various methods of manufacture very carefully long before the inquiry for 5,000,000 was received. They had gathered together expert help from sources where time fuses had been made in the States, and produced evidence that they could undertake the work. They were, therefore, in a position to place their proposals before the Committee immediately we received the inquiry for 5,000,000 fuses from England. This concern had also the advantage over Canadian manufacturers in being able to secure expert help from the Frankford Arsenal and other sources.

"The quotation of March 19th, referred to above, was \$5.50 each if an order for 1,000,000 fuses were given, and \$4.90 if a contract was placed for 2,000,000. They also quoted \$6.75 for the first 20,000.

"General Sir Sam Hughes being informed of the prices quoted, told General Bertram and me that the fuses could be obtained at a lower figure. He put us in touch with a group of manufacturers (now known as the American Ammunition Company) who had been associated with fuse manufacture in the United States and had experts who could undertake the fuses.

"General Bertram and I visited New York and spent some days investigating the proposals made by the concern, questioning the staff they were to employ for the work if the order were placed. We were able to obtain lower quotations for the fuses as a result of our negotiations and the order was divided between the two American Companies at \$4.50 for the time fuses and \$1 for the graze fuse. I am pleased to say that the progress made towards the manufacture justifies the confidence we reposed in the manufacturers.

"With reference to the Russell Motor Company's connection with the fuse matter, over three weeks elapsed from the time they were asked to make a proposal before they submitted same, even although they knew the urgency of the matter; this you will observe from their own memorandum. It is quite true that they informed us they were doing all they could to get the information to enable them to put the facts before us, but meanwhile options on material and machinery, held by the people in the States, were lapsing and an immediate decision had to be made. I knew that it would be necessary even after the Russell Motor Company made their proposals to spend days of investigation with little hope of success, and as the urgency of the matter demanded immediate attention I recommended that the order be placed in the States.

"With reference to the order placed with the Russell Motor Company for No. 100 graze fuse, the reason why the price paid to them was lower than the price paid to the American Companies was because we learned that they were being made in the States at a lower price than \$4.

"It would appear that they did not intend manufacturing the fuses themselves for immediately they received our order they sent out tenders to several concerns in the Dominion with the object of securing their assistance in the manufacture of the principal parts of the fuse. We had to take exception to the broadcast way in which they were handling our order so that the work should be limited to their own factory as much as possible.

"We have received a recent tender from them but their price is higher than that of another Canadian manufacturer.

"Many companies which a year ago would not consider the manufacture of fuses and other components of munitions, are now eager to undertake the work because they have had facilities to visit the States and witness the manufacture of fuses there.

"No orders for time fuses have been placed in Canada up to the present, and before any are placed a full investigation will be made of the ability of the staff of those companies whose tenders are of interest.

"Should we require any more No. 100 fuses we shall be very pleased to consider the recent quotation of the Russell Motor Car Company.

"Regarding their application for an advance payment on the contract placed with them. This was brought before the Shell Committee on Tuesday morning the 5th inst., and the advance was sanctioned on the same terms as made with the United States contractors.

"Although I have already written at considerable length I should like to take this opportunity before concluding this letter to refer to the criticisms which have been made about the Committee having placed an order for fuses in the States at a price of \$4.00. The fuse in question is known as the No. 100 graze, and at the time the contract was made the Committee had no knowledge that lower prices were being paid. They have, however, learned since that some American firms are making the unfilled fuse at lower prices than \$4.00. No filled fuses, as far as we know, are being made in the States. Our price is for the filled fuse, which adds about 27½c. to the cost per fuse.

"I have information from a reliable source that a small order was placed in England for the same fuse at 17/- each, while other orders were placed at lower prices.

"On June 24th, subsequent to our placing fuses in the States, we quoted the War Office \$4.10 for the No. 100 graze fuse, on condition that an order for 1,000,000 was placed. They did not reply and we, therefore, had no indication that our quotation was too high or too low.

"The fuses we placed in the States form part of the complete rounds of ammunition which we undertook to manufacture at a price for the complete round, and not for the fuses separately. The total price will in no case be exceeded. The Committee considers that while in some cases they may pay more for one component part of the complete round, than for another, so long as the sum of the prices does not exceed the price for which they contracted with the War Office, they see no ground for criticism.

"I apologize for the length of this letter but trust that it may show that a full and complete investigation was made before the contracts were placed. I return Mr. Lloyd Harris' letter herewith.

"I have the honour to be, Sir,

"Your obedient servant,

(Exhibit No. 263.)

[J. F. Orde.]

Mr. HELLMUTH: There is a gentleman here from New York, who is one of the chief inspectors. He wishes to get away, and I would like to call him, if I may do so. The gentleman's name is W. Lyon Brown.

W. LYON BROWN, sworn.

By Mr. Hellmuth:

Q. Mr. Brown, you are I believe the Civilian Assistant Inspector to Chief Inspector, Woolwich?—A. Yes, sir.

Sir WILLIAM MEREDITH: Q. Chief Inspector of what?—A. Chief Inspector of Woolwich Arsenal.

Mr. HELLMUTH: Q. Just to qualify for a moment, I believe you are a member of the Institute of Civil Engineers, a member of the Canadian Society of Civil Engineers, and a member of the American Society of Civil Engineers?—A. Yes, sir.

Q. And you have had experience as a Civil Engineer both in England and on this Continent?—A. Yes, sir.

Q. First and last, something like eleven years on this Continent—is that right?—A. Yes, sir.

Q. At the time the war broke out, where were you then?—A. I was in Canada.

Q. May I ask you what you were doing then? What was your work?—A. I was looking after the erection of plant for the Armstrong Whitworth Company in Montreal.

Q. Is that a munitions plant?—A. No, sir.

Q. What is it?—A. Tool steels, twist drills, etc.

Q. Did you go back to England immediately after the breaking out of war?—A. No, sir.

Q. How soon did you go after?—A. I did not go over until about July.

Q. July of 1915?—A. July of 1915, yes, sir.

Q. The next year?—A. Yes, sir.

Q. Were you at once employed at Woolwich Arsenal?—A. After a short time over there, I was. I had a holiday, and then I was employed over there.

Q. The Woolwich Arsenal, as I understand it, was asked to send out some one as Inspector for fuses ordered by Canada?—A. Yes, sir.

Q. Is that right?—A. Yes, sir, that is right.

Q. Had you had experience in regard to the manufacture of fuses, I mean in regard to how they should be manufactured; what knowledge had you of that?—A. Well, I went through at Woolwich, went through the manufacture at Woolwich and the firms manufacturing them in England, on these special fuses.

Q. These time fuses and graze fuses?—A. Yes, sir, and the gaines.

Q. You were and you are the chief inspector for these fuses that the Shell Committee undertook to purchase from the International and the American Companies?—A. Yes.

Q. And you necessarily spend your time more or less, may I say, between those two plants?—A. Yes; and there is the Russell Motor Car Co., Toronto, too, and then I go to Quebec for the gun tests.

Q. Do you visit the sub-contractors, the contractors who are making the component parts?—A. Where they are turning out complete fuses, yes, but not as component parts. I have no responsibility except in a consulting capacity for component parts. I take them over when the assembling and loading starts, but some sub-contractors in the case of 100 fuse are doing complete work as sub-contractors, and those I have my inspectors at.

Q. When did you first go to the International Company's plant or works?—A. About the end of November.

Q. Of 1915?—A. Yes.

Q. And off and on since then you have been there?—A. Yes.

Q. Can you tell me what experts, if they have any, they have there in the fuse?
—A. Col. Birnie and Major Hawkins.

Q. What have you to say in regard to their, or either of their capabilities?—A. Oh, they are very good men indeed, undoubtedly.

Q. Both of them?—A. Yes.

Q. Do you know where they came from at all?—A. Yes.

Q. Perhaps you will tell me?—A. Col. Birnie was on the Ordnance Board of the United States Government for I believe some twelve years, and Major Hawkins was at Frankford in charge of the testing of fuses; he was in the United States Army before he took on the position with the International Arms and Fuse.

Q. Who is in charge of the work of the loading of these fuses at the International?
—A. Major Hawkins.

Q. And what is Col. Birnie's work?—A. Col. Birnie is Ordnance Adviser, and he looks after—he looked after component parts mainly at the start, and now he helps generally on the questions coming up about loading and assembling of fuses.

Q. Will you tell me where is the loading plant of the International?—A. Bloomfield.

Q. What State is that in?—A. New Jersey.

Q. What sort of a plant is it first as to size?—A. It is a first rate loading plant in every way.

Q. Do you say that comparing with loading plants in England?—A. Yes.

Q. And in the States, have you seen other loading plants?—A. Yes, I have seen other loading plants.

Q. In the States?—A. Yes.

Q. And you say it is a first class loading plant?—A. Yes.

Q. Is it a large loading plant?—A. Yes.

Q. You said something about inspection where the sub-contractors or manufacturers to whom the fuses as a whole were farmed out—do they have anybody making the whole fuse, have they any people, manufacturers outside of themselves, who make the whole fuse for them, do you know?—A. The component parts of the No. 80 fuse are made at different plants and they are inspected by inspectors appointed by the Imperial Munitions Board, and as far as component parts are concerned I only go in a sort of consulting capacity to the Board, that is to say I pass upon tolerance and that kind of thing, definite points brought before me, but when the loading or assembling starts of the time fuses then I have my own examiners at the loading plant where the loading and assembling is done and take responsibility for them from that time on.

Q. You have your own examiners at the plant?—A. Yes.

Q. How many have you in the International?—A. The average number I have anywhere is 4 for every 12,000 a week that are loaded.

Q. Your examiners depend upon the number of fuses being loaded per week?
—A. Yes.

Q. What number have you now at the International?—A. When I left New York I had 24.

Q. 24 examiners?—A. Yes.

Q. At the International?—A. Yes.

Q. You exercise I suppose the general superintendence and control of these examiners, is that right—they are under you?—A. Oh yes.

Q. What part do you take apart from receiving the reports from your examiners and attending to anything they may say, what part do you take outside of that in inspection?—A. I visit the plants and go into details of things that are put before me; the component parts are often brought to me for decision; there are always points coming up from time to time.

[W. Lyon Brown.]

Q. Do you agree with what—you have not been here—with what has already been stated here, that the real difficult part of the time fuse is the proper loading of the time rings?—A. Yes, and the pellets and the washers.

Q. May I ask you what in your experience you find is the most difficult part in which to get accuracy?—A. The combination between the proper pressure used by the presses and the proper mixture of powder so as to pass gun proof.

Q. Which is the more important, if I may ask?—A. It is hard to say, it is a combination of the two.

Q. I think you told me during the moment or two I saw you before, that one expert will say the pressure is the more difficult to get right and the other the mixture of powder, is not that so?—A. Yes.

Q. You yourself consider them equally important, may I put it that way?—A. I judge by results of gun proof.

Q. What test do you make of the fuse after it has been finished or ready, after it is handed over to you as a complete fuse?—A. Forty fuses are taken out of every lot.

Q. What is a lot?—A. A lot may vary from 2,000 up according to the goodness of the manufacture and the rate they turn the work out.

Q. Would it make any difference whether it was 2,000 or 4,000 you would take the 40 out of?—A. No, it does not make any difference.

Q. You take 40 out of whatever lot is given you?—A. Yes, when they pass a certain number of lots of 2,000 through gun proof I let them make it up to 4,000, 6,000, 8,000, or even up to 10,000 providing they like to take the risk of having the whole 10,000 thrown back on the 40 submitted.

Q. You take 40 out of the lot, whether it is 2,000, 4,000, 6,000, 8,000 or 10,000?—A. Yes.

Q. What do you do with them?—A. Ten submitted for rest proof.

Q. What is that?—A. The time fuse is divided into what are twenty-two seconds at rest, and they are submitted, ten of these fuses are burnt, the percussion arrangement is moved and the fuse is started off, and it is timed to see whether it burns twenty-two seconds or not, the correction being made for atmospheric pressure; that is ten of the fuses. Then the other thirty are sent up to Quebec, and twenty of them are submitted to gun proof for the time of burning and to see that they do not fire prematurely in the gun, or anything of that kind, and to get the greatest difference in the time of burning between 20 fuses, and to get the mean time of burning, which is the most important thing and the hardest thing to pass proof on, so as to get the fuse to burst the shell in the right place, and then five are submitted to a test for set naught so that they will explode point blank, burst within 50 yards of the muzzle of the gun, and five are tested for the percussion arrangement to see, supposing in the case of them not bursting on the time setting, that they burst on touching the ground on the percussion arrangement.

Q. What amount of failures would there be to warrant your rejecting the 2,000 or 4,000 or 8,000 or 10,000 lot?—A. That is all laid down in the specifications attached to the contract; the mean variation is eleven-one-hundredths of a second, which is the main point they generally fail on.

Q. What does that mean, the mean variation?—A. It is the mean variation.

Q. That is the difficult part to overcome?—A. Yes; it does not matter so much about if they all burst long or if they all burst short, but if you are firing through a lot you want them to all burst so that you know they are bursting about the same place.

Q. Supposing the 40 that are taken out should fail to pass the required test, what is done with the lot from which they come?—A. The rings are taken out and the powder taken out of the rings, and then they have to reload the rings.

Q. The whole loading practically has to be gone over again?—A. Yes, the whole loading has to be gone over again; they regain the component parts, no damage to the component parts.

Q. The loading has to be done again?—A. Yes.

Q. Can you tell me about what rate now, I mean when you were last there, that the International are turning out time fuses?—A. 12,000 a day.

Q. When was that quantity obtained, 12,000 a day, and when did they begin to turn out about 12,000 a day?—A. About a month ago.

Q. That would be somewhere about the early part of April they began, would that be about right, I do not want exact, what were they turning out before that, about what rate—when did they first begin to turn out fuses that passed test?—A. Eight months after the contract was let.

Q. The contract was let on the 19th June?—A. I think I have a note of the exact date here, February 11.

Q. Had they turned out any fuses that had not passed test before that?—A. They were practising all the time, yes.

Q. And you had been there from November, hadn't you?—A. Yes, sir, on and off.

Sir WILLIAM MEREDITH: Does he mean by all the time, from the time he went there?

Mr. HELLMUTH: Had they been practising from the time you went there in November?—A. Oh, no, the plant was not complete when I went there in November, but I could not say what date it was complete; what I mean to say is that they were held back by component parts supplied, their plant was ready to turn out loaded fuses before their component parts plants were ready to give them enough to justify them starting loading.

Q. Can you tell me when they had enough of the component parts to justify them to start loading; about when did they commence to start loading?—A. Do you mean practising

Q. No, I mean commence loading the fuses?—A. I should think January, although I suggested to them, when they started to put them out for proof that if they started a small amount, say they turned out 1,000 to-day, they should turn out at least 1,000 to-morrow or 1,100, so that they could keep the organization going, and they did that, and from the time they first started loading they gradually increased from their 1,000 a day to what they are at now.

Q. When was it, did you say, that they first turned some out for test?—A. February 11th.

Q. Were those tests successful, I mean was the result such as to warrant accepting or were the lot—?—A. You mean on the first lot?

Q. Yes, was it a rejected lot?—A. The first lot passed on second proof; it was given a re-proof.

Sir WILLIAM MEREDITH: Does that mean re-filled?—A. No, re-proof means that if it is very near the mark, nearly passing the greatest difference or the mean difference or whatever it may be, the test of the 30 fuses at gun proof, we ask them to submit another 30 fuses out of the same lot and suspend judgment pending the result of the second proof.

Q. And they did pass on the second proof?—A. Yes.

Q. When was the next test, do you know—I don't want to go through all of them?—A. They went fairly steadily after that.

Q. And from that on they have been going on with these tests, you have been having the tests made as they were supplied?—A. Yes.

Q. What is your opinion or judgment as an inspector in regard to their being able or not being able to increase the 12,000 a day?—A. Their only limit is the rate at

[W. Lyon Brown.]

which they can get their component parts supplied, if their sub-contractors do not fall down with them on their component parts there is no reason why they should not get up to 20,000 a day or more than that.

Q. You mean the capacity of the loading and assembling plant would enable them to do 20,000 a day?—A. Yes.

Q. That I understand is the maximum that they expect to attain is it not, 20,000?—A. I do not think it is.

Q. You think they expect to go beyond that?—A. It depends, if they are working night and day.

Q. Is that a day work you are speaking of, 20,000 as a possibility?—A. Yes, I think so.

Q. With night work could that be doubled?—A. I do not think it would because the machinery would probably come in—you could not work it.

Q. What do you say as to the character and the quality of the fuse they are now turning out, dealing just with the International?—A. It is very good.

Q. How does it compare with the time fuse, 80 time fuse being manufactured in England, or can you speak as to that?—A. It compares favourably enough; it is such a hard question to answer I do not know whether you are talking about loading or the look of the fuse, or the component parts, or what.

Q. You have to pardon me all the way through, Mr. Brown; I am asking questions in regard to a subject about which I know nothing, and you are wondering that anybody could be possibly so ignorant, so that if you will take it that way, treat me as if I was in the infant class being instructed in this, what I meant was this, you know the English fuse, the English fuse has to be made of component parts just the same as this fuse, I assume, and it has to be loaded as this fuse is loaded; now, in regard to the component parts that are being manufactured are they of a standard that would compare favourably with, if I can use the expression, the average fuse in regard to its component parts being manufactured in England?—A. Oh, yes.

Q. It does?—A. Yes.

Q. As to the loading or filling of the fuse, how does the loading and filling of the fuse by the International compare with the loading and the filling of the fuse by reputable English firms in your judgment?—A. I would rather not answer it.

Q. We wont press for an answer?—A. There are many points to come into that.

Hon. Mr. DUFF: We have heard that there are some difference and Mr. Brown probably does not know how much we know about it.

Mr. HELLMUTH: At all events you have told me; then, are they passing the tests now, well or ill, I mean the International Fuse Co., are they making a fair showing on the tests?—A. Oh yes, they are.

Q. Then it has been said, and there seems to be no question about it, that the International Co. did not live up to its contract in regard to deliveries. there is no doubt about it they were behind, I suppose you have seen the contract have you?—A. Yes, sir.

Q. And you know that this is so, that they did not supply them within the time, the deliveries within the time limits of the contract; are you not aware of that?—A. Yes, I know, but I think they were very silly to take a contract to do it in five months.

Q. Will you tell me why you say that?—A. Because it is almost an impossibility to turn out fuses at the rate they called for without any preparations made or anything of that kind, in five months.

Q. What would you say would be the time within which a concern that had no preparation, with options on machinery and, if I may say so, options on the men who are called experts, what time would you say that they could commence to make any

[W. Lyon Brown.]

sort of delivery, the earliest?—A. Do you mean supposing they had no option on machinery and men?

Q. No, I said if they had options but no loading or assembling, no plant?—A. Do you mean as a commercial proposition that they are going to make a profit out of it?

Q. Yes?—A. With option on machinery and option on men?

Q. Yes?—A. I should think twelve months with that option.

Q. Twelve months before they could deliver?—A. Before they could deliver say 20,000 a day.

Sir WILLIAM MEREDITH: Is that assuming that there were factories that they could control that could immediately supply the component parts?

Mr. HELLMUTH: Supposing they had factories that the company was interested in or had control of that could get the specifications at once and get to the work of supplying the component parts?—A. With no previous experience of fuses?

Q. Yes?—A. Twelve months.

Q. What factories of the International have you visited?—A. I do not deal with component parts, I do not visit the component parts plants, and the International have only the one loading plant and that is at Bloomfield.

Q. So that all you have so far as the International is concerned, all you have been concerned with is the loading plant at Bloomfield, I mean visited; you have not visited the factories making the component parts?—A. Yes. I visited the Keystone plant at New Jersey, but it was simply a chance visit, that was all.

Q. You did not visit it as inspector?—A. Yes, it was on part of my work, but I mean I do not generally visit the component part plants.

Q. Is there anything else—I dare say there is a good deal, but is there anything else that you would like to say in regard to the output, present or past, of the International company? I have no doubt others may want to ask you questions, but anything in reference to what I have endeavoured to ask you that occurs to you that you would like to give any explanation so far as the International is concerned?—A. I think you have covered the ground pretty well, sir, as far as I know.

Sir WILLIAM MEREDITH: Will you ask him how many men, and what the wage roll is.

Mr. HELLMUTH: Can you tell me at all how many men—I am going to bring the men, I am going to call Mr. Harris or some one else—

Sir WILLIAM MEREDITH: Yes, but of course this is an independent witness.

Mr. HELLMUTH: Can you give me any idea whether they are employing ten men or two thousand in the loading plant?—A. It will only be a guess.

Q. We will take the guess, and we will treat it as a rough guess, we won't hold you to the figures anyway.—A. I should think about 1,200 at the loading plant.

Q. That is at the loading plant of the International?—A. Yes; those are not men; they are mostly girls.

Q. 1,200 employees?—A. Yes.

Q. Then let us pass from the International to the American Co.—

Hon. Mr. DUFF: Before you go to that: what you said a moment ago might rather suggest the inference that a competent ammunition expert ought to have known that a contract such as that let to the International could not be carried out as to time.—Yes.

Q. That would be your view?—A. Yes.

Mr. HELLMUTH: Pass to the American Ammunition Co., what do you say—where is their assembling and loading plant?—A. Which fuse are you talking about now, the time fuse?

Q. Oh, they have two; the time fuse?—A. They have two loading plants, one at Paulsboro, New Jersey, and one at Baltimore, Maryland.

[W. Lyon Brown.]

Q. Is that in regard to time fuse?—A. Yes.

Q. Is not the Baltimore one very recently put up?—A. Yes.

Q. Are they doing any actual work at the Baltimore one yet?—A. Yes.

Q. Then as to the Paulsboro one, that is the older plant?—A. Yes.

Q. When did you first go to that plant?—A. About the end of November.

Q. Had they at that time made any time fuses, loaded them, I mean assembled and loaded?—A. They put up their first lot for gun proof about the same date as the International.

Q. That would be some time in February?—A. Yes.

Q. They have practically, we have heard here, supplied no, or only 2,000 I think, time fuses; have they supplied any more recently, any greater number than that that have passed proof?—A. What do you mean by supplied?

Q. Well, that have passed proof, have passed the test?—A. No, not last week, not last time I was at Quebec; they are rather trying out some special fuses up for different times of pressure; it makes a great deal of difference the time the pressure is applied, even if you have the mixture of the powder the same, and at my suggestion they have sent up three special lots with special times of pressure, keeping pressure on longer on the powder and the rings, and I think they are rather holding back or awaiting the details of the results of these proofs when I was at Quebec last week.

Hon. Mr. DUFF: Those were experimental?—A. No, they were all out of lots submitted for gun proof—oh, that 30 was special.

Hon. Mr. DUFF: What you said rather suggested that these were experiments being conducted at your suggestion?—A. Yes, that is right, but the lots submitted before—were out of the regular 2,000 lots.

Mr. HELLMUTH: From what you say I think one could draw the conclusion that the production of time fuses to date by the American Ammunition Co. has not been a success, that would not be a very wrong way of putting it?—A. Are you comparing it with the International?

Q. I was not comparing it with anything?

Mr. CARVELL: As a fact?—A. Two thirds of their contract was for graze fuses.

Mr. HELLMUTH: I quite appreciate that, but treating the time fuse contract—do not misunderstand me, I do not want anything but the facts?—A. I do not want to give you anything else, sir.

Q. I mean as a fact, taking the time fuse part, there may be certain reasons why they have not done so well, but taking the time fuse part by itself it is fair to say, I do not want to say it if it is not, it is fair to say that the time fuse production up to this time of the American has not been a great success?—A. No.

Q. That is right is it not?—A. Yes.

Q. I am quite ready that you should give me any explanation in regard to that, and I will be very glad to have it; will you explain why in your judgment that it has not been a success; first of all, let me just suggest something—you will pardon me doing this—what do you say in regard to experts, had they a good expert?—A. Yes.

Q. Who is that?—A. Mr. Gladeck is a good loading man.

Q. Then the fault, won't be with the expert, may I put it that way—the delay, if there is any cause for the delay it is not by reason of having an inferior expert, or is it?—A. I would not say anything.

Q. I can quite understand you may not want to criticize, that may be so; have you given any advice in regard to the methods that should be adopted by the American Company in order to obtain a proper article, if I may dare to use such a common expression, in regard to a time fuse?—A. Yes, but I want you to understand that the component parts are just as good as in the case you were comparing just now; what fuses have passed are good fuses, and the loading of those fuses is such a difficult thing that it is very difficult to get past gun proof.

Q. I can quite understand that. Then you say the component parts—are the component parts by the American Ammunition Co. being manufactured by outside or at least other factories—they have factories I suppose?—A. Yes.

Q. There are a number of factories, are there not, making these component parts?—A. Yes.

Q. And in some of the factories I assume from common experience would turn out better work than other factories, is not that so?—A. They would not be put in the fuses, they might turn them out but they would get rejected on component part inspection; they would get a high percentage of rejections.

Q. Do you attribute the greater delay, if I may put it that way, in bringing forth fuses that will pass proof test or proof by the American Co. than by the International to the greater difficulties they have experienced in being able to get them satisfactorily filled or loaded, is that the ground that you put?—A. Yes.

Q. So that it is in the component parts?—A. No.

Q. That the difficulty lies, but in the loading?—A. It is in both, the component parts held both companies back.

Q. The component parts held both companies back, but the component parts held both companies back in about the same degree, would that be right?—A. Yes.

Q. Then the getting over of the difficulty of filling or loading was accomplished more rapidly by the International than it has been by the American?—A. Yes.

Q. That is right?—A. Yes.

Q. Then what was the occasion, if I may ask this, of the American having a second loading factory when their order for time fuses was only for eight hundred and thirty three or eight hundred and thirty four thousand, as against two million and a half by the International who have only one, is there any reason why they should have two?—A. Their factory is not as big, their loading plant at Paulsboro is not as big as the International.

Q. Have you any idea how many employees they have in those two factories, just a rough guess; you are speaking purely of the time fuse factories, are you not?—A. Yes.

Q. Well, I won't ask you to guess, because we will get them here. We have also, have we not, the American Ammunition Company with the graze fuze order of 1,666,666?—A. Yes.

Q. Are those loaded fuses, are they loading them?—A. The No. 100 graze fuse is not loaded on this side.

Q. Then they have no loading—they have an assembling factory?—A. Yes, they are assembled.

Hon. Mr. DUFF: When you answer that, Mr. Brown, you are referring only to the No. 100 fuses that are being made under this contract, or are you speaking generally?—A. I am speaking under this contract.

Hon. Mr. DUFF: Quite so; that is all I wanted to know. He used a very general expression.—A. I am speaking of the contracts let for fuses by the Shell Committee or the Imperial Munitions Board.

Mr. HELLMUTH: You are speaking just the same of the Russell Motor graze fuse as you are of this?—A. Yes.

Q. You are speaking in regard to the contracts over which you as chief inspector are keeping an eye, I mean the production?—A. Yes.

Q. Have you anything at all to do with the orders for the Imperial Government which are given through Morgans?—A. No.

Q. I just follow that for a moment; have you been to any of the factories or assembling plants in the States where those orders are being filled, the Morgan orders for the time fuses?—A. No, I have not.

[W. Lyon Brown.]

Q. Then this factory or place or plant where the assembling of the graze fuses occurs, where is that for the American Ammunition, what place?—A. Those contracts are sublet.

Q. Is it then at various points they are assembled?—A. Yes.

Q. How many places?—A. Four.

Q. And have you been at all four?—A. I have not.

Q. How many have you been at?—A. Two.

Q. I understand that the American Company have furnished a considerable number, I think it is said 800,000 up to the 21st April of graze fuses?—A. I do not know the number, but they have done very well with the graze fuse.

Q. When you say they have done very well, are you speaking of your view of their having done very well from the time they took the contract irrespective of the date fixed for delivery under the contract?—A. Yes, I am speaking generally.

Q. That is to say you mean that taking the contract in June 19 last year for the 1,666,666 of graze fuses apart from whatever the obligations may be in the contract, if they took it at that time to supply it within a reasonable time you would consider they had done very well if that had been the terms?—A. Yes.

Q. That is what I understand you to mean?—A. Yes.

Q. Is there any test or proof applied to the graze fuse?—A. You mean outside the inspection of component parts?

Q. Yes?—A. I have my own examiners at these plants and they use probably six to eight gauges on every fuse, checking them over, but there is no gun proof on this side, although there is a gun proof on the other side in England.

Q. So that yours is a test really of the component parts—well, more than that, a test of the fuse, but not a gun proof?—A. Yes.

Q. And that is performed by your examiners?—A. Yes.

Q. How do you find that test is being complied with by the American Ammunition?—A. Very well.

Q. And may I say, would it be a fair way of putting it to say that while you are satisfied, if you are, apart from the terms of the contract, while you are satisfied with the progress that has been made by the American Company on the graze fuse you certainly are not satisfied with the progress they have made to date on the other, on the time fuse?—A. Yes.

Q. That would be a fair way of expressing it, would it?—A. Yes.

Q. Is there anything in regard to the American Company that you would like to say arising out of what I have asked you; I have no doubt there is a great deal you could very well say, but arising out of what I have asked you, Mr. Brown?—A. I don't think so, sir.

Q. Just one thing; you also said, I am not going into it at all, you also said that you had inspected I understand the graze fuses being turned out by the Russell Motor Company, is that right?—A. Yes.

Q. I am going to ask you a question which I would like to get your view on; the Russell Motor Car Co. are not turning out any time fuses, are they?—A. They have started turning out component parts of time fuses, yes.

Q. When was that began?—A. They are not turning them out, the machinery is working, they are not getting a regular supply yet—I suppose five or six weeks ago.

Q. Five or six weeks ago they began?—A. Yes.

Q. They began the manufacture of component parts of time fuses?—A. Yes.

Q. What I would like, if you could give me an idea, had they got any machinery in then for the making of component parts at that time?—A. Yes, sir, I say they were making them.

Q. Can you tell me how long in your judgment it would take the Russell people or any one here in Canada to turn out a time fuse loaded, assemble them and load them, from the time that they started to get their machinery and plant—I am not talking now of people who have got machinery?—A. You are assuming they want to take the same risk as people in the States?

Q. Yes?—A. The same time as I said before, I think.

Q. About a year?—A. Yes.

Sir WILLIAM MEREDITH: What does he say about expert knowledge there; are you not going to ask how they have performed their contract, to compare?

Mr. HELLMUTH: Yes, I will ask that.

Q. You have the Russell—they have only the graze fuse, the contracts you are looking at at present are only for the graze fuse?—A. You asked me about time fuse; the graze fuse they have been turning out regularly for some time; the time fuse they started to turn out the component parts a short time ago.

Q. When did they commence turning out graze fuse?—A. About Christmas; that was the graze fuse.

Q. And what quantity?—A. Well, they have been up as high as nearly 6,000 a day.

Q. Is that about the present time, I mean within the last month, April, or are you putting the highest point to-day?—A. That is the highest point. If you take the average for the month of April, I think it would be about 4,000 a day.

Q. Of the graze fuse?—A. Of the graze fuse.

Q. And what is the average output per day of the graze fuse by the American Company?—A. For which month?

Q. For this last month?—A. April?

Q. The average for the last month. That is what you gave me?—A. Yes, about 14,000 a day.

Hon. Mr. DUFF: What would be their average two months before that?

Mr. HELLMUTH: Wait a minute. I will get exactly the time. The graze fuse contract was given to the American Ammunition Company on the 19th day of June.

Hon. Mr. DUFF: 21st of May.

Mr. HELLMUTH: No, they knew nothing about graze fuses on the 21st of May.

Hon. Mr. DUFF: You are right. The 28th of May, or whatever it was.

Mr. HELLMUTH: No, the dicker took place when they came to divide it from the 16th to the 19th of June. They did not know who was going to have it.

Hon. Mr. DUFF: The 19th of June.

Mr. HELLMUTH: Yes. The contract as I understand it was—I do not know the date of the contract.

Hon. Mr. NESBITT: 17th of August.

Mr. HELLMUTH: Practically two months. You are right.

Q. This is April. Tell me what the average output of the American Ammunition Company of graze fuses was in February.—A. I do not know. I could not guess at that. All those figures are on record with the Munitions Board.

Q. I have no doubt we can get them from the figures.

Mr. CARVELL: I think they are in evidence now.

Mr. HELLMUTH: Only the total.

Hon. Mr. DUFF: Only 2,000 of that total is time fuse.

Mr. HELLMUTH: Yes. I am only asking for the graze fuse. But we will get that.

Sir WILLIAM MEREDITH: Do you know when the Russell Company got an order or a contract to make the time fuse?—A. I could not say, sir. No, I do not know.

Q. Are they manufacturing them under the contract with the Munitions Board?—A. They are manufacturing parts of time fuses now.

Q. What parts?—A. Component parts.

Q. Who is doing the loading?—A. There is not any loading yet.

[W. Lyon Brown.]

Q. Have they a plant for that purpose?—A. No. They will be sent to a plant in Montreal to be loaded there.

Hon. Mr. DUFF: Are the Russell Motor Company simply producing fuses that are made for them under sub-contracts?—A. No; they make nearly all their component parts too.

Q. In their factory in Toronto?—A. Yes.

Q. And they are assembled there, are they?—A. No, the number 100.

Q. I am speaking of the No. 100?—A. Yes, that is assembled there.

Q. Most of the component parts are made there?—A. Yes.

Sir WILLIAM MEREDITH: Well, any questions of this witness?

By Mr. Carvell:

Q. Mr. Brown, do you recollect when the American Ammunition Company made their first deliveries of graze fuses?—A. I think it was about the middle of December.

Q. Of 1915?—A. Of 1915.

Q. And do you remember the quantity? I am speaking now only approximately, because I think we can get the real facts from some other documents.—A. Well, of course they started gradually, as soon as they got a thousand or two thousand together they would send them off.

Q. So it would be a comparatively small number at the beginning?—A. Yes.

Mr. HELLMUTH: It is all set out at page 214. The deliveries in December were 14,000—exhibit 202—and in January 146,000, and so on.

Mr. CARVELL: That is it.

Mr. HELLMUTH: I give you that.

Mr. CARVELL: Do you know whether the American Ammunition Company have ever delivered any later fuses—I am speaking now of the graze fuse—or have they delivered any loaded fuses?—A. The graze fuse, no.

Q. None whatever?—A. No, the only loading of the graze fuse is putting in a detonating plug.

Q. We are not all experts. We have been talking during the last week of loading the graze fuse the same as the time fuse.

Mr. HELLMUTH: No, I dissent from that.

Mr. CARVELL: Perhaps the exception proves the rule. We have been talking anyway of loading the graze fuse. I do not mean to say you go through the same operation and that the same technical knowledge is required. Perhaps in order to make it plain you will tell exactly what the loading of the graze fuse means.—A. The loading of a graze fuse without the gaine attached.

Q. Without the end?—A. The loading of the graze fuse without the gaine is simply putting fulminate in the detonator cap at the side of the detonator plug.

Q. And the detonator cap could be inserted in the fuse where it is assembled or at some other place with very little expense?—A. Where it is loaded, where the gaine is attached to it. It has to be in at the same time as the gaine is put in, that is the high explosive tetryl gaine.

Q. We know it cannot be a very serious proposition, because it is in evidence that the Shell Committee allowed them to furnish the fuses without the loading apparatus, whatever it might be, at a reduction of 27½ cents. Now, is it also a fact that the Russell Motor Car Company are manufacturing the same parts and the same kind of graze fuse as the American Ammunition Company?—A. Yes.

Q. And the American Ammunition Company commenced delivering in December, and I think you stated that the Russell people commenced delivering at the same time.—A. A little later I think, but the dates of delivery should be on the record of the Munitions Board.

Q. We have not the figures of the Russell Motor Car Company, and I thought possibly you could supply that information.—A. Not from memory, sir. I remember it was about Christmas time.

Q. The limit would not be much later than the deliveries of the American Ammunition Company?—A. No.

Q. This of course is only a matter of comment, but you know now that they received their contract just two months later than did the American Ammunition Company?—A. August 17th, and the other was June 19th, yes.

Q. You say that there are four different concerns manufacturing for the American Ammunition Company. I do not want to ask you where these concerns are located for fear some of my friends might think I was giving comfort to the enemy.

Hon. Mr. DUFF: You already have got the name of one of them.

Mr. CARVELL: Not a manufacturing plant; we have a loading plant.

Hon. Mr. DUFF: No, we have the American Gauge Company in Boston, which is one of them we have been told at all events.

Mr. JOHNSTON: That is the time he was stopped from giving any more evidence.

Mr. CARVELL: You say you visited two of these manufacturing establishments. Practically how many people would be employed in each one of them?—A. You mean the sub-contractors of the American Ammunition Company on the graze fuse that are turning them out to-day?

Q. Yes. Let me see if I understand you. You say there are four sub-contractors who are manufacturing the graze fuse complete for the Ammunition Company, except the loading or that portion which is done in England, and you say you have visited two of them. I am asking you, practically how many people do those plants employ?—A. I did not say four were turning out the work. I said they sub-let the work to four. The average of the ones that are turning them out, the number of men I should think would be—I don't know, I would not like to guess.

Q. We would like to have your judgment on it. Of course, if you do not wish to give it I would not like to press the question.—A. It is only a guess. If they come on they will tell you. They probably have figures.

Q. It would certainly be hundreds?—A. Yes.

Q. Would it go into the thousands?—A. I should not think so.

Q. Perhaps we won't go any further with that. Then do I understand from you that only two of these plants are really turning out the completed article?—A. Yes.

Q. And they are making arrangements to get ready to turn out the completed article in two other plants; is that correct?—A. Well, partially so.

Q. Perhaps I would be safe in assuming that the American Ammunition Company have not done very much towards getting ready to manufacture fuses?—A. Oh, yes, they have done well in their graze fuse, they are turning out from 13,000 to 14,000 a day.

Q. And you say, as I understand you, that they have sub-let to two concerns who are turning out the article, and they are getting ready to turn out the article in two other concerns?—A. No, I did not say that.

Q. That is what I understood, and I certainly want to be fair?—A. I said they are turning them out in two places at the rate of 14,000 a day now.

Q. Then what do you say about the other two places?—A. Nothing, because they have not turned out any fuses yet.

Q. Then I think we were not very far apart.

Hon. Mr. DUFF: They have no assembling plant for the No. 100 time fuse I understood you to say?—A. They are assembled at the plants of sub-contractors. In the number 100 there is not a separate loading and a separate assembling plant. They are all loaded and assembled at the same place.

Mr. CARVELL: Do you happen to know the price they are paying either or both of these sub-contractors for turning out fuses as they are accepted?—A. No, the price has nothing to do with me. I just look after the quality of the output.

Q. I think you have already stated that the first plant for loading the time fuse of the American Ammunition Company was ready some time in December, did you say.

[W. Lyon Brown.]

or January?—A. I did not say that. I said that they got their first lot up for gun proof in February.

Q. That is the International?—A. Both.

Q. Do you know, witness, when the 2,000 time fuses that were delivered by the American Company up to the 21st of April were delivered?—A. Do you mean to say which lot passed gun proof, is that it? Which particular lot passed gun proof?

Q. I am assuming they must have passed gun proof before they would be delivered to the Committee?—A. Yes, that is the first lot?

Q. Yes. And I am asking you now when was that lot delivered?—A. It was about February, that is what I said before, the first lot sent up for gun proof by both firms was in February, and it was the first lot they sent up which passed gun proof.

Q. I had an idea from some source that these 2,000 were delivered in December?—A. No, sir, not time fuses.

Q. Where was that lot loaded?—A. Paulsboro.

Q. Then do I understand that the second loading plant, that is the Baltimore, is not yet in operation?—A. It is in operation.

Q. For how long a time has it been running?—A. Oh, it has been preparing for, I suppose, since about, I should think, December or January, but they were not getting a supply of their component parts quick enough from the various firms supplying them to justify them opening it before about, I think, two months ago.

Q. Do you know whether the American Ammunition Company, as such, is manufacturing any component parts of the time fuse?—A. The American Company as such?

Q. Yes.—A. No.

Q. No, they are not. Then all the component parts of the time fuse are being obtained from sub-contractors?—A. Yes.

Q. And without giving the names or places, can you tell me practically how many sub-contractors are supplying parts of the time fuse?—A. I cannot give you that. They have changed about, both firms have, with the sub-contractors.

Q. How many component parts would there be to a time fuse?—A. About 42.

Q. And how many to a graze fuse?—A. About 17.

Q. Now, I want to take you to the Russell Motor Company's plant. We have heard a good deal of discussion here in the last week about experts. Speaking from the engineering standpoint, do you require experts in the manufacture of graze fuses the same as you do in the manufacture of time fuses?—A. Are you talking about the fuse complete, or the component parts of it?

Q. No, I am talking about the component parts.—A. You say to the same extent—did you ask me if you require experts to the same extent?

Q. No. I think I can repeat the question. Do you say, or as a matter of fact do they require experts in the manufacture of the graze fuse the same as they do in the manufacture of the time fuse? I have changed it a little.—A. You are talking about the component parts?

Q. Yes.—A. Yes.

Q. They do. Now, do they require experts in the loading of the one, supposing they completed the loading, the same as in the other?—A. The one is not loaded.

Q. I was assuming that they completed it.—A. Not the hundred fuse without the gaine. There is nothing but to put the detonator in.

Q. I am asking you, Mr. Brown, the question. I say assuming the number 100 fuse were loaded?—A. Were loaded?

Q. Yes.—A. With the gaine attached?

Q. Yes.—A. That is a different thing altogether. The loading of the gaine is almost as complicated as some part of the loading of the time fuse. It is not being loaded here at all. But you want experts and special machinery to load the gaine. The fuse is being shipped over without being loaded, and the gaine is attached and the

fuse is loaded on the other side. But the 80 fuse is attached and goes out in the form of complete ammunition; the 100 fuse is shipped over and loaded on the other side.

Q. Then it is a more difficult operation to make the time fuse than it is to make the graze fuse?—A. Oh, yes.

Q. In what factory or with what concern in England did you obtain your experience in the manufacture of the time fuse?—A. Woolwich Arsenal.

Q. For how long were you there?—A. I was over there about three months I think.

Q. Didn't I understand you to say that you were connected with Sir William Armstrong, Whitworth & Company?—A. That was before. That has nothing to do about this time fuse business at all.

Q. But up to the beginning of the war did not that company manufacture fuses?—A. Oh, they manufacture most things in connection with the—

Q. However, so far as your connection with that company was concerned that had nothing to do with the making of fuses?—A. No.

Q. But you had had a long experience as an engineer and having that experience you say you were able to go to Woolwich Arsenal and get qualified I am going to assume as a fairly competent expert?—A. Expert is a comparative term. I know something about fuses so they can send me out to take charge of inspection.

Q. I qualified the term. I said a fairly competent one.

Hon. Mr. NESBITT: What?

Mr. CARVELL: I am not attacking the man for a moment, because if he is an inspector I assume Mr. Brown does understand his business, and I believe he does. But I would just like to ask that again.

Q. Did you obtain your knowledge of the testing of time fuses in your experience at Woolwich Arsenal in three months?—A. Yes.

Q. Now, Mr. Brown, assuming that any other fairly competent engineer, such as you will find in England and Canada and the United States, would go to Woolwich Arsenal for a period of three or four months, would he not also be able to become fairly competent at least as to the inspecting of time fuses?—A. Yes, if he had been used to that kind of work before.

Q. I am assuming an engineer of good ability, and your answer is Yes. Now, do you know a Mr. Kirby, who I think was employed at one time with the General Electric Company, or the Canada Foundry Company?

Hon. Mr. DUFF: The General Electric.

WITNESS: No, I don't know him.

Mr. CARVELL: I think he is now employed with the Russell Company.—A. I have not met him. I saw his name in the paper the other day, I have not met him though.

Q. You know nothing about him at all?—A. No.

Q. From your knowledge of the Russell contract when do you estimate it will be finished, providing they go on the same as they do at the present time?—A. They will keep up to their contract dates.

Q. That is, they will finish within the time limit?—A. Yes.

Q. Do you know a gentleman by the name of W. I. Banfield, who is connected with the International Company?—A. Yes, I have met him.

Q. Does he seem to be taking a leading part in carrying on the affairs of that company?—A. Yes, he is looking after the supply of the component parts of some of their plants, the last I saw of him.

Q. Do you say he is supplying?—A. No, I say he is looking after the supply of component parts. He was when I last saw him there.

Q. And are you aware that he is a Canadian?—A. Yes.

Q. From Toronto?—A. Yes.

Q. And he is getting a good salary, isn't he?—A. I don't know.

Q. And you have no doubt at all that he is earning it?

Mr. HELLMUTH: He says he does not know that he is getting the goods.

[W. Lyon Brown.]

Mr. CARVELL: He ought to, surely.

Mr. HELLMUTH: We hope he is.

Mr. CARVELL: Now, Mr. Brown, I believe it is a fact, and I think you will agree with me, that at the time the contracts were let to the International and the American Companies neither of them had any plant whatever either for the manufacture of component parts or the loading of fuses?—A. It was a totally new thing.

Q. Absolutely a new thing. And so far as the manufacture of the component parts is concerned, as I understand it now, both companies have sub-let the making of those to different firms in the United States, and both companies have constructed loading plants, one at Bloomfield, New Jersey, one at Paulsboro, and one at Baltimore, and all these plants have been constructed since those contracts were given to them in the month of June, 1915?—A. No, I did not say that.

Q. Loading plants?—A. No, the Bloomfield plant is a new one. Of course, these companies took a big risk in putting those things up.

Q. Well, as a matter of fact they did put them up, didn't they?—A. No. I think the Paulsboro one is a converted building, the Bloomfield building is a new one entirely.

Q. Take the Bloomfield plant, that is absolutely new?—A. Yes.

Q. And it has all been erected since the contract was given in June, 1915?—A. Yes.

Q. Now, so far as the American Ammunition Company is concerned you say that they took another plant of some kind and converted it?—A. Yes.

Q. At any rate, they have acquired a loading plant?—A. Yes.

Q. In your judgment could not a new plant have been erected in Canada just as well as in the United States, providing you had the money with which to erect it?—A. Provided you were willing to take the risk too.

Q. Certainly, all those provisions come in. If you are willing to take the risk and if you had the money you could have erected the plant?—A. I think it is better for the others to take the risk first and for the Canadian people to gain experience.

Q. I am asking you, could not a plant have been erected in Canada?—A. Yes, I suppose so, if we had the money.

Q. And could they get machinery, could they have completed the plant and been in a position to have loaded fuses in Canada?—A. Oh, I think so. Who is "they" though? Do you mean could anybody have done it in Canada?

Q. No, I say, could it have been done?—A. I suppose there would be enough good men in Canada to do it, yes.

Q. I would think so.—A. Yes.

Q. If they had the money?—A. Yes.

Q. Then there was nothing insurmountable in the construction of a loading plant in Canada?—A. Providing you had the money.

Q. That is what I understand you to say.—A. I was not here at the time the contracts were made, and I am hardly in a position to judge of that, you see, at that time.

Q. Mr. Brown, you have been in Canada for some time?—A. I know; but if you ask me if they can build a plant like they did in Bloomfield in Canada, and they have got the money and like to take the risk, I say yes.

Q. That is all I want. It is a fact that they are building a loading plant somewhere near Montreal?—A. Yes.

Q. That is being built, I understand, by the Munitions Board itself. However, I do not want to go into the details of that. They are building a plant in Canada now.

By Mr. Nesbitt:

Q. Let me ask you a few questions to see if I get the run of your statement, Mr. Brown. Of course, you can build a plant, but am I correct in assuming that

what is called a loading expert for a No. 80 fuse is a very rare person?—A. Very rare, yes.

Q. Do you know of any in Canada?—A. No.

Q. Do you know of any person in Canada at the present time when the loading plant is built near Montreal who in your judgment will be in any way capable of undertaking the expert work of loading?—A. Yes.

Q. Who?—A. There is a Mr. Hawkworth, I think his name is, who has come out recently from Coventry, and he knows quite a lot about loading.

Q. He is an Englishman who has come out recently. Apart from him do you know of anybody?—A. No. The No. 80 fuse has never been made here before.

Q. So if you take yourself back to June, 1915, so far as you know from your present knowledge, or from what knowledge you have acquired since you came out, do you know of any person other than Mr. Hawkworth in Canada capable of doing the loading work?—A. In Canada?

Q. Yes.—A. Now?

Q. Or then?—A. No. I do not know anything about it then.

Q. What do you say as to the two experts that the International Fuse Company have, what do you say as to their—A. I have said before they are first-rate men.

Q. Would you go further and say if you know of any people in the United States that are as good as loading experts?—A. Do I know of anybody?

Q. Yes.—A. No, I do not know, but probably some of the 85 fuse contracts have got them. I have not met them.

Q. Would it be fair to say that, speaking of the International Fuse Company, the work they have accomplished in the way of producing time fuses was phenomenally good?—A. It was very good, I think, considering everything.

Q. Considering all the difficulties?—A. They had.

Q. Is it a fact that experts of 30 years' experience in loading differ on that subject?—A. On the subject of how to get—

Q. Results?—A. Yes.

Q. How to get gun fire results?—A. Yes.

Q. It is a very delicate operation, is it not?—A. Oh, very.

Q. What would you say, passing from the International Company to the American Company, as to Mr. Gladeck's endeavours to overcome these difficulties?—A. He has tried his best, there is no question about it.

Q. Is he an exceptionally good loading expert?—A. Loading expert? Well—

Q. I mean, was he a man of experience?—A. Yes, he had experience.

Q. What was his experience before, do you know?—A. I think he was working under Major Hawkins in Frankford Arsenal.

Q. That is the United States Arsenal?—A. Yes.

Q. For many years?—A. I do not know.

Q. He is a competent man?—A. Oh, yes, he is competent.

Q. With the exception of this Mr. Hawkworth, who has recently come out, do you know any person in Canada that you could compare at all as a loading expert with Mr. Gladeck?—A. There has been none done here.

Q. Then you know of nobody you could compare with him if you were looking for a man with a view to establishing a plant here?—A. No.

Q. What would you say, that every diligence has been used by the American Ammunition Company to overcome the difficulties with their time fuses?—A. Oh, certainly, certainly.

Q. Have you any criticism to offer as to efforts upon their part either in the expenditure of money or in any other direction?—A. No.

Q. Would you say that they had put forth every possible effort to overcome the difficulty?—A. Yes.

[W. Lyon Brown.]

Q. And expended money freely?—A. Yes. They have done all they could to get over it.

Q. Is the difficulty that they have experienced one that other companies producing time fuses experience?—A. Oh, yes.

Q. Any worse or better?—A. It is too early to judge yet.

Q. Have all the companies producing graze fuses, so far as you know, met with very great difficulties?

Mr. GRANT: Time fuses.

Mr. NESBITT: Time fuses. I beg your pardon.

WITNESS: All the companies?

Mr. NESBITT: Yes?—A. Yes.

Q. Has there been practically the same difficulty that these people have experienced experienced by all the other makers of the time fuses throughout the United States, except perhaps the Scovill Company?—A. Oh, I think so. I have no personal knowledge of it, but I think so, I understand that is so.

Q. You talk with other inspectors and experts and so on?—A. Yes.

Q. And you say you think that is so. You were asked yourself about being an expert at inspection. That is an entirely different qualification from an expert in the actual loading, the actual operation, is it not?—A. They both come under inspection.

Q. But your training has not been that of the actual loading of fuses?—A. Yes, loading.

Q. Would you, for instance, undertake the loading of fuses and consider yourself competent on a three months' experience to undertake the management of a factory to pass gun proof?—A. I do not know in what sense you mean.

Q. I mean, would you compare yourself with Major Hawkins?—A. No, certainly not.

Q. Or Colonel Birnie?—A. Not with regard to the knowledge of loading fuses, no.

Q. Or Mr. Gladeck?—A. Well, I don't know. No, it is not all in knowing how to load.

Q. Pressure and so on comes in. Well, I think we have got a notion as to that. Now, you spoke of the factories producing. I am informed just at the moment that you are entirely mistaken, that all four factories are not producing component parts at the present time.

Mr. CARVELL: That was not the question.

Mr. HELLMUTH: He did not say there were four factories producing, he said there were only two producing.

Mr. NESBITT: I say the other two are not producing at the present time?—A. No.

Mr. CARVELL: My question was, not producing complete articles. You are using it now in regard to component parts.

Mr. NESBITT: I was not criticising your question at all, Mr. Carvell, but I am instructed that he is mistaken as to the number producing—

WITNESS: No. 100?

Mr. NESBITT: Number 100 parts, or do you know?—A. They are not complete number 100 we are talking about. That is what I think I answered.

Q. What are three producing? The two are producing the complete 100?—A. No, the contract were originally let to four for number 100 fuses, and two of them are producing.

Q. And what are the other two doing? Have they been cancelled, or what?—One has been cancelled.

Q. And the other what?—A. The other is not cancelled yet so far as I am advised.

Q. What were the other difficulties that they met with, do you know?—A. Oh, various. They were trying to do work on steel with tools that handled brass. There was a good deal of difficulty.

Q. What was that?—A. Mostly in getting machinery delivered.

Q. I might ask you that, or do you know, the difficulty about getting machines for the production of munitions has been something enormous, has it not?—A. Oh, yes, it has.

Q. Would this be a reasonable statement: Would you be surprised at this, that machines that were ordered within a couple of days after the outbreak of war remained undelivered until the month of March last?—A. No, it would not surprise me at all.

Q. Although daily pressure was made by telephone and visit to the manufacturer to get the machines out?—A. It would not surprise me.

Q. Is it a fact—or do you know—that Pratt and Whitney, the great machinery making company of this character, decline to accept any orders now for delivery under three years?—A. I don't know. I know they are pretty busy.

Q. Do you know that the great American Company (coming back to time fuses) have themselves set up two works for the production of time fuses?—A. Yes, sir.

Q. That is, in addition to what you have spoken about?—A. I don't know much about the ordinary built plant. You are asking me about plants turning out No. 100 fuses?

Q. As far as American companies are concerned, they are sub-contractors for the 100's?—A. Sub-contracts for the complete turning out of No. 100, with the component parts, assembled and complete from the manufacturers' plants. The No. 100 fuse sub-contracts are the fuses complete and fuses shipped from the sub-contractors, as well as ammunition companies, whereas in the 80 fuse, the time fuse, the component parts are shipped to the loading plants and loaded there.

Q. In addition to what you have spoken of in relation to the time fuses, they have set up two plants of their own?—A. I think so; one I know.

Q. At Worcester?—A. Yes, sir. They took that over from other people.

Q. You speak of the time fuses, and say that there have been only so many delivered; have there been a great many rejections?—A. Yes, sir.

Q. That is, in the percentage?—A. Yes.

Q. Would you say that that was greater amongst these others, as far as you know, munition companies producing the 85 fuses?—A. The 85; I don't know. I have not got the figures.

Q. But the Inspectors know from each other what is going on?—A. If you want to talk in terms of percentage, yes, but I have not had time to prove whether they are doing worse, or better. If you take the percentage of the fuses rejected to the fuses delivered, they have done very poorly, but they have not delivered enough fuses to let it be fair, to take the percentage and compare it with other work.

Q. Can you sum it up in this way, that the International Company, on account of its Board of Experts—they have a Board of Experts that will compare with Major Hawkins and Captain Tourney, the loading experts?—A. On this side?

Q. Yes.—A. I don't know anything about other firms. Certainly Major Hawkins is as good a man as you can find anywhere, I think.

Q. Coming to the other company, would it be fair to say that their efforts have been strenuous to accomplish their ends?—A. Yes. They have done their best.

Q. And they have spent money lavishly?—A. I don't know about lavishly. They have done their best. They have not spared the money.

Q. The expert advice they have is equal to that of other ammunition companies, as far as you know.—A. I don't know. I said I did not know.

Q. But that it is good, there is no doubt?—A. Yes. Major Hawkins is a good man.

Q. The other companies have met the same difficulties in production, and speaking generally throughout the whole Continent of North America, the production of time

[W. Lyon Brown.]

fuses has been a great disappointment?—A. I would not like to say that. You cannot expect to make time fuses without difficulty. They are a most complicated thing to make.

Q. You were asked whether a fuse expert should have thought that in letting a contract, he was not likely to get delivery within a year?—A. Within five months.

Q. If he contracted to get delivery within five months, with the right of cancellation if they did not deliver, no matter how much money they had spent and so on, he was driving a hard bargain, you think?—A. I think the people letting the contract were getting a good one.

Q. A good one to compel delivery?—A. Yes.

Q. And to compel the sparing of no money and no effort to get delivery in order to save cancellation, provided he looked after it properly?—A. Yes.

Q. The contracting company would put themselves at the point of a bayonet, or at the mercy of the people they were contracting with, in your judgment, in contracting to deliver within five months?—A. They took a sporting chance, anyway.

Q. Another question; you spoke of the Russell Company. They had first sub-let, we are told, all the principal parts in the United States of the 100 graze fuse.—A. No, I don't think so, not all the principal parts.

Q. The cap, the detonator?—A. The principal parts of the body; they always made the body there.

Sir WILLIAM MEREDITH: Q. What do you mean, principal in the sense of being the largest, or the most important?—A. Take the body, there is the option in the 100 fuse of making it of brass or steel, and they made it of steel, and it is quite a difficult part of the fuse to get, especially when made of steel.

Mr. NESBITT: How many parts are there in the 100 fuse?—A. About 17.

Q. And about 42 in the other?—A. Yes.

Q. You were asked about the factory at Bloomfield, I think it was?—A. Yes, sir.

Q. And the number of employees?—A. Yes, sir.

Q. What floor space have they there, do you know?—A. They have three buildings there altogether. You are talking about the loading plants for the 80 fuse? Is that the building you are talking about? They have the buildings there to do the component parts, the rings and the like of that, but for loading they have twenty sections, about 100 feet long by 40 feet wide.

Q. It is an extensive plant—would you call it that?—A. It is an extensive plant, all right.

Q. My instructions are that as a matter of fact the Russell contract, they first sub-let the body in the States and afterwards cancelled it for non-delivery?—A. I did not hear that.

Q. You don't know that?—A. No.

Q. You spoke of night and day work; when you come to night work, it involves many considerations beyond the mere hours of labour, does it not?—A. Oh, yes.

Q. The strain on the machinery, operating it night and day, running twenty-four hours, a double set of experts?—A. Yes, and the loss on the employment of female labour too.

Q. A double set of experts, a double set of foremen, and everything of that kind?—A. Yes, sir.

Q. It is a much more expensive proposition?—A. Oh, yes.

Q. And there is a good deal of loss of efficiency is there not?—A. I don't see why that should be. There is a loss of efficiency in the machines, because you cannot run machines for ever.

Q. But I am told by people of very many years' experience that they consider that there is a loss of from ten to fifteen per cent in efficiency?—A. I should think that probably there would be.

Q. Then I gather that the net result of your evidence is that these two companies have done good work, that they have expended large sums to carry out their

contracts, and are in as fair a way of carrying them out as could possibly be expected?—A. That is rather general.

Q. Well, where do you want to qualify it?—A. I think I have said pretty nearly everything in my evidence that I can say.

Q. I was trying to sum it up in a sentence?—A. I would rather leave it as it is, if I may. I think they have both done well.

Hon. Mr. DUFF: Mr. Nesbitt, would you mind putting this question to the witness, because I think you might perhaps follow it up if you wanted to. I understood the witness to say that he would fix a year as a proper or a reasonable time, in an engineering judgment, for getting ready to make time fuses.

Mr. NESBITT: The 80, sir?

Hon. Mr. DUFF: Yes. In the same way could he give us his judgment as to the relative time required for graze fuses that is, getting ready to make them.

Q. Of course we understand your own view of it, you are giving a judgment, rather?—A. It is quite a different proposition, because there is no loading. The whole difficulty is in the loading. If they have options on plants they ought to be able to turn out graze fuses in five months all right. I don't think there is anything wrong in that. I said a year to turn out 10,000 a day, to turn them out in reasonable quantities, say 10,000 a day.

Mr. NESBITT: The reasonable thing and the letting of a time fuse contract is, to assure yourself of the ability to get production, to assure yourself of the expert knowledge in loading, is it not?—A. Yes.

Q. That is the real difficulty in the time fuse?—A. The one is a manufacturing difficulty, and the other is a matter of experience.

Q. The one requires machinery, and the other brains?—A. They both require brains.

Sir WILLIAM MEREDITH: Has anybody anything else to ask this witness?

Mr. ATWATER: I would like to ask a few questions, sir, if I may.

Sir WILLIAM MEREDITH: Certainly, Mr. Atwater.

Mr. ATWATER: Q. You were in this country at the time of the outbreak of war in 1914, were you not?—A. Yes.

Q. Were you familiar with the conditions in the United States with respect to their capacity for manufacturing fuses of the character we have been speaking of, at that time?—A. No.

Q. You were not familiar with that?—A. No. I don't suppose they wanted many then.

Q. But do you know whether, at the time of the outbreak of war, there were any factories in actual operation in the United States capable of turning out the 80 or 85 fuse—I am not speaking of the United States Government?—A. I should not think so except at Frankford.

Q. But that is a Government Arsenal?—A. Yes.

Q. So that you are not aware that there was any factory in the States capable of turning out an 80 or 85 fuse?—A. Not that I know of.

Q. And that is equally so of May and June of 1915, is it not? I asked you first as to the outbreak of war, and I ask you: is it not equally true of May or June of 1915, that there was no factory capable of turning out an 80 or an 85 fuse?—A. As far as I know, this was the first contract for an 80 fuse let on this side of the Atlantic.

Q. As far as you know, these contracts that we are now discussing here, for the allotment of those five million fuses, or three million three hundred thousand and odd time fuses were the first contracts allotted for that class of fuse in this country?—A. As far as I know, they were.

Q. You would be likely to know, if there was anything else?—A. I think I would.

[W. Lyon Brown.]

Q. So that of course any contract awarded for that class of fuse at the time these contracts were awarded would necessarily have to be allotted to a company that had had no previous chance of making a fuse?—A. Certainly.

Q. You stated something in regard to the International Arms and Fuse Company in answer to a question put by Mr. Carvell—I think he misunderstood the facts and I think perhaps you did not understand his question—but I understood you to say that the International Arms and Fuse Company sub-contracted for all their component parts of their fuses, and only loaded and assembled them at their works at Bloomfield. I am instructed that the International Company manufactures itself the principal metal component parts for 500,000, and furnishes the non-metal parts and assembles and loads the entire two and a half million fuses at their works at Bloomfield; can you say whether that is correct or not?—A. I believe that is right. I mentioned that point just now. I said they did the work on the rings too.

Q. Now, in addition to the Ordnance Board, Colonel Birnie, Major Hawkins, there is a Captain Tourney, is there not?—A. Yes sir.

Q. What have you to say about his capacity?—A. He hasn't anything to do with the loading.

Q. He is employed by them, is he not?—A. I have not seen him for some time. I believe he is.

Q. Do you know Mr. Bennett?—A. Yes, sir.

Q. He was formerly of Woolwich?—A. He worked there for a time, I think.

Q. Do you know Mr. Burns?—A. No.

Q. Do you know Mr. Kerlin?—A. They have a lot of experienced foremen that they had from Frankford.

Q. Some of them you do not know?—A. I don't know all of them.

Q. But you know Major Hawkins as a capable man?—A. Yes.

Q. If I may take advantage of your presence as an expert, I want to ask you as to the difference between the 80 and 85, the 80/4 or a Mark 5 fuse and the 85?—A. The 85 is an American fuse.

Q. But the principal difference I understand between the two fuses is that the 85s parts are entirely of brass, are they not—one of the principal differences, at all events?—A. I don't think you mean 85. I think you mean the 80 mark 7.

Q. The 80.5, aluminum enters into it?—A. The 80.7 has no aluminum about it. It has a brass body, brass cap, and a brass bottom to it.

Q. What is the 85?—A. A different fuse altogether.

Q. It is an American fuse?—A. Yes.

Q. The 85 fuse is brass?—A. Yes.

Q. No aluminum in regard to the 85?—A. I don't think there is. It is of a different design.

Q. Isn't it a fact that it is much harder to work aluminum than it is brass?—A. Oh, yes.

Q. For the machines?—A. Yes, to get them to gauge.

Q. Take the International Arms and Fuse Company (the only one I am really concerned with), do you know whether they had difficulty in securing their machinery for making the fuses?—A. I did not catch that.

Q. Did they have difficulty in getting their machinery—the machines necessary?—A. Yes.

Q. They did have difficulties?—A. Yes.

Q. Were they delayed for some time in getting them?—A. You are talking about the component parts?

Q. No, the machinery for making the component parts?—A. They sub-let most of their component parts.

Q. But they made some. Did they have difficulty in getting the machinery for those parts?—A. Had they a contract for the 85 fuse?

Q. They had a contract only for the 80?—A. They had a contract with the Morgans for 80.5.

Q. But not with the Shell Committee?—A. No.

Q. Their contract with the Shell Committee was for 80.5 or 80.44?—A. The 80.44 was cancelled.

Q. But they had no contract with the Shell Committee for 80.5?—A. No.

Q. I will ask you again, do you know that they had trouble to get machinery to work on their component parts, particularly their aluminum parts?—A. The aluminum parts were all sub-let, the machine work on them, but the sub-contractors had difficulty in getting machinery.

Q. Didn't they do the work on their component parts?—A. Very little.

Mr. ATWATER: I am going to take the opportunity, Messrs. Commissioners, of producing, either by Mr. Brown or later on photographs of the plant of the International Arms and Fuse Company, as an exhibit, if I am allowed to do so.

Mr. HELLMUTH: I would suggest that my learned friend should do that when he has his own clients here.

Sir WILLIAM MEREDITH: We know that they are not—

Hon. Mr. DUFF: Cooked.

Mr. HELLMUTH: Mr. Atwater can show them to the witness, and see if he recognizes them.

Mr. ATWATER: I accept the suggestion. I am only going to put them into his hands and ask him if they are the photographs. I intend to put a string around them, or try to get the secretary to keep his eye on them.

Mr. Brown, I will ask you to look at the collection of photographs I have here which I wish to have brought under the notice of the Commissioners, and say if they are accurate photographs of the plant and other parts of the works of the International Arms and Fuse Company?

Mr. CARVELL: All at Bloomfield?

Mr. ATWATER: All at Bloomfield; that is the only place.

Q. There is one of them loose there, Mr. Brown.—A. I have never seen the magazines, otherwise they are photographs. There are small photographs there in wood. (Collection of photographs marked as Exhibit 264.)

Mr. CARVELL: I would like the privilege of asking one or two questions of this witness on something that has developed in the examination of Mr. Atwater, that is with reference to other work being done at the same factory by this company, I understand the witness to say that the company were manufacturing No. 85 fuses and loading them at the same factory as that at which they are loading the 80 fuses, is that correct?—A. Not now.

Q. Was it in the past?—A. They had the contract but they are not making them now.

Q. When did they commence loading for the other contract?—A. I don't think that they ever started loading.

Q. Then did they do no work on the other contract at that plant?—A. They did a certain amount, but that was not the contract with the Shell Committee.

Q. I appreciate that, but I am asking as a fact were they manufacturing or doing any portion of the manufacturing of the fuses on another contract beside that with the Shell Committee?—A. Were they making parts—they had a contract, I was not inspecting it, and therefore it has nothing to do with me.

Q. I do not know why you should object unless—?—A. There is nothing but help to us from them having done it, because we got the machinery they were going to use, I got it turned on the 80.5 fuse for the Shell Committee and it helped us along.

Q. Was the other contract cancelled?—A. Yes.

[W. Lyon Brown.]

Q. They are not working on it now?—A. No.

Hon. Mr. DUFF: Can you tell me if the time fuse is ever used with the high explosive Howitzer shell?—A. No sir, it is not; it is on shrapnel; the time fuse is simply shrapnel fuse.

Mr. NESBITT: I am told you are entirely wrong about that, that at the front at present the new method is with the Howitzer high explosive?—A. I think that is 80 over 44, not the same fuse, that fuse.

Q. Time fuse?—A. Yes, it is a time fuse but it is a different one, the 80 over 44 fuse, it is used with a high explosive shell; the 44 was a special fuse in itself, and so as to use it with high explosive the 80 over 44 was used, the only difference between the 80 over 44 made for the high explosive and the 80 Mark V and 80 Mark 4 A, is that in the 80 over 44 used for high explosive the first two seconds are painted black, and there is a pin in the bottom so that you cannot set naught, so that it won't explode too close to the gun and kill the gunner; it is the same fuse practically.

Hon. Mr. DUFF: We can get that from some artillery man, can we not?

Mr. NESBITT: Yes.

Q. Part of these contracts is for 80 over 44?—A. But the use of 80 over 44 has been discontinued and the gaine used in the 100 substituted.

Mr. ATWATER: I have never been able to see the Exhibits that were submitted by Mr. Carnegie during his examination, and I do not know whether there are filed any specimens of these fuses showing the execution.

Sir WILLIAM MEREDITH: No.

Mr. ATWATER: If not, I would ask leave at some stage to produce samples of the fuses which I have here in different stages of their manufacture.

Mr. NESBITT: Not loaded?

Mr. ATWATER: Yes.

Mr. NESBITT: If it is loaded please do not have it in the room.

Sir WILLIAM MEREDITH: Have you anything to do with, any control over the experts that are employed in these factories upon the time fuses, supposing you found in one of the factories men that you thought were not competent would you have any power to deal with them?—A. Persuasive only.

Q. Has that occurred—I won't ask you where?—A. Are you talking about the loading experts?

Q. Yes?—A. No. As to what Mr. Atwater said just now I brought two of the fuses up, and General Elliott has them.

Mr. ATWATER: Perhaps the witness might be allowed to produce them?—A. I gave them to General Elliott.

Sir WILLIAM MEREDITH: Is a man who is competent to inspect necessarily competent to do the loading?—A. Oh, no.

Q. Is there much more experience required for the one than for the other?—A. Oh, yes.

Q. Now, I would like to understand from what standpoint you make the statement that it would be impracticable to do in less than 12 months what was undertaken to be done within the five, are you putting that supposing you were the manufacturer?—A. I am supposing that I were the manufacturer and I could get the best people I know and that I had to buy the machinery and not pay a bonus to get machinery delivered quickly, and that I would produce time fuses at the rate of 10,000 a day and make a profit out of it, a commercial success of it, then I say I would not like to undertake to do it under that time.

Q. I rather gathered that is what you meant, although others may have had a different impression, I thought it was the fact that with money you could do almost anything, and I suppose your answer would rather indicate that if a man could

speed up, if he is willing to pay bonuses and willing to stand by the large percentage of rejections that he will get in doing it—

Q. And probable loss on his contract?—A. I should think he would lose on his contract.

Mr. CARVELL: This morning Mr. Hellmuth referred to the fact that he might wish to call Mr. Kyte as a witness. I saw Mr. Kyte this afternoon at the House, and he informed me that he must leave for Nova Scotia on Saturday. I can hardly understand what good it would be; however, Mr. Kyte will be here to-morrow.

Mr. HELLMUTH: Won't he be back again?

Mr. CARVELL: Yes, but it will be some days before he will get back.

Mr. HELLMUTH: I wanted Mr. Kyte so that if there was any source of information that I could get that would throw light on this I thought he might be able to give it. If Mr. Kyte will send me the name of anybody he thinks would be of use, or tell me what he has got; it is only in that view.

Mr. CARVELL: I can assure you I can furnish you any information Mr. Kyte can.

Mr. HELLMUTH: Then I do not require Mr. Kyte.

Mr. NESBITT: I think if Mr. Hellmuth does not want him I will want Mr. Kyte.

Mr. CARVELL: I want it to be understood Mr. Kyte is not running away, but he is compelled to go to Nova Scotia.

Mr. NESBITT: There will be a train back; so tell Mr. Kyte not to make his engagements so that when I ask him to come he will not be able to be here.

Mr. CARVELL: You need not be at all worried about any difficulty in getting Mr. Kyte in the witness box.

Sir WILLIAM MEREDITH: I suppose between now and the time when the end of this inquiry comes there will be lots of time for Mr. Kyte to go to Nova Scotia and be back two or three times.

(At 5.30 p.m. the Commission adjourned to 10.30 a.m. to-morrow, Friday, May 5, 1916.)



ROYAL COMMISSION.

NINTH DAY.

MORNING SESSION.

OTTAWA, May 5, 1916, 10 a.m.

Mr. HELLMUTH: I have been handed copies of two letters, one of which appears to be addressed by Melville P. White to Mr. David Carnegie, March 8, 1915, and an answer signed by General Bertram on March 12, 1915. You may remember Colonel Carnegie said he had no recollection of any correspondence with Mr. White. He spoke though of a party that is referred to in this correspondence as having interviewed him, and of course I shall give Col. Carnegie an opportunity of explaining, if he can, or saying what he has to say, perhaps I should say, in regard to this. The letter is:—

March 8, 1915.

Mr. DAVID CARNEGIE,
c/o Shell Committee,
Drummond Bldg.,
Montreal, Que.

DEAR SIR,—Mr. Geo. Watts informed me last Friday that the Canadian Allis-Chalmers Co. had decided definitely not to take up the manufacture of fuses for shrapnel shells.

As Manager of the Architectural Bronze & Iron Works of the Canadian Allis-Chalmers Co. I have been trying to persuade the company to go in for fuses because I believe we could produce them successfully and because our own line of work has given out.

Mr. A. Kirby, foreman of our tool department, has some twenty years' practical experience in the manufacture of ammunition for the British War Office and was for five years foreman of the Fuse Department of Messrs. Vickers, Son & Maxim. He designed for them the tools, jigs, and fixtures for the production of these particular fuses and has in his possession drawings and particulars of machines and tools necessary for all the operations.

I have gone into the details of the work in the most thorough manner with Kirby, and while realizing that the undertaking would be a most serious and difficult one we are certain that we can build up a perfectly satisfactory plant.

I would like to obtain information that would enable me to judge as to the advisability of forming a company specially to produce fuses, namely, about the quantities which would be ordered, the deliveries necessary, the price, and whether the plant could be carried on in peace time to produce material for practice purposes, etc.

We could likely find a shop ready to hand with nearly everything but power and machinery, and that would enable us to get going quickly. We figure that we could be able to begin shipment of fuses in about three months after obtaining all necessary information and details.

If you have any encouragement to offer in this matter I should like to go into it more thoroughly in a personal interview.

Thanking you for any consideration you may extend, I am,

Yours sincerely,

(Part of Exhibit 265.)

MELVILLE P. WHITE.

I do not know whether it was after that date or before that Colonel Carnegie said he did interview Kirby; I cannot remember that.

Hon. Mr. DUFF: The letter does not make it clear whether it is time fuse or graze fuse.

Mr. HELLMUTH: No.

The answer is from Alexander Bertram, but I see the initials "D. C." here at the side.

MONTREAL, P.Q., March 12th, 1915.

"Melville P. White, Esq.,

"c/o Architectural Bronze & Iron Works,

"Toronto, Ontario.

"DEAR SIR,—We have your letter addressed to our Mr. Carnegie on the subject of the manufacture of fuses. Your Mr. George Watts did mention to him that you had gone thoroughly into the question of their manufacture, but considering the serious difficulties which have been found in filling successfully the number 80 fuses, we do not think it would be advisable to recommend that any company be formed, such as proposed to handle this matter.

"Thanking you for the interest you have taken in the matter, we are,

"Yours very truly,

"ALEX. BERTRAM."

"DC/LS."

(Letter of March 8th, from Melville P. White to David Carnegie, and reply of March 12th signed Alex. Bertram to Melville P. White filed together and marked Exhibit 265.)

Hon. Mr. DUFF: That is the 80 fuses.

Mr. HELLMUTH: Yes.

Hon. Mr. DUFF: There is no reference to the others there at all?

Mr. HELLMUTH: Of course it will be only fair to ask Col. Carnegie about that, but I am not going to call him at the moment. I will call Col. Cantley.

THOMAS CANTLEY, SWORN.

By Mr. Hellmuth:

Q. You were appointed a member of the Shell Committee?—A. Yes sir.

Q. And you were appointed subsequently to the appointment of General Bertram, Col. Watts and Mr. E. Carnegie, very shortly?—A. I do not think so, sir.

Q. I may be wrong there?—A. Well, I do not understand it so.

Q. Oh no, you are right.

Sir WILLIAM MEREDITH: Mr. Carnegie was added afterwards?—A. Yes.

Mr. HELLMUTH: I apologize; you were one of the first three.

Hon. Mr. DUFF: There were four in the first lot.

[Thomas Cantley.]

Mr. HELLMUTH: I was not for the moment dealing with the military members of the committee; the manufacturing members of the committee, the first three were Colonel Bertram, yourself and Mr. Watts, is not that right?—A. That is correct.

Q. Do you remember how you were notified of your appointment?—A. I received a telegram from General Hughes asking me to meet him at Valcartier.

Q. So that it was at Valcartier that you learned what he desired of you?—A. I met General Bertram and George W. Watts at the hotel in Quebec on arrival, and on Monday afternoon we motored out to Valcartier, saw the Minister at his bungalow. He told us that the War Office had asked him if he could obtain shells in Canada or in the United States and he said he could obtain them in Canada he thought, and he asked each of us in turn if we would serve on a committee; we said we would.

Q. You attended the meeting of that committee apparently on the 7th September at Valcartier, a short meeting?—A. No, the Committee met for the first time as a committee in the Chateau Frontenac that evening after dinner.

Q. What was the first thing after that that you recollect as taking place in regard to it, or your connection with it?—A. When the Minister appointed us he instructed us to go to the Arsenal, that we would be given every facility for inspecting the component parts necessary to complete a shell, that we would be given every facility for inquiring into the actual cost and the mode of operation to familiarize ourselves with all we thought was necessary to enable us to make an estimate as to the cost at which we could produce shells for the War Office.

Q. Did you go to the Arsenal?—A. We did, sir.

Q. The three of you?—A. The three of us.

Q. What was it you did first after that visit to the Arsenal in connection with the matter?—A. We inquired as to the supply of steel at the Arsenal necessary to continue the production of shells by the Arsenal, they were making about 75 a day or thereabouts, and I think that in doing that, as I see it now we clearly exceeded the scope of the work which the Minister intended us to do. But that was entirely a misapprehension on our part.

Q. As to what, in what way do you mean you exceeded the work; in what way, Colonel Cantley?—A. Just a moment, if you please. I find in the Minute Book a resolution that a supply of steel of the kind and quality now in the arsenal be kept in stock sufficient for one month's work, this stock to be independent of and in addition to any supply of steel the Canadian manufacturers order or deliver.

That was not within the scope of our duties, as I understood them; but we thought at the time, we were just starting out, we had rather a hazy idea at the moment, but evidently we thought fit to make the recommendation, we made the recommendation, and that recommendation was acted upon.

Q. You made a recommendation in regard to which you think now you had no authority?—A. My point was this; it was shortly after the war broke out, the price of steel and of all other metal was going up rapidly, and we thought that the Arsenal were turning out a comparatively small quantity of shells, and personally I thought they were running rather close to the wind in the matter of supplies, and it had been suggested that the Nova Scotia Steel Company could supply steel.

Q. What connection had you with the Nova Scotia Steel Company?—A. At that time I was general manager of the company, and a director and the vice-president.

Q. But at present?—A. The present Judge Harris was at that time the president of the Nova Scotia Steel Company. On his elevation to the Bench I was appointed president, and I am now president and general manager of the company.

Q. So that you would naturally know something of the steel situation?—A. I was supposed to.

Q. After that meeting which you mention—can you give me the date of it?—A. I would like to be allowed to extend that observation in regard to that recommendation. My recommendation was that independent of whether we could obtain a proper

quality of steel in Canada or not, that under the circumstances I thought that 100 tons of steel should be put in, and that they ought to buy the same steel as they had been buying and using in the past, for this reason, that if the manager of the Arsenal were suddenly called upon to use a steel he was not familiar with, while he was making some experiments in regard to it, it might result in delay in the output.

Q. Following that, what was the next stage?—A. At three o'clock that afternoon we met the Minister at the arsenal.

Q. That is, General Hughes?—A. By appointment made with us at the time we were appointed, that is, on the Monday afternoon. On the Monday afternoon we were appointed at Valcartier he instructed us to go to the Arsenal, as I have related, and look into matters there, and to meet him and report at three o'clock on the following day, Tuesday, which we did.

Q. After that report, what was the next step taken by you?—A. The next step taken by the Committee, or several members of it at all events, was that speaking for myself I spent two or three days at the Arsenal, looking into the method of manufacture and more particularly into the cost of each component part which went to build up a complete empty shell. We were told that certain amounts—at least I was in doubt as to whether any amount or proper amount had been added to the cost of the work, had been added to the labour cost, for organization of plant, for capital investment, or anything of that kind which an ordinary business organization would have to provide for. Certain figures were given us, and to make sure that there was no mistake in regard to them I brought up one of our accountants from our own office in New Glasgow, and he spent two or three days checking over their system of accounts, and reported to me in regard to the matter, and if I am not mistaken Colonel Watts took similar precautions in regard to it.

Q. We will have Colonel Watts speak as to that himself; having done that, had you at that time any order or quantities from the War Office or from General Hughes of shells that you were to supply?—A. We were told that it was desired that we should make a proposal stating the prices and the time of delivery, stating the prices at which we could supply and deliver 200,000 shells, one-half being 15-pr. and one-half 18-pr.

Q. Coming on to that, and passing over the cables which you have followed and in regard to which you are probably familiar, do you remember the cable finally coming asking for a quotation, from England?—A. I don't know that we saw the actual cable.

Q. But you learned of it?—A. Yes. We knew there was such a cable.

Sir WILLIAM MEREDITH: Q. You quoted prices?—A. We spent several days in reaching an estimate as to the price at which we understood they could be produced, and our figures totalled up (I give this from memory) for the 18-pr. \$8.44; to that we added 11 cents, and quoted \$8.55. We knew we would have some administration charges, inspection charges and that sort of thing, but what they would be we did not exactly know, but thought that that would provide for them.

Mr. HELLMUTH: Q. At some later date do you remember the cable coming in regard to sending or executing the contract—I do not remember the exact words—executing a contract for those?—A. I don't know that we saw this contract. We were instructed by General Benson that a cable had been received from "Troopers."

Q. What did you understand at the time was the position of yourself and the other three manufacturers who executed the contract of October 1st; first of all I will ask you, at the time you executed the contract did you understand what your position was?—A. I am not sure that I understand what you mean by, executing the contract.

Q. The contract as between yourselves, you four manufacturers, or four lay members (if I may put it) at that time of the Committee and Major General Sir [Thomas Cantley.]

Sam Hughes, or The Honourable Sir Sam Hughes, acting as the representative of the Secretary of War; you remember that contract, Colonel Cantley?—A. Yes, but that contract was not of even date with the advice from General Benson as to our proceeding with the production of the shells.

Q. Perhaps you will take me back then, to the instructions?—A. I find that we had a letter from General Benson:—

“I have the honour to inform you that the War Office has cabled that they accept the conditions for the manufacture of 18-pr. and 15-pr. shrapnel shells, that is, 100,000 of each delivery at Montreal, 18-pr. 20,000 by first of November and 30,000 monthly thereafter, 15-pr. 20,000 by first of December and 30,000 monthly thereafter, subject to the general inspection in Canada as agreed upon. The War Office trust the delivery will be made punctually. A formal agreement should be drawn up by the Committee and signed by the Honourable the Minister and Companies tendering as soon as possible. I have the honour to be,” etc.

Q. That has gone in, I think?—A. Yes, that has gone in. It is dated the 21st of September.

Sir WILLIAM MEREDITH: That says nothing about prices.

Mr. HELLMUTH: It says nothing about prices, Colonel Cantley?—A. No, sir, it says nothing about prices.

Q. The prices had been fixed before?—A. Yes.

“We have the honour to inform you that the War Office Cable that they accept the conditions”—the conditions I presume embraced the prices.

Q. \$8.55, and so on?—A. Yes.

Q. Was that letter, or the contents of it brought to your attention about that time?—A. Yes.

Q. What did you understand to be your position then as one of the four?—A. At that time I supposed that our position was entirely that of an agency for the War Office to produce these shells.

Q. When you executed the contract in question, what did you understand your position then to be?—A. Well, I thought that changed the position very materially.

Q. In what way, Colonel Cantley?—A. Up to the time the contract was presented to us, the contract we actually signed, or the draft contract which preceded the one we actually signed, of course it was purely a question of agency up to that time. When the contract was presented we said “If you wish a contract, why, all right, anything you wish, we will carry this on in any way you wish,” and we signed the contract without objection or without any alteration in its terms. We signed it as it was presented.

Q. May I ask whether at that time it presented itself to your mind that there might be either a profit or a loss upon the articles you were to furnish?—A. Well, you are asking me a question that possibly refers to two different things, in this respect, that very soon, almost immediately after we were notified that our proposal had been accepted by the War Office we learned on what we thought was reliable information that the Americans had taken a similar contract at a considerably higher price, and we were afraid that possibly we had made a mistake and that we had undertaken to supply to the War Office shells for a less price than we could produce them at. We were not afraid so much possibly or probably as to the amount of the loss, but personally I thought we would lose prestige with the War Office as business men. We had undertaken to do something that had never been done in Canada before, that we had underestimated the cost of doing it, and that the Americans, whom we supposed had had more experience than we had had, had asked and obtained a higher price. I discussed that phase of the matter with General Bertram in Montreal on Saturday the 19th of September; we left Montreal together, went down the North Shore Railway to Quebec, got a motor car, went out to Valcartier, saw the Minister (General Hughes) and after-

wards saw the Premier. I have some memoranda of the visit, but this was on a Saturday, immediately preceding the review of the troops at Valcartier previous to their leaving for Overseas Services. The Premier was there, also Sir George Foster, the Governor General and some other members of the Cabinet. We saw the Minister subsequently, saw the Premier, and General Bertram and myself told him that we had undertaken to do this work for \$8.30 and \$8.55 respectively, and that we had learned that the Americans were obtaining \$10 for the same work, and that it was possible we had made an error in estimating the cost and we would like to know in the event of our sustaining a loss in the execution of that contract what position the Government would take in regard to the matter.

The Premier asked us if we had any idea as to what the loss would amount to. Our reply was that we hoped there would not be any loss, but that it was possible we were mistaken. It was asked, well, if we were mistaken what would be the measure of the loss? We said that was impossible to say. We were asked, could we give any idea? Either one or the other of us said that in any case we did not think it would exceed \$20,000 or \$30,000, or at the outside \$40,000. His reply was, "You had better go on, we will cross that bridge when we come to it." He did not say yes or no, directly or indirectly, what he would do, but he formed his opinion as we formed ours as to what would be done under the circumstances.

Q. You proceeded with the manufacture of the shells?—A. Pardon me. At that time there was no question of contract. That is what I want to make clear.

Q. It was on the 21st that the letter came from General Benson. You gave me the date?—A. Yes, it was on the 21st the letter came.

Q. The letter was written on the 21st?—A. The letter was written on the 21st, but we were advised by telephone on I think the 18th.

Hon. Mr. DUFF: I think you said the 19th was the date of your interview. Is that right?—A. It may have been the morning of the 19th that we were advised by General Benson. At any rate on the 19th we went from Montreal to Quebec.

Q. Will you say that whatever you may have heard from General Benson about a contract, you did not appreciate until you saw in the draft contract the position you were to assume as contractors?—A. That is correct.

Q. Now, we come to the period when you did receive this. You went on with the work of producing these shells?—A. Yes.

Q. And there were (and I am not going into them) a number of other contracts from time to time?—A. Further orders.

Q. And on or about the first of July of 1915, the contracts you made up to that time by letter or cablegram (I think nearly all by cablegram) were crystallized into that document?—A. The orders received by cable were afterwards all included in three contracts, as I remember them.

Q. Up to the time of those contracts? There were some contracts we find subsequently?—A. Yes.

Q. But up to that time, all those contracts were crystallized?—A. Yes, sir. Pardon me, that contract is still in existence.

Q. That is your view of it, perhaps?—A. Yes.

Q. That is to say, you consider that that contract is not put an end to by the resolution of the 29th of November, of the Shell Committee?—A. Precisely.

Q. That is your view?—A. Precisely.

Q. We may not all agree with you.—A. I am not a legal authority.

Q. You are a steel authority?—A. I understand that it takes two parties to sign a contract, and that it requires the consent of two parties to terminate a contract.

Sir WILLIAM MEREDITH: That is pretty good law, too.

WITNESS: The first contract was executed and completely filled long before the 29th of November. That I think applies to the second contract, which was entirely for boxes. The third contract was not completely executed. It was partially executed,

[Thomas Cantley.]

and we turned it over. I am speaking of the four contracting parties. It was turned over to the Ammunition Department to complete it.

I have my own ideas as to the relative position of the Munitions Board and the four contracting members in regard to the undelivered portion of that contract.

Mr. HELLMUTH: Taking that view of it, I would like to know whether you take the position that you are entitled (perhaps I should hardly put it that way) that you have a right to any profits there may have been under that contract?—A. Legally, yes.

Q. I would like to know what you mean. What have you in the back of your head in regard to "legally"?—A. What I would say is this, that the four members of the Committee were asked to enter into a contract, and when that contract was presented they signed it without alteration or objection. Then a later or second contract, and later a third contract, all in similar terms, the three amounting in all to about 200 million dollars. The four contractors then undertook a legal liability in addition to the existing moral liability. In our opinion the legal liability did not cancel the moral liability. But the legal position of the contractors growing out of the contracts apparently was that they became liable for the losses, and if they were they were also entitled to the profits if there were any.

Q. Is that something you have yourself in a memorandum?—A. I noted down my ideas in regard to it, because I assumed you would ask me some questions about it, and I wished to be sure of the language.

Q. Perhaps you had better read it again?—A. The memorandum is:—

September 7, 1915.

Committee were asked to arrange for the making in Canada of shells for the War Office. In response to the War Office cable they submitted prices and were advised proceed, which they did.

Later four of the Committee were asked to enter into a contract, and when the contract was presented they signed without objection or alteration. Later a second and again third contract all in similar terms. The three contracts in all amounting to about two hundred millions of dollars. The four contractors thereby undertook a legal liability in addition to the already existing moral liability. In our opinion the former did not cancel the latter. The legal position of the Contractors growing out of the contracts apparently was that they being liable for the losses and if so were also entitled to the profits if any.

From the time when it became apparent that there would be profits all the four civilian members always intended to pay over all these profits to the War Office on the completion of the work and so stated. The resignation of the Committee in no way cancelled the contracts with the four contractors which still exist. The Munitions Board are to the extent with which they are dealing with that portion of the contracts uncompleted at November 29, 1915, and referred to in the schedule prepared by the Auditors in accordance with the final resolution of the Committee, acting as the agents or trustees of the four contractors to whom they should render an accounting. The four contractors have still the right to and should have the privilege of returning the profits to the War Office, and I fancy that on further consideration the representatives of the War Office will on or before the completion of the contracts have prepared for them an account showing the actual profits and afford the Contractors an opportunity to formally turn such profits over to the War Office and acknowledge the same.

That is my opinion in regard to it.

Q. You claim the right to those profits, recognizing your moral position in the matter, but desiring that the four contractors assuming the legal liability have the right to turn over to the War Office themselves whatever profits they make?—A. The privilege, at any rate.

Q. Whatever your view as to the legal rights may be, at no time did you ever propose to keep those profits for your own benefit?—A. Certainly not.

Q. I pass therefore from that, and want to take you to the fuse contracts. First of all, Colonel Cantley, you were familiar with the obtaining of the five million shell contract, and you are familiar with the cables which led up to it?—A. Allow me to remind you that I was in England at the time that order was received. I wish to preface that.

Q. You were in England at the time that order was received?—A. Yes, sir.

Sir WILLIAM MEREDITH: Which order?

Mr. HELLMUTH: I asked him whether he was familiar with the steps that led up to the obtaining of the five million shell contract, sir.

WITNESS: I was familiar with practically all steps leading up to the contract previous to the time I left here. The last meeting I attended previous to going to England was on the 9th of April, 1915. I sailed from New York on the 10th, arrived on the 19th or 20th, and was in almost daily attendance at the War Office for a period of several weeks. I spent one week on the Continent, in France and Flanders, and again returned to the War Office almost altogether or entirely in connection with munitions work. I arrived home on the first day of June, and attended a meeting of the Committee on the fourth of June, of which there is a Minute there, and which dealt to some extent with the fuse question.

Q. Let me understand about your visit to England and the Continent. Was that visit in connection with private matters or in connection with the work of the Shell Committee?—A. Do you refer to my visits to the War Office?

Q. Yes?—A. I considered it was in connection with the work of the Shell Committee or matters arising out of it.

Q. I will ask you now, Colonel Cantley, what, if any, remuneration did you receive as a member of the Shell Committee?—A. None whatever. I did not expect any, and I got exactly as much as I expected.

Q. Had you in your visits to the War Office any discussion in regard to this five million shell order?

Hon. Mr. DUFF: Complete ammunition?

Mr. HELLMUTH: Fixed ammunition.

Hon. Mr. DUFF: No, complete ammunition.

WITNESS: I was aware that an order was being considered.

Mr. HELLMUTH: In the Minutes of the fourth of June this entry appears: "Chairman reported progress regarding negotiations for manufacture of fuses." It is the last item in the Minutes of the fourth of June. Do you follow that?—A. Yes, sir.

Q. I want to know your recollection of what that report was of those negotiations, at that meeting?—A. Would you be good enough to repeat the question?

Q. The last entry in those Minutes of that meeting at which you say you were present, and in which your name appears as being present is, "Chairman reported progress regarding negotiations for manufacture of fuses." I would like you to tell me what your recollection is of the report made then?—A. My recollection is a little uncertain as to exactly how much information was given at that meeting in regard to the negotiations for fuses, for this reason that the meeting closed hurriedly to enable General Bertram and, I think Colonel Carnegie and General Pease, who I know was at the meeting, to return to Ottawa. After the meeting broke up Colonel Watts remained and he discussed with me and gave me a running account of what had transpired during my absence in regard to the question of fuse contracts.

Q. Yes?—A. So that I was seized, as I believe, with practically all the information with regard to the negotiations up to that time; but as to how much I learned at the meeting, and how much I learned from Colonel Watts after the meeting broke up, I am not sure.

[Thomas Cantley.]

Q. Well, from what you learned at the meeting and from what you learned from Colonel Watts after the meeting, did you know of the letter orders of May 21st and May 25th given to the International and American companies respectively?—A. I learned that some negotiations had been carried on, but they were incomplete as I understood.

Q. Then the next meeting in regard to fuses on the 19th of June, and which I think you have heard of, shows that the chairman reported in regard to proposed agreements with the American Ammunition Company and so on, and the drafts of the agreements with both companies with the prices in were set out. You were not present?—A. I was not at that meeting.

Q. So you do not know anything about that meeting? Or did you know about that meeting, did you know about these agreements at that time?—A. I did not know what occurred at that meeting until after I saw a copy of the minute.

Hon. Mr. DUFF: You were not present at that meeting?—A. I was not present. I had been away from home practically two months, and I was not able to get up.

Mr. HELLMUTH: I thought you were present. I see I am mistaken. So you cannot tell me anything about that?—A. No. I know this, that at the close of the meeting of the 4th of June, when I referred to the conference or further discussion of the matter with Colonel Watts, that he had some idea in regard to the form of contracts and some of the conditions which should be incorporated, and that he reduced his views in regard to some of the clauses to writing, and I understand later that that memorandum was given to Mr. Orde previous to the preparation of the contracts.

Q. Well then, when did you first learn that these contracts had been entered into with the two companies?—A. Well, the next meeting of the Committee I attended was that of the 21st July. I fancy that that was the first time that I was officially informed of the situation, although as a matter of fact I think likely I was advised indirectly of the placing of the contracts.

Hon. Mr. DUFF: Mr. Hellmuth, just at this point, if convenient, would you mind asking Colonel Cantley if he can now recall whether at the time of the meeting of the 4th of June or after, from his conversation with Colonel Watts or anybody else, he was aware that one and two-third millions of graze fuses were included in the contracts?

Mr. HELLMUTH: Did you know at the meeting of the 4th of June or after in conversation with Colonel Watts that the fuses were to be divided between time fuses and graze fuses, or did you know that at that time?—A. I do not know whether I knew it or not. I knew that there was a number 100 fuse. As a matter of fact I saw that fuse in the War Office.

Q. You knew there was such a thing as a number 100 fuse?—A. I did.

Q. But you do not know whether you knew how it was to be divided?—A. No.

Sir WILLIAM MEREDITH: Perhaps he discussed it with the War Office?

Mr. HELLMUTH: Did you discuss with the War Office this 5,000,000 shell contract complete, that is with fuse?—A. I had some conversation with General Bingham in regard to the matter.

Q. General Bingham being what?—A. He was the official in the War Office, so far as I was aware, who dealt with matters of that kind. Not the only official, but he was the gentleman I was brought mostly in contact with; there were others, two or three of them.

Q. Did you discuss the fuse contract with him at all?—A. As a matter of fact the day before I sailed for home I was in his office, and he at that time brought to my attention the number 100 fuse, and I understood that it was the first time that he had seen it, that it was something new.

Q. The first time he had seen it?—A. Yes. He told me that that fuse would in future be adopted for the high explosive shell, whether the 18 pounder, the 4.5, the 60 pounder, the 6 inch, the 8 inch and the 9.2. That was a very great simplifica-

tion, because before there had been a considerable variety of fuses for these different size shells. You can understand the great advantage there was in having one fuse which would apply and suit equally that whole range of high explosive shells.

Q. Yes. Did you discuss with him at all the time fuse, mark 80 time fuse?—

A. There was some discussion in regard to it, yes.

Q. But did you at that time get any idea from him in what proportion the 5,000,000 shell contract might be divided amongst those two fuses or anything of that kind?—A. My answer is rather indirect. I am rather of the opinion that the War Office did not know at that time.

Q. You do not think they at that time knew?—A. Had decided.

Hon. Mr. DUFF: What date would that be, Colonel Cantley?—A. The 22nd day of May. I sailed on the 23rd.

Mr. HELLMUTH: It was the 28th the cable came.

Q. Then taking the fuse contract again, following that out, when first did any question come up that you were advised about or informed in regard to as to deliveries under those contracts?—A. Pardon me. The day I was last at the War Office was Friday the 21st, not the 22nd. I beg your pardon?

Q. I am asking you, when were you first advised in regard to delivery, or rather non-delivery, under those fuse contracts with the International and the American Companies?—A. I really cannot say.

Q. You could not say?—A. No.

Q. You did learn at some time, I presume, about their not having delivered fuses?—A. Yes, I did.

Q. Do you remember any action in regard to that, or any application from the American Company—perhaps I should say the International? Do you remember the date of the first?

Sir WILLIAM MEREDITH: The 17th of November. Is not that the one you are referring to?

Mr. HELLMUTH: Yes, I think it is.

Sir WILLIAM MEREDITH: That was the application for extension of time for delivery.

Mr. HELLMUTH: The only meeting after the 17th of November of the Shell Committee is on the 29th. There does not appear to be anything in regard to that.

Sir WILLIAM MEREDITH: There is the letter, you know, from Colonel Carnegie refusing extension; that is the 20th.

Mr. HELLMUTH: It would not be that meeting then.

Q. Do you remember being advised of a letter from the International to Colonel Carnegie or to the Shell Committee of the 17th of November asking for an extension, which was answered by a letter declining on the 20th?—A. No, I have no specific recollection of that letter.

Q. Then since the 29th of November, you have not been, I assume, in touch with the situation in regard to the fuse contracts with these two companies?—A. No, I have not.

Q. Now, did you know anything about the Edward Valve contract for cartridge cases?—A. Yes.

Q. What did you know in regard to that—or perhaps I am asking it too generally?—A. I was at a meeting which was attended, at his own request, by a solicitor representing the Edward Valve Company.

Q. Was that asking for an extension?—A. Yes. They had already got an extension previous to that, I understand. That was the 29th of November.

Q. Do you know, or do you remember, or were you advised of the letter order that was given on the 9th of July, followed by a formal order on the 13th July, 1915.

[Thomas Cantley.]

to the Edward Valve Company?—A. I was generally familiar with the fact that such an order had been given.

Q. And what disapproval or approval had you in regard to that order?—A. I quite approved of it under the circumstances.

Q. Can you tell me shortly what the circumstances were?—A. The circumstances were that the parties with whom we had contracts for the supply of cases were not able to give us sufficient quantities to enable the Explosive Company to carry out their contract; we did not have enough cases.

Q. One of the witnesses, perhaps it may have been General Bertram or Colonel Carnegie, one or the other, said that at that time the Canadian manufacturers were not keeping up with the supply of cartridge cases, although subsequently they improved very much?—A. That is correct.

Q. Did you know of that?—A. Oh, I knew of that, yes. I knew of the difficulties that some of the Canadian contractors had, and I could quite sympathize with them in their difficulties.

Q. Do you know anything about a contract for picric acid with the Providence Chemical Company?—A. All I know of it was what I saw in the newspapers. There was no such contract.

Q. Colonel Cantley, I am asked this. We have had it in evidence, I think from General Bertram, that the total of the contract of the 1st of July, 1915—I am speaking of the contract between you four manufacturers, if I may so put it?—A. Yes.

Q. And General Hughes for the Secretary of War—amounted to a hundred and fifty-two million in round figures. Do you agree with that?—A. No. I do not know what the exact amount is, I think it was more than that, but it is easily determined because schedules are attached to the contracts. It is simply a question of totalling it up.

Q. Can you tell me how much was covered in dollars by the contracts of the 1st of October and the 20th of October, 1914?—A. No, I would have to dissect this statement that I have before me before I could get at the actual amount. It should not be very hard to calculate.

Q. If it would not take more than a moment I would like to have it.

Mr. MARKEY: The witness stated that the aggregate of the three contracts amounted to two hundred million. There would be about a hundred and forty-five million not under contract because the total amount was three hundred and forty-five million.

Mr. HELLMUTH: From a hundred and thirty to a hundred and fifty million not under contract.

WITNESS: The first two contracts amounted to \$1,885,000.

Mr. HELLMUTH: But you think the one of the 1st of July amounted to more than a hundred and fifty-two million?—A. Pardon me.

Q. You think that the contract of the 1st of July amounted to more than a hundred and fifty-two million?—A. I thought so, but I did not calculate it out.

Q. That is as near as I can get it?—A. It is a matter in regard to which there need be no doubt because the schedules show it.

Sir WILLIAM MEREDITH: Are you not going to ask him about commission?

Mr. HELLMUTH: He was not here.

Q. You were not here, you say, at the time of the letting of the fuse contracts?—A. No.

Q. Prior to the letting of those fuse contracts and subsequent to the letting of them what did you know or hear of any commission being paid to any of the parties or promoters or agents of those companies, if there were any?—A. What did I know of a commission being paid?

Q. Yes.—A. I knew nothing until I saw it in public print somewhere. I don't know where.

Q. You were not a party to the contracts. Was any influence used with you in regard to those contracts by any one?—A. Certainly not.

Hon. Mr. DUFF: Was Colonel Cantley present at the meeting of the Committee just before the letting of the Russell contract, that meeting at which General Pease was present that has been spoken of by the other witnesses and at which General Pease reported on the prices being paid for the hundred graze shell in the States? See if he has any recollection of it, that is all.

Mr. HELLMUTH: I will just look that up.

Q. You were not present apparently at a meeting on the 17th or July when Lt.-General Pease was present and the reports were made on the advances made to the International and American Companies on their contracts for fuses?

Hon. Mr. DUFF: I do not know that that is the meeting.

Mr. HELLMUTH: That is the date the proposal of Messrs. Harris and Russell came up. You were not apparently present at that meeting. I cannot find your name there?—A. No, I think not.

Q. I will ask you now, when did you know about the Russell-Harris proposal, or did you know of the Russell-Harris proposal?—A. I subsequently knew. I do not know just when I knew.

Hon. Mr. DUFF: The point I rather want to get is this, Mr. Hellmuth. Did he know of any reports by General Pease, at that time of the prices being paid in the United States for number 100 fuse?

Mr. HELLMUTH: At that meeting—

Hon. Mr. DUFF: Do not say at that meeting, because he apparently was not at that meeting, with reference to which Colonel Carnegie has told us to some extent, at all events, the price in the Russell contract was fixed.

Q. Did you hear, Colonel Cantley, of reports by General Pease or others as to the prices being paid in the United States for number 100 fuse at that time?—A. I heard reports from General Pease. As to when I heard them I do not know. I did not hear them at the time he made them because I was not at the meeting.

Mr. HELLMUTH: You heard that subsequently?—A. Yes, but how long subsequently I cannot really tell, because this has been floating about.

Sir WILLIAM MEREDITH: Mr. Johnston?

Mr. JOHNSTON: Yes.

By Mr. Johnston:

Q. Now, Colonel Cantley, I do not ask you to suggest even the name of the high personage to whom you have referred, but I would like to know the date when you stated, as I have taken it down in evidence, when this personage was told that the members intended to turn over to the War Office all the profits, or words to that effect. When did that take place?—A. Oh, I cannot tell you, sir, just the exact date.

Q. No, I do not ask the exact date.—A. I should think it would be probably in January, the latter part of January or February, 1915.

Q. That is a year ago last January?—A. Yes. We made the first delivery of shells in February, and by that time we had a pretty good idea that we were going to have some surplus on our first orders.

Q. But you recollect as nearly as you can that it was in January, 1915, your contract being dated the 1st of October, I mean the arrangement or whatever it was, being dated the 1st of October, 1914?—A. I would say it was early in 1915.

Q. Did you make the statement or the other members of the Committee, or how was that?—A. I think General Bertram and I were together at the time.

[Thomas Cantley.]

Q. Now, without trespassing upon the ruling of the Commission, I would like to ask you this question, and the Commissioners will please correct me if I am extending beyond the limits, I do not think this trespasses. Would you tell me what share or division of the work you understand as work and supplies was made between you four gentlemen?—A. I do not think I quite understand the question.

Q. I will make it plainer. On the 1st of October you had a contract with so and so to make 200,000 shells, or whatever they were?—A. For the War Office.

Q. Yes. Will you tell me what the division was as to the supplying of that contract and the material and the work, what division there was between the four of you as members of that Shell Committee?—A. You mean—no, I am sorry I am so dense, but I do not quite understand your question.

Q. Did you fill all the contract from your factory?—A. No, no, we did not fill all the contract from our factory.

Q. Then can you tell me what division was made of that contract as to the work required to be done?—A. There were 16, 17 or 18 component parts which went to make up one completed shell.

Q. Yes, I understand.—A. Some component parts were ordered from one factory and some component parts from other factories.

Sir WILLIAM MEREDITH: All within the four, or outside?—A. No, no, outside.

Mr. JOHNSTON: Then leaving that part out and leaving the completed shell out of the question, what value of work was done at that time by your factory?—A. No, I cannot give you an idea.

Q. You can give me an idea perhaps.—A. There were, for instance, 200,000 shell forgings.

Q. Perhaps I will get at it in this way. Did you supply all the shell forgings?—A. No, sir.

Q. Did you supply the greater portion of them?—A. I think likely we did supply the greater portion, that is my recollection, one-half, but what proportion I cannot tell you.

Q. Who supplied the other proportion of the shell forgings?

Mr. EWART: Does the Commission think this is within the scope?

Mr. NESBITT: It is what boys call hincing in playing marbles.

Mr. JOHNSTON: I am not asking him about any sub-contracts.

Mr. NESBITT: It is just another method of getting at the same thing. Very cleverly thought out, but just the same notion.

Mr. JOHNSTON: What is the ruling? May I go on?

Sir WILLIAM MEREDITH: When we think you ought to be stopped we will stop you.

Mr. JOHNSTON: I have no doubt that will take place, and I will stop accordingly.

Q. Now, I want to keep your mind away from all parts made by sub-contractors or anybody else so far as that is concerned. I want to confine the volume of work that was done to the four contracting parties, members of the Shell Committee. As to forgings, you think your factory supplied a little more than half. What other parts of that contract did your factory supply? Not from others, but of your own and from your own warehouse or factory?—A. A portion of the disc.

Q. The larger portion of that?—A. No, I think not.

Q. The smaller portion. Now, what else did you supply? I am now getting at what the contractors themselves did personally through their factories of course?—A. Nothing else.

Q. Did you know what General Bertram's factory supplied, about the same?—A. I don't think he supplied anything.

Q. You know I mean the factory or the institution in which he is interested, I do not mean to say that either he or you actually supplied them, but your companies?—A. I understand.

Q. Well, what about Colonel Watts, did they supply anything?—A. I don't know.

Q. And Mr. Carnegie?—A. Nothing, I think.

Q. What is his factory at Welland, do you know?

Sir WILLIAM MEREDITH: That is Mr. E. Carnegie?

Mr. JOHNSTON: E. Carnegie.

WITNESS: What is his factory?

Mr. JOHNSTON: Yes.

A. What do you mean by that question?

Q. What is the factory, is it an iron factory?—A. They have an electric steel plant.

Q. Do you know whether he supplied any portion of this contract? I am now speaking of October first?—A. No, I do not.

Q. Now then, without giving me any names or otherwise, can you tell me what proportion of the price was paid to the members of the Shell Committee, or to any one or more of them, for the goods that they actually supplied under that contract, generally speaking?—A. No, I cannot.

Q. You cannot tell me that.

Mr. LAFLEUR: Do you mean the members of the Shell Committee or their firms?

Mr. JOHNSTON: I mean the members of the Shell Committee or their firms. I desire to make it clear to you, Colonel Cantley, that I am not confining it to you gentlemen individually; I speak of your interests as corporate interests as well as individual. Then you say you were asked to state the price of these 200,000 shells?—A. Yes.

Q. That is to make an estimate?—A. Yes.

Q. And the contract was not made for some little time afterwards. Now, see if I have followed you correctly, and perhaps you will give me some little explanation as I go along. Your idea when you were asked to give prices and so on and were appointed on the Committee was that you were to be some sort of agent, that is the Committee was to be a sort of agent for General Hughes or the War Office in connection with these supplies. Was that right?—A. Yes, I understood executive agents, to get the work done.

Q. Of course, you not being a lawyer would not be able to define it very exactly perhaps, Colonel Cantley, but that was your idea at any rate?—A. Yes.

Q. Now, when did you change or have occasion to change that opinion in any way?—A. When we were asked to sign a contract.

Q. That is, after reading the contract, I suppose you saw what was in it and it changed your view as to your position; is that right?—A. Well, I fancy it changed the position.

Q. No. When to your mind was the change of position, when did you first learn anything, and, if so, what, that induced you to change your opinion as to your position?—A. The presentation and the signing of the contract.

Q. That is, after you read the contract or it was read over to you, then you thought you became contractors and not agents; is that right?—A. We were adding a contractual relationship to the already existing relationship possibly.

Q. You thought you then became contractors. When you speak of becoming contractors, what rights or privileges did you suppose you had as contractors?—A: That is a legal question.

Q. But you have given us the best of your knowledge or information. I am not asking you to give us good law; we do not always get that.—A. I have already told you. I have nothing to add to it.

Q. You have been asked your opinion of what you thought your position was, and I am surely entitled to ask you a little more; that is all I am trying to do. I am asking, what did you think your position was when you found out that you were described as manufacturers in this contract of the 1st of October?—A. I thought we were legally held instead of being morally held.

[Thomas Cantley.]

Q. Didn't you consider that you were legally held under the original position as agents?—A. Well, I do not know what the legal status may have been.

Q. Only that you are using the word yourself, you see.—A. I may be using terms that I do not properly appreciate.

Q. That is all right. I am willing to accept the terms according to your judgment. I am not giving any opinion upon it, I am taking your judgment. When you changed your opinion you thought you were legally bound instead of being morally bound. What do you mean by saying that you felt you were morally bound?—A. The Minister asked us to do certain work and said that we were to receive no remuneration. I understood that we were to use our best endeavours to carry out the work honestly, economically and energetically.

Q. I have no doubt, did not you think at that time when you accepted the proposal that you were legally as well as morally bound to go on, was that in your mind, go on and do the work whatever it was?—A. I do not think the thought was in our mind; I understand that we were to use our best endeavours to carry out the work.

Q. When the contract was presented you thought you were then legally bound—yes. I am asking you now what difference you make between legally bound and morally bound, because those are terms used by yourself?—A. I do not know that I can define the gradation between one and the other, at least I won't attempt to.

Q. Under this contract you thought you were contractors anyway, when the contract was presented, whether you were or not?—A. The contract said we were.

Q. You accepted that position—yes?

Mr. NESBITT: I do not know whether the reporter is putting down that the witness assents to that, but I did not hear him say yes.

REPORTER: I did not hear any answer.

Mr. JOHNSTON: Speak up, Mr. Cantley, the reporter cannot take a nod.

—The reporter reads the last question: You accepted that position?—A. We accepted whatever position the contract put us in.

Mr. JOHNSTON: Was there any talk with anybody about what your position was?—A. That is a very broad question.

Q. Any discussion, I will narrow it as much as I can?—A. Where?

Q. At any time in reference to what your position was under this contract or before it?—A. Very likely there was.

Q. Do you remember any?—A. I remember no specific instance.

Q. Having given your opinion to my learned friend Mr. Hellmuth with reference to what you thought about the position, will you tell me now, please, if you can what you thought your rights were under the contracts of the 1st October?—A. I think our obligations were a great deal more than our rights probably.

Hon. Mr. DUFF: And he is lawyer enough to think he had correlative rights; if he was bound to supply the goods I suppose he was entitled to the price, on a legal basis.

Mr. JOHNSTON: I do not want to get a free legal opinion from Colonel Cantley, I rather want to get the attitude of his mind to the position at that time; I am asking you what your rights or privileges, I think were the words used by my learned friend, or what your position was with regard to this contract on the 1st October, that is after the moral obligation, whatever you choose to call it, had become changed; then I want to know what you then considered your rights or privileges were?

Sir WILLIAM MEREDITH: He hardly said it had been changed; it had been added to.

Hon. Mr. DUFF: He said the contract changed the position, not his opinion of the situation.

Mr. JOHNSTON: Did the contract change your opinion of the situation, put it that way?—A. I do not know that there is any answer to that.

Q. There could be, I suppose?—A. Possibly.

Q. You cannot answer that question?—A. The idea is too involved for me to attempt to give you an answer to that.

Q. When the moral obligation arose, that is when the General asked you to do certain things and you accepted that position, there was no question of either profit or loss at that time, was there?—A. No, sir.

Q. So that you were then in your judgment apparently acting as if you were the mere agent, unless of course you were negligent or something of that kind, as far as you honestly doing the work was concerned, is that right?—A. Oh, I don't think we considered the situation so far as to consider whether there was any profit or loss or any obligation, we said we would do it.

Q. When did the question of profit or loss arise first, can you tell me that?—A. The question of profit or loss probably arose when we learned that the Americans were getting a higher price than we had offered to do the work for.

Q. When would that be?—A. That I think was on the morning of the 19th September.

Q. That was before the contract had been talked of—the 1st October you see?—A. You mean the formal contract?

Q. And that was under the moral obligation, whatever that was?—A. That was immediately after our offer had been accepted.

Q. But you see I thought you told us, correct me if I am wrong, I thought you told us that at that time you were merely agents, and unless you were guilty of some negligence or misconduct you were neither profit takers nor loss makers?—A. I understand your question to be when we began to think about profit or loss under the contract.

Q. No, no?—A. I misunderstood you.

Q. I will correct it; at any time before the day of the contract when did you first consider the question of profit and loss?

Sir WILLIAM MEREDITH: That means profit and loss to him or his colleagues.

Mr. JOHNSTON: That is what I mean?—A. You refer to a specific date when we first—

Q. A week or a month?—A. I do not know. I have already given you an indication of that when I say we discussed the matter in the early part of January, 1915.

Q. But you did hear about the American prices?—A. Yes.

Q. And what I am asking now is about what time was it that the question of whether there might be a profit or might be a loss to any of you gentlemen, confine it to that, when that first came up for discussion or was discussed?—A. I have no idea.

Q. Would it be before the contract of the 1st October was made, do you think, or did it arise afterwards?—A. No, it would not be before that.

Q. It was after the contract, may I say, of the 1st October?—A. As to personal loss?

Q. As to personal liability?—A. That must have arisen after the contract was presented, not before.

Q. When was the conversation that you speak of in which you were told to go on, that there would be apparently no difficulty in regard to questions of loss or profit?

Sir WILLIAM MEREDITH: You mean the conversation at Valcartier?

Mr. JOHNSTON: Yes.

Sir WILLIAM MEREDITH: About the 19th September?—A. You are putting it a little different, that was the date but that was not exactly what was told.

Mr. JOHNSTON: Let me see if I have it right there; you put the question to the Prime Minister what position you would be in if there was a loss, that was the way in which it was presented by you and the gentlemen that were there, you and General Bertram?—A. That was a little stiffer than we presented it; we went on and discussed with him—there was a fear in our mind that possibly we might be out.

Q. That was the 19th September?—A. 19th September.

[Thomas Cantley.]

Q. Did you tell him or General Bertram that you did not think it would exceed 20 or 30 or 40 thousand dollars one way or the other, or what was it you said to him?—
A. I did not tell General Bertram; General Bertram was with me.

Q. Was General Bertram there?—A. Yes.

Q. You told Sir Robert Borden?—A. Yes.

Q. And he said to go on or words to that effect, it would be all right, or tell me the words if you can?—A. I cannot recall the words; all I can recall is the impression produced on my mind.

Q. And your impression was you were to go on, it would be all right?—A. He did not say it would be all right, he does not commit himself very far; but we went on.

Q. You got enough assurance at that time to warrant you going on anyway, whatever the assurance was?—A. I have no doubt we would have gone on whether we had got the assurance or not.

Q. If that is so I might reasonably inquire why you wanted to see anybody about it?—A. I do not think it was unreasonable under the circumstances.

Q. There was no other reason was there for seeing him except to find out if it would be all right if there was a loss, some protection to you gentlemen?—A. It sometimes improves a situation when you are in doubt to discuss it with somebody, even if no promise is made.

Q. Some one in authority of course. At that time as I am informed, that time was about the 19th September—was there ever any talk during the whole term of this contract about what was to be done with profits or with loss except what you have told us?—A. I don't think I can understand what you wish to say.

Q. Was there any talk on your part, you can only speak as to your own conversation, was there any discussion or any conversation you had with anybody regarding profit or loss or what would happen excepting the one you have spoken of with Sir Robert Borden?—A. What do you mean?

Q. Regarding profit or loss in that contract?—A. As to what we would do with it?

Q. Yes?—A. No, it was not a matter to discuss. There was only one thing to do with it, give it to the War Office.

Q. That is what we are told General Hughes said—you were not there at that time at that interview?—A. I am not aware of that conversation with General Hughes; I think that is being confused with the conversation that I referred to.

Q. I know Colonel Carnegie told us, you know, about a conversation—

Sir WILLIAM MEREDITH: General Bertram.

Hon. Mr. DUFF: General Bertram made a remark about the Patriotic Fund?—

A. Well, I am not quite sure that the General is right in regard to that; that is not my recollection.

Mr. JOHNSTON: Let me understand this; you, when I say you I mean the members of the Shell Committee, whoever were acting and having authority, determined the price of these shells under contract No. 1, or did you?—A. I am sorry to ask you to repeat it.

Q. Did you under the contract of the 1st October determine the price of these shells subject to approval by the War Office, of course, perhaps?—A. Yes, we determined the price at which we should offer to supply them certainly.

Q. Or at which they could be supplied?—A. Yes.

Q. Was there any change made in the price at all?—A. They were supplied at the price we offered.

Q. \$8.55?—A. Yes.

Q. Then if you determined the price of the shells you will agree with me, I suppose, that you also determined the amount of profit or loss?—A. Perhaps we did, but we did not know at that time what the exact working out of the contract would mean as regards profit.

Q. You did not know whether it would be a profit or a loss?—A. No, that was an estimate.

Q. But it was an estimate that governed as to the payment for the delivery of these shells?—A. Yes.

Q. And it never was changed except I think you said something about adding or taking away 11 cents?—A. No, that had nothing to do with that; that was the difference between our estimate as to the actual cost of the shells and the price at which we offered to supply them to the War Office.

Q. The actual cost of the shells, why was the 11 cents added?—A. Something would require to be added for administration costs. We had to maintain an office, we had to maintain a corps of inspectors, and we figured out that that would cost something, we did not know how much; 11 cents added to 200,000 shells would produce about \$22,000; we thought that would cover it.

Q. I merely asked, because I did not understand how that 11 cents came to be put in; now it is a sort of overhead charge?—A. Exactly; as a matter of fact we produced the shell for less money than that.

Q. And the profit was?—A. Increasingly large.

Q. I forget what we were told what the profit was; have you any idea?—A. No, I do not recollect.

Q. Forty or fifty thousand dollars?—A. Something like that.

Q. Which would be 11 cents for overhead charges, that goes of course on; then if you made \$50,000 or thereabouts that would be about 20%—

Mr. CARVELL: 25 cents a shell for profit?—A. I think the profit was about \$42,000 roughly.

Q. So that it would be about 20 to 25 cents a shell profit, and 11 cents a shell for overhead charges?—A. Oh, no.

Q. 11 cents was included?—A. I don't know what the overhead charges were.

Q. That is profit after paying the overhead charges, the 11 cents, I see—

Mr. NESBITT: I don't know whether you want it exactly; the sheet shows thirty two thousand odd.

Mr. JOHNSTON: I am not contesting the amount, it might be thirty thousand or twenty thousand but it was a considerable sum running along in five figures?—A. In other words instead of our having a loss as we feared we might have we had a profit of about an equivalent amount which we understood we would have an opportunity later to turn over to the War Office.

Q. Will you tell me when it was that anything was said about turning profit over to anybody, War Office or anybody else?—A. I have already told you that I think on three different occasions; I said early in the year.

Q. That was early in the year 1915.

Hon Mr. DUFF: January.

Mr. JOHNSTON: To whom was that said; I want some particulars, if you will be good enough to give them to me?—A. My answer to that was to a high personage.

Q. Was that the only person to whom this matter was spoken about?—A. I cannot say as to that.

Q. Was anybody present when this information was given or this statement was made?—A. Yes.

Q. Was General Bertram with you?—A. I think so.

Q. Any other members of the Shell Committee, I do not desire the other gentlemen who were there?—A. I think not.

Q. So that it was you and General Bertram some time you think in January 1915 that something was said, whatever it was, and I am not asking you too particularly, about the War Office.

Sir WILLIAM MEREDITH: He has told us what was said?—A. I do not like to localize it in January; I say early in the year.

[Thomas Cantley.]

Mr. JOHNSTON: I do not know that you know about this; do you know how the accounts were kept for fuse contracts, how they were kept by the Shell Committee?—A. No.

Q. You of course would be more or less familiar with the method of bookkeeping in large establishments, you know your own more or less?—A. Yes.

Q. And you would have a knowledge of how the account was kept if you saw it, did you ever look at the account at all with reference to?—A. No, I did not; I provided at any rate, and the others did too, protection in regard to that by having proper auditors.

Q. Or bookkeepers; there was a bookkeeper I understood?—A. Yes, several of them.

Q. And auditors as well?—A. Yes.

Q. And as far as the accounts were concerned you felt I suppose they were in safe hands and you did not trouble your head to go through them or to examine them, relied upon those appointed for that purpose?—A. Yes.

Q. Did you at any time on any occasion communicate the fact to the Prime Minister that you gentlemen were contractors, did you have any talk with him in which the question came up—

Hon. Mr. DUFF: Just a moment; would you mind suggesting the relevancy of that?

Mr. JOHNSTON: I could not very well do it just now because I have another purpose in asking if this witness could tell me—

Hon. Mr. DUFF: I hope you will say it bears directly on the question we have to investigate, and its purpose is not ulterior.

Mr. JOHNSTON: There is no purpose, because what is said will be under oath.

Sir WILLIAM MEREDITH: What do you mean by ulterior?

Mr. JOHNSTON: You will have to ask your brother commissioner.

Sir WILLIAM MEREDITH: Ulterior with regard to this inquiry, or ulterior with regard to the inquiry of some gentlemen who are here?

Mr. JOHNSTON: I do not know about that, I am not—

Sir WILLIAM MEREDITH: Perhaps we would have had it all done and over in half the time we have been discussing.

Mr. JOHNSTON: I wont press it in view—

Hon. Mr. DUFF: Oh no, if you give me that assurance I wont say anything more about it.

Mr. JOHNSTON: Did he ever have any conversation with the Prime Minister as to the position of the four of the Shell Committee?

Sir WILLIAM MEREDITH: You said as to their being contractors?

Mr. JOHNSTON: As to their being contractors.

Hon. Mr. DUFF: Do I understand you to say that the question is put as bearing only on the subject matter of the inquiry here, for that purpose?

Mr. JOHNSTON: I should think so, but I am not going, having regard to my own views with reference to the October 1 contract and the ruling of the commissioners, I would not like to assume the responsibility of saying it is relevant to anything.

Hon. Mr. DUFF: I do not mean to put it in that way; if that is the only difficulty you have in answering the question you can go on and put the question.

Mr. JOHNSTON: Perhaps he never had any talk. Let me ask that.

Q. Did you ever have any talk with Sir Robert Borden with reference to what position you gentlemen occupied towards the War Office with regard to these contracts?—A. Am I to answer that? I want some instructions from the commissioners whether I am to answer the question or not.

Mr. NESBITT: I don't want to seem to be objecting all the time, but I know of no reference to the Prime Minister in this inquiry, no suggestion about his being concerned in these contracts.

Mr. JOHNSTON: I am not asking what he said.

Mr. NESBITT: It is perfectly apparent to any person what the object of the inquiry is, and why you decline to accept the responsibility.

Hon. Mr. DUFF: I asked Mr. Johnston for an assurance, and he has given it.

Mr. NESBITT: I had not heard that.

Hon. Mr. DUFF: He has given the assurance, and for my part I want to accept the assurance.

Mr. JOHNSTON: I do not want to lay a foundation for anything against the Prime Minister, or any other member of the Cabinet, or against the Government, or against the House at all.

Sir WILLIAM MEREDITH: Perhaps you will say in what way you think it is pertinent to this inquiry, or do you contend it is?

Mr. JOHNSTON: Yes; the reason I think is this, I think it may be, and with this, perhaps, you may not agree, but I think it is pertinent and important to this inquiry that the exact status of these four gentlemen should be ascertained, that is from my standpoint at any rate.

Sir WILLIAM MEREDITH: Will you say why?

Mr. JOHNSTON: Because the question of how these matters were dealt with and the question of all the sub-contracts and how they were dealt with, you say that I cannot go into, therefore as far as I am concerned I do not propose to argue that question at the moment.

Sir WILLIAM MEREDITH: You have the statement that they took themselves to be morally at all events bound to account to the War Office for what they received, that they had the right legally, if they chose to take that position, to claim the profits for themselves.

Mr. JOHNSTON: Let me put this, I will clear this up in a moment, and I will go further than I intended to go, because the confidence Mr. Commissioner Duff has placed in me warrants me in saying what I am going to say; this has reference to a public statement made in the House of Commons by the Prime Minister as to the position which these gentlemen occupied towards Canada and towards the War Office. Now, I cannot make it any plainer than that, and I want to see what he says.

Sir WILLIAM MEREDITH: Surely that is a purely political question.

Hon. Mr. DUFF: I am afraid that is exactly what I had in view.

Mr. JOHNSTON: I intended to make this statement to the commission before I pressed the question.

Sir WILLIAM MEREDITH: Very fair.

Mr. JOHNSTON: Let me ask this, this cannot be objectionable: did you ever state what your position, in your judgment, was to the War Office in any way, was there any conversation?—A. None whatever.

Q. Were you in England at the time that you speak of at the instance of the committee, or were you there on private business, but while being there looked after certain matters in connection with this contract or these contracts?—A. Partially one and partially the other.

Q. Partly official and partly individual?—A. I do not know officially; I had no official document from the Shell Committee.

Q. Were you sent over by the Shell Committee for any purpose?—A. I was not sent over by the Shell Committee, but it was understood before I left that I would discuss certain matters with the War Office.

[Thomas Cantley.]

Q. You were going anyway, were you?—A. We will concede that.

Q. That, of course, disposes of the whole matter as far as that is concerned, whether the Shell Committee gave you authority or not you would have been in England some time during that season in any event from what you know?—A. Very likely.

Q. Of course that is vague, very likely; I thought I might be there, but I did not go?—A. Your question is vague, I thought.

Q. I am not a fighting man, and I am not a warlike man—

Sir WILLIAM MEREDITH: The witness said the question was vague.

Mr. JOHNSTON: My attention has been called to the fact that a cable was sent over to England; I will just get the cable, 7th April.

Sir WILLIAM MEREDITH: That is the Premier to the High Commissioner?

Mr. JOHNSTON: Yes.

Sir WILLIAM MEREDITH: Exhibit 43.

Mr. JOHNSTON: The reason why I wanted to know if there was any connection between your movements and the Shell Committee, or whatever it might be, on the 7th April, bearing in mind that you left two days later, on the 9th I think it was?—A. I left on the 10th; but I attended the meeting on the 9th; I sailed for Europe on the 10th.

Q. See if this recalls anything to your mind: "Had conference to-day with Colonel Bertram, Chairman Shell Committee who informs me that Canadian factories are capable of turning out forty thousand and possibly fifty thousand high explosive 18-pr. shells per day. The experience gained during the past six months has enabled factories to reduce cost, and Colonel Bertram is satisfied that if four or five million additional shells are ordered by War Office, price can be considerably reduced and made satisfactory."

With that of course you agree?—A. Yes.

Q. I think there was never any trouble about the making of the shells as shells?—A. What do you refer to by trouble? There was any quantity of trouble.

Q. There was any quantity of shells too?—A. Yes, and in the early days there was a very great deal of trouble.

Q. High prices was one trouble?—A. No.

Q. That was why they were getting paid double what they subsequently obtained for the same article?—A. I do not think there was ever any ratio of that kind.

Q. What ratio do you say there was; the Shell Committee allowed, were generous enough, if I may say so, to allow the producers of shells a sufficient profit to withstand the loss in the event of the contract coming to an end with the war, reducing their machinery to scrap, as they called it—

Mr. NESBITT: What have we to do with that here?—A. I do not admit that at all.

Mr. JOHNSTON: This is in April 1915, take it at that time, what warrant would there be for saying, "If four or five million additional shells are ordered by War Office price can be considerably reduced and made satisfactory."—A. Their experience gained:

Q. You agree with that statement?—A. In a general way, yes.

Q. "Col. Bertram also states that order for first two hundred thousand shells was completed one month in advance time stipulated. 146 factories in all now engaged upon work"—that was in April, 1915. Having regard to that cablegram, I am not reading it all, does that bring to your mind any reason why you went to England on that occasion, on the 9th or 10th, whatever day it was in connection with the Shell Committee?—A. Any reason?

Q. Yes?—A. I was not sent by reason of that being sent.

Q. I am not asking that by reason of this, this does not refer to you at all personally, it refers to Committee as a whole?—A. I thought you asked me if it did refer to me.

Q. No; I say, having read this to you, does it occur to your mind that there was some reason why you went to England on that occasion, and that that reason had to do with the Canadian production of shells?—A. Well, that question is rather involved for me; I am sorry I cannot just follow it

Q. I thought it was fairly simple?—A. Possibly for you, not for me.

Q. Perhaps you will state in your own words what you understand by my question?—A. I am at a loss to know what to understand.

Q. I will put it again; does this bring to my mind any reason, that is what I have read, bring to your mind any reason for your going to England upon the 9th or 10th April, 1915 in connection with shell matter?—A. Does it call to my mind any reason?

Q. Yes?—A. If you ask me if that had a bearing I am going to say I do not know.

Q. That is all the answer I can get from you, that you do not know?—A. I do not know whether that is a complete answer to your question.

Q. Having read that letter is there anything occurs to your mind as being discussed which might necessitate your going to England at that time?—A. No, I think not.

Q. And you were in England about how long on that occasion, two or three months?—A. No, about half that long, about five or six weeks.

Q. Now I have just one question more to ask, I am asking it from a public document, Hansard, and I would like to know—of course it has no authority excepting the authority of the speaker, Mr. Carvell, but I should like to know whether this is correct or not, beginning with October 1914 and ending with February 1916 it was alleged that the Nova Scotia Steel Co. had received contracts totalling over fifteen millions of dollars; would that be about right?

Mr. NESBITT: What have we to do with that?—A. I really do not know.

Mr. JOHNSTON: Was it a large sum?—A. Yes.

Q. Would it be twelve or fifteen millions?

Mr. NESBITT: I ask for a ruling on that; what have we to do with that?

Mr. JOHNSTON: I suppose I may show interest without any offence, I hope.

Sir WILLIAM MEREDITH: Interest as affecting the credibility of the witness?

Mr. JOHNSTON: No, but the angle, as Colonel Carnegie says, one looks at it from. Nobody is assuming for a moment that Colonel Cantley is not telling what he believes to be absolutely true.

Sir WILLIAM MEREDITH: At present I do not see what bearing that has upon this inquiry. We know they had their contract; you have got that in a general way.

Mr. JOHNSTON: You think I ought not to ask the question.

Sir WILLIAM MEREDITH: He has already said he cannot answer the first question you put to him, and he has answered they were large.

Mr. JOHNSTON: I only asked him to qualify that as to ten or twelve millions.

Sir WILLIAM MEREDITH: I think you have got a little past the line.

Mr. JOHNSTON: You see how difficult it is, as matters stand just now, for me not to go over the line occasionally.

Sir WILLIAM MEREDITH: You are not wittingly doing it; we are not quarrelling with you; I am not, and I am sure my colleague is not.

Hon. Mr. DUFF: No.

By Mr. Carvell:

Q. Following up along the line of the last question by Mr. Johnston some time ago I understood you to say that you did not know whether or not the Electric Steel [Thomas Cantley.]

and Metals Co. of Welland furnished any material, I think were the words, on the first contract. Now, do you know whether they did any work or performed anything which contributed to the filling of the first contract?—A. I do not know, but I think they did.

Q. I am not asking you for details at all, but as a fact you think they did. Now, would the same question and answer apply to the firm of J. Bertram & Sons?—A. Yes.

Q. Could you tell me practically what proportion of the work necessary to produce the first contract was performed by the firm of J. Bertram & Sons?—A. No, I have no idea; they were finishing contractors; they finished a certain proportion of the shells, how many I do not know.

Q. You would not be able to form a rough percentage of the total amount?—A. No.

Q. Would that same answer apply to the firm the Electric Steel and Metals Co.?—A. Yes.

Q. And the Electric Steel & Metals Co. is the company I think of which Mr. E. Carnegie was the managing director, is it?—A. I understand so.

Q. I want to take you down to the time the first contract was signed between General Hughes and yourself and your other associates; it is dated 1st October, and we are going to presume it took place on or about that day; you stated that prior to seeing that contract you had considered yourself acting in the capacity of an agent, but when you saw the contract you realized that you were assuming responsibilities in case of loss, and legally would be entitled to profits in case there were profits. Could you not tell something about the discussion that took place between you and the person or persons, whoever they may have been, who produced that contract at the time of the signing of it?—A. No, I could not, we did not question the contract, it was simply signed.

Q. In the first place do you remember who were present when the contract was signed?—A. When I signed the contract so far as I can recollect General Bertram, and Col. Carnegie, were present, and Col. Carnegie signed as a witness.

Q. General Hughes was not present?—A. No, I do not think so.

Q. Where did you sign this contract?—A. I think I signed it in the Shell Office.

Q. That would be in Montreal at the time?—A. In the Drummond Building, yes.

Q. Do you wish to state as a fact that this contract was brought to you involving the furnishing of around one and three-quarter millions worth of goods, and you were simply asked to sign it and you did sign it without asking any questions or having any conversation about it, completely changing your status from that of agent to that of contractor?—A. We may have asked some questions about it, I do not know, but we did not question the terms of the contract and we did not ask for any alterations; we accepted it.

Q. You have told what you did not do, tell me what you did do?—A. We signed it.

Q. You signed it; that is all, that will do.

By Mr. Ewart:

Q. In carrying out the work under the contract of the 1st October you say that some of the material was supplied and some of the work done by the companies with which the four contracting members of the Shell Committee were associated?—A. Yes.

Q. Were the prices at which that work was done or those materials supplied the same as the prices at which other firms or companies did work or supplied materials?

Mr. JOHNSTON: I think that is covered by the ruling in my case, because the supply of these materials and so on, many of them were sub-contractors, and the very question as to what was supplied, what prices and so on is covered by the ruling.

Mr. EWART: Well, I do not press it particularly, but some point has been tried to be made about prices?—A. There was nobody prepared to supply steel for that first contract except the Nova Scotia Steel Co.; others would not supply it, would not undertake it, no other concern in Canada.

Hon. Mr. DUFF: Did not General Bertram answer that question?

Mr. EWART: Yes, he did.

Mr. HELLMUTH: There may be a little misunderstanding; what General Bertram said, unless my memory is incorrect, was that where any particular part or article was given to any member of the four on the Shell Committee the price of that particular part or article was fixed by him and the same price was paid; but what Col. Cantley has said now is this, that in regard to the supply of this steel apparently nobody was prepared to supply that particular steel, that may be, that no other manufacturer did supply that particular part of the steel, and therefore there was nobody in exactly the same position in regard to that particular article; I would judge that.

Sir WILLIAM MEREDITH: As the Nova Scotia Steel Co.?

Mr. HELLMUTH: Yes, because nobody was supplying it.—A. I did not say nobody could supply it, but I said nobody would supply it.

Mr. EWART: What kind of steel do you produce?—A. Basic open hearth steel.

Q. Had that kind of steel been used by the War Office in England previously?—A. I don't think it had up to that time.

Q. Had you to make any experiments in order to ascertain the best method of applying that kind of steel to this sort of goods?—A. Oh yes; we carried out quite a line of experiments.

Q. At whose expense?—A. Our own expense.

Q. And was the basic steel finally accepted by the War Office?—A. Yes.

Q. It is basic steel you produce entirely I believe?—A. Yes.

Q. If you had not experimented and if it had not been accepted of course the product that you are supplying now would not have been used in the quantity that is being used today?—A. I doubt very much if a single shell would ever have been made in Canada, I mean apart from the very small quantity that was being turned out by the Arsenal at Quebec entirely from foreign steel.

Q. And the consumption of steel in Canada to-day then in your opinion is due to the fact that you have persuaded the War Office to accept basic steel, the output of your concern?—A. Well, I do not know that I did that; I think the credit of persuading the War Office is due to General Hughes.

Q. It is due to the concurrent action of the two parties then; you experimented and made it acceptable to the War Office and General Hughes got them to accept it, is that right?—A. He moved them.

Mr. JOHNSTON: Let me ask this with the permission of my learned friend; the steel that you speak of was a class of steel not then used for shell purposes by the War Office until you subsequently made the changes that produced what you call basic steel, is that right?—A. We produced basic steel before that, but up to that time, so far as I am advised, the War Office had not consented and had not used the basic steel for shell making.

Q. Then you went through some process with that steel, I understand, by which it was acceptable?—A. Well, we did not go through the process, we were making steel of that character.

Q. And was it just the same steel you had always been making, that you used for shell purposes?—A. Made in the same manner, of course the analysis was different; they called for certain specifications which it was thought that basic steel would not be able to comply with; I thought it would, and we carried out a series of experiments, both physical and chemical.

[Thomas Cantley.]

Q. Was that the same steel that was supplied, has been supplied by the Steel Company of Canada, for instance?—A. Practically.

Q. And all your other supply places like the Steel and Radiation Company?—A. They do not make steel, as far as I know, the Dominion Iron and Steel Company.

Mr. NESBITT: Q. As I understand it, in the making of shells the English specifications allowed no other steel than crucible steel?—A. Well, I think that is not correct. It was a steel made by a process in which a certain quality of raw material was used in the making of steel by that process.

Q. An any rate, there was no steel produced in Canada at that time that was thought fit for the making of shells?—A. I thought it was fit. The War Office did not.

Q. The War Office would not accept it?—A. They would not.

Q. Steel was practically not to be had in Canada then?—A. The class of steel which it was supposed the War Office would accept could not be got in Canada.

Mr. JOHNSTON: And cannot now.

Mr. NESBITT: The result was that shells could not be produced in Canada?—A. They might be produced by importing all the steel from across the line.

Q. At high prices?—A. At high prices. There is no doubt about that. They advanced the price from three thirty-seven to over six immediately after the proclamation of war, but finally under pressure brought it down to four eighty-five.

Q. You proceeded having that in mind to produce a steel which would be acceptable, making experiments to bring it within the physical and chemical elements as provided by the English War Office? Is your answer yes or no?—A. Yes.

Q. Do I understand that you conducted those experiments at your own expense?—A. Yes, sir.

Q. Was it substantial?—A. Yes, it was substantial.

Hon. Mr. DUFF: Mr. Nesbitt, do you want to open up this sort of thing after it has been up and ruled out?

Mr. NESBITT: Certainly not, sir.

Hon. Mr. DUFF: We had it very lucidly explained by Colonel Carnegie, and with what Colonel Cantley has suggested don't you think the ground is pretty well covered, as far as those experiments go?

Mr. NESBITT: My real object was that if Colonel Cantley had done that work he should get some little credit for it.

Hon. Mr. DUFF: He is entitled to it, no doubt.

Mr. NESBITT: It had nothing to do with the Inquiry really. I thought if we had a man here with courage enough to do it, the public should give him credit for it.

Sir WILLIAM MEREDITH: His modesty would not let him say anything about it. Now, Mr. Hellmuth?

Mr. HELLMUTH: I don't think I need ask anything more of Colonel Cantley just now.

GEORGE W. WATTS, sworn.

By Mr. Hellmuth:

Q. Colonel Watts, you are one of the original members of the Shell Committee?—A. Yes, sir.

Q. You were appointed at or about the same time as Colonel Cantley, the last witness?—A. Yes, sir.

Q. Have you been in the room here while Colonel Cantley has been giving his evidence?—A. Almost all the time. Not quite all the time, but almost all the time.

Q. Did you hear at the beginning his account? I do not want to go over it all again?—A. I was a few minutes late.

Q. Let me put it as shortly as I can. You went to Valcartier and met General Hughes there, and were appointed or asked to become a member of a committee to

provide munitions and shells for Great Britain, and in the evening of that day you held your first meeting at the Chateau Frontenac, Quebec. Is that correct?—A. That is correct.

Q. At that date what did you understand your position was as a member of that Shell Committee in regard to the supply of those proposed shells?—A. I understood that I in common with the others, was to endeavour to get the shells made at the best possible prices we could secure them at.

Q. Was there anything at that time (and if so, what) as to your being actually the contractors for those shells?—A. Nothing at that time.

Q. Well, did you consider—I am speaking of you personally—at all or come to any definite conclusion as to what your position in the matter was, whether as agent, trustee, contractor, or what?—A. I understood at that time that I was acting the same as if I was acting as a single individual to get that work done at the best price I could get it done at.

Q. Did you understand that you were incurring any liability at that time?—A. No, not any monetary liability.

Q. You were undertaking a liability (a moral liability) to get the work done as reasonably as you could. Is that right?—A. Yes, sir.

Q. I want you to express your own opinion, not mine.

Sir WILLIAM MEREDITH: Looking at the witness, do you think he would take your opinion in preference to his own?

Mr. HELLMUTH: I cannot tell, sir. Often it is the sternest man who turns out to be the easiest, and sometimes it is the other way around.

Q. You went on with that idea in mind preparing for a supply of shells, and preparing to get a supply?—A. Yes, sir.

Q. Did you hear what Colonel Cantley said about looking into the question of prices and where the material for the component parts could be got?—A. Yes, sir. I heard all he said.

Q. Do you want to endorse or do you want to make any statement in regard to the matter, or do you concur in what he said?—A. I made an investigation on my own account with the aid of a man from our own factory, the factory I am associated with, to determine what we thought these things could be produced for, in order to make a price. We had been requested to name a price to the War Office at which shells could be produced in this country.

The only information we had consisted of certain cost records at the Arsenal and certain ways of doing things they had there.

We had to look into what they were doing and determine for ourselves how nearly right they were, and what we thought we could do the same work for.

Q. Or get it done?—A. Yes.

Q. When you say "we", who do you mean?—A. I am referring to the general run of manufacturers in Canada.

Q. From what you have said you were one of those who went to the Arsenal at Quebec?—A. Yes, sir.

Q. How long were you occupied with those investigations, Colonel Watts?—A. Off and on for about a week or so, at intervals you know.

Q. Were you in touch and communication with the other members of the Shell Committee, comparing your individual investigations?—A. We were in consultation in regard to fixing the price. We fixed the price at \$8.55.

Q. You fixed the price at what?—A. We fixed the price at \$8.55.

Hon. Mr. DUFF: You collaborated?—A. Yes, sir.

Mr. HELLMUTH: \$8.55 for the 18-pr?—A. \$8.55 for the 18-pr. shrapnel shell.

Q. And \$8.30?—A. Yes. That was transmitted to the War Office as the price at which these things could be produced.

Q. You have heard that the \$8.55 was made up of \$8.44 for the shell, plus 11 cents added for cost of administration?—A. That is correct.

[George W. Watts.]

Q. How many were there of you? There was General Bertram, yourself, E. Carnegie and Colonel Cantley. Is that right?—A. Yes.

Q. Or was E. Carnegie there?—A. I believe Mr. E. Carnegie was there.

Q. At all events, that was the conclusion of the three of you, that price?—A. The four of us, yes, sir.

Q. Then you sent a quotation to the War Office?—A. Yes, sir.

Q. When did you first learn that you would have to sign a firm contract?—
A. When the contract was sent to me to sign.

Q. Where was the contract sent to you to sign?—A. To Toronto.

Q. Had you not heard anything prior to that of your becoming a contractor with the War Office?—A. No, sir.

Q. With the Secretary of War, through General Hughes?—A. No, sir, not before that.

Q. You are a business man, Colonel Watts?—A. Yes, sir.

Q. And have been all your life, haven't you?—A. I have been told so.

Q. You have accepted it without protest. What did you think when you saw that contract?—A. I let it lay for about 36 hours, thinking over it.

Q. You did sign it after the 36 hours?—A. Yes, sir.

Q. Did you know or did you appreciate whether there was any change in the position you had assumed you were in before that? Did you understand or appreciate that your signature to that contract, or your execution of that contract, made any change in the position you imagined you had occupied before?—A. It made a very great change in my position.

Q. What was that change, in your opinion?—A. It made me liable for any loss there was, at least to the extent I might share with those gentlemen.

Q. What about the profits?—A. It entitled me to the profits, if they were made.

Q. Did you take up with anybody this question of change of position?—A. No, I took it up with no one.

Q. You simply signed the contract?—A. I simply signed the contract.

Q. And returned it?—A. I returned it, or rather I think I sent it on to Mr. E. Carnegie.

Q. When did you, if at all, discuss, and with whom, the change of position, Colonel Watts?—A. I did not discuss with any one the change of position until the 29th of November or the 30th of November, when the dissolution of the committee was taking place.

Q. So that as far as you were concerned you did not have any discussion whatever about the change of position?—A. No, sir.

Q. Or the assumption of liability with the right of profit-taking. Is that right?—A. I did not discuss it with any one until we were closing the committee up.

Mr. CARVELL: Pardon me. Did you say the 29th of November, 1915?—A. It may have been the 29th, or the 30th of November, 1915.

Mr. HELLMUTH: So that there was as between the members of the committee from some date in October when that contract was executed by you, or whatever time it was executed in 1914, until the end of November, 1915, you had no talk or discussion with anybody in reference to the change of position and your assumption of liability. Is that correct?—A. That is correct.

Q. Therefore it must follow that you never made any declaration in regard to what would be done with profits?—A. No, I did not make any declaration.

Q. May I just ask you this, had you come to any conclusion in your own mind in regard to the profits. First of all, you recognized that there were going to be profits?—A. I did at last. There was a stage at which I thought there might be very great loss.

Q. There was a stage at which you thought there might be considerable losses?—A. Yes, sir.

Q. Did you assume, then, that you would have to stand those losses, or your share of them, or that they would be borne by the Imperial or the Canadian authorities?

—A. I assumed that I took the liability, and that I would have to stand by it.

Q. Then came the period when the prospects of possible losses became probable and almost certain profits?—A. Yes, sir.

Q. When that stage was arrived at, did you, Colonel Watts, think you could put those profits, when they materialized, into your own pockets, or your share of them?—A. I did thing I could, but I did not think I would.

Q. When we come (because you had no discussion with anybody, you told us) to the 29th of November, 1915, or thereabouts, whom did you have a discussion with then, if you had any?—A. I had a discussion with one or two of the members of the committee.

Q. Could you say who they were?—A. I believe I discussed the point with Colonel Cantley and Mr. E. Carnegie, but I certainly discussed it with Colonel Cantley.

Q. Was that on the day of the meeting, the 29th?—A. That was on the day of the meeting.

Q. What was that discussion, the purport of it?—A. The purport of it was that the contract was in existence, that we were contractors, and that it was still in existence.

Q. So that you and Colonel Cantley took the same view that the contract remained in existence?—A. Always. It is my view now.

Q. I am not accepting either your or Colonel Cantley's view of the law as absolutely accurate, although I am quite satisfied it might be equally as good as that of many lawyers. At that meeting I would like to know what your view was of the resolution which was put on record and carried. "It was moved by Colonel Cantley, and seconded by E. Carnegie, and carried."

Hon. Mr. DUFF: Wasn't he simply a man who did what his lawyer, Mr. Orde, told him to do?

Mr. HELLMUTH: Q. Was Mr. Orde present at the meeting?—A. I believe not.

Hon. Mr. DUFF: The resolution is in substance the purport of the letter.

Mr. HELLMUTH: I think I had better bring clearly to your mind what the resolution is.

"Resolved, that in view of the desire of the British and Canadian Governments to reorganize the Purchasing Agency for British Munitions of War in Canada and to place it under the administrative control of the British Minister of Munitions, the members of the Shell Committee hereby place their resignation in the hands of the Minister of Militia and Defence.

"Resolved further, that all the rights and powers now vested in the committee, together with all the moneys at the credit of the committee, be transferred to and vested in the British Government, or any body appointed by that Government, provided that the committee is at the same time relieved from any further liability, and the British Government undertake to carry out all the committee's obligations.

"Resolved further, that the present officers of the committee be authorized to sign the necessary cheques and other documents, if any required to complete the transfer."

What I now ask you, Colonel Watts, is in view of that resolution, did you not understand that you were to transfer all the moneys the committee had, that you were to be relieved from all liability by the British Government, and that you were to transfer everything that remained, whether in a complete or an incomplete state under the various contracts to the Imperial Munitions Board?—A. Yes. I understand that the Shell Committee were transferring all their functions to the Imperial Munitions Board. But the functions of the Shell Committee were not the contract.

Q. I see. So far as the contractors were concerned you did not think they were
[George W. Watts.]

relieved from their liability?—A. Not by that resolution. That resolution was passed by a Board of men consisting of many others besides the contractors, and the majority vote in that Board would govern. So it would not make any difference what the four contractors said. There were enough there to out-vote them, in all probability. At any rate it did not alter the directors in their individual capacity.

Q. That is your view?—A. Yes.

Q. You still say you were liable under this contract?—A. I consider that I have not been relieved yet.

Hon. Mr. DUFF: I suppose some one can tell us what that balance was?

Mr. HELLMUTH: I will ask that of this witness.

Q. Do you know what the balance was in actual cash, when transferred?—A. No. Mr. Riddell had the control of the cash. We never handled any cash.

Q. I will ask you this question. Had you received at that time or since anything which purported to be a release or quittance, so far as you are concerned?—A. I received a letter from Mr. Hichens.

Q. Have you that letter?—A. I haven't it with me. It is available, but it is not with me now. I was called from Toronto on short notice and did not bring the papers with me.

Q. Was that letter of Mr. Hichens' as far as you know sent to the other members of the Committee?—A. I think similar letters were sent.

Q. You were not retained on the new Board?—A. No, sir.

Q. Nor Colonel Cantley?—A. No.

Q. Is Mr. Carnegie on the new Board?—A. No, sir.

Q. I have a letter here from W. L. Hichens to Colonel Cantley.

CHATEAU LAURIER,

OTTAWA, December 1, 1915.

“Hon. Col. T. Cantley,
New Glasgow,
Nova Scotia.

Sir,

I have been asked by the Minister of Munitions to convey to you his sincere appreciation and warm recognition of the valuable services rendered by you as a member of the Shell Committee.

He recognizes that the results achieved by the Committee are due to much strenuous work, which the members have carried out with great public spirit and a loyal regard to the needs of the Empire in this great crisis.

I am, sir,

Your obedient servant,

W. L. HICHENS.”

(Letter marked as Exhibit 266.)

Is that a similar letter?—A. I think it is a similar letter.

Q. That does not touch my point at all?—A. No, sir.

Q. That does not say anything in reference to your contractual relationship?—
A. No.

Q. Did you get any letter from Mr. Hichens, from the Minister of Munitions in England, from General Hughes representing the Secretary of State for War, or anybody else in regard to the position you occupied under the contracts of October 1914 and July 1915 and the Order?—A. Absolutely none.

Q. Have you asked or requested any release?—A. I have not.

Q. You have not made any release to anybody, I mean anybody in any authority, Canadian or Imperial?—A. I have made no request up to date.

Q. Would it be fair to say that the matter has stood in exactly the same position so far as your legal rights at all events are concerned, or your legal duties as they were left at the time of the resignation or disbanding of the Shell Committee by the resolution of the 29th of November, 1915?—A. It has stood exactly at that point.

Q. I want to take the fuse contracts now. When did you first learn anything in regard to fuses or the necessity of obtaining fuses?—A. Do you mean with relation to these particular contracts, or fuses in themselves?

Q. First of all I want to know what you knew about the requirements, what the necessity was or what it was that first brought the question of fuses before the Committee and you as a member of that Committee?—A. The order we received for fixed ammunition complete with fuses.

Q. That is, the five million contract?—A. The five million contract.

Q. You recognized then I suppose that it would be necessary in making that complete ammunition to have a supply of fuses?—A. Absolutely.

Hon. Mr. DUFF: He spoke of fixed ammunition—is the Lyddite howitzer ammunition complete fixed ammunition?—A. Well, fixed ammunition as I understand it, a complete round of fixed ammunition is the projectile fixed in the cartridge case and loaded with the primer, not necessarily the fuse. It may be supplied without a fuse.

Q. But I was asking you whether Lyddite Howitzer ammunition 4.5 is fixed ammunition?—A. Well, it can be fixed.

Q. There is an order for five million rounds of ammunition complete, and you referred to it as fixed ammunition. I thought perhaps it would be definitely known whether that is fixed ammunition, or not fixed ammunition?—A. That was my understanding, that it was fixed ammunition.

Mr. HELLMUTH: I think the cablegrams show that that order was for the shell complete without the propellant charge, wasn't it?—A. Which?

Q. Without the propellant?—A. No. The propellant as I understood it was there, that is, the charge for the cartridge case. Perhaps the bursting charge was not.

Hon. Mr. DUFF: On page 49 of the printed Report this appears:

“Presume propellant included?”

On the next page it says that the 4.5 did not include the propellant. So it would be the 4.5 Lyddite shell without the propellant?—A. The propellant is what comes in the cartridge case. Of course I am not familiar with that evidence.

Mr. HELLMUTH: Let me call your attention to two exhibits. Exhibit No. 45 is a cablegram dated April 17, 1915. “Can Shell Committee divide five million rounds complete ammunition”, (so we had better stick to the word “complete” ammunition) as follows:—

“One third 4.5 Lyddite howitzer;

“One third shrapnel 18-pr.;

“One third high explosive 18-pr.;

and what price 4.5”?

“Presume propellant included? Is it cordite or nitro-cellulose?”

“Fuse for shrapnel must be twenty-two seconds, but for H.E. graze fuse.

“Where will fuses be obtained? We are apprehensive of interfering with existing orders in the United States.”

On the 23rd of April, 1915, an answer was sent to “Troopers” from “Militia,” which has been filed as Exhibit No. 46.

“Shell Committee prepared to divide five million rounds complete ammunition suggested, one-third each 4.5 Lyddite Howitzer, 18-pr. shrapnel and 18-pr. high explosive.

[George W. Watts.]

"Will supply 4.5 Lyddite at sixteen dollars fifty cents including shell complete with case primers, etc., but not including propellant.

"Will quote prices on propellant when you give us details asked for in Shell Committee cable to Director of Army Contracts, April 21."

On page 51, the reply of the War Office is found, dated April 28, 1915.

"4250, Cipher A. 7. Your ciphers Nos. 352 and 355. Please proceed."

As far as I understand it, that was the making of the contract with the Shell Committee or the members of it (I am not dealing with that now) in regard to the five million rounds of complete ammunition?—A. Yes, sir.

Q. At that time, as was pointed out to me the propellant for the 4.5 Lyddite howitzer shell had not been fixed, apparently?—A. I understand so.

Q. You were ordered to proceed without having that particular price fixed. It was subsequently I believe agreed upon?—A. That is my understanding of it.

Q. You have now the contract before you. I was going to ask you what was done in regard to the fuses. You have the cablegram, the acceptance, you had been directed to proceed, but the propellant had not been fixed.

It is one o'clock and perhaps the Commissioners will adjourn now.

Sir WILLIAM MEREDITH: We may as well.

The Commission adjourned at one o'clock until 2.30 p.m.

AFTERNOON SESSION.

OTTAWA, May 5, 1916.

Commission resumed at 2.30 p.m.

Examination of Colonel Watts, continued by Mr. Hellmuth:—

Q. Colonel Watts, at the adjournment I had brought to your attention the cablegrams of April 17th and following, showing the order for the 5,000,000 fuses, without apparently any price being at that time fixed for the propellant. Now, how soon after that, according to your recollection, did the question of fuses for that complete ammunition come before the Committee or before yourself?—A. Well, it came immediately afterwards, the first meeting that was held after that.

Q. Perhaps you will get that.—A. And possibly before the first meeting, because at any time when there was not a formal meeting on and any of us were in town, at Montreal, at that particular time, we attended the Committee offices and were informed to a certain extent of what was going on.

Q. I see the first reference that I can find in the minutes to this question of fuses is of a meeting held in Montreal on April 27th, 1915. You were at that meeting, and this is what appears in regard to it.

Moved by Mr. J. W. Borden and seconded by Mr. E. Carnegie, that whereas Mr. D. Carnegie, Ordnance Adviser, is going to the United States to look into the capabilities of the firms negotiating to make fuses, be it resolved that upon his return and reporting favourably upon the ability of the firms to do the work the Chairman be authorized to proceed with the contract on the basis discussed."

Now, just let me take that up.

Sir WILLIAM MEREDITH: That minute has not yet been put in.

Mr. HELLMUTH: I am putting it in now.

Sir WILLIAM MEREDITH: Are you just reading it or putting it in?

Mr. HELLMUTH: I am reading it now, I will put in a copy later.

"There were present:—

Brigadier-General Bertram,
 Brigadier-General Benson,
 Lt.-Colonel Greville-Harston,
 E. Carnegie, Esq.,
 Hon. Lt.-Col. George W. Watts (The witness),
 J. W. Borden, Esq., and D. Carnegie, Ordnance Adviser."

Just let me take that up. The first thing is:—

"That whereas Mr. D. Carnegie, Ordnance Adviser, is going to the United States to look into the capabilities of the firms negotiating to make fuses." What negotiations and with what firms had you any knowledge of at that time? Or can you carry your mind back to that time?—A. Yes, we had a Dr. Harris and a Mr. Patterson.

Q. Dr. Harris and Mr. Patterson?—A. And a Mr. Patterson.

Q. Were they representing the same interests?—A. Yes, and Captain Torney.

Q. There were Dr. Harris, Mr. Patterson and—?—A. Captain Torney.

Q. Representing the same interests?—A. Yes.

Q. With whom you had been negotiating. Anybody else at that time?—A. Not that I know of. They had appeared there and endeavored to secure a contract, and discussed their capabilities.

Q. "To look into the capabilities of the firms negotiating to make fuses." I do not know whether you would mean that that was the firm, or whether there were any other firms?—A. Oh, it meant the American Foundry and Machine Company, who were represented as making cigarette machinery for the Tobacco Trust; it meant the Yale and Towne Company; it meant the Keystone Watch Case Company, and a number of others who were quoted as being the people who were going to do this work.

Q. So your explanation of that is that the only people with whom up to that time you were negotiating were those represented by Dr. Harris, Mr. Patterson and Captain Torney, but those were the firms he was to look into?—A. That was my understanding.

Q. At that date did you know, or were you advised, of any proposed price for these fuses?—A. Oh, there had been more or less discussion about price, but I don't think they had got down to any definite quotation.

Q. You had not got down to any definite quotation?—A. No.

Q. Do you remember what price was being discussed at that time?—A. They were naming figures around five dollars.

Q. What class of fuses were you then discussing?—A. Time fuses only.

Q. Did you have any technical knowledge or had you acquired any mechanical knowledge in regard to the manufacture of time fuses at that time?—A. I had seen a time fuse.

Q. Is that as far as you can go?—A. That is as far as I go.

Q. Had you prior to that had anything to do with the negotiations with Colonel Nicholls in regard to his company, the company he represented, undertaking the making of fuses?—A. No, not in the sense of having had to do with his negotiations, but in the fall of 1914 when the first contracts were awarded for shells an employee of the Canadian Allis-Chalmers Company asked if fuses were to be made in this country for the shells.

Q. Is that Kirby?—A. That is Kirby.

Q. That Allis-Chalmers Company, to make it clear, is a component part—A. It is owned by the Canadian General Electric.

Q. Yes. And the Canadian General Electric and the Allis-Chalmers would be represented—correct me if I am wrong—in negotiations primarily by Colonel Nicholls?—A. Yes, he is the President of the Company.

Q. And you are one of the managers of the Canadian General Electric and Allis-Chalmers?—A. I am works manager, so called.

[George W. Watts.]

Q. Works manager of both?—A. Yes.

Q. Colonel Nicholls was not a member of the Committee of course?—A. No sir.

Q. Would negotiations between Colonel Carnegie and Colonel Nicholls come to you and be known to you?—A. Well, not necessarily.

Q. Were they in regard to the letters that have been put in which Colonel Nicholls declined to undertake, under the circumstances there disclosed, the manufacture of fuses at Peterboro?—A. They were known to me personally.

Q. They were not?—A. They were known to me personally in the opening of the negotiations, but they were not known to me personally as to the closing until afterwards; I found that out.

Q. That is to say, Colonel Nicholls did not consult you about it?—A. He did not tell me what his decision was at that time; he told me afterwards.

Q. Now, we got to Kirby. Tell me what you were going to say about Kirby. He wanted to know?—A. He wanted to know from his immediate superior if fuses were to be made for these shells.

Q. Were you his immediate superior?—A. No. It was passed up to Colonel Nicolls, and he asked me what was likely to be done about it. He suggested that I come to Ottawa and see Major General Benson—at least Colonel Benson as he was then—and see if there was any possibility of making time fuses in Canada. Mr. Kirby represented himself as being quite capable of making fuses and having quite an experience.

Q. Kirby did?—A. Yes. I came to Ottawa. I saw General Benson, and General Benson was very pessimistic about it. He said it was a very difficult thing to make, and that heretofore all they had had been supplied from Woolwich, but he agreed with me before we were through that if they could be made in Canada it would be a very desirable thing to do, not only from the point of view of a new industry, but at the same time it would give a new source of supply, which was badly needed.

Q. Then what steps at that time or subsequently did you take, if any, in regard to ascertaining whether the work could be done in Canada?—A. Mr. Kirby and Mr. White between them, his immediate superior whom I referred to, prepared their estimates of what it would cost to go into the manufacture of fuses on a certain scale.

Q. Yes.—A. They submitted those figures to me and I spoke to Colonel Carnegie about it. Of course, at that time we had no authority to make fuses as far as the Committee was concerned, and it was considered desirable, at least from my point of view, to take it up with the War Office and get authority to make fuses, and when Colonel Carnegie came to Toronto to assist the people there in connection with certain work going on I took an opportunity of introducing him to Mr. Kirby so he could cross-examine Mr. Kirby and find out if Kirby's claim as to his ability to make fuses was justified in his opinion. Colonel Carnegie had an interview with Kirby and formed his own conclusions. Personally I do not know what the conclusions are.

Q. You have spoken of estimates. Can you tell me what the estimates were?—A. I can tell you that I named a tentative price myself to Colonel Carnegie of \$6.00 on a hundred thousand.

Q. On 100,000?—A. 100,000, six dollars.

Q. Did you name any price on a million or more?—A. No, I named a price at that time on a hundred thousand. That was probably in November or December, 1914, at any rate, before Colonel Carnegie went to England.

Q. Then you do know whether those conversations or negotiations, whatever you like to call them, with Mr. White and Mr. Kirby were renewed at all?—A. No, I have no knowledge of their being renewed at all.

Sir WILLIAM MEREDITH: Perhaps at that point, Mr. Hellmuth, you might ask him about those letters of Mr. White's put in this morning, if he knows anything about that subject, so as to get it in its chronological order.

Mr. HELLMUTH: Yes.

Sir WILLIAM MEREDITH: Exhibit 265. The letter of White's is the 8th of March and the reply of Carnegie's is the 12th.

Mr. HELLMUTH: Did you know of a letter from Mr. White on the 8th of March, representing himself as manager in some capacity of the Allis-Chalmers Company, suggesting taking up the question with Colonel Carnegie of making fuses?

Sir WILLIAM MEREDITH: On his own account as I understood.

Mr. HELLMUTH: On his own account.

Sir WILLIAM MEREDITH: He and Kirby.

WITNESS: I was going to ask you that question, on whose account it was.

Mr. HELLMUTH: I won't ask you about that until I have the letter itself. I might ask you generally, did you know of that letter and the reply of Colonel Carnegie's?—A. No, sir.

Q. Well, then, after what you have told me in the fall of 1914, when did you next hear anything in regard to fuses?—A. On Colonel Carnegie's return from England.

Q. That would be about the time of this meeting of April 27th?—A. No, before that I think, in January or February. He went to England in the forepart of December, and I have forgotten the exact time he came back, but he came back in the early part of the year.

Q. What did you hear then, Colonel Watts?—A. I understood that he had a proposition to put before the Canadian General Electric Company, and possibly some others, to manufacture 20,000 fuses on an experimental basis.

Q. Well, do you know how that was dealt with?—A. I know now, but I did not at that time, because the matter passed out of my ken.

Q. You did not know that that had been declined?—A. I know now, I knew some time ago.

Q. But you did not know just at the time?—A. Not at the time of its being declined.

Q. Then what next did you hear about that?—A. About that particular thing?

Q. About the fuses?—A. You refer now to Mr. Nicholls' negotiations or these contracts?

Q. No, I am trying to get it chronologically. You say after Colonel Carnegie came back from England you learned of this proposal to have an experimental order of 20,000 fuses. You did not at the time learn what the result of that was, although you knew afterwards?—A. That was a matter that would occupy probably several weeks in consideration, and I learned from Colonel Carnegie later that our people had, as he put it, turned it down.

Q. Then what was the next thing?—A. These contracts coming up here.

Q. I see the next part of this resolution which I have referred to of the 27th of April is:—

“Be it resolved that upon his return”—that is Colonel Carnegie's return—
“and reporting favourably upon the ability of the firms to do the work, the
Chairman be authorized to proceed with the contract on the basis discussed.”

Now, what was the basis discussed of a contract then which the Chairman was authorized to proceed with on Colonel Carnegie reporting favourably?—A. I cannot tell you.

Q. You do not remember?—A. No.

Q. Do you remember whether there was discussion at that time about it?—A. Oh, yes, there was a great deal of discussion.

Q. Then, as I understand you, your idea at that meeting was that Colonel Carnegie would go and look into the capabilities of these firms you have mentioned?—A. Yes. There was a good deal of urgency in connection with the matter, and that was to give them power to close up a contract, but they did not, as a matter of fact, act on it at that time.

[George W. Watts.]

Q. I suppose I may summarize the urgency by saying from whatever has appeared that you had already given a number of orders for shells, and these shells were coming in in great quantities, and you had not fuses for them.—A. That is not quite right; but we had contracts to supply \$90,000,000 worth of goods, upon which we were to be paid upon delivery.

Sir WILLIAM MEREDITH: That is the five million?—A. That is the five million, roughly speaking. We had already proceeded to let contracts for the component parts, amounting to approximately seventy million dollars. Now then, in the course of from three weeks, according to what particular component part it might be, to several months, that stuff would begin to pour in and have to be paid for. Now, then, you can imagine where you would be paying for \$70,000,000 worth of partly completed stuff that you could not get paid for at the other end without the fuses. That was the urgency we were up against at that time. We did not take it up with the War Office whether they would take it off our hands, we assumed that they had to have the fuses, and if we could have got the fuses in three weeks we would have taken them, but of course that was a manifest impossibility.

Mr. HELLMUTH: You were apparently present at the next meeting of the Shell Committee, which was held at Montreal on May 12. There were present at that meeting: "General Bertram, General Benson, Colonel Lafferty, Colonel Greville-Harston, Colonel D. Carnegie, Colonel George W. Watts, and E. Carnegie, Esq." Then this appears—I am only reading in regard to fuse contracts:—

"The Chairman reported the state of the negotiations regarding the fuse contract matter still under consideration."

Do you know whether, at that meeting, the visit of Colonel Carnegie about May 1 to New York, and to some of these factories was or was not reported? Do you remember as a matter of recollection?—A. He did report. I do not want to be pinned down to any exact date, but as fast as he came back from any of those trips at the next meeting thereafter he would report generally. I do not say he would report every specific thing that occurred, but he told us the general condition of affairs.

Q. Let me ask you whether, at that time, you understood the material differences in cost or design of the graze from the time fuse?—A. I did not. I had never seen a graze fuse at that time.

Q. And you were still 'apparently at that time dealing with the question of time fuses?—A. As far as I was concerned, I supposed we were dealing with time fuses only.

Q. I see, as far as you were concerned. Then the next meeting is on the 4th of June, which has been referred to.

Sir WILLIAM MEREDITH: Before you get to that, Mr. Hellmuth, the witness stated a report was made. What was the character of the report, favourable or unfavourable?

Mr. HELLMUTH: Thank you, Mr. Commissioner.

Q. Perhaps you can tell us what the character of that report was?—A. You mean as to the condition of the negotiations?

Q. Well, what was the character?

Sir WILLIAM MEREDITH: Whether it was favourable or unfavourable?—A. Colonel Carnegie reported favourably on the firms that he had been looking into.

Mr. HELLMUTH: But he did not pretend to report at that time that anything had been settled?—A. No, sir.

Q. And did you get any further as to prices at that meeting? I am not speaking of the meeting of June 4, but of the meeting of May 12?—A. No, we had not got very far then.

Q. Then, on June 4, at that meeting there were present: "General Bertram, General Benson, Colonel Cantley, Colonel Harston, Colonel Watts, E. Carnegie, Colonel Lafferty, and Colonel D. Carnegie." Colonel Cantley must have then returned from his visit to the War Office, you knew that?—A. Yes, that was the first meeting he was at after his return.

Colonel Cantley must have then returned from his visit to the War Office, you knew that?—A. Yes, that was the first meeting he was at after his return.

Q. Then I find this:—

“The Chairman reported progress regarding negotiations for manufacture of fuses.”

Now, can you tell me whether at that time you learned that the letters of May 21st and 25th, giving to Bassick, on the one hand, first three million, and then reducing it to 2,500,000, and on the other hand to Dr. Harris, or the International, 2,500,000, had already been sent?—A. Well, I think that was discussed more or less there, but I learned of that before that.

Q. Before the meeting of June 4th?—A. Yes.

Q. May I ask whether you recognized when you did learn it before that that was equivalent, may I say, to tying up the Shell Committee to these two interests?—A. I so understood it.

Q. You did. Then had you any discussion over that with any of the members of the Shell Committee prior to the meeting?—A. Yes, I talked over it with General Bertram.

Q. Perhaps you could tell me as far as your recollection goes the general purport of that conversation with General Bertram.—A. It perhaps came about in rather a peculiar way. Somewhere about the 25th of May I was in Ottawa and I met Lloyd Harris and T. A. Russell in the downstairs of the Chateau, and they both were feeling very much aggrieved because they had put in a tender for fuses and learned that the contracts were already let to other parties for the full quantity, and they could not get any.

Q. They told you that?—A. They told me that. That was the first intimation I had that the contracts were let. On my visit to the Shell Committee Office I interviewed General Bertram and I told him that I had been told this and I asked him if the contracts had been awarded, and he said they had. I told him also that Harris and Russell were feeling very badly about it.

Q. Did you have any explanation or statement from General Bertram as to what contracts had been let?—A. General Bertram said, “You know we had to get fuses, and they hadn’t turned up with their bid, so we let the contract because these people were threatening to retire unless they were given the contracts in order to close up for their material and the options on the machinery, otherwise they would withdraw their bids and retire from the field.” That is what I understood from my conversation with him.

Q. With General Bertram?—A. Yes.

Q. What did he tell you about the options on machinery by these people?—A. He just told me that these bidders, that is the people he was negotiating with, had options on material and machinery that were liable—at least, they were expiring, other people wanted the machinery, and the machinery builders would not hold the options open, and these people had to exercise the options, and that therefore in a sense they had either to close or to let the thing go.

Q. Did you then know, or did he tell you, who the people were to whom he had given these orders or tied them up?—A. He told me they were two concerns. I cannot say clearly at the moment whether he mentioned the American Fuse Company, the Dr. Harris people. I did not know that as the International then. I knew those people as the Dr. Harris Syndicate.

Q. Quite so. Then we have whatever day it was that you saw Mr. Lloyd Harris and Mr. Russell at the Chateau Laurier here?—A. Yes.

Q. That we have fixed as the 26th. That is the day they were here. It may have been possibly the 27th that you saw them, but they were here on the 26th of May.—A. I was here the same morning they were.

[George W. Watts.]

Q. You came in with them?—A. No. I may have been here the day before, but I came across them then.

Q. Then you went to the meeting on the 4th of June with that knowledge in your mind?—A. Yes, sir.

Q. Did you have any further conversation or interview with General Bertram, Colonel D. Carnegie, or any of the members of the Shell Committee in regard to these fuse contracts?—A. Prior to the meeting?

Q. Yes.—A. No, sir.

Q. So that you have told us all, I do not mean in detail, but all generally that you knew when you attended the meeting on the 4th of June?—A. Yes.

Q. Now, at the meeting on the 4th of June were any further particulars furnished to you in reference to these fuse contracts?

Sir WILLIAM MEREDITH: Furnished to the Committee I suppose?

Mr. HELLMUTH: Furnished to the Committee.

A. They had advised the Committee that they had closed with these people, and they submitted a draft contract which they proposed to execute.

Q. I do not see anything about that draft contract.—A. You won't find that in the minutes I don't think.

Q. I see it says that General Pease was also at that meeting. Do you remember that?—A. Yes, he was there.

Q. On the 4th of June you say they submitted a draft contract?—A. Yes.

Q. Do you remember what price was in the draft contract?—A. I do not know that there was any price stated in the draft contract, but the price was in the correspondence.

Q. Had you learned by that time, or did you learn at that meeting, that they were not to be all time fuses?—A. No, I did not learn it then.

Q. I see, you did not know that the 2,500,000 of the 5,000,000, rather the 1,666,666 were to be graze fuses, you did not know that?—A. No, sir.

Q. You were still dealing on the assumption of all time fuses?—A. At that time I was, sir.

Q. I think there is a cablegram in of the 28th of May specifically stating, if my memory serves me right, that there was to be one-third of the order graze fuses?—I did not see that cable.

Q. And it was not brought to your attention at that time?—A. No, sir.

Q. So that the Committee were still dealing with the question of time fuses as far as you were concerned?—A. Yes, sir.

Q. And did you know that the 5,000,000 had been divided equally between the two concerns?—A. I understood that the 5,000,000 had been over-bought.

Q. What?—A. Had been over-bought.

Q. What?—A. Over-bought. Instead of 5,000,000, 5,500,000 had been bought. In other words, there had been a mistake made, they had over-bought.

Sir WILLIAM MEREDITH: That I suppose would be the Russell?

WITNESS: No, sir. I think you will find it in the correspondence, one at 3,000,000 and the other at two and a half million, which was a total of 5,500,000.

Mr. HELLMUTH: Let me just bring to your attention this. At that meeting of the 4th of June the 3,000,000 order to the American had been modified by making an order for 2,500,000?—A. That may be correct.

Q. But you do not recollect?—A. I do not know that.

Q. So you were still under the impression that it had been over-bought?—A. I was at that meeting, yes. That was corrected afterwards, of course.

Q. Well, it had been corrected before, but that is your recollection of it.

Sir WILLIAM MEREDITH: He means his impression was that way.

Mr. HELLMUTH: That is your impression; is that right?—A. Yes, sir.

Q. Well, then, you did learn that it had been corrected subsequently, if not then?
—A. At the next meeting.

Q. The next meeting, I think, is the one at which the contract was closed?
A. Two weeks later, the 19th of June.

Q. Then did you have any discussion about the Russell offer at that meeting of June 4?—A. Not that I can recollect, sir.

Q. Did you have any report at that meeting of June 4 of the visit that General Bertram and Colonel Carnegie had made to New York about the 14th of May?
A. Yes, sir.

Q. Did they tell you whom they had seen?—A. They did not tell us in detail as they have told here in evidence, but they told generally all that they had done. They did not have time to tell all they have told here.

Q. Can you call to mind, from your recollection, whether the names of the parties who had been negotiating for these contracts were given to you then outside of what you have told us?—A. There were names given, but I do not recall the names.

Q. If I mention the names to you now will it help you to recall them? Can you recall the name of Bassick?—A. No. I can recall Yoakum's name, but I do not recall Bassick's.

Q. Can you recall Allison's name?—A. No, I cannot recall that Allison was mentioned as being a party to the contract.

Q. No, not a party to the contract, but one of the parties they had seen in New York?—A. I believe his name was mentioned.

Q. Can you say in the same way whether you can remember Bassick's name was mentioned as a party?—A. No, I cannot say that.

Q. Can you say whether Cadwell's name was mentioned?—A. I believe Cadwell's name was mentioned.

Q. Do you remember whether an expert by the name of Gladeck was mentioned? Did Colonel Carnegie tell you he had seen experts of both companies?—A. He did. He reported at pretty fair length, but at the same time I did not attempt to charge my mind with the names mentioned.

Q. No, nobody can expect you to do that. But at the same time did he report to the meeting about having seen any experts?—A. He reported favourably on the people he had seen as being capable in his judgment to carry the contracts out.

Q. Was anything said, and, if so, what, about the possibility of having such a contract carried out in Canada? Was there any discussion about it then?—A. I think it was taken more or less for granted that there was no possibility of getting the fuses in the time required in Canada. I think most folks were of the opinion that they could not be got in the time.

Q. Who was of opinion that they could be got in the time required in the States?
—A. I do not think any one was, but I believe that Carnegie and Bertram thought they could sooner in the United States than anywhere else.

Q. I see, but they did not think they could get the fuses in the time?—A. Perhaps I am wrong in saying what they thought. I did not believe that in the United States, or anywhere else, they would have these fuses ready as fast as the shells would be ready, but we did need them the first minute we could get them from anywhere we could get them.

Q. Was it your opinion that they could be got more rapidly from the States than from Canada?—A. I thought they could.

Q. Did General Pease take any part in the discussion with regard to the fuse contracts at that meeting of June 4?—A. He took part generally in all the discussions, but I could not say that he took any very leading part. He took a general part in all the discussion that took place that day.

Q. Well, did he give expression at all to approval or disapproval of the proposed contracts that you have spoken about for the fuses?—A. I cannot recall that he expressed either disapproval or approval, except that he wanted—

[George W. Watts.]

Q. The fuses?—A. As fast as possible. He did not express any disapproval of the suggestion.

Q. Then we come to the meeting of June 19.—A. I may say before you get on, Mr. Counsel, that that draft contract, as submitted, introduced a new factor as far as I was concerned, and that was the factor of advancing money. There were a number of us who objected to the conditions as they were, and wanted to make sure that we were going to be absolutely secured. We did not like the form of that contract, and we consulted together at the meeting, but, unfortunately, General Bertram, Colonel Carnegie, and General Pease had to leave on the four o'clock train for Ottawa, and we concluded our discussion after they had gone. Now, we reduced our objections to those contracts to writing, and I wrote a letter afterwards embodying what the various members had thought what our concrete opinion was as to what that contract should provide. That is this so-called draft.

Q. Have you got that?—A. The committee had it.

Q. I should like to have it.—A. I can give you a copy from my record in Toronto ultimately, but cannot immediately.

Sir WILLIAM MEREDITH: Is that the paper Mr. Orde said he got?—A. I understand Mr. Orde received it ultimately. I think Mr. Riddell wrote me that he had handed that letter to Mr. Orde to consider in connection with that draft.

Hon. Mr. DUFF: That was touching advances and security?—A. Advances, security, and other things that had cropped up in connection with that contract. That is, we considered it clause by clause, and I think there are some eight or ten different phases that I wrote in that letter, but it was the general opinion of the rest of the committee.

Mr. HELLMUTH: That would be Colonel Cantley and Mr. E. Carnegie?—A. Colonel Cantley and Mr. E. Carnegie and Mr. Harston had most to say, and Colonel Lafferty had something to say about it too.

Hon. Mr. DUFF: That would not affect the question of price?—A. No, it was simply a question of how we were going to get our money back, and that letter—I am not sure, but I think it was addressed to the Chairman.

Mr. HELLMUTH: If we cannot get it any other way we can get it from you, Colonel Watts, when you go to Toronto?—A. Yes.

Sir WILLIAM MEREDITH: Is it understood that if we do not get the original he may send down a copy certified by him, which will be taken for the original?

Mr. HELLMUTH: I think so.

Sir WILLIAM MEREDITH: Is everybody content with that?

Mr. JOHNSTON: Yes.

Mr. STEWART: I have sent for the files.

Sir WILLIAM MEREDITH: But if we do not get the original?

Mr. HELLMUTH: There will be no objection.

Sir WILLIAM MEREDITH: You have no objection.

Mr. NESBITT: No.

WITNESS: I was called up the night before last at about ten minutes after ten to be here yesterday morning. I had to drive three miles and catch the train, so I hadn't time to dig up papers.

Sir WILLIAM MEREDITH: Have you remonstrated with Mr. Hellmuth?—A. No, I have not remonstrated with anybody, but that is the explanation.

Mr. HELLMUTH: Colonel Watts, having given expression to your view and that of the other members of the Committee in a concrete form in writing, did anything more transpire in regard to these contracts before the meeting of June 19?—A. Yes, I believe that Mr. Riddell—I am not sure whether Mr. Riddell or the Chairman

acknowledged the receipt of that letter and said that they had placed it with the counsel. I think they mentioned Mr. Orde's name. They said they had placed it with the counsel to be considered in the drafting of the contract, and the points brought up would probably be embodied.

Q. Perhaps I might ask you just here, before you go into this meeting, did you in the contract as it was subsequently drawn up and executed find that your points had or had not received attention?—A. I think they had been carried out almost in their entirety. They had varied the form of some of them.

Q. But in substance?—A. In substance. And our suggestion in reference to guarantee I think had been altered to Guarantee Company.

Q. I assumed that was so because you were present at the meeting when the contracts were read.—A. That is right.

Q. But I wanted to know how that was. Well, outside of that may I find from you whether there was anything else before the meeting of the 19th of June?—A. No, sir.

Q. Well, you came to the meeting of the 19th of June, and I do not think I need read the names, because they are practically in already, but you were there, and the first remark is that Lieutenant-General Pease representing the War Office also attended the meeting by request:—

“The Chairman reported in regard to proposed agreements with the American Ammunition Company Incorporated and the International Arms and Fuse Company, both of New York, for the manufacture of fuses, that he had looked into the standing and capacity of both companies and was satisfied that they were able to carry out their agreements. He also reported that Mr. J. F. Orde, K.C., Solicitor to the Bank of Montreal, who had advised the Bank in reference to the proposed agreement for fuses, had been engaged by him to act with the Committee in preparing the agreements. Mr. Orde now attended the meeting and submitted the draft agreements.”

What do you say as to that minute being correct or incorrect?—A. It is substantially correct.

Q. Tell me what you want to say about that part of the minute, if there is anything you want to say. Was there a report as to standing and capacity of both companies?—A. Yes, sir.

Q. Whose report was that?—A. Well, I think it was largely Colonel Carnegie's. The General had something to say about it, and I think Colonel Carnegie did most of the talking.

Q. Perhaps when the Shell Committee met, or used to meet, and General Bertram and Colonel Carnegie were there, Colonel Carnegie did generally most of the talking, I suppose?—A. No, the General sat in the Chair, he was the Chairman, and the detail work—Mr. Riddell reported his, Colonel Carnegie reported his.

Q. Then the next thing, I am not going to go through all of it, that the draft, of the two agreements, one marked A and the other marked B, with the two companies, were read, this minute states, and that it was resolved “That the terms of payment and delivery therein set forth be approved and that the Chairman be authorized to sign the same on behalf of the Committee.” Do you remember whether that was done?—A. That was done, sir.

Q. While that meeting was in progress were the representatives of the two companies present at the time these draft agreements were being read over?—A. No, they were not present in the room.

Q. That is what I want to know.—A. I understand they were either in the office or up at the hotel.

Q. I understand that, but I meant were they present in the room when those were read over?—A. No. Mr. Orde was present.

[George W. Watts.]

Q. Mr. Orde was acting for you, not for them. Were their solicitors present at that time?—A. No, sir.

Q. Was it a discussion, or were they simply read in a formal way?—A. Oh, there was a discussion.

Q. What I mean is, was there a real discussion of the terms of agreements?—A. Not in detail; they were discussed generally. There was no criticism of the terms of the contracts as they stood.

Q. You must have then learned, if you had not before, because it is set out in the very resolution, that the American Company were only getting 833,000 in round numbers, of time fuses, and were getting 1,666,666 graze fuses, number 100.—A. I think number 100. They may have used the term "graze," I am not sure.

Q. Number 100 loaded fuses?—A. It does not say "graze" does it?

Q. No, it does not say graze. Did you know that the number 100 was a graze fuse?—A. I did not. I did not know that it was not a time fuse.

Q. I see, you did not know?—A. I did not know that until later.

Q. Did you know at that time of your own knowledge acquired otherwise what was the difference, or whether there was any difference in the price or cost of the loaded time fuse and the loaded graze fuse?—A. I did not. But, before going any further, there is a difference in the price, and I inquired as to that, and Col. Carnegie—

Q. Just one minute. I do not intend to choke you off at all; you will get your say. I asked you whether you knew that there was a difference in price when you went to the meeting?—A. No. It was disclosed then, and I asked Colonel Carnegie with reference to that, and he said that the number 100 was not worth as much as the other. That is as much information as I had on the subject.

Q. He did not go into any details as to the difference in cost?—A. No, sir.

Q. But he told you that the number 100 loaded fuse was not as expensive an article as the time fuse?—A. As the number 80. The word "time" was not used in that connection.

My mind was not fixed on time fuses.

Q. I see.

Hon. Mr. DUFF: Ask if he was aware of the change. Perhaps you have asked him that question, but I have not noticed it.

Mr. HELLMUTH: I will ask him again. Q. Were you aware of the change that the War Office—

Hon. Mr. DUFF: No, I do not mean that. I mean the change between the letter that was given to the American Ammunition Company, or to Bassick, agreeing to take time fuses and the contract which provided for one and two-third million graze fuses.

Mr. HELLMUTH: You say you were not aware that the No. 100 loaded fuse was not a time fuse?—A. No, not at that time.

Hon. Mr. DUFF: That does not quite cover the point.

Mr. HELLMUTH: Answer Mr. Commissioner Duff.

WITNESS: I was aware that negotiations had gone on to clear up the difference between these two companies as to what they were to get, and the 3,000,000 had been cancelled and a rearrangement made for two and a half million with one and two and a half million with the other; but the exact detail of how that was arranged I did not get until the meeting. Now, there are three kinds of fuses, as I understand it; that is, there are two time fuses and a No. 100. There is the 80 and the 80 over 44 and the 100. The 80 and the 80 over 44 were time fuses, and, as far as I was concerned, until a later date I did not realize or know that the No. 100 was not a time fuse.

Hon. Mr. DUFF: That does not quite cover the point that I wanted. It does not cover it logically, although it may in practice cover the whole thing. The point I rather want to put to you is this: Did you know that a change as to the character of the

fuse had taken place as between the letter that had been given to Bassick, you see, and the contract that you were then executing?—A. No.

Q. You did not know that any change of that kind had taken place at all?—A. Perhaps I have not got you quite right. I never did know the exact contents of that letter.

Q. Quite so.—A. I understood a certain quantity had been awarded by the letter, and another letter had awarded a certain quantity, which was in excess of what we wanted.

Sir WILLIAM MEREDITH: And that excess?—A. Was got rid of by subsequent negotiation.

Hon. Mr. DUFF: Colonel Carnegie rather suggested that the committee, having committed themselves, or he and General Bertram having committed themselves, for five million time fuses, and afterwards having found out that one million and two-thirds were to be graze fuses and not time fuses, they had been obliged to go to Bassick rather, as he put it, cap in hand, and were not entirely free in their negotiations with regard to the price and the terms of the contract with respect to the graze fuses. Now, what I wanted to put to you was: Was that disclosed to you?—A. Well, I should apprehend that they had committed themselves already, they were not free agents.

Q. But I say was the fact disclosed to you, that having committed themselves with regard to the time fuses, they were not, in finally concluding a bargain in regard to the graze fuses, for that reason entirely free agents; that circumstance was not disclosed?—A. No. If that had been I would have known it was the graze fuse instead of the time fuse, but I did not know at that time.

Mr. HELLMUTH: I think you have made that very clear. You did not appreciate, if I may put it that way, at that time that there was this marked distinction between the graze fuse and the time fuse?—A. Perhaps it would be better if you did not use the word "graze," but No. 100. I had no means of knowing what difference there was between the No. 100 and the No. 80. I had not seen anything but the 80, and I had not seen any diagram or any book describing it.

Q. Let me ask you, in connection with that, did you know at that time, from your own knowledge, or acquired knowledge, that a loaded graze fuse could be produced at a lower cost than a time fuse?—A. No, sir.

Q. So that so far as you were concerned, a loaded fuse was a fuse?—A. A time fuse was a time fuse.

Q. No. You say you did not know that there was any difference in the cost so far as the cost was concerned.—A. Pardon me, Mr. Hellmuth. You are using the term "A fuse was a fuse." Now, I did know that the Russian fuse was cheaper to make, and I had been told that the French fuse was cheaper to make, but I did not know the distinction between the so-called 100 and 80, and 80 over 44. Now, I did understand that the 80 over 44 and the 80 were practically the same, and I was told the hundred was worth less money, and that was the reason for the fifty cents difference.

Q. But you did not, if you pardon me again referring to the word graze, you did not at that time, from any knowledge that you had, appreciate that there might be a considerable difference in cost between a time fuse 80 or 80 over 44 and a graze fuse 100?—A. No, sir.

Q. What you did know was there was a difference and a lowering in price of certain Russian and French fuses?—A. I do not know that the Russian and French fuses have anything to do with it, but in answering your question that a fuse was a fuse I wanted to say that Russian and French fuses were cheaper.

Q. You did not know what class they were, whether they were time or graze?—A. No. I do know that French time fuses are cheaper than our time fuses.

Q. You do know that now?—A. Yes, I knew it then.

Q. I have now got your letter, Colonel Watts, and we will have it put in:—

[George W. Watts.]

"SHELL COMMITTEE,

"MONTREAL, June 4, 1915.

"Brigadier-General A. BERTRAM,
"Chairman, Shell Committee,
"Stephen Building, Ottawa.

"Dear General,—

"Re proposed agreement with reference to manufacture of fuses.

"I had understood, when we discussed this previously, that one-third of the quantity were to be permitted to be brought in from the United States, and that two-thirds of the quantity were to be manufactured in Canada, but the agreement suggested does not provide for any quantity to be manufactured in Canada, and under the agreement as it stands the entire quantity could be brought in from the United States.

"Regarding Clause 8 in which it is contemplated making advance payments on certain specified dates, would it not be satisfactory to deposit these sums in a bank, say the Bank of Montreal, to the credit of these people subject to withdrawal by them upon proof of delivery of certain definite quantities of parts.

"Regarding payment for work in progress under Clause 9, is the limitation of three million to apply only to the payment on account of the parts or is it to include the million and a half under Clause 8. If so, it is not sufficiently explicit, but if it is not the intent, it would mean that they would have a total advance up to a limit of four million and a half dollars value on fuses or parts.

"With reference to Clause 8, the Company should pay interest at the rate of 6 per cent per annum on all moneys advanced under this clause from the date of receipt of the money until repaid to the purchaser.

Provision should also be made in this clause for the refund of the advances in definite proportions on the earlier deliveries. As the agreement stands at the moment, no provision of this kind is incorporated and the Company might claim that they should be on the final payments only.

"Care should be taken that a proper bond for a sufficient amount to ensure the repayment of advances of every kind and nature whatsoever, and guaranteeing the carrying out of the contract by the Company, should be given; and made by bondsmen entirely satisfactory to the purchaser so that he may be guarded against loss through any failure.

"With reference to Clause 10, the bank of the Company referred to in this clause should be satisfactory to the purchaser to ensure that it shall have sufficient financial stability and the advances that they are to repay should be clearly stated as referred to in Clause 8 as well as Clause 9, with interest.

"In the event of cancellation of the contract as set out in Clause 12, it should be clearly stated that the advances covered in Clauses 8 and 9, together with interest, are immediately repayable.

"I think also the Company should be obligated to pay damages in case of any failure on their part to deliver, thereby necessitating cancellation of the contract by the purchaser as in the meantime valuable time would have been lost and difficulties created in securing material elsewhere.

Yours very truly,

GEO. W. WATTS.

(Marked as Exhibit 267.)

Then on June 7th comes the answer from Col. Carnegie, because his initials are here:—

"June 7th 1915.

"Hon. Lt.-Col. G. W. Watts,
"Canadian General Electric Company,
Toronto, Ont.

"Dear Colonel Watts:—

"Many thanks for copy of letter addressed to General Bertram on the subject of the proposed contract for fuses.

"We have to-day called in the assistance of J F. Orde. K.C. of Messrs. Orde, Powell and Lyle, Solicitors for the Bank of Montreal and he has made suggestions for strengthening the contract we propose making with the manufacturers.

"We handed to him your letter so that he could embody your remarks (as far as he considered they were necessary) in connection with the contract.

"Yours very truly."

"DC/O'N"

(Marked Exhibit 268.)

Q. That is the reply you got?—A. That is the reply I referred to.

Q. I see you say here in the first paragraph:—

"I had understood, when we discussed this previously that one-third of the quantity were to be permitted to be brought in from the United States and that two-thirds of the quantity were to be manufactured in Canada but agreement suggested does not provide for any quantity to be manufactured in Canada, and under the agreement as it stands the entire quantity could be brought in from the United States."

Q. What do you say as to that?—A. Well, in the negotiations that were going on, Harris in particular, the idea was that we were going to bring some machinery over from the States to make fuses in Canada, but for the earlier deliveries they would bring them in from the States.

Q. You were still of that mind after the 4th June?—A. Up to the 4th June, that is the reason I brought that point up.

Q. Was it not before the 19th June that it was definite that they could make them wherever they chose?—A. We were given to understand on the 4th June.

Q. I should judge from this you were somewhat objecting to that?—A. Well, I wanted the balance, I wanted all that could be made in Canada to be made here, that was my idea, and it was the idea of a number of others.

Q. How did it come about that on the 19th June you approved without any protest whatever of leaving the companies free to manufacture wherever they chose?—A. Because those particular companies had declined to manufacture in Canada and we had to get the fuses.

Hon. Mr. DUFF: That is the International and the American?—A. The five million negotiated.

Sir WILLIAM MEREDITH: Do you mean declined or declined to bind themselves?—A. I understood that they were going to make them entirely in the United States, that is it had been concluded it would be impracticable to make them in Canada.

Hon. Mr. DUFF: That is you had not succeeded in the negotiations in getting that made a term of the contract?—A. Not to get what we wanted, we had not succeed in our negotiations to get them to do what we wanted.

Hon. Mr. DUFF: That is to bind themselves to make a portion in Canada?—A. Yes.

Mr. HELLMUTH: Did you hear of any reason why they would not, or was it simply that they said they would not?—A. I understood they had come to the conclusion it was not practicable to do it, although they did not tell me that themselves, I got that from Col. Carnegie and General Bertram in general discussion.

[George W. Watts.]

Q. It seems to me that most of the other clauses are covered practically, as you say, by the subsequent contract?—A. Except they varied the rate of interest.

Q. The rate of interest you put as 6%?—A. That is the ordinary bank rate that a man has to pay.

Q. It had been stated, it was explained to you, that 3% was all the bank would allow?—A. I understood that, and I put in the six because I wanted to get six if we could.

Q. You wanted to get as much as you could?—A. I was satisfied to accept three rather than nothing.

Q. Was that the reason given, that the banks would only allow that?—A. Yes, sir.

Q. Outside of that there may be some, as you say, forms in the contract that are not covered, but the substance of it?—A. The substance, except the guarantee as to failure and damages; that of course they—

Q. You correct me quite properly there?—A. They did not agree to that.

Q. That is "I think that they should be obligated to pay damages in case of any failure on their part"?—A. That was my thought, that if I had been in their place I would not obligate myself to do it.

Q. There is something in the contract with regard to the failure and that is how—

Sir WILLIAM MEREDITH: Mr. Orde tells us of that proposition and why it was rejected.

Mr. HELLMUTH: But there is a proposition that they are not liable for failure occasioned by causes over which they have no control, but they remain legally liable for whatever damages may be suffered by causes over which they would be held ordinarily to have control.

Sir WILLIAM MEREDITH: It is not so stated but that probably would be the legal effect; it is not so stated.

Mr. HELLMUTH: I thought it was.

Sir WILLIAM MEREDITH: No.

Hon. Mr. DUFF: There is the covenant to do certain things and then there is the exception.

Mr. HELLMUTH: I think there is a little misunderstanding about that. Clause 14 is: "But the company shall not be held responsible otherwise for non-performance of this agreement due to any cause beyond its reasonable control." So that it really is excepting from the legal liability; it is put in that negative way.

Q. At all events you, on the 19th June when these contracts were entered into, executed, were aware of how far your suggestions had been embodied in them, how far the companies had declined to accede to them or the Committee had been unable to get their consent, and you apparently approved of the contracts then?—A. Yes, sir.

Q. Is that right?—A. Yes.

Q. Do you remember what that discussion was, or whether there was any discussion now in progress with a Canadian company for a further quantity of fuses to be made in Canada?—A. The Chairman reported they were negotiating with Russell.

Q. Do you remember the next item, "The Chairman reported that negotiations were in progress?—A. Well, there had been more or less discussion and talk about the fact that they had put in a bid at a price that was lower than the price we had got, and that it was desirable to have fuses made in Canada if possible, we should endeavour to get some made in Canada and get authority to do it.

Q. Their price apparently, according to their proposal, then was \$4.20, if I recollect?—A. Yes, that was reported.

Q. Do you remember anything about General Bertram—you of course did not execute the contract?—A. No, sir.

Q. It was executed by General Bertram on behalf of the Shell Committee, and there was the endorsement upon it by General Hughes; did you know anything about that endorsement by General Hughes?—A. No, I did not know anything about that other than that I saw it afterwards.

Mr. Markey at this point said that before the hour for adjournment arrived he would have to leave to catch his train, and he asked whether the Commission would resume on Monday next at the same hour as last Monday, namely, 2.30 p.m.

Mr. ATWATER: I desire to say that one of the witnesses of my company, who is a very important one, and whose services are very valuable to the company, that is Mr. Patterson, instructs me to-day that if he is here on Monday it will be imperative that he return to New York on Monday afternoon. He has to be in New York on Tuesday, and the only way he can be there then is to leave here by train at 4.45 p.m. He has to be in New York on an engagement of really very great importance.

Sir WILLIAM MEREDITH: What date could he be here?

Mr. ATWATER: He might possibly be here on Wednesday, but I would suggest, if it were possible to finish his examination on Monday, it would be better that he should be here then and be through; but he will have to leave this room probably at half-past four.

Sir WILLIAM MEREDITH: It would be unsatisfactory to find that he was not finished and to have to bring him back again.

Mr. ATWATER: Surely I appreciate that, and it is for that purpose I wish to put the situation before the Commissioners, so that we may all understand.

Sir WILLIAM MEREDITH: Is his examination likely to be lengthy?

Mr. ATWATER: I do not think so, as far as I am concerned; I do not know what examination he may be subjected to by anybody else.

Mr. JOHNSTON: What is he going to speak of?

Mr. ATWATER: As to the International Company.

Mr. JOHNSTON: The present capabilities?

Mr. ATWATER: Yes, and what would be done.

Sir WILLIAM MEREDITH: It would be a pretty wide field of inquiry from your standpoint; I think we had better try and arrange to get him later if that will suit.

Mr. NESBITT: If we start at two he will be easily through at half past four.

Sir WILLIAM MEREDITH: Are you willing to support your statement?

Mr. NESBITT: I think so.

Sir WILLIAM MEREDITH: I don't think there will be the slightest hope.

Mr. ATWATER: My feeling is one of doubt.

Mr. HELLMUTH: Would it be utterly impossible for him to arrange his engagement so as he could keep his engagement in New York.

Mr. ATWATER: His engagement is Tuesday in New York.

Mr. HELLMUTH: I cannot now ask Mr. Yoakum and Mr. Cadwell and Mr. Bassick to be here on Monday because I proposed to go on with these witnesses, and it let them make their engagements; I said we would certainly have witnesses here for Monday and Tuesday and that they would not be required before Wednesday. I can hardly turn back on that. May I speak to Mr. Atwater?

(Mr. Hellmuth and Mr. Atwater confer.)

Mr. MARKEY: My advice from Mr. Carvell is there would be considerable cross-examination of Mr. Patterson, and I don't think there would be any possibility of getting through on Monday.

[George W. Watts.]

Mr. ATWATER: I can have Dr. Harris, and I intend to call Major Hawkins, whose name has been mentioned here by Mr. Brown, and who is a very well-known ordnance expert, I intend to have him here. I can have him here on Monday, and Dr. Harris.

Sir WILLIAM MEREDITH: It is probable that Monday would be taken up with those two.

Mr. HELLMUTH: Yes, and possibly a portion of Tuesday.

Sir WILLIAM MEREDITH: Probably all of it. Will you call Major Hawkins?

Mr. HELLMUTH: I will call anybody that any—

Mr. ATWATER: My intention was, subject to arrangement, my intention was to call these gentlemen as witnesses really on behalf of the company I represent, but if it is thought advisable to put them in as witnesses examined by the Government counsel I am quite at the disposal of the Commission and Mr. Hellmuth.

Sir WILLIAM MEREDITH: Is there any objection to Mr. Hellmuth putting them in the box and asking such questions as he sees fit, and leave the witnesses—

Mr. ATWATER: Certainly not; as far as the order of the examination goes I am entirely in the hands of the Commission.

Mr. HELLMUTH: Although it would be perhaps the best way in one sense from the company's point of view, I think on the whole it would be more satisfactory if those witnesses would entrust themselves to my mercies first. I am quite ready to meet the witnesses and any witnesses that any counsel or any party will hand me, and go over, and eliminate what is absolutely unnecessary.

Sir WILLIAM MEREDITH: From your standpoint.

Mr. HELLMUTH: From the standpoint of getting the facts.

Sir WILLIAM MEREDITH: As you view it.

Mr. HELLMUTH: As I view it. I may have a very limited and erroneous view but I have to take my own view about that, and it surely is open after that to any counsel here to bring out anything else that they may think is material, whether they are acting on behalf of the Opposition, the Shell Committee, General Hughes or anybody else.

Mr. JOHNSTON: There is no Opposition.

Mr. HELLMUTH: Yes; you have declared yourself the Opposition.

Mr. JOHNSTON: No.

Mr. HELLMUTH: Not perhaps absolutely but—

Mr. JOHNSTON: No, there is no ruling of record that I represent anybody; you may have your suspicions.

Mr. MARKEY: In order that there may be no misunderstanding later that the examination of Mr. Patterson might be of some length, if Mr. Harris and Major Hawkins are examined first then I do not think Mr. Patterson's cross-examination will be very long. I do not want the Court to say I have said something which might not be realized later.

Mr. NESBITT: If you are going to undertake that they will be put in the box then it will shorten up Mr. Patterson.

Mr. HELLMUTH: I think it had better be left, Mr. Commissioners, as it is now, that Mr. Atwater will have his clients Dr. Harris and Major Hawkins here for Monday at half past two.

Mr. ATWATER: And Mr. Patterson's examination will be taken at a later date to be arranged.

Mr. HELLMUTH: Yes.

Mr. ATWATER: The attitude my company take is this, that these charges reflect upon them, and they welcome the inquiry. They maintain their part in this contract

was done openly and above board, and we are calling the best men in the company to substantiate that position.

Mr. HELLMUTH: The adjournment when it is made will be to half past two on Monday.

Sir WILLIAM MEREDITH: Yes.

Mr. HELLMUTH: I won't be able so far as I can see time will permit to call, certainly not to finish with Mr. E. Carnegie to-day. I intend to call Mr. E. Carnegie because he is the only other member of the Shell Committee that has not been called manufacturing member; and let me say here I may consider it is advisable to call, if they can throw any light upon it, other members of the Shell Committee who are not manufacturers—I am not limiting myself. General Benson is at Halifax, and I may not be able to get him, but Col. Lafferty will be available.

Sir WILLIAM MEREDITH: I suppose you could arrange to call Mr. Carnegie by telegram.

Mr. HELLMUTH: Yes, he is here. I suppose, Mr. Carnegie I can get you by telegram?

Mr. CARNEGIE: Yes, I will be here, sir.

Mr. HELLMUTH: Now, Mr. Watts, in this minute of the 3rd July "Mr. Riddell reported that he had made inquiries through the Bank of Montreal as to the standing of the guarantors submitted by the International Arms and Fuse Company, and the American Ammunition Company, i.e., the Guarantee Trust Company, the Bankers Trust Company and the Chase National Bank, all of New York. Mr. Riddell also submitted a letter to him from the General Manager of the Bank of Montreal dated June 23rd approving of these corporations as guarantors. It was resolved that the Chairman be authorized to accept as guarantor any or all of the three Corporations named."

Q. Do you remember that?—A. Yes, sir.

Q. I need not elaborate that, you remember that taking place?—A. That took place.

Q. Then we have a meeting of the 17th July. Apparently at that meeting Lieut.-General Pease was also present representing the War Office, and he stated he attended the meeting by request. Then the minutes of the meetings of the Committee of the 12th May, the 4th and 9th June and 3rd July, all those minutes were read and confirmed.

Q. "It was reported that the following advances had been made on contracts for fuses"—to the International Arms & Fuse Co. I have read those figures, the total is, including the premium on New York funds, \$1,134,140.62, and to the American Ammunition Co. on the same basis, \$1,048,540.

"Col. Carnegie reported to the Committee on progress made by these companies in the manufacture of fuses"; have you a recollection of a statement being made then of the advances that had been made?—A. Yes, sir.

Q. Does that tally, perhaps you do not carry the figuring in your head?—A. I do not carry the figures in my head, but it does tally, because it was taken from the figures.

Q. The other matter there is nothing to throw any light on in the minute itself. It says, "Col. Carnegie reported to the Committee on progress made by these companies for the manufacture of fuses"; can you remember what the report was in that respect?—A. No, except that there was no complaint, that they were going ahead satisfactorily, but the exact detail of the report I could not tell you.

Q. Let me understand what it meant; did you at that time suppose or have any idea that they actually manufactured any fuses?—A. No.

Q. Should that minute have read, from your recollection of it, from what we know now, "Reported on the progress that was being made to get ready for the manu-
[George W. Watts.]

facture of fuses?"—A. I would not say that because the getting ready is the manufacturing as well as the actual doing of the work.

Q. What did you understand the report was, the progress of what, actual manufacturing?—A. They were getting their material in shape, plant and material.

Q. Can you tell me what he reported in regard to that?—A. I could not give you detail of that; it is too long ago.

Q. Then the next important item, that is important item because it deals with fuses, is this, and I am leaving out about other contracts, because it does not matter:

"Fuses.—The proposal of Messrs. Harris & Russell for the manufacture of 500,000 No. 100 fuses filled, without gaine, at \$4.00 each was considered"—that was the proposal?—A. Yes, sir.

Q. "And it was suggested that arrangements be made for 250,000 at \$4.00 each, and 250,000 at \$3.00 each. This decision was arrived at after full discussion as to prices being paid in the United States, but the importance of starting the manufacture of fuses in Canada was considered to justify the foregoing prices."

Can you tell me at all what was discussed in regard to prices in the United States?—A. General Pease told us that he had found out from Morgans or from some source that they were buying No. 100 fuses at a lower price in the United States than we had paid.

Q. You had paid \$4.00?—A. Yes.

Q. Did he tell you how much lower?—A. No, he did not give the exact figures, but he gave tentative figures; I do not think he wanted to disclose the exact figures; probably they were given to him in confidence, I do not know as to that, but he gave me the impression he did not want to tell the exact figures out around.

Q. It was General Pease then who advised you of that at the meeting, that is your recollection?—A. Yes.

Q. What did he say then as to the proposal to give the Russell-Harris people a contract at \$4.00 for the first two hundred and fifty thousand, and \$3.00 for the second two hundred and fifty thousand, or an average on the five hundred thousand of \$3.50?—A. He approved of it being done.

Q. Although he told you that the United States prices were lower than you had made your contract at still he approved of that contract?—A. Yes, sir, in fact he wrote out the resolution himself.

Q. General Pease read out the resolution himself?—A. Yes.

Q. That is on a slip of paper, not in this book?—A. Yes, sir. There were several resolutions written out, and his was the one adopted.

Q. By the way you were the Secretary?—A. Yes, sir.

Q. And it was your business particularly of all members of the Shell Committee to see that the minutes were properly entered and kept?—A. Yes.

Q. And I believe this minute book has been in your possession since, at all events, the disbanding of the Shell Committee?—A. Since the disbanding of the Shell Committee that minute book has been in my possession continuously until I sent it down here.

Q. I asked somebody to telegraph for it and you sent it down?—A. Yes.

Q. Was it your practice after the meeting or meetings had ended to get the slips of paper containing the entries of the minutes, and then have them typed into this book?—A. Yes, as quickly as possible after the meeting was over.

Q. Did you go over those minutes yourself?—A. Yes, sir.

Q. After they were put in the book?—A. Yes, sir.

Q. So that may we at all events so far as accuracy is concerned, put you under the obligation of being the person who should be accurate in regard to those minutes?—A. Yes, sir.

Q. You accept that responsibility?—A. Yes.

Q. You have not got any discharge from that?—A. No, they are correct.

Hon. Mr. DUFF: He does not want any.

Mr. HELLMUTH: We have now got to the date of the 17th July, did you at that meeting yourself glean any fresh knowledge as to the difference in value of No. 100 fuse and Mark 80, whether V or over 44?—A. No, sir. When General Pease disclosed that information Col. Carnegie confirmed it; I was shown a No. 100 fuse which was there.

Q. You said something you had not said before, you said Col. Carnegie confirmed Gen. Pease's statement about the lower prices in the States?—A. Yes.

Q. Did you ask Col. Carnegie why he had not found out before he left the American and International contracts about the prices in United States?—A. No, sir, I did not ask him.

Q. But he gave you to understand at that meeting that he had become acquainted with the American prices since the contracts that had been let?—A. Yes, sir.

Q. Is that correct?—A. Yes, that is correct.

Mr. EWART: Is that both?

Mr. HELLMUTH: I am speaking of the 100 fuse?—A. Yes.

Q. But there was no discussion sufficient to illuminate your mind as to the 100 fuse being a graze fuse even then?—A. Yes, right there.

Q. When you were shown the fuse?—A. When I was shown the fuse.

Q. Was there any discussion at that meeting as to the difference in cost between the time fuse 80 and the graze fuse 100?—A. Well, I told you before General Pease—

Q. I know they said about prices in the States, but did they compare the prices in the States for the time fuse?—A. No, there was no discussion in reference to prices in the States for the time fuse at that time.

Q. And the whole discussion as to the ascertainment of prices in the States was in reference to the 100 graze fuse?—A. Yes.

Q. Was there anything said up to that time about the American Company being relieved of the duty of loading the graze fuse?—A. No, sir.

Q. So that did General Pease give you, or had he any loaded graze fuse being manufactured in the United States?—A. I cannot say what his knowledge was, but the information he gave us related to an unloaded fuse.

Q. The information he gave you it was simply in regard to an unloaded graze fuse?—A. That was my understanding.

Q. Was there any discussion as to what the cost would be, the difference in cost between a loaded and an unloaded graze fuse?—A. There was, but no one seemed to have any very accurate idea at that time; we wanted to know what the difference would be so that we could get an idea how much we were out.

Q. And at that time the only graze fuse you had let was this one and two-third millions to the American Ammunition Company for a loaded graze?—A. Yes.

Q. As you know then it was a graze fuse?—A. Yes.

Q. Was anything said as to the fact that no firm at that time in the United States was making a loaded fuse?—A. No, I cannot recall that.

Q. Did you learn subsequently that that was a fact, that no firm in the United States was making loaded graze fuses?—A. No, except what I have seen stated in evidence and heard here.

Q. You cannot throw any light on that?—A. No.

Q. The next meeting dealing with fuses at all is the minutes of the meeting held at Ottawa on August 31, 1915; you were present then and at that meeting this appears: "Col. Carnegie reported the execution of contract with Russell Motor Car Company, Limited, for 500,000 fuses in accordance with resolution authorizing same passed at the meeting of July 17, 1915"—do you remember that?—A. Yes, sir.

Q. Was there any discussion then in regard to that?—A. I think not; I think there was no further discussion.

[George W. Watts.]

Q. Then were you present at any meetings or meeting at which any extension of time was asked for by these companies or either of them?—A. You mean the fuse contracts?

Q. Yes?—A. No, sir.

Q. Did you know of any extension being asked for of the fuse contracts before the Committee went out of existence?—A. No, sir.

Q. Then just in regard to these fuse contracts, did you know of any commission payment of any nature or kind to any one in connection with these contracts other than the payment of the purchase price mentioned in the contracts and the advanced payments mentioned in the contracts?—A. No, sir.

Q. When did you first hear of any such matter?—A. I have not heard of any yet; I have heard statements made that such is the case, I see those statements in newspapers.

Q. Was there any inducement offered to you by any one or offered by you to any one to enter into these contracts?—A. No, sir.

Sir WILLIAM MEREDITH: You might ask whether the Minister of Militia either directed or influenced him.

Mr. HELLMUTH: Were you influenced directly or indirectly by the Minister of Militia, General Sir Sam Hughes, to enter into these contracts or to advocate in any way the giving of either of these contracts to the companies or the promoters or agents of the company?—A. No, sir, I never saw or heard of General Hughes in the contracts at all except the day the contract was signed he came in the office for a few minutes then.

Q. Did he take any part in the discussion that day when he came in, and if so what part did he take?—A. He took no part in it.

Mr. EWART: Perhaps Mr. Hellmuth will ask the witness about Colonel Allison, taking the wording of the Commission.

Mr. HELLMUTH: In the proposed appointment of this Commission on the Shell contracts, the following appears in the statement made by the Premier, Sir Robert Borden:—

“The Honourable Member for Richmond, N.S. (Mr. Kyte) however, made statements late on Tuesday evening as to the connection of the Minister of Militia with certain contracts entered into by the Shell Committee and as to enormous profits or commissions arising out of those contracts to certain companies which he mentioned, and it is alleged that Mr. J. Wesley Allison had a very large interest in those profits or commissions”—you did not know of that?—A. No, sir.

Q. “and it is suggested that through his influence with the Minister of Militia the Shell Committee were induced to make the contracts in question”—I ask you whether, so far as you are concerned as a member of the Shell Committee, or so far as your knowledge goes in connection with the other members of the Shell Committee, any influence was brought to bear by the Minister of Militia to induce you to make the contracts in question?—A. No, sir. I never heard of any until those statements were made.

Q. Let us pass on now to the Edward Valve Company. You knew of a contract with the Edward Valve Company?—A. Yes, sir.

Q. I shall not take you over all of it. You have been here while the Edward Valve Company was discussed with the last witness. What do you say as to the urgency, if any, for cartridge cases at the time the letter of July 9th and the order of July 16th were given to the Edward Valve and Manufacturing Company for the cartridge cases?—A. The matter of urgency was so great that if I personally had been handling it myself and could have got immediate delivery, I would have taken all the cartridge cases I could get.

Q. At what price?—A. At any price up to \$4 or \$5 a piece. It was not a matter of price. It was a matter of getting the cartridge cases. There was a great deal more money being wasted than the difference in the prices of cartridge cases in the way of expense and delay. The British Government were telephoning or cabling over here wanting cartridge cases, wanting these things complete, and any one that had anybody at the Front realized that it was absolutely necessary to get the stuff there. As far as I am concerned, it would not have been a matter of profit at all. As a matter of fact, there were shells ready, there was ammunition ready and powder ready to put in them, and there was nothing needed but these cartridge cases in order to get them away. The stuff had been stacked up in Montreal.

Q. There were no fuses?—A. There were no fuses. But that had nothing to do with this particular fuse contract you speak of. There were a great many others ahead for materials that were piled up. The material for other contracts was arriving and was being stacked up. A great many other matters were involved. We were discussing how we were to be protected by insurance, and there was insurance, cartage, rent, etc., being piled up by those materials.

Q. You had got orders from the War Office which you were executing for shells without fuses?—A. Yes, sir.

Q. And was it the cartridge cases for those shells you wanted?—A. That was what we wanted.

Q. And it had nothing to do with the five million contract?—A. No, prior orders. The mere fact that they came along about the same time is simply what often happens as far as time is concerned.

Q. I see that that order was a conditional order for the supply within a given time. The supply did not materialize within the time given, and the order was cancelled by you?—A. Yes, sir. It was extended and afterwards cancelled. As far as I was concerned, I would not be a party to carrying it on any farther. I had received information that led me to suppose that they could not possibly deliver the goods. I had that from another source.

Q. Is it a fact within your knowledge that later on towards the fall of that year the Canadian manufacturers of cartridge cases began to pick up and fill the orders?—A. Yes.

Q. Before the fall?—A. They were in pretty fair shape by the fall.

Q. Were they in fair shape at the time that order was given?—A. No. They were all in bad shape. There was only one Canadian concern that was getting any where near its deliveries at that time.

Mr. JOHNSTON: Give us the name of the Company.

Mr. HELLMUTH: Should we know the name? I have no knowledge of the names of these people.

WITNESS: Unless I am pressed to do so, I do not want to give the name. I do not want to compare one manufacturer with another, and do not want to be noted as such.

Mr. HELLMUTH: You know there was only one manufacturer?—A. There was only one manufacturer up to date. They had not got anywhere near they had hoped to get. They were hopelessly behind.

Q. What do you know about a contract for picric acid with the Providence Chemical?—A. I never heard of such a thing.

Q. You never heard of any contract with that Company?—A. Not with that Company.

Q. Do you know of any contracts that were made by the Shell Committee with anybody for picric acid?—A. No, sir.

Mr. HELLMUTH: That is all I have to ask of this witness.

Sir WILLIAM MEREDITH: Would you prefer, Mr. Johnston, if Mr. Nesbitt or Mr. Ewart has any questions, that they should precede you? Will you finish within the time?

[George W. Watts.]

Mr. JOHNSTON: Hardly, I am afraid. I have some matters I would like to ask the witness about with some particularity, and I do not like to feel hurried.

Mr. HELLMUTH: Would it be possible for you, Mr. Watts, for us to trespass upon your convenience and ask for your attendance at another time?—A. You can trespass on my time all you like, but I do not want to spend any more time here than I can avoid.

Q. You would not mind it being deferred over to Monday?—A. If I go away once, I can come back. I am at the pleasure of the Commission, but still I do not want to be brought back again if I can help it.

Mr. JOHNSTON: I would like to be in the same category as the witness.

Sir WILLIAM MEREDITH: Have you any questions to ask, Mr. Ewart?

Mr. EWART: No, sir. Anything I may have to ask would probably arise out of what Mr. Johnston asks.

Mr. NESBITT: The same observation applies to myself.

Mr. JOHNSTON: I will only ask about the subject matter brought out by Mr. Hellmuth. No new matter as far as I am aware.

Mr. NESBITT: No, but in a new light.

Sir WILLIAM MEREDITH: I thought we had arranged to sit until half past five. We have an hour yet.

Mr. HELLMUTH: I have no objection to calling another witness in the meantime.

Sir WILLIAM MEREDITH: If Mr. Johnston could finish in an hour I would prefer that, but of course without hurrying him.

Mr. HELLMUTH: I would press very strongly against having anybody hurried. I have taken a great deal longer with this witness than I expected, but I could not get through any sooner.

Mr. JOHNSTON: I thought by four o'clock you would have been through. I will see what I can do. I do not wish to delay the Commission at all.

By Mr. Johnston:

Q. You were asked (and I shall deal with this very briefly) as to your knowledge of any commission being paid or, to put it in another way, any corrupt act on the part of anybody in connection with these contracts. You were asked that question, and you said you did not know and had never heard of it until perhaps the other day. You would not be in a position to hear or know anything of that, as I take the evidence, would you? If it did take place you would not be in a position to know—I am not saying it did, for the moment?—A. If it took place in my absence I could not know. I might be aware of it if somebody came and whispered it to me, but I would not know of it of my own knowledge.

Q. Did you personally negotiate these contracts?—A. I did not carry on any personal negotiations.

Q. If there was anything of that kind it would be more liable to be known to the people who did the actual negotiating than to you?—A. Yes, sir.

Q. That is all I want. I am not saying there was, one way or the other. Then would you tell me this, Colonel Watts: Why do you say (or do you say) that these articles could not be made in Canada—you do not take that stand?—A. I did not say that.

Q. You do not take that stand?—A. I do not say that.

Q. Would you say that there was any special advantage to the manufacturers in the United States or by those manufacturers over Canadian manufacturers, in making fuses for instance?—A. It depends entirely upon where the manufacturers in the United States are located. As a rule, he is no more clever, but in a great many cases he has the advantage of a better labour market, and that is the main thing.

Q. Did you have any trouble in your labour market in regard to getting experienced working men in 1915?—A. Yes.

Q. The Americans had the same difficulties?—A. Yes. But this is a little out of the ordinary.

Q. For instance, your factory could not turn them out?—A. They are no difficult a thing to make. I am speaking of the girl labour, which is essential. It is necessary, if you want to turn fuses out in large quantities that you shall have girl labour. You cannot go to work and make large quantities of fuses without a great deal of girl help, and if you are not where there is lots of that help you cannot get them.

Q. That is one of the difficulties in the way of a manufacturer?—A. That is one of the difficulties in the way of a manufacturer who might be located in a small place.

Q. But in Montreal, Toronto or Hamilton?—A. In Montreal there might be a large quantity available.

Q. If manufacturers had seen fit, why should not these articles have been manufactured in those places as well as in the United States?—A. They could be, but they could not be manufactured in the time set.

Q. We have one example in the case of the Russell Motor Car people?—A. Yes.

Q. They were making fuses?—A. They are making fuses.

Q. And we have an example of two companies in the United States making fuses under the same contract or a similar contract?—A. Similar contract, two companies.

Q. In what respect has there been the longer or the greater default, do you know?—A. I don't know that there has been any greater default in the one than in the other. If you compare the quantities with the volume of the contract they are about equal.

Q. So that it was a new business as far as the Russell Motor Car people were concerned, apparently?—A. Yes, perhaps a new business.

Q. Take the American Ammunition Company and compare it with the Russell Motor Car Company; do you know how they compare as to default?—A. I don't know of my own knowledge.

Q. Do you know what condition the manufacture in the Russell Motor Car Company is, as to being up to time?—A. Do you refer to the 100 fuses?

Q. Yes, to the 100 fuses?—A. I am informed that they are practically up to time, but I do not know that.

Q. Did you not know in say last March or April, only a month or two ago, that one of those United States companies had only commenced to deliver?—A. I tell you I have no information whatever of my own knowledge, other than the information furnished me since.

Q. You got that through the Shell Committee?—A. No.

Sir WILLIAM MEREDITH: What is the use in asking the witness about something which can be proved exactly, Mr. Johnston, in regard to what the figures are?

Hon. Mr. DUFF: We have the cable here.

Sir WILLIAM MEREDITH: What is the use of asking this witness, when we can see them for ourselves?

Mr. JOHNSTON: The next question will perhaps explain it.

Q. Can you explain why the American Company with a market of girl labour and so on, girl labour also in Toronto with the Russell people, why one should be so far behind the other?—A. I don't understand that they are so far behind.

Q. But assume that they are?—A. The assumption is the other way.

Q. I am telling you as a matter of fact that that is the case.

Mr. NESBITT: As a matter of fact it is not.

Mr. JOHNSTON: The Russell Motor Car Company began four months after the contract was made.

[George W. Watts.]

Mr. NESBITT: They had everything ready to start.

Hon. Mr. DUFF: The witness who was here yesterday, Mr. Brown, said that they began about Christmas with their deliveries. He did not say the volume of delivery.

Mr. JOHNSTON: That was in 1915. Their contract was made in May, 1915.

Mr. HELLMUTH: I would suggest that we get from the Russell people exactly what the deliveries were.

Sir WILLIAM MEREDITH: That is what I suggest also, so that we can see for ourselves. Do not ask the witness hypothetical questions.

Hon. Mr. DUFF: The cross-examination is useless, until you get the proper statements.

Mr. JOHNSTON: I should have thought he would know, because he was a member of that old Committee until the end of November.

Hon. Mr. DUFF: They did not begin to deliver until after he left.

WITNESS: It was long after I went off the Board that they commenced to deliver.

Mr. JOHNSTON: We have heard a great deal about the difficulty and the urgency of making fuses, and that the Canadian manufacturers could not apparently fit themselves to the job so as to produce within the appointed time. What do you say about that?—A. I think that is correct.

Q. What grounds have you for thinking it is correct?—A. I think I have every ground, by my business experience.

Q. Name one reason if you can why you think that is correct?—A. I have had about 38 years' experience in the manufacturing business.

Q. But can you give me any information?—A. No, I can only form my opinion, not facts.

Q. But I should like to have the facts upon which that opinion is based. The only fact you have is that of a long experience of 30 odd years in this country, in one business institution?—A. But I have had considerable business experience along manufacturing lines.

Q. In the letter marked Exhibit No. 267, dated the 4th of June, 1915, you stated you thought then that these things could be made in Canada. Do you remember saying that?—A. In that letter?

Q. No, not in the letter. You said that you thought they could be made in Canada?—A. I think now they could be made in Canada. I always thought they could be made in Canada, but not in the time required.

Q. You did not think the Americans could make them in the time required?—A. They professed to be able to come pretty near to it.

Q. Did you think from your experience that they could make them in the time required?—A. I thought they could come nearer to it than our people could.

Q. But that is a matter of comparison or degree. Did you think as a matter of fact that they could make these things within the time specified?—A. No. I thought they might come measureably near it.

Q. What difference would there be in the time they would take to make them and the time that would be taken in Canada, in your judgment?—A. They ought to be able to complete the order very much quicker.

Q. What length of time do you say ought to be or might be the difference between the United States manufacturer and the Canadian manufacturer in the matter of production?—A. I would not like to pass upon that.

Q. Did you know that at the time the contract was made in May, that these two American companies had no corporate existence, as I am advised?—A. I did not know anything about their corporate existence.

Q. That they were organized and incorporated subsequent—did you know that?—A. No, I did not know that.

Q. You did not know that they had a plant or anything else of their own in actual operation?—A. I did know that the parties negotiating the contracts represented that they had a variety of plants.

Q. To choose from?—A. No, not to choose from, but to do the work in, that they had various plants the same as any other manufacturers had, to make that class of material. They represented that they could make that material in those plants, and also represented that they could get that material ready.

Q. They said factories?—A. They did not represent that they had a loading plant.

Q. Did you know that this Company entering into the contract had a plant at all at the time the contract was entered into?—A. I knew that Mr. Patterson and the various men stated to be associated with that syndicate had factories.

Q. Did you know what factories they were that these men had?—A. I was told, although I did not go into the details. Colonel Carnegie was supposed to look after that.

Q. He has told you, as he has told us, what the factories were?—A. Yes.

Q. You did not know anything about the formation of the Company, when it was formed, or anything else?—A. No, sir.

Q. You were dealing with Mr. Bassick and three or four other people for the two contractors?—A. Yes.

Q. You knew the Russell Motor Car Company had an established factory in running order, fully equipped for their business at any rate, in the City of Toronto?—A. Yes, sir.

Q. And you knew that they were a firm of very high reputation?—A. Yes.

Q. And that they had facilities and the ability to carry out any reasonable contracts they undertook. You had no reason to doubt that, had you?—A. No.

Q. And that all you knew about the other companies was that they had certain men interested with them who claimed to have certain outside factories through which the work would be done either by one or by an amalgamation of those companies, in some way or another?—A. We were aware that there was no concern making fuses in America other than the Arsenals until the War started. Then various concerns got to making fuses.

Q. What they called the American fuse, was it?

Hon Mr. DUFF: The 85 fuse.

WITNESS: They were making the Russian fuses.

Mr. HELLMUTH: They were making the 100 fuses too.

Mr. JOHNSTON: Leaving out the question of girl labor that you have mentioned, I want to know what mechanical or expert difficulty there is in manufacturing these so-called time fuses, or the so-called graze fuses. Can you give me some idea?—A. I am not a fuse expert.

Q. But you are a mechanic and understand mechanical production?—A. Yes.

Q. If you were shown a drawing or specification you would understand the meaning of them and how they should be made, I suppose?—A. To some extent.

Q. Have you ever been directly working in a machine shop?—A. Not operating a machine.

Q. How do you mean, not operating a machine?—A. Not doing machine work.

Q. But that is a class of work that has been under your control more or less for a number of years?—A. Yes, sir.

Q. Where did you become expert enough to superintend, if I may say so, this class of work or any kind of work of a mechanical character?—A. In the business I have been carrying on.

Q. But you have not been doing it yourself?—A. I have been in it a great many years.

[George W. Watts.]

Q. But did you ever work a lathe, or anything like that?—A. No. I told you that.

Q. So that it is by observation that you know how these things are done, and what is necessary to complete them?—A. Observation and study.

Q. Eliminating for a moment the question of girl labor, with that observation and study will you please point out what you think is the difficult part in the making of any of these fuses, mechanically speaking?—A. No, I decline to undertake to do any such thing.

Q. I thought you said there was a difficulty as to making time fuses. You must have had something in your mind before making a statement of that kind?—A. I am not going to undertake to tell you how to make a time fuse.

Q. That would take you a longer time than we have to spare, to teach me how to make a time fuse. What I am asking you is, as a mechanical man with experience of over thirty years to point out in some way the difficulties, mechanical or scientific, in making a time fuse?—A. My observation is based on what I have seen people doing. I had not seen anything of a time fuse until after the War started, and I have not seen anything yet in connection with time fuses that makes it look easy.

Q. What is there about them that makes it look difficult in their construction or manufacture?—A. Particularly the close tolerations in which you have to work.

Q. Is that the only thing?—A. I don't know that we have to pursue it any farther.

Q. But is that the only thing?—A. No. There are a great many things.

Q. I am told by fuse makers themselves that there is no mechanical difficulty about the matter at all, of a serious character?—A. That is a matter of opinion.

Q. I am asking you your opinion? You cannot give me anything excepting the tolerations?—A. I am not going to give you definite particulars.

Q. I ask you in all fairness to tell me some difficulties of a mechanical or scientific character with regard to the making of time fuses?—A. I will tell you that my knowledge of it is general, and is obtained from what has been going on during the past two years. I am not going to attempt to go into particulars of how my impressions are arrived at.

Q. Is Mr. Kirby an experienced man?—A. I don't know.

Q. Do you know whether he has any knowledge of fuse manufacture at all?—A. No, sir.

Q. Have you talked with him?—A. Yes, sir.

Q. About what?—A. About fuses.

Q. Was he in your factory or shop, in any way?—A. He was in my employ at one time.

Q. Has he explained to you or suggested anything to you about how these fuses are made?—A. In general.

Q. Has he ever expressed to you any difficulty about making these fuses?—A. Yes.

Q. When?—A. A year ago last November.

Q. What attitude did he take in regard to the difficulties in making fuses?—A. That it was difficult, but could be done.

Q. Did he tell you in that respect it was difficult?—A. Not in detail.

Q. But in general?—A. Yes.

Q. What did he say in general about the difficulty?—A. He said it was difficult.

Sir WILLIAM MEREDITH: How is this evidence at all, what Kirby said?

Mr. JOHNSTON: Because it is said that there was difficulty, sir.

Sir WILLIAM MEREDITH: But what difference does it make what Kirby or Thomas Jones or I might say about it?

Mr. JOHNSTON: This witness is giving evidence all along as to what other people told him.

Sir WILLIAM MEREDITH: But you are going into all the details of those conversations?

Mr. HELLMUTH: I am going to call Major Hawkins and others as experts.

Sir WILLIAM MEREDITH: Go on, Mr. Johnston, if you think there is any advantage to be gained by it. It seems to me to be a waste of time.

Mr. JOHNSTON: I do not want to waste the time of the court at all.

Sir WILLIAM MEREDITH: If you think it is going to help, go on.

Mr. JOHNSTON: I thought it necessary to get the information which this man has. He will not give me any details. I want to know upon what he bases his opinion. That was all I wanted to ask him.

Mr. NESBITT: There is one point I have to ask about.

Q. You told either Mr. Hellmuth or Mr. Johnston that the Canadian manufacturer was on the same basis as the American manufacturer. Where would it be necessary to get all the machinery for the making of these component parts?—A. Well, the great majority of it, if you wanted it in a hurry, would have to be got in the United States.

Q. Is there not 35 per cent duty?—A. Yes.

Q. Which the United States manufacturer does not have to pay?—A. Yes.

Q. That is one item which would add considerably to the cost?—A. Yes.

Q. To the disadvantage of the people here?—A. Yes.

Mr. JOHNSTON: Do you mean to say that we pay duty on war machines coming in here?

Mr. NESBITT: You try it and see.

Mr. JOHNSTON: They got it through by the thousands at Morrisburg without duty.

Mr. HENDERSON: But that was for the Militia Department.

Mr. NESBITT: It has been said more than once that a \$4 contract for 250,000 and a \$3 contract for 250,000, meant an average of \$3.50. Consider that for a moment. One contractor contracts for 250,000 at \$4 each. What is there to compel him to go on with the \$3 contract. How could you get your shells if he found that the \$3 would not pay him?—A. I don't know that there is any way to compel a man to do what he will not do. You might perhaps sue him for damages.

Q. I should have thought it was a difficult matter.

Sir WILLIAM MEREDITH: Surely that is not a proper question to ask.

Mr. NESBITT: He may not be able to give an answer. But it struck me all along as a most curious doctrine. The manufacturer would not look upon it as an average.

By Mr. Ewart:

Q. You said to Mr. Johnston that the American companies had factories in which the manufacture of fuses would take place?—A. Yes, sir.

Q. That they represented that?—A. They represented that they could manufacture the fuses in parts. They did not represent that they could load them. They represented that they would be loaded at the Dupont's, as I remember it.

Q. Mr. Johnston asked you if the Russell Motor Car Company had a factory already, and you said they had, for their own business. What was the meaning of your putting emphasis upon their business?—A. Well, Mr. Johnston's question was not quite as you put it. He said that they had a factory equipped for their business. That is not fuses. That was the reason I answered and emphasized it there, that they did not have a factory equipped for fuses.

[George W. Watts.]

Mr. JOHNSTON: It was a motor business, and I was about to ask him the delicacies of motor operation, but I did not get a chance to.

Sir WILLIAM MEREDITH: Go on, Mr. Johnston.

Mr. JOHNSTON: I am through now. I cannot do anything more.

Sir WILLIAM MEREDITH: We have another theft of time now, I suppose.

Mr. HELLMUTH: I have Mr. Carnegie here, and will call him if you like.

Sir WILLIAM MEREDITH: No, never mind.

(The Commission adjourned at 5 o'clock until Monday, May 8, 1916, at 2.30 p.m.)



ROYAL COMMISSION.

TENTH DAY.

MONDAY, May 8, 1916.

(The Commission resumed at 2.30 p.m.)

Mr. ATWATER: I have to announce to the Commission that Mr. Cadwell, who left Ottawa Friday night, will not be able to attend to-day. But we have Mr. Patterson, of the International Arms & Fuse Company, available as a witness.

Mr. HELLMUTH: Before taking up the examination of Mr. Patterson, I might mention to the Commissioners that on Saturday when in Toronto I received the following letter from Mr. E. B. Ryckman:—

“In the newspaper reports of the proceedings of the Royal Commission now sitting at Ottawa, it has been intimated that Messrs. T. A. Russell and Lloyd Harris or one of them may be called as a witness. These gentlemen are, as you know, officers of the Russell Motor Car Company, Limited, which has pending business with the War Office, and the Company is now awaiting a cable from England determining whether it will be necessary for one of these gentlemen to go to England forthwith.

“Neither of them desires to avoid giving testimony if it is necessary to call them, much less is it the wish to appear to have avoided being summoned by leaving the country. If it is possible, I would like to make an arrangement that it becomes necessary for either Mr. Harris or Mr. Russell to go to England I can advise you at Ottawa by telegram, so that the Royal Commission may be informed of the urgency of the situation and so that if the one leaving is required to testify he may be called before his sailing date.

Yours faithfully,

E. B. RYCKMAN.

P.S.—“Since the above was written I have heard that Mr. Lloyd Harris intends to sail by SS. Nordham, sailing from New York, at 12 noon next Thursday the 11th instant. This means that Mr. Harris could not safely be in Ottawa later than next Tuesday. E. B. R.”

Tuesday is to-morrow. With the permission of the Commission I thought of sending a telegram in reply.

Subsequent to receiving the letter I telephoned Mr. Ryckman, and he stated if I telegraphed him this afternoon to Toronto he could make arrangements, or would make arrangements so that Mr. Lloyd Harris could be present in Ottawa on Tuesday.

I do not think it is at all necessary that the absolute order that I propose to follow should be closely followed out. In view of that I thought of sending this telegram to Mr. Ryckman, if it meets with the approval of the Commission:—

"Please arrange for Mr. Lloyd Harris to be present before Royal Commission here to-morrow Tuesday."

Sir WILLIAM MEREDITH: At ten o'clock?

Mr. HELLMUTH: No, sir, not at ten o'clock. I thought we might not be finished with one of the other witnesses, and in any event the only way Mr. Harris would have of coming from Brantford to Ottawa would be by the train arriving here in the morning. I thought if I said to-morrow it would cover it. He would know that he would have to be here in time.

Sir WILLIAM MEREDITH: I don't think I would make it absolutely necessary for him, to appear to-morrow morning.

Mr. HELLMUTH: To-morrow, Tuesday morning, say. I will send this telegram in my own name. It is not necessary that the secretary should sign it, I suppose. If it is thought desirable that it should be signed by the secretary, Mr. Ritchie might sign it.

Sir WILLIAM MEREDITH: I don't know that you need the permission of the Commission. However, you have it.

Mr. HELLMUTH: It will mean a little break, or interruption in the presentation of the evidence.

Hon. Mr. DUFF: Before you go on, Mr. Hellmuth, I spoke several times (twice at all events) last week about communications between the Shell Committee and the War Office, if there were any in addition to those that were produced I have not heard anything at all about them from anybody. The evidence of Colonel Carnegie, I may say, seems very pointedly to suggest that there were other communications.

Mr. HELLMUTH: There were a number of communications for specific orders.

Hon Mr. DUFF: Relating to fuses?

Mr. HELLMUTH: No, sir, I understand not. I merely want to say what I know. There are I understand a number of orders relating to other articles of war, munitions of war, which I did not think there was any particular object in bringing. I have asked, and I ask again of the gentlemen who are appearing for the Shell Committee if they would look up and ascertain if there are any communications of any nature dealing with fuses, or munitions in which fuses play a part.

Mr. JOHNSTON: There is a letter which has been mentioned several times, but not produced.

Mr. HELLMUTH: There is in Exhibit No. 49 something which Mr. Johnston has called my attention to. It is a cablegram dated April 30th, 1915, from "Troopers" to "Minister of Militia, Ottawa":—

"Your 313 cipher and our letter of April 5th. Can you now quote for No. 80 fuse for high explosive shells".

This letter it is said has not been produced.

Hon Mr. DUFF: I am not referring to that. I got the impression from Colonel Carnegie's evidence, rightly or wrongly, that there are other communications. I think perhaps the better plan will be to have the gentleman who is making the search, whoever he is and who is responsible for the custody of these documents, to appear as a witness.

Mr. STEWART: Colonel Carnegie in his evidence says—

Hon Mr. DUFF: I do not wish to discuss Colonel Carnegie's evidence at this moment. I am simply saying that we have not had the documents produced, and there should be some means of knowing when we are to have them produced, definitely and finally.

Mr. HELLMUTH: I am informed that there were a number of cables in regard to changes in the design of the fuse. Those can be produced. Are they desirable?

Hon. Mr. DUFF: I am not referring to communications that took place after the closing of the contracts.

Mr. HELLMUTH: Before the closing of the contracts?

Hon. Mr. DUFF: Yes.

Mr. HELLMUTH: They can be followed up.

Sir WILLIAM MEREDITH: What was your arrangement as to calling the military members of the Committee, Mr. Hellmuth?

Mr. HELLMUTH: I propose to call Colonel Lafferty.

Sir WILLIAM MEREDITH: And Colonel Harston?

Mr. HELLMUTH: I will call any of those who attended the meetings of the Committee when these contracts were under discussion.

Sir WILLIAM MEREDITH: Are you going to call Adjutant General Smith? There is nothing to indicate how the agreement of the first of October originated.

Mr. HELLMUTH: I will be glad to call General Smith.

Sir WILLIAM MEREDITH: It may be that General Benson will know. There is a letter here from General Benson.

Mr. HELLMUTH: Where is General Benson, now, Mr. Ewart?

Mr. EWART: He is in Halifax at present.

Mr. HELLMUTH: No doubt he will be back here.

Hon. Mr. DUFF: General Benson appears to have been a member of the Committee and to have attended some meetings during the critical period of two or three weeks while those contracts were under consideration. It may be properly a matter for consideration whether we can properly dispense with calling him. If it means some considerable inconvenience, arrangements might be made to obtain his evidence in some other way.

Mr. HELLMUTH: When will he be back from Halifax, Mr. Nesbitt?

Mr. NESBITT: Any of the military members can be brought here at any time on receipt by them of a telegram.

Mr. CARVELL: I would like to ask if we have been furnished with all the correspondence by cable or letter leading up to the contract for the five million rounds of fixed ammunition divided up as has been detailed here. It seems to me that there were omissions that I think can be filled up, although possibly everything may have been produced. While discussing other matters under investigation, I would like to have some one take steps to see that everything has been produced.

Sir WILLIAM MEREDITH: Mr. Nesbitt, do you know whether any record was kept of cable communications which came, or do you know, Mr. Stewart?

Mr. STEWART: The matter stands in this way. The cables come in and are kept in sequence, but are not in the record separated under the subject matter.

Sir WILLIAM MEREDITH: There is no list showing when a cable or letter comes? It is not entered in a book?

Mr. STEWART: Not in such a way that one can put his hand on it and say that it relates to such and such a thing.

Sir WILLIAM MEREDITH: Will anybody be brought here to say that everything has been done that can be done and everything produced that can be produced?

Mr. STEWART: I think that can be done, sir.

Sir WILLIAM MEREDITH: Now, then, Mr. Hellmuth.

RUFUS L. PATTERSON, sworn.

By Mr. Hellmuth:

Q. Mr. Patterson, you are one of the members and a director of the International Company, are you not?—A. I am, of the International Arms and Fuse Company.

Q. Prior to the organization or incorporation of that Company, what had been your business connections?—A. For sixteen years I was manager of the Department of Machinery of the American Tobacco Company. My official connection was first as secretary, and later vice-president of the same Company and a director.

Q. What sort of machinery was made there?—A. Automatic machinery, for tobacco working, for the manufacture of tobacco products.

Q. After that what were you?—A. After the dissolution of the Tobacco Company some four or five years ago I continued to be associated with the American Machine and Foundry Company, which was the Company supplying the Tobacco Company with tobacco machinery.

Q. The American Machine and Foundry Company?—A. Yes.

Q. What position did you occupy in the American Machine and Foundry Company?—A. I was president. I organized the Company.

Q. Have you any other business connections?—A. I have, but more of a personal nature.

Q. When did you first come to hear anything or learn anything about a proposed fuse supply to the Shell Committee in Canada? When was the first you heard of anything?—A. I think it was in the latter part of the year 1914 or the first part of 1915.

Q. Through whom?—A. Through Dr. John A. Harris.

Q. Had you known Dr. John A. Harris before that?—A. I had.

Q. What was suggested to you at that time by Dr. Harris?—A. To the best of my recollection Dr. Harris, in whose company (the Manufacturing and Contracting Company) I had a small financial interest—

Q. That manufacturing and contracting company was in Canada here?—A. In Toronto. I had a small financial interest in it, no managerial interest.

Q. You said that Dr. Harris came to you?—A. He came to me and asked if in the event of the Manufacturing and Contracting Company successfully obtaining an order for fuses, whether or not the Canadian branch of the American Machine and Foundry Company might fabricate some of the small component parts of the fuses. I replied that the American Machine and Foundry Company had no Canadian branches. He said he thought we had, for the reason that he knew that they were supplying the Imperial Tobacco Company of Canada and also the tobacco companies in England with tobacco machinery, and he thought that we therefore might have branches of this Company, and I said we had not.

Q. Your only plant was in the United States?—A. That is it.

Q. Did the conversation lead to anything further at that time?—A. No, not at that time.

Q. When again did anything occur?—A. I think it was the latter part of March, 1915. Dr. Harris had said that while he had through his Manufacturing and Contracting Company put in a bid for time fuses (the quantity of them I do not recall now) that he was discouraged by some of his associates in the Company in the manufacture of time fuses, they not believing that they had the facilities to produce the parts essential.

Q. What was your reply to that?—A. I made no direct reply. Later he came again and suggested or asked me whether I would be interested in or joining with him in a company to fabricate the manufacture of fuses provided they were permitted to place some of the fuses in the States, the small parts, and if in that event the American Machine and Foundry Company would undertake to fabricate such parts.

Q. That is the Company of which you were or are President?—A. Yes.

Q. What did you say to that?—A. I told him that it was possible. The American Machine and Foundry Company's business had dropped off very considerably by reason of the war, and we thought that our facilities were such that we would wel-

[Rufus L. Patterson.]

come the taking of war orders for small parts which were adaptable for our equipment.

Q. Did anything after that time come about?—A. Dr. Harris then asked me if I would become financially interested. I told him I would think it over, that it depended upon what the nature of the order was. I further told him that I wanted to consult one of my associates with whom I was in several enterprizes, (and who incidentally is a citizen of Great Britain and resides in London) and who is a man of considerable affairs, to see whether he would be interested with me in financing the undertaking.

Q. Did you consult that gentleman?—A. I did.

Q. Were you successful in inducing him to join, or not?—A. No, I was not successful. He not only declined to join in the proposition, but endeavoured to discourage me from doing so.

Q. What did you do then?—A. I asked the American associate if he would like to take an interest.

Q. Would you mind saying who that was, in your American Association?—A. I would rather not, without his permission.

Q. Did he join you?—A. He did not.

Q. What next?—A. I told Dr. Harris that I would, to the best of my ability, put some considerable time on it. In the meantime I told Dr. Harris that rather than disappoint him I would go along alone, but I would rather much prefer having some one else because I feared it would require a great deal more money than he anticipated it would.

Q. Did you go into it alone, or did you get somebody else?—A. The American Machine and Foundry Company's lawyer, a man of means.

Q. When you say a man of means, do you mean a man whose means are lawyers' means—because they are generally not men of means; what do you mean by a man of means?—A. May I ask if it is necessary to give out his name, otherwise I can speak more freely about his financial worth?

Q. Is he in the International Arms and Fuse Company?—A. He is, as an investor, as a stockholder.

Q. What do you mean by "means"?—A. I presume he is worth several million dollars.

Q. You are not speaking of that as legal gains I should think?—A. I did not say that he was a legal man.

Q. Well, at all events this legal gentleman of means we are all glad to know agreed to join you, did he?—A. He did.

Q. What I want to get at is, were there just the three of you, Dr. Harris, yourself and this legal gentleman; is that right?—A. Yes.

Q. What was the first time that you came in touch at all with the Shell Committee, or Colonel Carnegie, or any one associated with him?—A. It was in April of 1915, the 26th day of April, when I met those gentlemen of the Shell Committee.

Q. Was that in Montreal?—A. Montreal.

Q. Who were with you then?—A. Our lawyer and Dr. Harris.

Q. And, shortly, what was done at that meeting?—A. The meeting was for the purpose of placing before the Shell Committee a proposal dated, as I recall, the 17th of April, in which we proposed to manufacture 5,000,000 time and percussion fuses of the type known as 80 Mark V, British type.

Q. Do you remember who were present of the Shell Committee? I do not want you to tell me every one, but can you tell me some?—A. As I recall, there were Colonel Carnegie, I think his brother Mr. Carnegie, General Bertram, Colonel Lafferty, and a Mr. Watts.

Q. That is your recollection of those who were present?—A. Yes.

Q. Did you have any discussion then about the proposal?—A. Yes, we did.

Q. What was said by the speakers, or the men who talked on behalf of the Shell

Committee, in regard to prices then, if anything?—A. The general stand of the Shell Committee at that time was, as I understood it, to obtain as many fuses as possible in the shortest time possible and at the smallest price possible.

Q. Did you suggest any price at that time?—A. Yes. Our bid, as I recall, was at \$4.50 per fuse.

Q. Yes. This is the 26th of April?—A. That is my recollection.

Q. Was anything said by you to the Shell Committee then in regard to that price?—A. I think they endeavoured to have us reduce the price.

Q. What did you say?—A. Our experts, the experts we then had—

Q. You had some experts then?—A. We did.

Q. Yes.—A. Advised against reduction in the price promptly.

Q. As a matter of fact you did not come down?—A. We did not.

Q. And no contract was given to you at that time?—A. There was no contract given to us.

Q. Then had you done anything at that time in order to prepare yourselves for a contract?—A. We had.

Q. What had you done may I ask?—A. We had obtained options on the essential supplies that went in to make up the fuse. We had obtained options for the fabrication of parts from several of the large manufacturers in the States. We had a bid for the loading of the fuses from the DuPont Company in Wilmington, Delaware.

Q. You say you had a bid. Can you tell me, was that simply for the loading?—A. For the loading.

Q. Do you care to tell me what the price was for the loading?—A. My recollection is it was \$1.40 or \$1.60. I have tried to refresh my memory.

Q. You did not eventually carry out anything with the DuPont Company?—A. No.

Q. And there was nothing in the nature of a binding contract with DuPont?—A. Not a formal contract, but I thought we could rely on their offer.

Q. You said before your experts. Had you any experts then?—A. We had. Our principal expert was Samuel D. Cushing, who was the inventor of the Samuel Cushing Plunger, which is the essential part of what is known as the number 85 American time fuse.

Hon. Mr. DUFF: Before you leave that, Mr. Hellmuth, was there anything said in regard to time of delivery or maximum amount at that time?—A. I do not recall, your Honour, whether there was a maximum amount, but there was a schedule of deliveries.

Q. There was a schedule of deliveries?—A. There was.

Mr. HELLMUTH: Have you got that schedule?—A. I think we have. I haven't it with me.

Hon. Mr. DUFF: It does not matter.

Mr. HELLMUTH: No, we will pass on.

WITNESS: May I mention, we had another expert at that time and still have with us, Captain Henry Douglas Torney.

Mr. HELLMUTH: Some one said I think Doctor Torney. He is not a Doctor?—A. Captain Torney.

Q. So your two experts at that time were General Cushing?—A. He has no title, Q. He is just Mister Cushing?—A. He is plain mister.

Sir WILLIAM MEREDITH: He had better come over here.

Mr. HELLMUTH: Yes.

Q. Mr. Cushing and Captain Torney were the experts you had then?—A. They were.

Q. And those are all the experts at that time, about April 26th?—A. That is all.

Q. Now, trying to follow it chronologically, what was the next thing that was [Rufus L. Patterson.]

done to your knowledge in reference to obtaining a contract or negotiating for it?—
A. May I refer to a matter that came up before the Shell Committee at the time?

Q. Yes.

Hon. Mr. DUFF: This was at the meeting of April 26th, was it?—A. April 26th. It was in reference to the specifications of the number 80 fuse, that they should be filled with English powder. I asked Colonel Carnegie, not professing to be an ordnance expert or to know anything about it, if English powder could be procured in Canada, or, failing that, the States. He said he thought likely.

Mr. HELLMUTH: Likely?—A. Yes. Colonel Lafferty suggested that we ascertain direct from the Canadian Explosives Company whether or not such powder could be secured, and he went with us to the Canadian Explosives Office to make that inquiry. We not only asked them as to the powder, but whether they could undertake the loading of these time train rings. They said they would take the matter under advisement and let us hear in due course. They later advised us by letter, as I recall, that they could not supply the powder or do the loading.

Q. Perhaps you will tell me now, did you ascertain afterwards whether there really was any difference between English and United States powder?—A. Yes, from the DuPont Company. They said there was a very decided difference, that English powder was manufactured from charcoal of English dogwood, that English dogwood grown on the Western Hemisphere were entirely different, and that the nearest approximation to English dogwood in this country was charcoal from willow or alder.

Q. Alder or willow?—A. Yes.

Q. Have you since ascertained that the powder manufactured is different, is it different in its appearance?—A. I would not know the difference in the appearance. I am not a powder expert.

Q. You went from this meeting to the Explosives Company?—A. Yes.

Q. Between the time that you had been here on the 26th or 27th?—A. Montreal, sir.

Q. Montreal, and the time that you got your answer from the Explosives Company that they could not give you powder or load the fuses, was there anything done?—
A. There was.

Q. What was that?—A. At the meeting of April 26th Colonel Carnegie was most anxious to ascertain from us what loading facilities we had at DuPont.

Q. At DuPont?—A. Yes, and it was his intention to return with us and go to see the facilities that DuPont had, or was supposed to have, but at the minute he was detained and postponed his trip for few days. We returned, as I recall, on the 28th, and the next day went to DuPont for the reason that on our return to New York we found that Captain Casey, representing DuPont Company, had dropped in to my office and had left word for me in a most casual way that they could not carry out the loading of these fuses, they had more business than they could look after, and that it was a very difficult operation, and that, as he expressed it, they did not care to fool with it but if we would come to Wilmington he would introduce us to the Artillery Fuse Company. I am not sure that was the name, the Artillery Fuse Company, but it is the company that has subsequently been the Artillery Fuse Company.

Q. Yes.—A. In which some individuals of the DuPont Company were interested. We went down to Wilmington, as I recall, on the 29th of April, and we were shocked to find that there was no preparation made for the loading at the time. So far as I could see they had only one loading press, and that was in its crate. The building seemed to me of insufficient size. They intended to use an old rifle plant, which had proven unprofitable so I was told, for this purpose. It was not constructed with the view of loading fuses, but of making rifles.

Q. Yes.—A. We asked who their experts were, and were introduced to a man who was formerly in the Frankfort Arsenal, but who Captain Torney, our expert, believed was in the Mechanical Department of the Frankford Arsenal rather than in the Fuse Loading Department. We, however, were curious—

Q. Will you give the name of the man?—A. I do not recall his name. The man that seemed to be the manager of the plant was Mr. Fenn. I do not know his initials.

Q. But I mean, do you know the name of the man who had been in the Frankfort Arsenal—A. I do not recall.

Q. We have heard the name of Mr. Fenn before. Mr. Fenn was the manager, you say, of the Wilmington plant?—A. Of this contemplated fuse loading plant, which I have, however, since learned—

Q. Just a moment. Where is Frankford Arsenal in the United States?—It is near Philadelphia.

Sir WILLIAM MEREDITH: A Government arsenal.

Mr. HELLMUTH: Yes, I know.

WITNESS: May I be permitted to say that while there we were curious enough to ask Mr. Fenn what they would charge for loading and assembling our time fuses, and they required \$2.50 per fuse.

Q. You had tried the DuPont who had refused, and you were not satisfied apparently with the capacity or capability of the Wilmington plant. Is that a fair way of putting it?—A. That is quite right. May I say this in fairness to the Artillery Fuse Company. I have since learned that they have a very good plant at the present time.

Q. But I am speaking of that time. What did you do when you found this situation?—A. We were more or less panic stricken, because, as I pointed out to Captain Torney on the way back, the parts would cost us at least \$2.50, and if the loading and assembling should cost us \$2.50 I hoped the Shell Committee would not accept our offer before we could look further into the matter.

Q. Then what did you do?—A. I at once got in touch with, I think, Dr. Harris on my return and stated to him that he must endeavour to head off Colonel Carnegie and save him the trip to Wilmington, which he said he would do. Colonel Carnegie was expected the next morning, I think the 30th of April, in New York.

Q. Was the trip held off?—A. It was not, because Dr. Harris went to his hotel, and instead of that the Colonel went direct, took an early train to Wilmington.

Q. The Colonel was a little earlier than Dr. Harris?—A. The Doctor was at the hotel, but not at the station. He thought he was more likely to find him at the hotel?

Q. Colonel Carnegie, as far as you know, went to Wilmington?—A. Did go to Wilmington.

Q. Did you see him that day?—A. He came direct from the train returning from Wilmington to my office in New York.

Q. What was his attitude, pleased or otherwise?—A. As great a disappointment as we suffered the day before.

Q. Was anything done then or any arrangement made?—A. He wanted to know what we proposed to do to substitute for the facilities that DuPont was to afford us, and I did not at all blame him. He seemed to be put out that we had not notified him of this condition. I told him that we had relied entirely upon Captain Torney and the standing of the Du Pont Company, and, furthermore, that he was en route from Toronto to New York while we were returning from Wilmington, and therefore I had done the best thing that had occurred to me to have him notified at his hotel.

Q. Colonel Carnegie seems to have been always a little bit put out when anybody kept him over the week end or did give him information or sent him anywhere from which no results came.—A. He was naturally disappointed, and he said it was the entire kernel in the nut, the loading, and he did not propose to advocate the placing with any one any fuse orders unless their capabilities to load were fully demonstrated to him.

[Rufus L. Patterson.]

Q. Then what did you do?—A. We immediately got in touch with an expert from Frankford Arsenal and had him come to New York. He had previously applied to Captain Torney for a position with us in event of our succeeding in obtaining an order.

Q. Is he with you now?—A. He is.

Q. Do you mind giving his name?—A. I would prefer not, because he was then in the employ of the United States Government at the Frankford Arsenal.

Sir WILLIAM MEREDITH: I think we have got it. Was not that Major Hawkins?
Mr. HELLMUTH: No.

Q. You got this gentleman to come to New York?—A. Yes; to meet Colonel Carnegie, and we had him, Mr. Cushing and Captain Torney meet at the hotel.

Q. That is the three of them?—A. The three of them. I told Colonel Carnegie that we would, in the event of receiving this order, set about to find a plant, obtain the necessary equipment, and secure the best ordnance advisers we could get.

Q. Then Colonel Carnegie met these experts that you have mentioned?—A. He had previously met Cushing and Torney.

Q. But he met the three?—A. He met the other ones.

Q. Were you present at the meeting?—A. I was. It was in the lobby of the Belmont.

Q. Was the subject one you could follow yourself all through?—A. No. I think Colonel Carnegie spent his time quizzing this man on the different operations and conditions necessary for loading, to ascertain what he knew about it. He had, however, been foreman in the fuse loading department at Frankford for 8 or 9 years, and Colonel Carnegie remarked to me, "I think he is a capable man."

Q. What did you do after that? Did Colonel Carnegie leave then? Or did you have any more conversation with him?—A. I had no further conversation until the following week. He remained in New York as I recall. This was, as I recall, the Friday or Saturday.

Q. Yes?—A. On Sunday I went to call upon one of the ranking officers of the United States Army to ascertain from him who in his opinion would be the best fuse experts for us to obtain.

Q. Yes?—A. He replied that in his opinion we were indeed fortunate to have the opportunity at least of possibly securing the services of a very eminent ordnance expert.

Q. Have you any objection to giving the name of the eminent ordnance expert?—A. Colonel Rogers Birnie who had the first of that month retired from the United States Army by reason of the age limit.

Mr. CARVELL: Was Colonel Birnie the expert or the officer?

Mr. HELLMUTH: No, Colonel Birnie was the expert. He said he got the name of Colonel Birnie from this officer.

Mr. CARVELL: I thought we had Colonel Birnie's name before.

WITNESS: The officer, however, thought there might be some doubt about Colonel Birnie's acceptance of the offer, as he remarked, he thought the Maine woods would appeal more to him after his long services in the army rather than fuse making.

Mr. HELLMUTH: You got Colonel Birnie?—A. Yes.

Q. You secured him?—A. We did. Not then, however. He was then in Maryland. He came to New York and he told us that he would hold himself in readiness whenever we desired his services if we received an order. So far as I know I do not recall any definite contract made with him other than a verbal understanding.

Q. Did you see Colonel Carnegie again after that —A. May I say in that connection that this general remarked, that failing to get Colonel Birnie, whom Lord Kitchener had spoken to him as being in his opinion one of the four greatest ordnance

experts of the world, that we should endeavour to get Major Wilfred Hawkins of the United States army, but he thought it extremely unlikely that we would succeed. He did not believe that Major Hawkins, who was then in command of the Sandy Hook Proving Grounds, would be permitted to resign from the army.

Q. Did you see Colonel Carnegie after this?—A. I did. I was very anxious to impress upon Colonel Carnegie the fact that we were alive to the necessities of the situation and were sparing no expense to get together an organization for this fuse loading. I brought Colonel Carnegie and Colonel Birnie together at a dinner, I think it was the evening of Monday or Tuesday of the following week, probably Tuesday, in New York at the Metropolitan Club. They discussed ordnance matters, in which I could not join or which were not very interesting to me—I hoped they were interesting to each other, and that Colonel Birnie would impress Colonel Carnegie with his fitness for Ordnance Adviser of the Company.

Q. Was anything definite at all done then?—A. No order as I understand it at that time?—A. No order.

Q. Then did Colonel Carnegie leave New York as far as you know?—A. I do not know.

Q. But you did not see him any more at that time?—A. I did not see him any more.

Q. What was your next connection with it, Mr. Patterson?—A. The matter was hanging in the air so far as the order was concerned. We were told by Colonel Birnie that we should by all means endeavour to get Major Hawkins from the Army, he considered him the greatest fuse expert that he knew, and I explained to him that we had nothing sufficiently definite on which to do more than feel out Major Hawkins on the proposition, which was, however, done. I came to Ottawa again in connection with the fuse order about the 19th of May.

Q. Was Dr. Harris with you?—A. He was not.

Q. You came alone then?—A. I came with Colonel Birnie and our lawyer. We had options on machinery, supplies, etc., and the people with whom we had these options were growing restive. My mission here was to induce them to decide one way or another whether or not we would get the order.

Q. Can you tell me whether at that time you knew or heard anything of any competitors for these contracts?—A. I think I did hear that we had competition.

Q. Did you know what the competition was or who?—A. I did not know definitely.

Q. But you had heard that there was competition?—A. I had.

Q. You know now, of course, who the competitors were?—A. I know from the newspapers, but not otherwise.

Q. Let me say, just at this moment had you anything to do with or any connection with the American Fuse Company, or the American Company?—A. Nothing whatsoever.

Sir WILLIAM MEREDITH: The American Ammunition Company.

Mr. HELLMUTH: The American Ammunition Company?—A. Nothing whatsoever.

Q. At that time or up to the present?—A. At no time.

Q. Then you came here on the 19th of May, and you have told us who accompanied you. Whom did you see then, Mr. Patterson?—A. I saw the members of the Shell Committee, I think Mr. Bertram, Mr. Carnegie, and possibly others, but I cannot recall who they were.

Q. About how long did that interview last, or was there more than one interview?—A. I think there was more than one interview.

Q. Was any conclusion come to then?—A. No conclusion.

Q. Was anything said by you as to the options you had on this various machinery?—A. I say I urged the Shell Committee to act even if it meant we were not to get an order, because it was almost impossible to hold in line our manufacturing companies in the States, supply companies, etc.

[Rufus L. Patterson.]

Q. When you say you urged them to act even if you did not get an order you wanted them to say definitely, "We will give you an order", or "We won't", so that you could either close or release the option?—A. My opinion was we would apply for an order from the British Government agents in New York.

Q. If you did not get one here?—A. Yes.

Q. May I take it then your attitude was you were not going to give up fuse making anyway?—A. No, I was anxious for two reasons; one, having begun on this line I wanted to see it through, and the other was as I explained to fill up the equipment of the American Machine and Foundry Co.

Q. In which you were of course largely interested?—A. Yes.

Q. Financially as well as an officer of the company?—A. Yes.

Q. Did you go away without anything definite?—A. Without anything definite, yes.

Q. Were you here again or did you meet the Shell Committee again between that and the date in June when the contract was signed, or were you here on June 1st or about then?—A. I think I came back on the 2nd June.

Q. Between the 19th May and the 2nd June we have had in evidence already that a letter had been given to Dr. Harris by the Shell Committee practically an order for, 2,500,000 time fuses at a minimum price of not less than \$4.25; were you aware of that?—A. I was.

Q. What was the attitude taken by you and your associates in regard to that letter and that price?—A. Our attitude was not to reduce our price.

Q. From the \$4.50?—A. Yes. At that time Col. Birnie was advising us; he not only thought the price too low but that the time in which we were called upon to finish the fuses was much too short.

Q. That was Colonel Birnie, your expert?—A. Yes.

Q. His view?—A. Yes.

Hon. Mr. DUFF: Was it the same time schedule which was then contemplated which was afterwards adopted?

Mr. HELLMUTH: Was that the same time schedule that was afterwards adopted?—A. I won't say as to that; I think it was one month less.

Q. You think the one afterwards adopted was one month more?—A. One month more.

Q. If you were not satisfied with the price why, if you did, did you close your options, or did you close them?—A. We did not, and that was the object of my trip here on the 1st June.

Q. You had not closed your options?—A. No, but we were being urged to close them, because of the great competition in the States for supplies and manufacturers, and the matter had been dragging on then for some time.

Hon. Mr. DUFF: Did they commit themselves to the Committee before that visit on the 1st June.

Mr. HELLMUTH: Had you committed yourselves to the Committee before that visit on the 1st June?—A. I should say yes, in a letter given to the Shell Committee in April.

Hon. Mr. DUFF: We have that letter, have we?—A. I think so.

Mr. CARVELL: I don't think we have?—A. This letter, however, while committing us as to the price and perhaps deliveries, contemplated a contract to be drawn stating the details of the negotiations.

Hon. Mr. DUFF: You mean you committed yourselves, if at all, with respect to the prices named in that letter at that time?—A. Quite so.

Mr. GRANT: That letter is not in.

Hon. Mr. DUFF: Perhaps you can get that letter later?—A. I think it was the 17th April was the letter.

Mr. STEWART: The letter is on page 308 of the evidence.

Mr. HELLMUTH: Yes, here is the letter of April 17th, from New York:—

“The undersigned offer to supply the British Government through the Shell Committee, with five million time and percussion fuses No. 80 Mark V (with cover and tin box) in accordance with specifications and blue prints at \$4.90 per fuse delivered f.o.b. cars place of manufacture” and so on.

Q. Then that was reduced on April 26th to \$4.50, is that right?—A. It was reduced to \$4.50—yes, when we visited Montreal on April 26th and put in some letter form I think by the counsel for the Shell Committee.

Hon. Mr. DUFF: That is the letter we have not got.

Mr. HELLMUTH: I have not found that; but you had made an offer to supply at a certain price, and that is the letter of April 17th from New York.

Hon. Mr. DUFF: What I really wanted to ask was whether they committed themselves to the proposal made by the Shell Committee in the letter of May 25, which was an offer of two and a half millions only; the preceding offer was an offer to take five million shells?—A. We did not.

Mr. HELLMUTH: You had not committed yourselves to that?—A. No.

Mr. HELLMUTH: And they had not closed their option.

Hon. Mr. DUFF: No. The matter was still hanging fire on the 1st June when he came.

Mr. HELLMUTH: Yes.

Q. Did you get anything made definite on the 2nd June or what did you get?—A. No order was forthcoming even on the 2nd June; the Committee were still insistent that we should meet the \$4.25 price named, and so far as I recall the delivery they did not want to extend the delivery dates.

Hon. Mr. DUFF: Objected to your delivery schedule?—A. They objected, yes.

Mr. HELLMUTH: Did you go back—left again indefinite still, is that right? A. Quite right.

Q. Did you close your options then?—A. We did not. I pointed out to the committee that they could not expect us to reduce—we would stand by the price of \$4.50 which we had made even on a reduced number of fuses, a smaller order, but that they must bear in mind that our fixed expenses would fall doubly as heavy per fuse on the two and a half millions as they would naturally on the five millions.

Q. Did you come again to Ottawa or see the Shell Committee before the meetings that took place on the 16th June, culminating in the contract signed on the 19th June?—A. I did not.

Q. Did you come at that time on the 16th?—A. No.

Q. Were you down here on the 19th at all?—A. No.

Q. You were not here when the contract was signed?—A. No.

Q. I suppose you learned of the signing of the contract pretty soon?—A. Yes.

Q. What then did you do?—A. In the meantime frankly I had grown impatient of the delay, and had suggested that we form an American Company, which was done on the 9th June, the International Arms and Fuse Co.

Q. Tell me who were the real men who were responsible for the International Arms and Fuse Co.?—A. Our counsel, Dr. Harris and myself.

Q. That is the three of you?—A. Yes.

Q. The legal gentleman of means, Dr. Harris and yourself, is that right?—A. Yes.

Q. You three were really the International Arms and Fuse Company?—A. We were.

Q. You had had this company formed in the United States. Let me ask you whether there was any discussion, because I don't think I did, during these meetings in regard to any manufacture or loading in Canada, were you to do any part of the work in Canada at any time, was that discussed?—A. It was at the meeting in Mont-

[Rufus L. Patterson.]

real on the 26th April; it was the desire of the Committee to have all the loading done in Canada, if possible. That, however, was, we considered, impossible, by reason of the fact that we received no more encouragement than we did at the Canadian Explosives Co.; we could really anticipate their reply from their attitude.

Q. Why could not you have established your loading plant in Canada?—A. It was pointed out to us that it would be difficult if not impossible to get experts from the United States Army to undertake such work in Canada, or out of the United States, and it required a great many people of technical knowledge whom we would have to send away from their homes, and on the whole we thought it extremely impractical. I think that the members of the Committee had come more or less to that same view, because when we discussed the DuPont loading, as I have said before, Col. Carnegie at once suggested that he go to see the DuPont facilities, for it was pointed out at the time that the orders for fuses had been so long delayed that they required as early deliveries as possible, and they wanted these fuses as speedily as they could possibly be obtained under the best conditions.

Q. May I tell you, Mr. Patterson, that we had a gentleman here the other day, Mr. Lyon Brown, whom I suppose you know?—A. Yes, I do.

Q. He did not give a very flattering character to a manufacturer who would undertake to supply these fuses in the time you did?—A. I think Mr. Brown is absolutely correct.

Q. Why did you undertake to do that in that time if you are now of opinion that Mr. Brown was correct when he said a manufacturer was silly who undertook to deliver fuses in that time?—A. Brown knew the business, I did not. Seriously speaking, Col. Birnie had advised us that it would take at least eight months, as I recall, eight to ten months, to manufacture the first fuses for gun proof in any quantity. I thought the Colonel was ultra-conservative; he was older than I, and had been in the army, and I thought he was following out the usual army methods, which are not perhaps sometimes rapid—I have no reference, however, to the British Army.

Q. That is aside; I would like to get back to where we were as to dates; immediately after this contract was taken—

SIR WILLIAM MEREDITH: He has not said yet whether he thought he knew better than Col. Birnie, and he could do it.

Mr. HELLMUTH: What do you say now as to Col. Birnie?—A. I thought the Colonel was a pessimist; I now think he was really an optimist.

SIR WILLIAM MEREDITH: Did you at that time think it could be done, or that you could come measurably near it.

Mr. HELLMUTH: Did you?—A. I did.

Q. You thought at the time?—A. I thought with intensive effort it might be done.

Q. What facilities, if any, had you that would have led you to suppose that?—A. We had in the fabrication of the metal parts secured options on a few of the best equipped shops in the States, and as for loading there were no shops, no plants that could undertake, so far as we knew, the loading for us. We attempted to get the Scovill Co. in Waterbury to load for us, but their entire capacity had been taken. We had secured options on the equipment for the loading plant, and we endeavoured to find a plant ready built to save time. Col. Birnie, Capt. Torney, and others scoured the country in trying to find such a building. The demands or the requisites for such an establishment were too difficult to meet, for instance, we had to provide for calling in as many perhaps as 4,000 employees readily; it must be near a city, and yet not in a city, because the laws governing most of the cities prohibited the loading of fuses within the limits of the city. The building had to be well lighted with north light, really it must be up-to-date equipment, and at the same time must be so well built to enable the temperature and moisture to be maintained. We could not find such an establishment. We had to build, which we did, at Bloomfield.

Q. Do I understand you that the ordinary factory or ordinary building for machinery is not suitable for a loading plant as a rule?—A. I should rather have one of our experts testify as to that; my opinion is that the ordinary building would not suit.

Q. You spoke of 4,000 people, do I understand you, you have four thousand in your plant now?—A. We have approximately two thousand.

Q. Why do you speak of four?—A. We will require a night shift, and we will have four thousand, and had we received five million it would necessarily have been eight thousand; so we wanted to provide for a labour market that would hold say at least 8,000 employees.

Q. You did build?—A. Yes.

Q. And you built at Bloomfield?—A. Yes, at Bloomfield, New Jersey. It is a town on the outskirts of Newark; it is within a radius of 10 miles of the best labour market we know of in the States anywhere.

Q. How does this labour get to the factory?—A. They get there by trolley cars; the trolley cars pass the plant, and there are trolley cars from Orange and Rosedale and Rosell and Patterson, and Newark, and Elizabeth.

Q. What quantity of land have you there?—A. I think there are about 25 acres.

Q. What is the size of your building?—A. We have 344,000 square feet.

Q. In your building?—A. Yes.

Q. Could you give me any idea of the length your building would be?—A. We have three buildings all connected by an aerial way; first building, A building, is 240 feet approximately by 525 feet, one story building; the second building is 123 feet by 625 feet, two storys; the third building is 123 feet by 400 feet, two storys—I say two storys, a basement, which however is available for manufacturing and storage.

Q. When did you start this building, when was the land purchased and building started?—A. We had hoped to begin building a month before we did, but after purchasing the land and getting the premises there was some objection raised in the town council to our having powder on the premises, and that held us up for a few weeks. We actually began the construction of this building in August, I think the first week in August, 1915.

Q. When was the building ready for work for loading?—A. The building was ready I think about the 1st November, or part of it was.

Q. Tell me then did you in those buildings or in that plant do any of the manufacturing or fabrication of any of the parts?—A. We do.

Q. What parts do you fabricate—perhaps I can get that better from Major Hawkins?—A. You can.

Q. But you do some?—A. We do.

Q. But a great deal of the fabricating of the component parts is done by outside companies, with which you have made arrangements, you told us before?—A. Yes.

Q. Have you got the names of those companies?—A. We have.

Q. Are you prepared to give the names?—A. I am prepared to give the name of the American Machine and Foundry Co., because I personally am responsible for it, but if I may ask the indulgence of the Commissioners I should like not to give the name of the other sub-contractors for the reason that—no bluff whatever—we do not want them to be subjected to any troubles that I fear may result from our giving them, from a certain class of agitators.

Q. Have you any objection to putting those names in, not for publication?—A. Not at all, no objection whatsoever.

Q. Will you have a list made for me?—A. We will.

Q. I want to understand, why should you think there would be any trouble at all?—A. I do not believe that you fully appreciate here in Canada the handicap that we have in the States in the war munition business. I can best explain that by saying every employee that we have in our plant and we expect to put there their history has been investigated by our Secret Service; we have not an employee that has not

[Rufus L. Patterson.]

been thoroughly investigated by the Secret Service; we have our plant guarded because of cranks, and we have throughout our place secret service; and since this investigation we have had both at our plant in Bloomfield and at the American Machine and Foundry Co. a good deal of trouble, so much so that we have increased our guards very materially and strengthened our secret service.

Q. What kind of trouble, please?—A. Major Hawkins can best give you the details of it; but I can speak of the American Machine and Foundry Company that on our new building it has been tied up with builders' strikes for the last fortnight or three weeks.

Q. At all events you are prepared to give the names for the Commission?—A. Absolutely, but unless it is necessary to give the names openly I think it would be better not to do it, because it would subject our sub-contractors to the same annoyance that we have been subjected to.

Mr. JOHNSTON: Nobody wants the names of these people that I know of.

A. We have no objection to giving the names.

Mr. JOHNSTON: Unless the Commissioners require them.

Mr. HELLMUTH: Have these sub-contractors of yours that you speak of been furnishing the component parts to you?—A. They have, many of the component parts, some of which we make ourselves.

Q. Can you tell me when components sufficient to make up the fuse so that it would be ready for loading, were first furnished, or will I have to get that from Major Hawkins?—A. I have not that data.

Q. You received from the Shell Committee an advance in all of 15% of the amount of the contract made up of an advance at first of 10% of the amount of the contract—do you remember that?—A. I do.

Q. And the New York Guaranty Trust Company guaranteed the return in certain events of that money; first of all I will ask you how was that advance or that guarantee obtained?—A. It was obtained from the Guaranty Trust Company of New York, and it was by reason of our personal guarantees.

Q. Whose personal guarantees?—A. The guarantee of our counsel, the rich lawyer, Dr. Harris, and my guarantee.

Q. It was on your individual guarantee that you got that?—A. Absolutely.

Q. And the payment of the premium?—A. Yes, the premium was 1%, and we put up no collateral.

Q. Will you tell me what was done with that money you received, I do not want details?—A. One hundred thousand dollars of that money was kept by arrangement with us in the Guaranty Trust Company, retained there; approximately seven hundred and fifty thousand or eight hundred thousand was advanced to our sub-contractors, some of which we had to advance 25%; some more was advanced to contractors of the building,—I spoke first of the component parts manufacturer; some were advanced on the builders contracts.

Q. That is of the Bloomfield plant?—A. Yes; and the balance was retained in the Guaranty Trust Company.

Q. After you had paid out these sums and built your plant, what amount of that advance remained in your hands?—A. That advance did not last very long, Mr. Hellmuth.

Q. Please explain what you mean?—A. We had been putting in additional money before we got the last advance, we had put in considerable of our own money before we got the last advance, before the last advance of the Shell Committee was made.

Q. Before you actually commenced to deliver can you tell me roughly what money including the advance—what was the amount of the advance?—A. One million six hundred and eighty thousand dollars I think.

Q. We will say one million seven hundred thousand was the 15% advance?—A. It was. Pardon me, there was 10% advance, and then 5% in four months period.

Q. I am taking the whole, with the 10% and the 5, that together I think makes—
Mr. GRANT: \$1,687,827.

Mr. HELLMUTH: Well, \$1,700,000 in round figures of advance; before you turned out or began to be paid for fuses, before you had anything to deliver, will you tell me what you had expended?—A. Before we received any further remittances from the Government?

Q. Yes; when was your first return—A. Inclusive or exclusive of the advance?

Q. Take the whole, inclusive?—A. More than four million dollars including the advance.

Q. That is some two million three hundred thousand dollars of your own money then?—A. Yes, before we received any further remittances.

Q. So that what you say is you had expended the one million seven hundred thousand dollars that had been received from the Shell Committee, and you had added to it the \$2,300,000 roughly of your own?—A. We have since, I mean all told we have added about \$2,700,000.

Q. Yes, but up to the—?—A. But up to the time that we received the first remittance from the British Government, about \$2,300,000.

Q. Did that money come from those three gentlemen, the wealthy lawyer, Mr. Patterson, and Dr. Harris?—A. It did.

Q. Trading under the name of the International?—A. Arms and Fuse Company.

Q. What commission or remuneration or moneys in any way and in what way did you pay out or to your knowledge was paid out for the purpose of securing this contract to any one, and if so to whom?—A. Not one penny was paid.

Q. What inducement, if any, did you offer to any one for the securing of this contract?—A. It never occurred to me to offer such inducement; I never heard of the possibility of offering such inducement.

Q. You were aware I suppose of the correspondence in regard to the delays in delivery?—A. I was.

Q. And a letter from you I think is in, or from Dr. Harris, I forget which, making your claim as to these delays; I do not know that it is necessary for me, if your counsel or cross-examining counsel like to get out the whole circumstances of these delays—if anybody wants to go into that they can; I do not want it to be thought I am overlooking it; and I need not ask you now as to how you were delivering, because the records show. By the way, did you know anything of the Russell Motor Car Co. being a competitor of yours?—A. No, I never heard them spoken of.

Q. Have you had anything to do with the Russell Motor Car Co.?—A. No, except in extending to them the courtesies of some of our sub-contractors, two of our sub-contractors.

Q. What do you mean by that?—A. We have given two of our sub-contractors permission to sub-contract for the Russell Motor Car Co.

Q. Is that since?—A. Yes; and to use our gauges in the manufacture of those parts, of their parts.

Q. Gauges, you got your gauges from the Shell Committee, didn't you?—A. We did not; we manufactured our own, and we supplied the Shell Committee inspectors with their gauges as well as the Woolwich inspectors with theirs.

Hbn. Mr. DUFF: The Shell Committee supplied the master gauges that checked yours up?—A. To the best of my knowledge and belief they did not supply master gauges; they supplied the specifications.

Sir WILLIAM MEREDITH: Would you ask him if anybody other than the three gentlemen he has mentioned, himself, Dr. Harris and the lawyer, has any interest in this contract or in this company.

Mr. HELLMUTH: Outside of yourself, Dr. Harris, and this gentleman the lawyer of means, has anybody else, and if so whom, any interest in this, substantial interest, except incorporating the company in this International?—A. No substantial

[Rufus L. Patterson.]

interest at all; every share of the company is owned by us with the exception I think of 100 shares owned by Mr. Marshall, President of the American Locomotive Company; and there may be a few qualifying shares for directors.

Q. Has anybody but yourselves any interest in the contract?—A. None whatsoever, we own the entire stock.

Q. But in this contract, I do not mean the letting of sub-contracts, but has the contract itself been farmed out to anybody?—A. It has not.

Sir WILLIAM MEREDITH: Or has anybody any interest in it?—A. None whatever.

Q. But in this contract, I do not mean the letting of sub-contracts, but have the holders?—A. They would not, no one.

By Mr. Atwater:

Q. Only one or two questions my friend Mr. Hellmuth did not cover. The letter that you have spoken of, of the 17th April which was signed by Dr. Harris had reference entirely to a contract for five million fuses, had it not?—A. It had.

Q. I think you have made it plain already, but I want to simply emphasize the fact that all your negotiations, all your calculations, down to almost the time the contract was signed, was based on the supposition of your getting the full contract for five million fuses?—A. It was.

Q. And I think you have told us that so far as your overhead expenses went they would have been just as great for the two and a half million contract as for the five million?—A. Substantially so.

Q. Now in answer to Mr. Hellmuth you stated that the offer of DuPont for loading that you were calculating on was at the rate you thought of \$1.60 a fuse, is that correct?—A. I said \$1.40 or \$1.60, I cannot recall.

Q. Perhaps I am wrong, but I understood that DuPont's price was \$2.50?—A. Pardon me; the price that we obtained from this company after the DuPont Company advised us that they could not undertake it, was \$2.50, I refer to Mr. Fenn's company in which the DuPont as individuals were interested, but the negotiations with the DuPont Company and our Captain Torney on which we based our specifications prior to the notification on the 28th or 29th April, was from the DuPont Company, and that as I recall was \$1.40 or \$1.60.

Q. You were basing your calculations of the price of \$4.50 on the supposition you were going to have the loading done at the rate of \$1.40 or \$1.60?—A. We were.

Q. Just a question as to the bonds, you put up for the return of the advances that were made to you by the Shell Committee; you, as I understand, obtained that bond from the Guaranty Company of New York, is that the name of it?—A. Guaranty Trust Company.

Q. For the consideration of payment of the premium and the personal guarantee of the three gentlemen who were associated together for the purpose of carrying out this contract, is that right?—A. Quite so.

Q. And no collateral was required of you from that company?—A. Quite so.

Q. Do you know whether the rate of premium charged to you was high or otherwise?—A. I think otherwise.

Q. The rate of premium depends to some extent, does it not, on the appreciation the company has of the solvency of those who are behind the guarantee?—A. I should think so.

Q. Having put that bond up to the Shell Committee for the repayment of the one million six hundred thousand dollars odd, you were getting by way of advance, what would have been the position of the three gentlemen associated in this company had the Shell Committee taken advantage of the clause in the contract which allowed them to put an end to it for failure to make deliveries in the specified time and demanded back the money that they had advanced to you?

Mr. JOHNSTON: I suppose the documents speak as to that?—A. We would have lost all the money we had put in, over four million dollars, except such salvage as we could obtain by the sale of plant and parts and equipment.

Q. That is, in other words, you would have been out practically over four million dollars?—A. We would.

Q. Which had gone into the company in hard cash?—A. Pardon me; I wont say it was over four million dollars, I have no idea what the salvage would have been.

Q. But what had gone in?—A. Was over four million dollars including the advance for which we were responsible.

Q. Which advance you were obligated to return?—A. Yes.

Q. If the Guaranty Company had to return the advance you had to make good to the Guaranty Company?—A. We were paying interest on the advance.

Q. Interest at that rate of 3 per cent—

Hon. Mr. DUFF: They were counting on the contracts with the War Office, I gathered from what Mr. Patterson said?—A. Yes, but we might not have gotten a contract for No. 80.

Mr. ATWATER: Your plant was constructed with a view to turning out the 80 fuse?—A. The parts were built for 80 fuse.

Q. Or the 85?—A. 80 Mark V.

Q. Can you tell the Commissioners at what rate these deliveries are being made now at the present date?—A. I have not seen the output for the last few days, but I should say approximately 15,000 per day, perhaps more; we hope to reach before the month is out 20,000 per day.

Q. Before the present month is out?

Mr. JOHNSTON: 18,000 some one said on Friday.

Mr. ATWATER: You hope to reach 20,000 before the end of this month?—A. Quite so; I am quoting from Major Hawkins.

Q. I suppose he will be able to give us that information better?—A. Yes.

Q. Do you know whether there are any fuses awaiting inspection that you have delivered?—A. On Saturday last there were 70,000 waiting gun test, but since which time I think they have had reports of test.

Q. You have spoken about the capacity of your buildings there, I would like you to take communication of a number of photographs that were filed here and put in, in the evidence of Mr. Brown, and say if those are correct photographs of the different parts of the plant at Bloomfield of your company (Exhibit 264)?—A. Yes, they are photographs of our plant.

Q. I have some more photographs I would like permission of the Commissioners to put in and add to those that are there, which would give perhaps a better realization of the extent of this plant than anything else; I would like you to look at these photographs and say if they are correct photographs; I think they had better be put in interleaved with Exhibit 264 and all made part of the same Exhibit.

Sir WILLIAM MEREDITH: How many are there?

Mr. ATWATER: There are seven new ones to be added to No. 264; are those correct?—A. They are.

Q. There is another thing I want to ask you; the advance that was made by the Shell Committee to you on this contract was ten and five per cent, fifteen per cent altogether I believe according to the contract; how would that advance compare, that percentage of advance to you compare with the advances that you in turn were making to your sub-contractors for the work you contracted for?—A. We had to advance to some of our sub-contractors as much as 25 per cent.

Q. And are you aware whether on similar contracts for fuses by other corporations or individuals any larger advances were made than the 15% advanced by the Shell Committee?—A. I have been told by officials of two or three of the largest fabricating fuse companies in the States that they received advances of 20 per cent.

Q. Speaking of the number of employees that you had in the works you spoke of having possibly a night shift as well as day shift, is it practicable with machinery of this class to work a night shift, to work continuously the machinery?—A. It is.

[Rufus L. Patterson.]

Q. When you spoke of the number of employees that you had did that include the number who might be employed by your sub-contractors?—A. It does not.

Q. How many people would you say were employed in the manufacture of these fuses in carrying out this contract of yours, not only by yourselves but by your sub-contractors?—A. I should think anywhere from five to eight thousand, perhaps ten thousand.

Q. Is there anything else you would like to say, Mr. Patterson?—A. I would like to explain one thing which I should have explained when Mr. Hellmuth was questioning me. That is, in order to turn out complete fuses we must have 100 per cent of the component parts. It will not do us any good to have 99 per cent. We have to have 100 per cent.

I do not like to apologize for the delays, because I think our accomplishment is very creditable. We had to have, as I say, 100 per cent of these parts. We had and have had for some months before even the dates on which we were to deliver, or to make our deliveries, a greater percentage of all our component parts. But it is like a chain with the weakest link. We were delayed on what is known primarily as the time train rings, and it was almost impossible for us to obtain those rings, because the first contractor whom we expected to deliver them had built routing machinery especially for this purpose, and we were disappointed to find that the result of the use of those machines produced what is known as a wavy line; there was a defect in the loading tools, and Major Hawkins refused to accept a large quantity of those rings thus produced.

Q. Those were being turned out by one of your sub-contractors?—A. Yes, and a very competent sub-contractor.

Q. A very responsible man?—A. A very responsible man. But the metal we use in those time rings is very much harder than they had evidently counted upon.

Q. Have you anything to say about the difficulties you or your sub-contractors encountered in regard to the aluminum parts?—A. It must be borne in mind that these castings used on the 80's are not the ordinary sand castings. The Aluminum Company supplying us with those castings had sent abroad experts to study the English method of producing castings and to obtain the patent, which was a French patent, under which such rights in the French patent could be obtained in the United States.

They have done very creditably in producing these, overcoming most of the difficulties except one, and that is, that we find what is known as carbon spots, hard spots in these aluminum castings which, when a tool comes in contact with one of those hard spots it breaks the tool and frequently breaks the machine.

The French process they use is intended to toughen the metal and to destroy the porosity of the metal. They have bettered that condition considerably that I complained of, but it has not been yet entirely eradicated.

Q. Do you know any other causes beyond your control or beyond the control of the Company which delayed you in the completion and in the making of those deliveries?—A. There have been strikes in the sub-contractors' plants, and in the plants manufacturing our gauges. As an illustration, a few weeks ago we cancelled an order for some gauges for parts all of which had been fabricated, and those gauges have never been delivered to us, we could not obtain them, so we made those gauges in the meantime at the American Machine and Foundry Company.

After all, the munitions business resolves itself down to a question of tool makers, tool facilities. It means tools and tool makers. Of course physical buildings and those things which any one can obtain are not important factors.

Q. The tools, if I understand rightly, have in many cases to be specially constructed for that particular class of work?—A. And absolutely precise.

Q. What about loading tools?—A. I think Major Hawkins will bear me out when I say that loading tools have to be made to the exactness of one-quarter of one one-thousandth of an inch.

Q. These tools at all events have to be made and supplied before the ammunition factory can do its work?—A. Yes.

Q. And it is only certain factories that are capable of producing those tools?—A. Quite so.

Q. And they do not have an indefinite life time, they do not last forever?—A. The turning of the aluminum is very destructive on tools.

Q. And wears the tools out quickly?—A. It has to be done rapidly, with small cuts, and it dulls the tools.

Q. In regard to labour, the other important factor in the turning out of fuses, that has to be of a skilled character, has it not?—A. In this sense, that the workmen on the apparatus employed in the work of making fuses have to be trained in making the particular parts. Do you mean the particular parts, or the loading?

Q. I mean the loading.—A. They all have to be taught.

Q. And carefully taught?—A. Absolutely.

Q. What staff of inspectors have you got on the work; I don't think you told us that, I do not mean the names of them, but how many?—A. There were about 38 people from the Frankfort Arsenal, I think, loaders, women, inspectors, etc., Major Hawkins will bear me out in that.

Q. All trained people?—A. All trained people.

Q. You mentioned something about the Russell Motor Car Company. (I am not particularly concerned with that Company.) Did your company give any information to any other people in regard to the manufacture of these fuses and how to make them?—A. Yes, to a Mr. Hathaway.

Q. Who is Mr. Hathaway?—A. I think he represents the Shell Committee, but I am not sure of that.

Mr. JOHNSTON: The Northern Electric Company.

Mr. ATWATER: Have applications been made to you by other parties or other companies for information in regard to the making of fuses?—A. Yes, sir, they have.

Q. Have you ever refused to give that information when it was asked?—A. We have, except to the Canadian companies.

Q. To the Canadian companies you have given the information asked?—A. Yes. Mr. Hathaway had his architect down to our plant.

Q. Just one question in regard to the financial part of the matter. Did you in any way have to finance with this contract?—A. We did not.

Q. That came from the Shell Committee?—A. We did not. One thing further may I say, that by reason of the fact that we did not have 100 per cent of the parts coming together it has cost us a great deal more than otherwise it would have if they had all synchronized.

I want to say this also, without appearing vain-glorious in the interests of the Company, we will, on the anniversary receipt of our order—

Q. Which was the 19th of June?—A. The 19th of June. We will then in my opinion be the largest fuse producing company in the world, which I think is a remarkable achievement in view of the stress of war time and the great competition that we have met in obtaining machines, tools and so on of every kind, building material, and labour troubles. Now to-day it is a question of how fast they can be taught without becoming destructive. While I have had experience in so-called big business, I have never seen any achievement, never experienced any achievement in which I have taken so much pride. I want to tell you that I think any of you, if you could see what we have accomplished and the difficulties we had to meet, would share my views.

On thing more I want to speak of, and that is the inspection. It was extremely difficult to teach the inspectors, our own, and indeed the Inspection Company how to efficiently inspect these parts. In order to do that Major Hawkins, Mr. Brown, Mr. Wellesby, Mr. Griffiths of the Canadian Inspection Company and others have

[Rufus L. Patterson.] *

been constantly striving to acquaint them with those duties. So much so that Major Hawkins has written a treatise on the subject. We have also given that to the Russell Motor Car Company, and we are going to help them in any way we can.

Mr. HELLMUTH: My learned friend suggested that I put in this treatise, I was going to put it in when we called Major Hawkins.

Mr. JOHNSTON: That will be all right.

By Mr. Johnston:

Q. In fairness to yourself, Mr. Patterson, and also to the people who apparently have read this document and who have made some remarks concerning it, might be well with your assistance to clear up one point, so that the facts may appear as they are.

Mr. HELLMUTH: What document is that?

Mr. JOHNSTON: The Articles of Incorporation.

My learned friend examined you very closely with reference to the financial condition of your Company and so on at the present time and for some time past, and with that I am not quarrelling for a moment, but in order to fix the dates, capital and so on I have a certified copy of the Incorporation (You will correct me if I am wrong or if this is wrong) which made the Company a corporate body apparently, dated on the 11th of June, 1915. I see by the certificate endorsed on this document—would that be about right?—A. I was under the impression that it was the 9th.

Q. This is certified by the Second Deputy Secretary of State, C. W. Taft, apparently. The papers were prepared and signed, dated the 9th of June and recorded within a couple of days afterwards. That certificate shows the right to make fuses, and so on. You are familiar with that part of it, no doubt and it is not necessary for me to read it.

Now I come to the matter which may be of some consequence:—

“THIRD: The amount of the capital stock is one million five hundred thousand dollars (\$1,500,000.)

“FOURTH: The number of shares of which the capital stock shall consist is fifteen thousand (15,000) of the par value of one hundred dollars (\$100) each; and the amount of capital with which said corporation will begin business is three thousand dollars (\$3,000).”

Is that correct?—A. Yes.

Q. I suppose you have the same ideas of forming companies as we have in this country. We sometimes do not put in the actual stockholders, we sometimes put in mere nominees, or dummies as they are called?—A. Quite so.

Q. I find the names of John A. Harris, Rufus L. Patterson—the two gentlemen who really are interested; and the Counsel's name?—A. He asked me not to give that.

Q. George Arents, jr.?—A. No.

Q. James A. McCann?—A. He is my secretary.

Q. Daniel H. Haynes?—A. He is the treasurer of the American Machine and Foundry Company.

Q. Is he a man interested beyond a mere nominal amount?—A. He is not.

Q. So that the two I have mentioned are the only ones largely interested?—A. Yes.

Q. The others were dummy directors, if I may say so without offence?—A. Mr. McCann is an active director.

Q. A director is not necessarily a stockholder of your corporation, according to this certificate, is that quite right?—A. I am not sure as to that.

Mr. JOHNSTON: I will put this document in.

WE, THE UNDERSIGNED, all being persons of full age and at least two-thirds being citizens of the United States, and at least one of us a resident of the State

of New York, desiring to form a stock corporation, pursuant to the provisions of the Business Corporation Law of the State of New York, do hereby make, sign, acknowledge and file this certificate for that purpose, as follows:

FIRST: The name of the proposed corporation is INTERNATIONAL ARMS AND FUSE COMPANY, INC.

SECOND: The purpose for which said corporation is to be formed are to do any and all of the things hereinafter set forth, to the same extent as natural persons might or could do, viz:

To manufacture, purchase or otherwise acquire and to sell, deal in or otherwise dispose of guns, cannon, rifles, revolvers and firearms of all kinds and descriptions.

To carry on the trade or business of manufacturers of ammunition of all kinds, and for that purpose to manufacture, purchase or otherwise acquire and to load, sell, deal in, and otherwise dispose of, cartridges, cases, detonators, fulminates, time fuses, percussion fuses, bullets, shot and projectiles of every kind and description.

To manufacture, purchase or otherwise acquire and to sell, deal in or otherwise dispose of gunpowder of every description, nitroglycerine, dynamite, gun-cotton and all other explosives of every kind, and their derivatives and compounds, and all chemicals, materials, substances and things required for or incidental to the manufacture, preparation, adaptation, use or working of explosives, or the packing, storing, firing, carrying or disposition thereof.

To manufacture, purchase or otherwise acquire and to sell and deal in all kinds of materials, goods, wares and merchandise which may be required for any of the purposes of the company's business or which may seem capable of being profitably used or dealt in, in connection with such business.

To buy, lease, erect, construct, equip, own, improve, rebuild, enlarge, alter, operate, control and maintain any and all kinds of buildings, stores, offices, warehouses, mills, shops, factories, machinery, works and plants, and any and all other structures and erections which may at any time be necessary, useful or advantageous, in the judgment of the board of directors, for the purposes of the corporation, and which can lawfully be done under the Business Corporations Law.

To purchase or otherwise acquire, hold, own, mortgage, pledge, sell, assign, transfer, and generally to invest, trade and deal in personal property of every class and description so far as the same may be permitted of corporations organized under said Business Corporations Law.

To acquire the good-will, rights and property of any person, firm, association or corporation and to pay for the same in cash, the stock of this company, bonds or otherwise, and to hold or in any manner dispose of the whole or any part of the property so purchased; or to conduct in any lawful manner the whole or any part of the business so acquired, provided such business is within the authorization of the Business Corporations Law, and to exercise all the powers necessary or convenient in and about the conducting and management of such business.

To make, purchase or otherwise acquire, deal in, and to carry out any contracts for or in relation to any of the foregoing business that may be necessary and lawful under the Act pursuant to which this corporation is organized.

To apply for, obtain, register, purchase, lease or otherwise to acquire, and to hold, use, own, operate and introduce, and to sell, assign or otherwise dispose of, any trade marks, trade names, formula, patents, inventions, improvements and process used in connection with or secured under letters patent of the United States, or of any other country, or otherwise, and to use, exercise,

[Rufus L. Patterson.]

develop, grant licenses in respect of, or otherwise turn to account, any such trademarks, patents, licenses, processes and the like, or any such property or rights, in so far as the same may be permitted by law.

To enter into, make, perform and carry out contracts of every sort and kind which may be necessary or convenient for the business of this company, or business of a similar nature, with any person, firm, association, corporation whether private, public or municipal, or with the government of any country, State or Territory, so far as, and to the extent that, the same may be done and performed by corporations organized under the Business Corporations Law.

To purchase, acquire, hold, sell, assign, transfer, mortgage, pledge and otherwise dispose of the shares of capital stock, bonds, debentures or other evidences of indebtedness of any corporation, domestic or foreign, and while the holder thereof to exercise all the rights and privileges of ownership, including the right to vote thereon, and to issue in exchange therefor its own stock, bonds and other obligations.

To conduct its business and all or any of its branches, so far as permitted by law, in the State of New York and in other states of the United States of America and in the Territories and the District of Columbia and any and all dependencies, colonies or possessions of the United States of America and in foreign countries; and for and in connection with such business to hold, possess, purchase, mortgage and convey real and personal property permitted by law, and to maintain offices and agencies either within or anywhere without the State of New York.

In general, to do any and all things and exercise any and all powers which may now or hereafter be lawful for the corporation to do or exercise under and in pursuance of the Business Corporations Law of the State of New York, or of any other law that may be now or hereafter applicable to the corporation.

THIRD: The amount of the capital stock is one million five hundred thousand dollars (\$1,500,000).

FOURTH: The number of shares of which the capital stock shall consist is fifteen thousand (15,000) of the par value of one hundred dollars (\$100) each; and the amount of capital with which said corporation will begin business is three thousand dollars (3,000).

FIFTH: The principal office of the corporation is to be located in the Borough of Manhattan, City of New York, in the County of New York, State of New York.

SIXTH: The duration of the corporation is to be perpetual.

SEVENTH: The number of the directors of the corporation is to be five (5). A director need not be a stockholder of the corporation.

EIGHTH: The names and post-office addresses of the directors for the first year are as follows:

Names.	Post-Office Addresses.
John A. Harris	200 Fifth Avenue, Manhattan, New York City.
Rufus L. Patterson . .	200 Fifth Avenue, Manhattan, New York City.
George Arents, Jr. . . .	200 Fifth Avenue, Manhattan, New York City.
James A. McCann	200 Fifth Avenue, Manhattan, New York City.
Daniel H. Haynes	200 Fifth Avenue, Manhattan, New York City.

NINTH: The names and post-office addresses of the subscribers to this certificate and a statement of the number of shares of stock which each agrees to take in the corporation, are as follows:

SHELL CONTRACTS COMMISSION

Name.	Post Office Address.	No. of Shares.
Marcus R. Peppard	15 William Street, Manhattan, New York City.	10
James A. McCann	200 Fifth Avenue, Manhattan, New York City.	10
John C. Aisenbrey	15 William Street, Manhattan, New York City.	10

TENTH: The Board of Directors may appoint an Executive Committee from among their number, which committee, to the extent provided in the by-laws of the corporation, shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the corporation during the intervals between the meetings of the Board of Directors, so far as they may be permitted by law.

In witness whereof, we have made signed, acknowledged and filed this certificate in duplicate.

Dated this 9th day of June, 1915.

MARCUS R. PEPPARD,
JOHN C. AISENBREY,
JAMES A. MCCANN.

(Cancelled Revenue Stamp
10 cents)

State of New York }
County of New York } ss

On this 9th day of June, one thousand nine hundred and fifteen, before me personally came Marcus R. Peppard, John C. Aisenbrey and James A. McCann, to me known, and known to me to be the persons described in and who executed the foregoing certificate, and severally duly acknowledged to me that they executed the same.

[Seal]

P. J. SHIELDS,
Notary Public, Kings County, No. 377.

Certificate filed in New York County No. 405.

Register's Office, Kings County, No. 7169.
Register's Office, New York County, No. 7368.

(Endorsed)

Certificate of Incorporation
of
International Arms and Fuse Company,
Inc.

Dated: June 9th, 1915.

Tax for privilege of organization of
this Corporation,
\$750,

Under Section 180, Chapter 62, Laws
of 1909, as amended.

Paid to

State Treasurer before Filing.

State of New York,
Office of Secretary of State,
Filed and
Record, June 11, 1915.

FRANCIS M. HUGO,
Secretary of State.

[Rufus L. Patterson.]

State of New York }
 Office of the Secretary of State } ss

I have compared the preceding with the original Certificate of Incorporation of The International Arms and Fuse Company, Inc., filed and recorded in this office on the 11th day of June, 1915, and do hereby certify the same to be a correct transcript therefrom and of the whole said original.

Witness my hand and the Seal of the Office of the Secretary of State, at the City of Albany, this twentieth day of March, one thousand nine hundred and sixteen.

C. W. TAFT,

Second Deputy Secretary of State.

(Marked as Exhibit 269.)

Q. And that fixes the time of the Incorporation about which there has been more or less talk in this country at all events. This question can be disposed of perhaps with one answer. From your experience and your knowledge what time do you say would be reasonable from the time of the contract being entered into until the first delivery would be made, taking your own company as a test?—A. We made the first delivery in nine months.

Q. I think that is what the documents show. That delivery was not a very large one?—A. No, just gun proof samples.

Q. However, they have stood the test, they were passed, and that was part of your delivery?—A. Yes.

Q. In nine months?—A. Yes.

Q. You have an idea now at any rate that it could not be done in five months?—A. I am strongly of that opinion.

Q. What was the time you were supposed to make your first delivery under the contract?—A. In five months.

Q. Coming now to another matter, Mr. Patterson, and I shall go over it perhaps (without tiring you at all) a little more particularly if I take it in the way in which my learned friend went through it. At the end of March, 1915, or thereabouts, was that the first time or the only time you had talked about fuses up to that date, that you recollect?—A. As far as I recall, that was the first time I had ever discussed them.

Q. I do not mean with the Shell Committee, but with anybody?—A. I did not discuss them with the Shell Committee then, sir.

Q. I am including the Shell Committee, or anybody else?—A. Yes, sir.

Q. At that time what company was Dr. Harris in, do you know?—A. The Manufacturing and Contracting Company, of Toronto.

Q. You do not know what position it was in as regards actual operations, do you?—A. No.

Q. Where was Dr. Harris living at that time?—A. He was living in New York.

Q. Do you know when he left Toronto, or about the time he left Toronto to go to New York to live—if he ever did live in Toronto?—A. I don't know.

Q. How long had he been living in New York at that time, to your knowledge?—A. About four years. I had known Dr. Harris about four years.

Q. Your impressions is that he was living in New York at the time you knew him, or was he living in Toronto at any time during that period?—A. I don't know that. He spent a good deal of time in Toronto.

Q. You knew he had a residence in New York?—A. I knew he had a home in New York.

Q. You knew him fairly intimately?—A. In a business way.

Q. Had you other business dealings (I do not want to know the particulars) I merely want the facts?—A. Yes, I had.

Q. To any extent?—A. Not to any extent.

Q. Along the lines of munitions or otherwise?—A. No.

Q. Then I need not pursue that any further with you. Now did you come to put in a bid at the end of March, 1915, if you can just tell me as nearly as you can the exact cause of that bid being put in?—A. I cannot tell you that, Mr. Johnston. I was not interested officially in that bid. I was only interested in the Company in a financial way, a small interest.

Q. That is the Company you describe as, what?—A. The Manufacturing and Contracting Company.

Q. The Manufacturing and Contracting Company of Toronto?—A. Yes.

Q. You were only interested, I suppose, because Dr. Harris was a friend of yours?—A. That is correct.

Q. You did not get dividend sheets from that Company I suppose?—A. No.

Q. Or cheques?—A. No.

Q. Do you know anything about that Company, whether it was of any account, I mean as stockholding or otherwise, or not?—A. No.

Q. You don't know whether it was a substantial company or a company which might come into force at some future time?—A. I think it is a substantial company.

Q. It is a substantial company now, but did you know then?—A. I did not.

Q. Did you learn what the amount of money invested in that Company was?—A. I did not.

Q. You simply had some interest in it of a moderate or a small account, I might say. Now, where was this bid made—you say you put in at the end of March, 1915—where was it made up or how was it made up?—A. I could not tell you that.

Q. Have you any recollection of it at all?—A. I had nothing to do with the bid.

Q. Didn't you sign it?—A. Not to my recollection.

Q. Did you talk it over with Dr. Harris at all?—A. It was the Manufacturing and Contracting Company.

Q. But were you not interested in that application, or that bid?—A. No.

Q. Then you don't know how it was that a certain bid was \$5.90 and another one at \$4.50?—A. I don't know.

Q. Dr. Harris would understand that?—A. Yes.

Q. You did understand from some source or another that you were to place some few small parts in the United States. That was talked of, as I understand.—A. Yes. Dr. Harris stated that had he secured an order, if the Shell Committee would permit the placing of a few of the smaller parts in the United States he asked would my Company be interested in fabricating them.

Q. That is how I did not understand how the matter came up about the placing of a few small parts in the United States?—A. I should not say a few small parts, a few of the several small parts in the quantity in which they wanted them.

Q. But a few out of the total number of parts required?—A. Yes, sir.

Q. That was it?—A. Yes, sir.

Q. At that time apparently it was contemplated manufacturing in Canada, one would say?—A. I think so.

Q. Did you so understand from Dr. Harris?—A. I did.

Q. And it was to be this Manufacturing and Contracting Company you learned about or had some slight interest in, which was to carry on business in Canada, with some parts being manufactured in the United States, if you got the contract?—A. If they got the contract, and if they had permission to have those parts made there.

Q. Was anything done between the end of March and the 17th of April, as far as you recollect?—A. Yes, Dr. Harris told me some time about the first part of April that he had been discouraged, I think he said by his senior Banfield, William H. Banfield, sr., in the belief that the fuse parts could be obtained in Canada.

[Rufus L. Patterson.]

Q. That he thought some of the Banfields told him they could not be furnished in Canada?—A. That is so.

Q. By the way, Mr. Banfield is employed in your business factory, your present business?—A. Yes, Mr. Banfield, jr.

Q. He is an expert mechanic, or whatever you choose to call him?—A. He has charge of what we call the parts plant.

Q. A very important position, is it not?—A. Quite.

Q. A sort of protecting any default made in the manufacture, he restores all that, or does something to it so as not to have a total loss?—A. And manufactures other parts.

Q. What parts can you mention, generally speaking, that he manufactures?—A. He fabricates time rings.

Q. Gauges, for instance?—A. I am not sure as to the details.

Q. As far as the mechanical construction of the fuse or almost any other class of machinery of that character, or the shells, involving operations on steel, would you call him a very practical and a first-class man in his business?—A. Yes.

Q. You look upon him as an expert, in that sense?—A. I look upon him as an expert mechanic.

Q. Do you have any doubt at all as to his capacity to construct a fuse, apart from loading?—A. No. I should think he could construct a fuse. I think he is a thoroughly competent man.

Q. A very competent man?

Sir WILLIAM MEREDITH: A thoroughly competent man, he said.

Hon. Mr. DUFF: An expert mechanic.

Mr. JOHNSTON: Q. On the 17th of April, when making this proposal, you were getting five million fuses to make?—A. We were contemplating bidding for fuses.

Q. You would not bid unless you calculated to get them?—A. No.

Q. The offer you made at that time was \$4.50 per fuse. Is that right?—A. I think it was more than that. I think it was \$4.90.

Q. Have we your proposal here?—A. Yes, it is here.

Q. It is marked Exhibit No. 247. I might read a portion of this, at any rate, to you. It is dated April, 1915.

“GENTLEMEN: The undersigned offer to supply the British Government, through the Shell Committee, with 5,000,000 time and percussion fuses No. 80, Mark V (with cover and tin box) in accordance with specifications and blue-prints at \$4.90 per fuse, delivered f.o.b. cars, place of manufacture, freight prepaid to Montreal, Canada. The above price includes the assembling and loading of the fuse complete. Deliveries will commence within four months after the signing of the contract, at the rate of 5,000 per day and be completed within twelve months after the signing of the contract, and the undersigned will use their utmost endeavors to make the daily output as great as possible and the completion of the contract as early as possible. The terms of payment and other conditions of agreement of the contract with the Shell Committee, acting for the British Government, will be such as may be agreed upon at the time of the signing of the contract.

Yours very truly,

JOHN A. HARRIS,
President.”

Mr. HELLMUTH: That was the Standard Asbestos and Fuse Company.

Mr. JOHNSTON: Apparently another company.

WITNESS: I think after Banfield's discouragement of the fuse project as far as the Manufacturing and Contracting Company is concerned, Dr. Harris took up the

question of forming another company to handle the fuse end, the fuse business, if he secured an order.

Q. Do you know whether the Standard Asbestos and Fuse Company had then been formed or not?—A. I do not.

Q. Dr. Harris will tell us that. Were you a member of the Asbestos Company after it was formed?—A. No. I simply stated to Dr. Harris that I would endeavour to get one of my associates to go with me into it.

Q. That was the time your associate thought he would not go in?—A. Yes.

Q. Subsequently you did go in with Dr. Harris, either into that company or another new company we have heard of?—A. Quite so.

Was that proposal delivered in Montreal while you were here, or were you here at that time, the 17th of April?—A. I was not.

Q. Was it sent by letter, or was it the result of a personal interview?—A. I don't know whether it was or not.

Mr. HELLMUTH: I am going to call Dr. Harris to prove all these things. He was the man who wrote the letter.

Mr. JOHNSTON: I was only asking you if you knew. If you do not, that is the end of it?—A. I don't know.

Q. You knew of certain of these companies, you were there?—A. Yes.

Q. The 26th of April?—A. Yes.

Q. On the 26th of April will you tell me what was proposed in the way of quantity and price. I do not want all the conversation, I merely want the result of it. What number of fuses were proposed, and what was the price proposed?—A. My recollection is, five millions.

Q. Five millions talked of?—A. Yes, and the price reduced to \$4.50.

Q. How did that come about?—A. With the assistance of the Shell Committee.

Q. The Shell Committee would not pay the \$4.50 which I suppose was discussed at that time, was it?—A. It was.

Q. Was there any dickering about it at all, or was it simply \$4.50 and there was the end of it, take it or leave it?—A. That is my recollection.

Q. That is your recollection of the attitude of the party at that time?—A. Yes.

Q. Having regard to that, you expected that the price had some relation bearing upon the quantity of fuses you were going to make, the five million?—A. I do not get that.

Q. You might not have accepted or taken it at \$4.50 unless you got the five million contract—at that time I mean?—A. We were at that time bidding on five million. Our experts were strongly of the opinion that we could obtain a price in the neighbourhood of \$5 produced, and the Shell Committee were endeavouring to reduce the price to the minimum.

Q. That is \$4.50?—A. \$4.50. I thought that in view of the quantity, five million, that certain savings in overhead could be affected, so as to reduce the price to \$4.50.

Q. In another way of putting it, it was by reason of the large order that the price of \$4.50 was accepted?—A. Quite so.

Q. And if you had only been getting an order for two and a half million, you might have been wanting a little more than \$4.50, at that time?—A. I think so.

Q. At the meeting of the 26th of April, how long a time had your options to run from that date, the options you had taken?—A. Our options were expiring at different dates.

Q. The moment they begin to run they begin to expire, in a sense?—A. I mean terminating.

Q. What was the first option that was terminating?—A. I do not recall.

Q. You do not recall?—A. I personally secured renewals of the options we had.

Q. I do not want to ask you to give me particulars, nor do I ask you to give me the names of any of the parties with whom you had options,—it may be, as you say,
[Rufus L. Patterson.]

proper that these names should not be known,—but I want to get some idea if I can of the time when your first option would have expired if you had not got a renewal?—A. I think about the middle of May.

Q. And that was only one, I suppose, of several options?—A. Quite so.

Q. Some of the others ran a longer time, then?—A. Perhaps so. I think most of them terminated. We thought it would be decided by that time.

Q. About the middle of May you had got them renewed, I suppose?—A. We did.

Q. For a month or more?—A. We did not get one of our principal fabricating company's option renewed.

Q. You had to make a new option in that case?—A. We lost them entirely. They took on business from Morgan & Company.

Q. Now, what was said at that time on the 26th about loading in Canada? Was there any discussion about that at that time?—A. There was.

Q. What do you recollect, according to your best recollection of course, what was said on that occasion?—A. The Shell Committee maintained that they would like to load the fuses in Canada, in fact they would like to fabricate as many parts as possible in Canada, but I know they were very anxious to secure fuses. I think they were in a dilemma whether or not they would not best serve Canadian manufacturers by getting fuses for the shells being made here rather than trying to get every part of it.

Q. Do you know how many factories in the United States were then equipped or prepared to make fuses?—A. I could not answer that, I do not know.

Q. Would you not know whether there were many or few?—A. Do you mean loading?

Q. I mean the complete fuse—A. I beg your pardon, I do know, I can tell you. There were two.

Q. Can you give me the number, perhaps you do not care to give me the names, nor do I press that part of it.—A. There were two.

Q. Was one of them your company?—A. No.

Q. You knew of two at any rate. Was there loading done in Canada at that time to your knowledge?—A. Not to my knowledge.

Q. These people in Montreal, did they load?—A. Not to my knowledge.

Mr. HELLMUTH: Is that time fuses?

Mr. JOHNSTON: Or any fuse? Time or graze or whatever else it might be?—A. Not to my knowledge.

Q. Then your next meeting, and I suppose the next thing that you can speak of with any degree of certainty, is the meeting on the 19th of May?—A. Quite so.

Q. I think that was the date you gave?—A. Except with Colonel Carnegie in New York on his return from DuPont's.

Q. Nothing came from the meeting in New York, perhaps?—A. Nothing definite.

Q. What was the subject matter of your conversation in New York, that is between April and the 19th of May?—A. It was the conversation with Colonel Carnegie on the substitution of plans for loading to take the place of DuPont's, in which we and he had been so much disappointed.

Q. What was proposed to be substituted for the DuPont loading?—A. We naturally wished to impress upon Colonel Carnegie our desire to get a staff of competent ordnance people.

Q. And do your own loading?—A. And do our own loading.

Q. That would look reasonable. What did he say as to that?—A. He did not express himself definitely, except when this expert from Frankfort Arsenal was introduced to him. After he had quizzed him he remarked to me that he thought he knew his business, he was a capable man.

Q. In other words, he gave him, figuratively speaking, a certificate of qualification as far as loading was concerned?—A. Yes.

Q. He thought he was fit for that?—A. And after meeting Colonel Birnie he remarked to me when he left, that he had spent a most delightful evening in the Belmont discussing matters with Colonel Birnie.

Q. I should have thought the other way would have applied, that in discussing matters with Colonel Carnegie he would have spent a delightful evening. On the 19th of May after your meeting, did you have more than one interview on the 19th of May?—A. I think I was probably at the Shell Committee's office here in Ottawa two or three times, because I stayed over until the 21st. I was here on the 20th and 21st.

Q. You were here on the 19th, 20th and 21st. Did you have any interviews with the Shell Committee or any of the members of it during any of these days except on the 19th and the one you had on the 21st?—A. I am not sure.

Q. Was there any discussion I should like to know between you and the members of the Shell Committee during that period except what you have told us?—A. Not to my knowledge.

Q. Was there any discussion as to prices during that period?—A. Yes. At all the meetings I was present with the Shell Committee they endeavoured to reduce the price to \$4.25.

Q. And you endeavoured?—A. To keep it to \$4.50.

Q. To keep it high naturally?—A. No, to keep to our offer.

Q. It originally was \$4.90?—A. After reducing it to \$4.50.

Q. You stayed at that?—A. Yes. Colonel Birnie was then our adviser and he thought we had better lose the order rather than take it at a lower price.

Q. So this gentleman seemed to please Colonel Carnegie. He was taken on by you later on and is in your employ?—A. Yes.

Q. What is his name?—A. Colonel Rogers Birnie.

Hon. Mr. DUFF: Was \$4.50 your minimum for the 5,000,000?—A. Yes.

Q. Would it have made any difference as to celerity of production either one way or the other if you had had an order for five million instead of two and a half million?—A. I think our deliveries would have been the same. I mean the beginning of the deliveries. I may correct that by saying that, getting ready to do a thing of this sort is like getting ready to print instead of two readies which might entail delay. of getting the labour.

Mr. JOHNSTON: It is one ready instead of two readies which might entail delay. Then, Mr. Patterson, when you left on the 21st of May, I think that was the time, or was it the 22nd?—A. I do not recall.

Mr. HELLMUTH: The 19th.

Mr. JOHNSTON: The 19th he was here, and the 20th and the 21st?—A. I think I left on the 21st.

Q. There was nothing definite agreed upon up to that time apparently?—A. No.

Q. Did you leave with the impression that you were getting five million then or less?—A. I had heard here talk, I did not know how reliable, that we would probably get less.

Q. But as regards your interview with the Shell Committee, leaving out rumours, of which there are many in Canada sometimes.—A. No, they did not indicate whether we were going to get any, a part or the whole.

Q. But what you had been discussing up to that time was five million?—A. Quite so.

Q. And no other amount up to that time had been discussed: is that right?—A. Quite so.

Q. Then after you left the next you heard of it was then?—A. Heard of what?

Q. You left on the 22nd—

Mr. HELLMUTH: The 21st.

Mr. JOHNSTON: The 21st. You got home on the 22nd?—A. Yes.

[Rufus L. Patterson.]

Q. What was the next you heard of this proposed order or the subject that subsequently materialized in the contract?—A. I think we received the letter of May 25th.

Hon. Mr. DUFF: That is the date of the letter.

Mr. HELLMUTH: I went through that.

Mr. JOHNSTON: That is quite right. I want to carry his mind in that way.

Q. So you recollect that. Now then, was there any conversation or any interview between the time that you got back on the 22nd to New York and the time that you received the letter of May 25th?—A. I do not recall any.

Q. Now this letter of the 25th of May, just to recall the wording of it to your mind. It is exhibit 76. (Reads exhibit) Just tell me in effect what the lines were you had discussed as to these matters, that is the terms of payment.—A. I always insisted that we should get the same terms of payment as those I understood others were getting in the States.

Q. 25 per cent?—A. 20 per cent. Some got 25. DuPonts I understand got 25.

Q. Then there was no agreement at that time as to what the terms of payment should be, as to the cash payment nothing had been decided upon at that time?—A. Nothing definite, no.

Q. And what did you understand "The terms of payment would be on the lines we have discussed with you." What were they offering at that time?—A. They did not want to make any advance as I recall it.

Q. I do not quite understand the letter, Mr. Patterson. "The terms of payment and other terms of the contract will be on the lines we have discussed with you." I read that as meaning you had practically settled the terms of payment and other terms.—A. Quite so. I say originally we wanted 20 per cent, and they did not want to make any advance, and, as I recall, the terms of payment were substantially the way they were eventually incorporated in the contract.

Q. Then you had discussed some terms of payment and other terms of the contract at that time?—A. Quite so.

Q. What did you do after receiving this letter, I mean in regard to this matter?—A. We had several conferences, and our Ordnance Advisor, Colonel Birnie, as well as Mr. Cushing and Captain Torney—

Q. Oh, yes, you yourselves had several conferences?—A. Yes, amongst ourselves.

Q. Yes.—A. They thought it would be foolish to take the order at less than \$4.50, because Colonel Birnie had pointed out that even in peace times the Scovill Manufacturing Company, which is the best fuse making concern in the country, received \$4.75 for the 85 fuse, which is a simpler fuse to make than the 80, and he furthermore pointed out that since this fuse number 80 Mark V had never been combined with American powder and expected to function with American powder rather than British powder, we were running a big risk.

Q. I am rather referring not as to the reasons, but what did you do as regards the Shell Committee, having received this proposal or this offer or letter, whatever it is?—A. I am not sure whether we wrote them declining it, or whether Dr. Harris came back to see the Shell Committee.

Q. We have not seen or heard of any letter of the kind. But you do not know of that?—A. I may say I came back with Colonel Birnie, and, I think, Dr. Harris, on the 2nd of June.

Q. But you had been back in the meantime before the 2nd of June when this contract was drawn up?

Mr. HELLMUTH: No, the contract was not drawn up until the 19th of June. They came back on the 2nd.

Mr. JOHNSTON: I understood they talked over this contract on the 2nd of June.

Hon. Mr. DUFF: They had an interview on the 2nd of June. He told us of that before.

Mr. JOHNSTON: What took place when you came back about the 2nd of June?
—A. I urged the Committee, as I had been doing, to decide the matter one way or the other.

Q. Had you any discussion then as to the variation of the terms between you and them? You were not apparently agreeing to their proposition?—A. No, we distinctly and frankly told them that \$4.50 would be the lowest price of manufacture.

Q. You will see what I am trying to get at and perhaps you can help me. I want to get at the time and circumstances when that \$4.50 was agreed upon instead of \$4.25. I would like to get what led up to it as briefly as you can tell me.—A. June 2nd was the last trip I made here on this fuse matter, and at that time nothing definite was settled. I admit that I began to doubt whether we were going to get an order on terms which we could accept. I therefore suggested that we form this American Company, which was done, and if in due course we did not get this order on the terms which we had offered, then to apply to the J. P. Morgan Company, American agents of the British Government, for an order. We had wasted so much time.

Q. That does not quite get to the point, Mr. Patterson, that perhaps I am a little obtuse about. What I want to get at is that condition of affairs between you and the Shell Committee, or between your body and the Shell Committee, which resulted in the change of price from \$4.25 to \$4.50?—A. I cannot tell you, sir, unless they failed to get the fuses for any less.

Q. I suppose—I should not say I suppose, I do not know—but were you present at the time the price was raised from \$4.25 to 4.50?—A. I was not, sir.

Q. Who was there?—A. My understanding was that Dr. Harris was present. I am not sure whether he was present, but he brought back an order with him.

Q. At any rate, he must have been present with some of them or one of them to get the order?—A. Yes.

Mr. HELLMUTH: What is the date?

Mr. JOHNSTON: June 19th. I am trying to get from him the immediate cause of the change from \$4.25 to \$4.50.

Mr. ATWATER: I do not want to interrupt my learned friend to raise any objections, but I do not want the witness to be deceived in the form of the question put to him by counsel. The question seems to imply that a price of \$4.25 had been in some way agreed upon.

Hon. Mr. DUFF: No.

Mr. ATWATER: There was no such price ever agreed upon.

Mr. JOHNSTON: No.

Sir WILLIAM MEREDITH: It is perfectly plain what this witness says: they came to his price.

Hon. Mr. DUFF: Eventually on the 19th June.

Sir WILLIAM MEREDITH: Eventually. He had nothing to do with the final negotiations which led to that.

Mr. JOHNSTON: Therefore he is unable to answer the question because he was not here.

Mr. HELLMUTH: Quite so.

Mr. JOHNSTON: And he says probably Dr. Harris will be able to tell me that, if anyone can tell me that.

Mr. ATWATER: \$4.25 was mentioned as the minimum.

Mr. JOHNSTON: Then the contract or the document—

Mr. HELLMUTH: Where is the contract?

Hon. Mr. DUFF: Are you manufacturing graze fuses?—A. I am not.

Sir WILLIAM MEREDITH: While you are looking for that document we can get this information from the witness. You spoke of there being two concerns in the [Rufus L. Patterson.]

United States that made the complete loaded fuse?—A. I do not know that they are making it complete, but I rather think so.

Q. Was the Scovill one of them?—A. Scovill is supposed to be the best.

Q. Who is the other one?—A. The American Locomotive, sir.

Q. Were these companies in a position to have taken on orders?—A. No. The Scovill Company manufactured fuses exclusively for the Bethlehem and the United States Government, and the American Locomotive manufactured exclusively for themselves. But we will now pass both those companies in the matter of output this month, probably next week.

Q. I thought we might clear up whether there were any American companies in a position to take an order for fuses.—A. I do not believe at that time the American Locomotive Company had gone very far, and I know Scovill was manufacturing comparatively few in comparison to their output at the present moment.

Q. And manufacturing, you say, for the Bethlehem Company?—A. The Bethlehem Company.

Hon. Mr. DUFF: And the United States Government?—A. Yes.

Q. You are speaking of time fuses?—A. Time and percussion.

Q. But fuses having the time element?—A. Yes, sir.

Q. You were not speaking of graze fuses?—A. No, sir.

Sir WILLIAM MEREDITH: Will you be able to finish in five minutes, Mr. Johnston?

Mr. JOHNSTON: I shall probably be fifteen minutes.

Sir WILLIAM MEREDITH: We will adjourn then.

(The Commission adjourned at 5.30 p.m. to 10 a.m. to-morrow Tuesday, May 9, 1916.)



ROYAL COMMISSION.

ELEVENTH DAY.

MORNING SESSION.

OTTAWA, May 9, 1916.

Hon. Mr. DUFF: There was some misapprehension with regard to the request I made for documents, which I am quite sure was entirely my own fault; no sort of responsibility rests on Mr. Stewart or any of the employees of the office at all. I would like to have, however, the documents that I mentioned, that is to say, all the communications relating to fuses during the critical period, we will say the months of April, May and down to the 19th of June. There are also two documents specified as not yet produced.

Mr. HELLMUTH: I have been furnished with a number of documents that I have not had time to go through at all since, and with the Commissioners' permission I would rather go on today and get a chance of looking over them later and have them produced at the proper time.

Hon. Mr. DUFF: Oh yes.

Mr. HELMUTH: I might say that I had a telegram from Mr. Lloyd Harris saying that he would be here, and I find he is here now.

Sir WILLIAM MEREDITH: You might go on, Mr. Johnston.

Examination of Mr. PATTERSON resumed.

By Mr. Johnston:

WITNESS: May I be permitted to make a few corrections in my testimony of yesterday? They are not very important.

Mr. JOHNSTON: What is that?

Sir WILLIAM MEREDITH: Mr. Patterson says he wants to make a few corrections in his testimony of yesterday. Will you state what they are?

WITNESS: I stated yesterday that I returned from Ottawa to New York on May 21. My memory has since been refreshed by Colonel Birnie's diary. It was the afternoon of the 22nd of May.

Mr. ATWATER: You left Ottawa?—A. I left Ottawa, Colonel Birnie also tells me that the first firing lot of fuses were delivered in less than five and a half months; I stated yesterday nine months.

Mr. JOHNSTON: What quantity perhaps you will tell us?—A. The first firing lot of samples. The third correction: I learn from Dr. Harris that I met him in the year 1909; seven years instead of four years as it appears.

Q. We won't quarrel with that. Now, I have reduced to a very narrow compass what I propose to ask the witness after having considered his evidence. Other witnesses may be ready, if there are any more.

On the 21st of May, 1915, Mr. Patterson, there has been a letter filed here addressed to E. W. Bassick, in which the order was given for 3,000,000 fuses at a minimum price of \$4.25. Did you know anything about that letter at all?—A. Not at all.

Q. Did you ever hear about it until this matter came up here?—A. I do not recall hearing about it.

Q. On that date you were in Ottawa, were you, the 21st?—A. I was.

Q. Anything said to you on that occasion by any member of the Shell Committee that three million out of the five million had been given to Mr. Bassick or his representatives?—A. I do not recall anything.

Q. That is a thing I suppose that you would have remembered if it had been said?—A. I think so.

Q. Then when did you first learn that the American Fuse Company had received a portion of this five million order?—A. I heard rumours that they were to receive, or that they were in competition with us in bidding for the five million order. I had heard that, I do not know at what time.

Q. When did you hear it authoritatively, if I may use the word?—A. Not until June.

Q. The 19th of June would it be?—A. I think so.

Q. You were here on the 2nd of June and saw some members of the Shell Committee?—A. Yes.

Q. Did you hear anything from them in reference to this order of three million?—A. I do not recall.

Q. Would you have remembered if anything had been said?—A. I think I would.

Q. You were not here on the 19th, were you?—A. No.

Q. But up to that time you had not heard anything about this order going to the American or the Bassick people?—A. Except possibly rumours.

Q. But you had not heard anything authoritative?—A. Nothing authoritative.

Q. Had you any talk with Dr. Harris? Do you know whether he knew about it or not?—A. I do not think that Dr. Harris did.

Q. So up until the 19th of June nothing definitely had been settled upon so far as your company was concerned?—A. As to that, I can only say that after getting the letter from the Shell Committee—

Q. Of what date do you say?—A. I think it was May 25, when they sent out a tentative letter for an order at \$4.25 minimum.

Q. Yes?—A. It was based, as I recall, on two and a half millions, and the presumption of course was that we were not to receive more than that number.

Q. Did you raise any objection about that when you saw Dr. Harris?—A. No, except as to price.

Q. Did you make any inquiry at that time as to why you were only getting two and a half million after five million had been talked of?—A. I think we did.

Q. What shape did that conversation take?—A. Speaking to one member of the Shell Committee, as well as I can recall, he spoke of not wishing to place all his eggs in one basket.

Q. What member was that?—A. I think it was General Bertram or Colonel Carnegie, I cannot remember.

Q. When was that conversation?—A. I think it was when I returned on June 1.

Q. Then you had heard some rumours up to that time or before that time, had you?—A. Not as to who was getting the order.

Q. Oh no; but merely as to your order?—A. As I say, this letter from the Shell Committee asked—it was more or less of an offer from the Shell Committee—for two and a half million fuses at \$4.25, which we declined.

[Rufus L. Patterson.]

Q. That is the 25th of May. Then when was the matter closed by your acceptance of their offer, if you can tell me? When did you consider it closed?—A. The 19th of June.

Q. Up to that time had there been any agreement arrived at on common ground in reference to the quantity or the price?—A. We declined to entertain the price of \$4.25.

Q. You say you declined. When was that?—A. After receiving their letter of May 25.

Q. Did you write to them or what?—A. Possibly, but I think it was in our conversation on June 1.

Q. Perhaps I have overlooked the matter in my own mind. When was the question of the acceptance of \$4.50 per shell first discussed? I do not mean the putting it in writing on the 19th of June. Have you any recollection of that at all?—A. I was not here when it was accepted.

Q. I know. But had you any discussion about the \$4.50, excepting what you have told us on the 2nd of June?—A. Through our counsel we submitted to the Shell Committee a draft of contract embodying the \$4.50 price.

Q. When was that?—A. I think that was on the 1st of June we brought that draft.

Mr. CARVELL: We have no letter of the 1st of June, have we?

Mr. JOHNSTON: It was a draft proposal or something of that kind?—A. A proposal.

Mr. JOHNSTON: Have the Shell Committee anything of that kind?

Mr. HELLMUTH: I have not seen that.

Mr. JOHNSTON: Will the Shell Committee produce that?—A. I do not know whether it was given to the Shell Committee, but it was given to us as a guide.

Q. If it was not given to them they cannot produce it of course. Do you recollect whether they got a copy of it?—A. I do not.

Q. Or whether it was given to them at some future time after it was written by your counsel?—A. I do not.

Q. Perhaps Dr. Harris will tell us about that if anything was done. Now, how did you come to go to Montreal or Ottawa, or wherever the Shell Committee was at that moment on the 2nd of June? I mean what was the immediate cause of your going?—A. The immediate cause that influenced me was the fact that I personally was getting quite impatient with the delay, and I wanted some decision one way or the other, and we were being pressed by companies with whom we had options.

Q. Quite so. But what brought you on that particular date, what was the immediate moving cause of your coming on the 2nd of June?—A. Convenience of arrangement of when they were here, or something.

Q. Were you notified or asked to come over here?—A. I do not think so. I won't say positively.

Q. But did you communicate with them that you would be here?—A. I think so.

Q. Either by telegram or letter?—A. Or telephone.

Q. Either one or the other, you cannot remember which it was. Just one question that I think you might clear up, in view of the fact that some evidence has been given in regard to it. Your company had a million and a half subscribed capital. Was that subscribed for at the time?—A. We subscribed.

Q. You and Dr. Harris, and perhaps the third gentleman, the lawyer you spoke of?—A. Yes.

Q. And it would be paid up in the ordinary course, or was it all paid up at once?—A. It was paid up.

Q. So when you came to deal with the matter, you were, according to your statement, a substantial company with a million and a half paid up capital in the treasury before the 19th of June?—A. No.

Q. No.—A. I am very glad you gave me an opportunity to clear up that point. In the States the mere form of organization of a company, the chartering of a company, requires a nominal capital to be named. I do not think in this instance it required more than a thousand dollars perhaps.

Q. Three thousand I think it was here?—A. The Shell Committee were assured that we would be provided with ample capital. As business men they knew very well that if we were responsible for this advance, irrespective of the capital of the company, that we would follow that advance with sufficient additional money to see this through rather than lose the money that was advanced to us, which we would have done in repaying the advance to the British Government.

Q. Which you would have lost?—A. Which we would have lost.

Q. You said which you would have done. I suppose you meant which you would have lost?—A. We would have lost and paid it too.

Q. Can you give me any idea of when this stock was paid for by the three main subscribers?—A. I think I answered that yesterday. We began paying in our money before the last remittances on the advance.

Q. From the Shell Committee?—A. Yes.

Q. And these remittances came in from time to time as you were progressing with your work I suppose?—A. Exactly.

Q. And at that time would you perhaps be able to tell me about what time did your sub-contractors, if I may use the word, begin their draws? I am not going into the details, because that is your profit, and I am not concerned with that. I merely want about the time when the sub-contractors began to draw money as against you.—A. Within a few days after the closing of the contract. I think as a matter of fact, Mr. Johnston, we put in money, in fact I know we did, before we received the advance payment, because it took some days to—

Q. To negotiate?—A. To negotiate.

Q. Or at least to get it transferred to your New York account or whatever account it was?—A. And I would like to have made clear too—

Q. Certainly.—A. That the Guaranty Trust Company stands in the States, as you probably know, at about the same relative importance as the Bank of Montreal does in Canada.

Q. Oh, yes. There is no doubt that it was one of the largest companies in New York. They guaranteed, as you understood it, any deficiency that there might be in non-deliveries to repay back the money which the Shell Committee advanced?—A. That is it.

Q. That is the position they assumed under their obligation?—A. I would like to clear up another point, if I may. I fear that the people at large think that the British Government would finance us in this matter. We had arranged an agreement amongst ourselves to see this thing through, irrespective of the \$1,500,000 capital of the company. That was a mere guess as to what would be required in addition to the advance. It required more. But this advance, not only would we use it for financing, but it is an excellent thing to have your purchaser interested by deposit of money. For instance, the American Machine and Foundry Company, of which I am president, was amply able to undertake their commitments for the fabrication of these parts for the International Arms and Fuse Company, but it insisted upon receiving an advance from the International Arms and Fuse Company.

Q. I suppose I might sum that up by a very common place saying, that money is an excellent thing under all circumstances, the actual cash. You will agree with that, I suppose?—A. Quite so. It is very essentially necessary in the fuse business.

Q. Yes. Just one question more. In your fuse buildings, which seem to be somewhat extensive, did you include provision for the manufacture of fuses under other contracts either with the United States or Great Britain or anybody else?—A. We did. We included sufficient equipment to load 85 fuses. It is the same equipment as the other.

[Rufus L. Patterson.]

Q. Exactly. So that the buildings you have referred to owned by your company, or by you gentlemen yourselves, were intended to provide against future contracts that you might take with regard to fuses with other people?—A. Yes; as also in the event of destruction of one plant we had the other.

Q. Quite so.—A. I would like to make clear to you one thing, Mr. Johnston, and that is, we never have increased our price. We decreased it from \$4.90 to \$4.50.

Q. Yes.

Sir WILLIAM MEREDITH: Any questions from anybody else?

Mr. EWART: I wish to ask some questions.

By Mr. Ewart:

Q. I understand, Mr. Patterson, from what you have said, that the making of advances for contracts is a common practice in the United States?—A. Absolutely.

Q. Does that apply more to one class of contracts than another?—A. Especially to war contracts.

Q. And would you make another distinction between contracts? May I suggest contracts requiring—A. It is not unusual in any contracts for material made of special design or special quality.

Q. Would you make a distinction between contracts requiring capital expenditure and contracts requiring just the running of a plant already established?—A. May I understand your question, Mr. Ewart?

Q. Would you make a distinction between contracts requiring large capital expenditure for the purpose of carrying them out on the part of the contractor and contracts merely which would involve the running of a factory already established?—A. Yes. If one has an established factory turning out a standard product it is not so essentially necessary to have a deposit as when you are building a factory specifically for a specific thing which is not standard and which is not a commodity.

Q. And which requires an expenditure of capital at the outset before you get any returns?—A. Absolutely.

Q. Now, in a case of that kind, Mr. Patterson, I suppose there would be only three sources from which that capital could be procured, either the finances of the contractors themselves, the banks, or the employers—in this case the Government?—A. Yes.

Q. As you say you could in your particular case have provided the capital. I suppose, however, it would be better for you, not merely on account of the reason you have given, but also with reference to the amount of interest which you would have to pay, to get an advance from the Government?—A. I did not get your question there. You said we did not require an advance. I was speaking then of the American Machine and Foundry Company not requiring an advance from the International Arms and Fuse Company. They were amply able to finance their own contracts with the Fuse Company, but they demanded an advance just the same because it was special work that they had undertaken.

Q. But where capital expenditure has to be made it would be for the interests of the contractor rather to get moneys for that capital expenditure from the employer than from his own bank?—A. Absolutely.

Q. You had contemplated getting the whole order of five million fuses for some time?—A. We did.

Q. From your point of view of course that would have been excellent; from the point of view of the Shell Committee do you think it was good business on their part to divide the order?—A. Yes, I think had I been a member of the Shell Committee I would have been inclined to divide the order between two or more companies, multiplying my chances of getting an assured supply of fuses.

Q. And with a view also to subsequent orders the benefit to be derived from the establishment of two new factories which would be in competition with one another rather than the establishment of one which would have a monopoly?—A. Quite so.

Q. You agree with the point of view of the Shell Committee?—A. I do. I wish to say this: I agree with that from the standpoint of the Shell Committee; because they had no means of knowing except as to our assurance and general standing, which they could ascertain, that we could have carried out the fabrication of the five million fuses. Had they been able to have known what I felt personally that we could do, and as events have shown that we are doing and can do I think it might have been better to have given us the full order for 80 fuses because about the time we finish this contract we will have reached the maximum efficiency in our plant, we will have taught the people; now, should we get additional business all right and good, because we would expect to make only a fair profit, and the efficiency of our plant would naturally decrease the price of the product unless the cost of materials going into the fuses should be exorbitantly, I mean the market should grow stronger.

Q. The same reasons would operate to reduce the price quotable by the American Ammunition Co. to, that is having the plant and having the experience?—A. Any company.

Q. And the benefit to the Shell Committee would be that they had two companies to deal with instead of one on further orders?—A. I think the Shell Committee on general principles were right in having two companies bidding.

Q. That appears to be obvious; I only wished to get it from some witness. You said, I think, that you were unable to place any particular date at which you commenced to hear of the rumours of competition?—A. In the war business you hear so many rumours daily, hourly, that one gets after a time not to pay very much attention to them.

Q. It must have been at all events before you received that letter of the 25th May in which you were granted only half of the order, and probably before the 19th May when you were here with Col. Birnie and the lawyer?—A. I will not say that I did not hear, because as I say, I am hazy as to that.

Q. I have just one more question to ask you?—A. May I explain that; I knew prior to May 19.

Hon. Mr. DUFF: June 19?—A. No, May 19.

Hon. Mr. DUFF:—Before you came up here?—A. Yes.

Mr. EWART: He was here.

Hon. Mr. DUFF: He came here on the 19th, I understood that is the date; but before you came?—A. I knew of other companies, I did not know the nature of the company, the name of the company—that other people were interested in bidding for fuses, but I did not know whether it was part of our order, or additional order, I mean part of the amount we hoped to get, or an additional order, or, what it was they were to get. I would like to make a further statement; the Shell Committee always impressed me as trying to deal fairly in all these matters. They were tremendously hard worked, they were most anxious to get the fuses made, and I could not understand why there was so much delay in placing the order, realizing their anxiety to have them placed. I think, however, that they were honestly of the opinion that the fuses should be produced at a lesser price than we were willing to make them for.

Mr. EWART: And your view, I suppose, is that they drove as hard a bargain with you as they could?—A. Yes. I think furthermore they endeavoured to exhaust the possibilities of making them hurriedly in Canada.

Q. One more question; it has been alleged that Mr. J. Wesley Allison had a very large interest in those profits or commissions in connection with those contracts, and it is suggested that through his influence with the Minister of Militia the Shell Committee were induced to make the contracts in question; is that true of your company?—A. Absolutely not.

Q. So far as you knew, what had the Minister of Militia to do with the letting of these contracts?—A. I knew nothing as to his connection with the Shell Committee.

[Rufus L. Patterson.]

Q. You did not know even enough to know that he might have some influence, and that you had better operate through it?—A. I presumed, I have always presumed that the Minister of Militia would have influence in anything to do with war supplies, but that he had any official connection, or that he would use influence for any particular competing company it never occurred to me.

Q. As far as you know he exercised no influence upon the Shell Committee in this case?—A. So far as I know, absolutely not.

By Mr. Carvell:

Q. I want to follow up an expression of opinion which you have given as to the advisability of dealing with more than one company; you have it as your opinion that the Shell Committee were justified, and that it would be probably good business to deal with more than one company because there would be the greater chances of getting deliveries, and in case of future orders there would be more plants to compete for orders; would you be willing to extend that opinion to one additional plant and say that they would have been justified, assuming that they had a body of men who were competent, both from a mechanical and financial standpoint to finance the undertaking with the same proportion of assistance you received, in your judgment would the Shell Committee have been justified in going one step further and treating with three companies instead of two?—A. My opinion was of course based on the assurance that each competing company was a thoroughly reliable company.

Q. I have incorporated that assumption in my question?—A. Yes, and furthermore, as I have said at the outset, that really the essence of this fuse making is talent and toolmakers, irrespective of plants or money; I mean it would have to have those elements as well as—

Q. Still assuming that those elements could have been produced, would they have been justified in treating with a third company?—A. I would say that there is a point where if orders were spread out too thin, in too small quantities, the companies receiving them would not have the inducement, or perhaps sufficient interest to put up sufficient plant, or perhaps to go to sufficient expense to obtain the talent and talent is very essential in the fuse making; but I would not say that it would be a disastrous thing at all if they had three companies instead of two.

Q. Of course that is only a matter of opinion, and as you offer the opinion in one case I wanted your opinion in the other. Now, to go back to your contracts just for a few moments, you told us yesterday that up to the time when you received the last advance of the additional 5 per cent which would be around the latter part of October you had over four million dollars invested in the enterprise—I have forgotten the exact amount?—A. Pardon me, I think I said before we received the first payment for fuses from the British Government we had four million dollars invested.

Q. I had the idea that up to the time you received the last advance of the 5 per cent?—A. No.

Q. Then up to the time you received the first payment for fuses you had advanced then over four million dollars?—A. Quite so.

Q. Approximately?—A. Including of course the advance from the British Government, which we felt—

Q. We prefer to call it the advance from the Shell Committee?—A. Well, the Shell Committee.

Q. There was around one million seven hundred thousand dollars advance, and the balance you put up yourselves; about what date would that be?—A. I think February or March of this year.

Q. 1916; up to that time I suppose we can assume that you had incurred large liabilities with your sub-contractors?—A. We had.

Q. And those contractors had furnished I presume large quantities of parts?—A. They had.

Q. Could you give any idea of the value of the parts that had been supplied you, or I don't say supplied you, had been provided under your contract with your sub-contractors up to that date?—A. About seven hundred thousand dollars in supplies, I mean mechanical supplies, and I think an item of three or four hundred thousand dollars of powder and powder pellets and other ordnance material.

Q. That would be around one million one hundred thousand dollars?—A. I should say one million one hundred thousand dollars which we have invested in parts in the plant.

Q. I bring you back to clause 10 of your contract. Clause 9, you will remember, provided for the advance payment of 15 per cent; and clause 10 reads as follows:—"The purchaser shall also make from time to time on the first lots of fuse parts manufactured further advance payments to the company in New York funds (up to but not exceeding in the aggregate three million dollars) or 66⅔ per cent of the price of the finished fuses" on proper certificate being furnished: I suppose it is a fact that up to this time you had received some of those advances?—A. Never.

Q. None whatever?—A. None whatever, never asked for them.

Q. Have you received none of those advances yet?—A. None of them; we have never asked for the advance on the component parts.

Q. That has been financed entirely by yourselves?—A. Quite so, yes.

Q. Has the Committee or the Munitions Board refused to make those advances?—A. They have not. May I explain?

Q. Yes, there must be some explanation?—A. That is an impractical, unworkable arrangement except in a very moderate way; it called for complete sets of component parts; complete sets of component parts are when received in our plant loaded and assembled as quickly as possible. The difficulty is getting the 1 per cent; the 99 does you no good.

Q. You construe this clause 10 to mean you must have the complete parts before you get the advance?—A. Absolutely.

Q. I think there are manufacturers who might try to apply another construction to that.

Mr. EWART: Those manufacturers who are lawyers.

Mr. ATWATER: Finish your answer?—A. Therefore the complete set of component parts we have found are brought together the first time practically when they are loaded and assembled and placed in our storerooms awaiting gun test.

Mr. CARVELL: Therefore you find it is impracticable to work that out until your fuse is completed ready for delivery?—A. Yes, and the time in which you could get that advance would be so short, and the payments have been so prompt for finished fuses that it is not a practical workable scheme.

Q. You told us yesterday that the time you commenced the working out of this contract there were two companies or corporations in the United States that were manufacturing time fuses, that was the Baldwin Locomotive Works and the Scovill?—A. I beg your pardon, the American Locomotive Works and Scovill; but I learned since that the American Locomotive Works at the time of our taking this order were not producing any fuses.

Q. It was practically down to one, and one in the course of construction?—A. And that the Bethlehem Steel Company were making fuses but had had very little success at that time.

Q. That then would make practically three companies?—A. Three companies, but only one successfully operating.

Q. And the other two were getting ready to operate?—A. Trying to.

Q. I suppose it is a fact that they are now successfully operating, the other two companies?—A. I know the American Locomotive Company is producing, but I doubt whether the Bethlehem have ever had very much luck in it.

Q. And those companies as I understand were making the 85 fuse?—A. The Scovill Manufacturing were operating for Bethlehem.

[Rufus L. Patterson.]

Q. These companies at that time, or the Scovill was loading the 85 fuse, is that right?—A. That is my information, although I do not know of my own knowledge.

Q. That is what I would gather from the discussion we have had here?—A. I should imagine.

Q. Is there any difference in the machinery and plant and methods employed in loading 85 fuse or the 80 over 44 fuse?—A. 85 fuse—you don't mean the 80 Mark V?

Q. No, the American fuse?—A. The machinery for loading is the same but the loading tools are different; they are the same type of tool but—

Q. A little difference in detail?—A. Yes.

Q. But the general principles of loading the one are the same as those of loading the other?—A. That is such a broad statement I would rather you would ask one of our ordnance experts—general principles.

Q. Can you tell me without giving the name or the location the number of plants in the United States to-day that are manufacturing completed time fuses, and I suppose I might say loading, because there would not be much trouble to make the parts?—A. Successfully?

Q. Well, those doing it?—A. Those I mentioned and ourselves.

Q. That is you include in those you mentioned the Bethlehem as well?—A. In connection with the Scovill, yes, but I have learned, whether truthfully or not, that they have never been very fortunate in fuse production.

Q. However they have a plant, have they not?—A. I think so.

Q. That is three, yourselves are four; now if you will go on and give me the remainder by numbers I won't ask you to give the places?—A. I do not know of any others.

Q. Would you like to go so far as to say there are no others in the United States?—A. I would not like to go so far because I am not posted.

Q. Prior to the beginning of the European War in August, 1914, at how many places in the United States had time fuses been successfully manufactured by the Government of the United States?—A. I could not answer that.

Q. It is a fact that they had been manufactured at Government arsenals, is it not?—A. Will you ask Major Hawkins that, I do not know.

Q. I thought possibly you might be able to give this information?—A. I do not know that.

Q. And I do not think there would be any objection to asking these questions, I do not want to ask any questions that would be considered against public interest?—A. I am not informed as to where the Government made their fuses.

Q. Could not you go so far as to say as a fact that time fuses had been manufactured in the United States at Government arsenals prior to this date?—A. Had?

Q. Yes?—A. Oh, it is a fact; the 85 unquestionably.

Q. 85, that is a time fuse?—A. Yes.

Q. No doubt about that at all?—A. No.

Q. Would not you go so far as to say that they had been manufactured in more than one arsenal?—A. I would not.

Q. Will you tell me what parts of the time fuses you were manufacturing in your own plant at Bloomfield, New Jersey?—A. We are manufacturing the time rings, we are fabricating, finishing the cap, base plugs, and what we call bodies, that is the—

Q. Aluminum?—A. The aluminum parts; the roughing out for our finishing operations at Bloomfield were done at the American Machine and Foundry Co.

Q. Then I would say that so far as the work which you were doing at your own plant is concerned it is the rougher or bulkier portions of the mechanical work?—A. No, we are doing the rings as well.

Q. I will withdraw it; with the exception of the time rings; but when you take the main body of the fuse, the cap and base plate, that would not be extremely delicate or intricate mechanical work?—A. It is very difficult work.

Q. You call that very extremely delicate work?—A. Not delicate work in the sense—you have to work to fine limits in order to pass the gauge.

Q. So you would if you were making a collar to fit on a shaft you would have to work to fine limits, you go into an ordinary foundry and machine shop in the country and you want to make a collar that will fit tightly on a shaft, is not it pretty accurate work?—A. It depends on how well it is done.

Q. If it fits tight is it not accurate work?—A. It must be.

Q. You are a mechanic; I am not trying to belittle at all the accuracy of your work, but don't you think there have been many instances in the last two thousand years when fairly accurate work has been done in the different machine shops in the world?—A. I imagine so in the last two thousand years.

Q. I notice on looking on the inside of this fuse there are a number of parts that are small, intricate, delicate, and I have no doubt require accurate machining and accurate work in producing them, some of these I understand you are manufacturing yourselves, and others are being manufactured by your sub-contractors, is that right?—A. Quite so.

Q. Will you tell us now how much money you have invested in the plant, leaving out that portion of the plant constructed with the expectation of taking contracts other than the one from the Shell Committee?—A. Plant B, is the one you wish left out.

Q. I don't know, I am asking you?—A. The point though I want to bring up is this, that the plant B was built for the purpose of a duplication of plant A in the event of fire or explosion of plant A; the loading machinery and equipment are identically the same. We are now using plant B for this 80 Mark V. contract, and we hope to continue to use it, because we much prefer working day time by daylight than running two shifts in plant A.

Q. By using plant A and plant B in the daytime you obtain the same results or better results than running plant A night shift?—A. Better results; it costs us more to do it, however, since we have to duplicate our loading tools, which are very expensive. The same loading tools as plant A is now equipped with of course could be used doubly by working at night, but assembling these fuses is a very delicate operation, and getting the various parts together, and daylight is much preferred.

Q. You have not answered my question yet?—A. I doubt whether we should exclude—I will answer your question, but we should not exclude B building from this because—

Q. You are giving the evidence, but before you give the answer I would call to your attention the fact that there are three buildings, A, B and C?—A. Yes.

Q. Do you exclude C entirely?—A. No, not at all; C is what is termed the parts plant.

Q. That is where you put the parts together?—A. No, that is the place we manufacture the parts.

Q. The question might arise whether B should be excluded or not; you could give us the cost of the different plants, and we can draw our own conclusions as to the exclusion or inclusion?—A. I have a statement here, cost of real estate and construction of buildings including power house, blending storage, testing house, etc., \$452,569.

Cost of machinery, tools, etc.	\$396,358 62
Cost of gauges.	102,130 67

Development, experimental and organization expenses—

Mr. CARVELL: I was only asking for plant, Mr. Patterson.—A. I would like to give this to you. I can then subtract what you want to leave out. The amount is \$397,316.21.

Q. That is development?—A. I can give you also the exact items to subtract, if you wish. I want to explain what is known by Development, Experimental and Organization Expense.

[Rufus L. Patterson.]

It was very expensive obtaining our Ordnance experts. Major Hawkins for instance had to be remunerated for his loss of pension in the future, and it cost us a gilded sum. But I will say this, that he is worth it. It was the best investment we ever made.

Q. I hope you are paying him as well as the Shell Committee are paying Colonel Carnegie here?—A. I don't know.

Q. I figure up the three items and find they come to \$851,000 as the actual cost of the plant, including your gauges—no, \$951,000, I beg your pardon?—A. Yes.

Q. You are taking in the Development, and I am excluding the Development, as I told you. I am taking in your plant at \$452,000, machinery \$396,000 and gauges \$102,000, leaving out the odd amounts, and have omitted the rest.

WITNESS: This is of date April 1st, or March 31st, and it does not include the machinery and equipment installed since that time, bills for which have not been received. This was gotten up for Mr. Atwater when he was in New York some weeks ago.

Q. I am perfectly willing to let you give such additional figures as you wish to give, but I want to get back now and see if I can get an answer to the question I asked you some time ago. Do you admit my figures of around \$951,000 are the correct amount up to the 31st of March, excluding the Development charges?—A. No. I think you are too low. I think you will find that our plant, the cost of our plant up to this time has been, along with the equipment supplied, in the neighbourhood of \$1,200,000.

Q. I would like you to give us how you make up the estimate in the figures you have given me?—A. There has been machinery received since this statement was made up.

Unfortunately there has been such a demand for tool machinery that we have not received our full equipment of tool machinery even now.

Q. Is that as much of the details as you can give me as to the cost?—A. That is my recollection.

Q. All right. Let us now come to the question of Development, the item of nearly 400,000 dollars, you have included in that the cost of obtaining experts, paying additional salaries to get them away from their ordinary avocations, travelling over the country, paying bonuses to get deliveries (which is quite proper) but would that not be incidental to the organization of any other business, to a degree?—A. Yes, but to a small degree. This fuse business is what one might call a hectic business. It can only be described as a hectic business. It is a strenuous business, especially in war time.

Q. You ought to hear some of the stories about the strenuousness of making shrapnel shells in Canada. You have not commenced to suffer yet?—A. Shrapnel shells are a simple matter.

Q. No doubt the making of time fuses is a particularly strenuous business. I am not controverting that at all, Mr. Patterson. Will you tell me, in order that we may draw our own inferences, what would be the amount of capital invested in Plant B, both building and machinery?—A. I should judge \$250,000 or \$300,000.

Q. Are you doing this for any other business than that of the Shell Committee?—A. We are not.

Q. That expected business has not materialized?—A. It has not.

Q. I do not want you to go any farther than to say it has not. You said yesterday that you were employing about two thousand hands?—A. The number is increasing daily.

Q. But in that vicinity?—A. At Bloomfield.

Q. Does that include the number of hands in the Loading Department as well as in the Mechanical Department?—A. It does.

Q. That is the total?—A. Yes, sir.

Q. Of those two thousand people how many would be girls and women?—A. I am unable to tell you. I am only speaking from hearsay (Major Hawkins can best enlighten you upon that) but I think it is sixty per cent women and forty per cent men.

Q. How many of those men would you consider as technical men, that is, above the ordinary foreman in the machine shop?—A. I am not posted as to that.

Q. I am asked, Mr. Patterson, to ask you whether or not you know, or if you have any knowledge as to whether the Bethlehem people are working through or under the Scovills?—A. I have no direct knowledge excepting hearsay.

Q. That is the generally accepted idea, is it not?—A. That they have the facilities of the Scovills?

Q. Yes?—A. Yes, sir.

Q. Is it also generally understood that the Scovell people have some connection with the firm of J. P. Morgan in the manufacture of fuses or munitions of war for the Allies?—A. I am not informed as to that.

Q. Have you ever taken any means to find out where the J. P. Morgan Company are taking their fuses?—A. I have not.

Q. Would you like to go so far as to say that you have not any general knowledge?—A. Except hearsay knowledge.

Q. Perhaps I may be pardoned if I say we have had so much hearsay (and I am not objecting to it at all) that you might be allowed to answer the question. You must have some general knowledge as to where the Morgans have been taking fuses?

Mr. EWART: Is it advisable to bring that out? I am not objecting to it.

Mr. CARVELL: I am only asking the names of two companies mentioned over and over again, and I have expressly suggested to the witness that he shall not mention the names of any other companies.

Sir WILLIAM MEREDITH: The witness tells you that he does not know and that he has not any information. Of what use would his statement be that he heard somebody else say so?

Mr. ATWATER: It puts him in an uncomfortable position besides.

Mr. CARVELL: I am not asking these questions merely for the fun of doing so at all. I have a well defined object in asking them, and I think both my learned friends to my left and right understand my object.

Mr. EWART: Well, I do not.

Mr. CARVELL: I do not want to give any information out that will be of comfort to the enemy. If the Commissioners do not think I should ask the question, I will drop it right here, but I do think he should be allowed to answer and say where the Morgans are getting fuses?—A. I am not in the confidence of J. P. Morgan & Company.

Sir WILLIAM MEREDITH: Any other questions?

Mr. ATWATER: I should like to ask one or two additional questions, if I may be allowed to do so.

Q. Mr. Patterson, you have been asked by my learned friend, Mr. Carvell, in regard to the cost of these different plants. In the statement you were reading from you gave some figures aggregating, as far as the plant was concerned, about \$950,000 and odd. Did that include the Plant B, what you call the Plant B?—A. I subtracted that.

Q. So that would have to be added, if you were calculating the cost of the plant, if the plant B was to be considered as connected with the making of these No. 80 fuses?—A. Yes.

Q. You spoke also with regard to the development work, the cost of the development, which was included in the statement you were speaking from. Is that development an absolute necessity?—A. Absolutely.

Q. In the establishment of such a work as this?—A. Absolutely.

Q. And in the development you count the cost of what you have had to pay to the [Rufus L. Patterson.]

different experts, or to obtain the experts, also a necessity for the establishment of the plant?—A. That is so.

Q. There is one other matter about which I should have asked you before. I don't know whether you can speak of it at this stage or not, of the enterprise. Can you say whether or not your company has made any large profit out of this contract?

Mr. JOHNSTON: That is a dangerous question to open up, I should think.

Mr. ATWATER: Then I will withdraw the question.

Sir WILLIAM MEREDITH: Mr. Johnston I noticed said he was not going to inquire as to the profits. The terms of this Commission are very wide—"acts and proceedings of the Shell Committee, whether by themselves or by any other person or persons directly or indirectly, and of the Minister of Militia and Defence, whether by himself or by any other person or persons directly or indirectly in relation thereto or in connection therewith," that is, these four alleged contracts, "and into the negotiations therefor, the profits or prospective profits arising thereunder, the disposition, division or allotment of such profits or prospective profits, or of any commission or award," and so on.

That would seem to indicate that this Commission requires us to ascertain what the profits or the prospective profits on these contracts were.

Mr. HELLMUTH: That would mean dealing with the prospective profits of the International Arms and Fuse Company in their contract with the Shell Committee?

Sir WILLIAM MEREDITH: With the Shell Committee.

Mr. HELLMUTH: And the profits or the prospective profits of the American Ammunition Company in respect of their contract?

Hon. Mr. DUFF: I am not quite sure that it does not go beyond that, but it would certainly include it. I mean if you give it the broadest construction.

Mr. HELLMUTH: What I wanted to ascertain from the Commission is, does it in the opinion of the Commissioners not merely cover that but does it not cover the profits that might be made by any sub-contractor to whom the contractor might let the component parts?

Sir WILLIAM MEREDITH: It does not seem wide enough to cover that.

Hon. Mr. DUFF: I should think that that could easily be excluded from it. The question is, whether or not it is controlled by what follows, which refers to the disposition of profits, and is it contemplated that we are to inquire into the profits to this company arising out of this contract, so long as there is no suggestion of any description that there was any sort of corrupt distribution of them at all.

Mr. CARVELL: Would it go to the full extent of the distribution of the profits?

Sir WILLIAM MEREDITH: I should think it would be a most unjust thing to honourable contractors if their business should be inquired into in that way, and that it would have a very serious effect in getting contracts entered into by the British authorities with the American Companies, if their business could be so inquisitorially investigated.

Mr. HELLMUTH: It did not occur to me, Messrs. Commissioners, that it would mean any more than what Mr. Commissioner Duff has said, namely, that if we find that there were any profits being distributed, whether corruptly or otherwise, we might inquire into them. I do not mean that we are to inquire into what they have made. I do not think that was the intention, but that if we found that out of the profits parties had received certain amounts, it was not necessarily to be regarded as a fact that those profits were corruptly distributed.

Mr. CARVELL: I go further than that. If any good could be obtained by following this gentleman up and asking him how much money he is making as profits, I think the Commission is wide enough to go into that.

Mr. EWART: There are two questions under the Commission. The first is, whether there were profits, or prospective profits.

Sir WILLIAM MEREDITH: Profits made by whom?

Mr. EWART: These companies, sir.

Sir WILLIAM MEREDITH: With whom the Shell Committee entered into contracts?

Mr. EWART: And consequently upon the profits, and what the division of them was.

Hon. Mr. DUFF: Mr. Hellmuth put it the other way.

Mr. EWART: But he cannot get a distribution of profits until there are profits to distribute. So far as the inquisitorial questions are concerned, they are coming from the other company.

Hon. Mr. DUFF: The subject has been under consideration by the Commissioners, and it seemed to be proper to call attention to it, so I thought it was a reasonable point at which to stop Mr. Atwater.

Sir WILLIAM MEREDITH: Where are we now?

Mr. ATWATER: My object in putting the question was not to direct the inquiry, it was merely for the purpose of proving if, as I am instructed is the case, this company of Mr. Patterson's did not make any considerable profit, if they made any, and that they do not know as a matter of fact whether this contract is going to result in a profit or in a loss to them. If I may be permitted to say so, I do not think the matter is of enough importance for me to press the question, from our point of view. Unless the Commissioners wish me to conduct the inquiry further, I wish to withdraw the question.

WITNESS: I do not think the profits or the prospective profits, as far as we are concerned, are worth discussing.

Mr. HELLMUTH: There is only one question I would like to ask before Mr. Commissioner Duff asks any.

Hon. Mr. DUFF: Go ahead, Mr. Hellmuth.

Mr. HELLMUTH: Q. I wanted to make it clear if I could, to my own mind about this development. You spoke of these development expenses including the experts. What I want to understand from you is whether in those development expenses, so far as the experts are concerned, you are merely including the amount you had to pay to get the experts, or whether you are adding the salaries to the development. I mean, if you paid a certain lump sum to get hold of an expert, in order to provide for his future pension are you including the salary from month to month of that expert?—A. We are not.

Q. Taking it from the start, we will say you retained a certain gentleman?—A. We call that "unproductive overhead."

Q. But is that included in the Development?—A. It is not.

Q. You charge in Development the lump sum you paid out to get an expert, but you have not included the expert's salary from the time he entered your employment?—A. No. That is under "Unproductive Overhead."

Q. But it is not in the Development?—A. No, it is not.

Hon. Mr. DUFF: I understood you to say that on the first of June you definitely refused to accept the price of \$4.25?—A. We did.

Q. Perhaps you can answer this question; should you have considered it a breach of faith if on that refusal the Shell Committee had withdrawn their offer?—A. No, except that I would have considered it inconsiderate for them after having kept us on for so many months or so many days without knowing the position, or knowing our position in the matter, because we could undoubtedly have obtained orders from the American agents of the British Government of the emissaries of the Government.

Q. Could you say at what stage you were prepared to take a contract at \$4.50?—A. We had decided to take a contract at \$4.50 in April, I think about the time of our visit to Montreal on the 26th of April.

[Rufus L. Patterson.]

Q. When did you first definitely communicate that to the Shell Committee?—A. On April 26th.

Q. I think you were asked about anybody having any interest, and you were asked a question by Mr. Ewart which I should like to follow up. During the negotiations did you have any suggestion from anybody that the delay of which you speak might disappear if you approached an individual connected with the Shell Committee?—A. Absolutely no.

Q. To be specific about it, did you have any suggestion that you should have any dealings with Colonel Allison?—A. Absolutely not.

Q. Were you approached by him?—A. I was not.

Q. Did any facts come to your attention that gave you the idea—I mean specific facts—that your negotiations would be facilitated if you had dealings with some third person?—A. I never knew of Colonel Allison.

Q. Perhaps you do not get the question. I want to put a little more general question now. Did any specific facts come to your attention in the course of the negotiations which led you to think that your dealing with the Shell Committee would be facilitated by dealing with a third party as an intermediary?—A. Absolutely not.

May I state to your lordship one thing, and that is that in the discussion of profits, any one estimating profits on fuse orders does so on the merest guess, because after all is said and done that depends upon an officer, a stop watch and a gun at Valcartier, and he has to see about three miles, because we have only one-tenth of a second of mean variation.

Before leaving, I would like to extend an invitation to the Commission to visit our plant at Bloomfield, or to our sub-contractors, I will guarantee that you will not be blown up.

Sir WILLIAM MEREDITH: Is your contract still on foot, is it still existing?—A. Yes, sir.

Q. Had you considered, or are you in a position to say the least quantity of shells which would have justified you in going on with your scheme?—A. I think we have a larger capacity than we should have for the order we have taken.

Q. Supposing you had been offered a contract for a million and a quarter on the same terms, would you have felt justified in going on?—A. I think so.

Q. To what account is the expense of this inquiry charged, is that added to the Development? Perhaps you had better not answer that question.

Mr. ATWATER: That is beyond the scope of the Commission.

WITNESS: The reason I say this is, that had we received one-half the order we did receive, whether we would have felt justified in going on, I can only speak personally of course, but I would have been in favour of taking such an order providing we could have supplemented it with additional orders in the States.

But I do not think there is any money in the fuse business. I don't think it is possible to charge up overhead and the experimental work and the Development work to an order of that size, because the maximum efficiency of our plant will have been reached about the time we finish the order. Again, when starting without any efficiency, and going up to maximum efficiency we go the entire route on this order as to mean efficiency, which is expensive.

Mr. ATWATER: Is your question to Mr. Patterson answered, sir, as to what amount he would be justified in taking the contract at? Did you ask what the price was?

Sir WILLIAM MEREDITH: I said the price.

Mr. HELLMUTH: I think Major Hawkins will be a comparatively short witness, and as I said yesterday it is absolutely imperative that he should get back to New York, and he will have to leave by an early train. I shall then call Mr. Lloyd Harris, who is also very anxious to get away by the 4.45 train.

[Rufus L. Patterson.]

I am rather in a quandary just now. I brought Major Hawkins here on the distinct understanding that he should be called to-day. It is now half-past eleven or nearly so, and I certainly think he will not take more than an hour all told, because his is practically the technical part of it.

Sir WILLIAM MEREDITH: Well, what is to be?

Mr. HELLMUTH: I have spoken to both Mr. Patterson and Major Hawkins, and although perhaps quite naturally reluctant, they appreciate the fact that Mr. Lloyd Harris is going to England and must get away. I received their consent to Mr. Harris being allowed to take precedence, so I will call Mr. Harris now. Of course it is understood that Major Hawkins comes next. I cannot allow anybody else to come in between.

LLOYD HARRIS, sworn.

By Mr. Johnston:

M. HELLMUTH: Messrs. Commissioners, it occurred to me that Mr. Lloyd and Mr. Russell have been very frequently referred to by my friends, and that it might possibly occur to them that they would prefer to examine Mr. Harris themselves. I would be very loth to have it thought that I want to put any objection in their way. If Mr. Johnston would like to examine Mr. Harris, reserving to myself the right to ask such questions as I think proper afterwards, not at all in the nature of cross-examination (because I do not propose to do that) but the same class of examination as I have been conducting, I would be very glad if Mr. Johnston would shorten it. He knows probably what Mr. Harris intends to say, and I think it only fair that he should take the examination.

Mr. JOHNSTON: I will make it as short as I possibly can. I know a little about the facts and will ask him what is proper, or try to do so at any rate.

Q. Mr. Harris, what is your occupation in Toronto, what business are you in?—

A. Do you want them all?

Q. No, generally?—A. I am President of the Russell Motor Car Company.

Q. You are engaged in other large manufacturing concerns, I understand?—A. Yes, sir.

Q. Involving what class of articles or machinery, generally speaking?—A. Steel, and articles made from steel, agricultural implements and so on.

Q. Are you familiar with iron, steel and metal manufactures of that class?—A. In a general way.

Q. Have you had practical knowledge of the business, or of that class of business?—A. From the management point of view.

Q. I mean, apart from the financial part of it?—A. Yes.

Q. What sized factory or factories have you available for making fuses?—A. At the time we considered this matter about a year ago we had the Russell Motor Car Company practically in West Toronto, with a large capacity, 60,000 or 70,000 feet of floor space which would have been available, and a great deal of vacant land. We had fourteen acres of vacant land where we had considered placing our loading factory. Of course a loading factory cannot be placed in a congested district.

Q. Was that in conjunction with your Russell Motor Car premises?—A. Yes.

Q. What other resources or means did you have of carrying on a fuse factory if you started one?—A. We had an excellent mechanical organization and both Mr. Russell and myself have had a very large experience, a varied experience in manufacturing and producing a very large range of articles of different kinds.

Q. Is Mr. Russell a practical mechanical man?—A. I don't know that he has had practical training in a factory.

Q. You mean, not from the bench up?—A. Not from the bench up.

Q. But how long has he been engaged in this class of business, manufacturing?—A. He has been manufacturing bicycles and motors for about nine or ten years, I think.

[Rufus L. Patterson.]

Q. How long have you been in that class of business?—A. I have been associated with Mr. Russell for about four years.

Q. But in iron and steel work?—A. Practically all my life.

Q. You began to think of this about a year ago, you say?—A. Yes.

Q. That would be in the spring or winter of 1915?—A. We heard on the 30th day of April, 1915, that the Shell Committee had some orders for fuses to place. That was the first intimation we had of it.

Q. Did you make any move then towards getting any of those orders?—A. At that time we were in New York. We had met General Hughes in the morning on other matters, and a friend telephoned from Philadelphia to advise us that the Shell Committee had these orders to place and that negotiations were proceeding.

Q. What orders?—A. For fuses.

Q. Was any amount stated at that time?—A. Five millions.

Q. Where did you have the conversation with General Hughes?—A. In Colonel Allison's room in the Manhattan Hotel, New York.

Q. Who was present at the time?—A. General Hughes, Mr. Russell and myself.

Q. Was Colonel Allison there?—A. Not with us. He was in the next room.

Q. What took place between you and General Hughes in regard to the matter?—A. At the time we saw General Hughes we did not have this information. As I say, after we had a conversation with him in the morning on other matters—we were at that time investigating the purchase of machine guns, which was the reason we met him—we got the information from a friend in Philadelphia that the Shell Committee was placing orders for five million fuses. Mr. Russell then telephoned to General Hughes, who was still at the Manhattan Hotel, and asked him if the information was correct. General Hughes said he believed that it was.

Q. As a result, did you go and see General Hughes again?—A. No, we just telephoned.

Q. Did you have any telephone communication with General Hughes yourself?—A. No.

Q. It was only from what Mr. Russell told you at the time?—A. Yes.

Q. Was anything said or done at that time which led to some subsequent act or interview in regard to fuses?—A. General Hughes said that the matter was in the hands of the Shell Committee, and, if we wanted to do anything on it to get busy and scratch gravel.

Q. Then did you get busy?—A. We got busy.

Q. Whom did you see first of all in regard to this contract for fuses?—A. I came to Montreal.

Q. You did not see anybody in New York on that occasion beyond what you have told us?—A. No, nobody in New York. We again called up our friend in Philadelphia to get some further information, and he told us where we could get some information regarding fuse manufacturing, and we arranged to meet him later.

Q. Have you any objection to giving his name?—A. No. The firm's name was Janney, Steinwitz and Company.

Q. They are in the steel business?—A. The metal business.

Q. In consequence of that (this being the end of April) what was the next thing you did?—A. I then came to Montreal to see the Shell Committee.

Q. Did you know who composed the Shell Committee, at that time?—A. Oh yes.

Q. Who did you see in Montreal?—A. I saw General Bertram and Colonel Carnegie.

Q. About what time would that be?—A. That was the 6th of May.

Q. Was that the first interview up to that time you had had with the Canadian end of it excepting that with General Hughes in New York, in regard to this fuse business?—A. Yes.

Q. Where did you meet the committee or the members of the committee you have named?—A. At their office in Montreal.

Q. In the Drummond Building?—A. In the Drummond Building, Montreal.

Q. Was anybody else present but General Bertram and Colonel Carnegie?—
A. Myself.

Q. Tell us what took place, as nearly as you can recollect, on the occasion of that meeting?—A. I told them the reason of my call, and Colonel Carnegie immediately began to discourage me. He told me that I was wasting time, that he had investigated this whole question and had decided that these fuses could not be made in Canada.

Q. What answer did you make to that position?—A. I took straight issue with him. I told him that was a foolish statement for anybody to make, that things could not be done in Canada, that much larger things had been done in Canada than the manufacture of fuses.

Q. Was any further reference made to the United States in connection with the making of fuses?—A. Colonel Carnegie said at that time that they were in negotiations with American concerns, but those negotiations provided that the fuses or a substantial part of any fuse orders placed would be made in Canada, even though the contracts were given to American manufacturers.

I might just say here that the conversation got rather warm at one spot, because I resented any statement made that this work could not be done in Canada, and after some little time General Bertram interrupted and told Colonel Carnegie that he had known me for some years, and that he thought if I said fuses could be made in Canada they ought perhaps to listen to me. I got a little better hearing then.

Q. Was any reason given by Colonel Carnegie why fuses could not be made in Canada?—A. Only his statement.

Q. He did not advance any suggestions or reasons for coming to that conclusion in his own mind?—A. No.

Q. That was on the 6th of May?—A. The 6th of May.

Q. How long did that interview last, do you recollect, about?—A. About an hour and a half.

Q. Then you had discussed it very fully in that time, the three of you?—A. As fully as it was possible, and as a result of the interview and at the finish of the interview Colonel Carnegie then told me that if I wanted to do anything further in the matter I would have to go to Colonel Allison.

Q. If you wanted to do anything further in the matter you would have to go to Colonel Allison?—A. Yes, sir.

Q. Did you know who Colonel Allison was at that time?—A. I had met Colonel Allison the previous week in connection with machine guns. That was the first time.

Q. Who sent you to Colonel Allison to see about machine guns?—A. I went on my own account.

Q. Did you know that Colonel Allison had anything to do with these matters?—A. In investigating machine guns in the United States I found that the output of the Colt Company was said to be controlled by Colonel Allison.

Q. That was how you came to know about Colonel Allison?—A. Yes.

Q. The output of the Colt Company was what, small arms?—A. It was only machine guns I was interested in.

Q. You were proposing to manufacture them if you got a contract?—A. We had a chance of getting a contract for armoured motor cars, and it was necessary to get machine guns to complete the equipment of the armoured motor cars.

Q. When Colonel Carnegie told you to go and see Colonel Allison what reply did you make, or what was further said in regard to it?—A. I think if I recollect right I asked him if Colonel Allison was a member of the Shell Committee, and he said no, and I said, well, I was dealing with the Shell Committee.

Q. Did he give you any reason for seeing Colonel Allison?—A. No, he simply
[Lloyd Harris.]

reiterated the suggestion twice, that I should see Colonel Allison. That is all I know about it.

Q. That was with reference to the fuse contract?—A. The fuse contract.

Q. Was General Bertram there at the time?—A. Yes.

Q. What part was he taking in the conversation?—A. Very little.

Q. Was he paying much attention to what was going on at the time you and Colonel Carnegie were discussing it?—A. I thought he was listening all the time.

Q. These two occasions, that occasion and the date you heard about the machine guns in New York in some way, those are the two times when Colonel Allison's name came up, up to that time?—A. Up to that time.

Q. Then what did you do with reference to trying to press on your proposed contract, or to get an order for those five million fuses or a portion of them?—A. I told him that we wanted to make a proposal, and they said if we made a proposal they thought they would be able to consider it. That was on the 6th of May I am speaking of.

Q. What did you say as to making a proposal?—A. I said that we would do it.

Q. Was Russell's name mentioned at all in that interview?—A. Yes.

Q. What was said about Russell?—A. His name was only mentioned as being associated with me, and that the proposal would be to utilize the Russell Motor Car Company's plant.

Q. Just let me ask this question; at that time and from that time on have you and Mr. Russell and the Russell Motor Car Company been in a financial position to undertake any contract you might get in regard to the manufacture of fuses?—A. We have.

Q. Was there any difficulty at all about money matters?—A. No, sir.

Q. Of any kind?—A. No.

Q. The Motor Company turns out a very large number of motors, or has in the course of the year?—A. It has.

Q. How many hands have you in employment for the manufacture of motors and bicycles?—A. A matter of 800 or 900.

Q. All in Toronto, or adjoining Toronto?—A. Yes.

Q. Had you at that time the resources of the Russell Motor Car Company, the plant and all the rest of it, for fuse purposes if you got a contract?—A. We had.

Q. Had you made inquiries or investigations in the United States up to that time in regard to the manufacture of fuses? A. We commenced to make inquiries immediately after getting the information on the 30th of April.

Q. What inquiries did you make, generally speaking, to that extent?—A. We proceeded to get in touch with people who could get or give us information. We got information from one source about work that was being done at the Frankford Arsenal. We got information on what their production was, and in a general way what their cost was.

Q. You were generally inquiring as to cost?—A. Yes.

Q. Did you know any of the operating companies apart from the Frankford Arsenal?—A. From the 6th of May until the date that we had our proposal written on the 25th of May, Mr. Russell and myself and several of our mechanical staff spent practically our whole time.

Q. Where?—A. In the United States.

Q. Visiting factories?—A. Visiting factories, plants, and getting options on raw material, getting options on machinery and options on men.

Q. Had you secured what are known as experts in the manufacture of fuses?—A. By the time we had our proposal ready we had arranged with one man who had been in fuse work in England, at Woolwich.

Q. Was that Kirby?—A. That was Kirby.

Q. Where did he come from?—A. From England.

Q. Where did he come from in Canada immediately?—A. He was then in the employ of the Canada Foundry Company.

Q. Had you seen any other experts?—A. Before we made our proposal?

Q. Yes, before you made your proposal?—A. Yes. We visited Philadelphia and Wilmington. We saw a great many, and men who claimed to be experts.

Q. Of course that always happens. Had you made any arrangements for getting a sufficient number of experts to carry on your business if you got your contract?—A. No, we had not tied up with any of the experts in the United States, because we had not run across any that we were satisfied were real experts.

Q. Give them all at that time, as far as you know?—A. Most of them were under options at high prices.

Q. Under options to whom?—A. Different people.

Q. Were any under option to you at that time, the 25th of May?—A. No.

Q. You had an expert named Kirby; He was available to you at that time?—A. Yes.

Q. I will ask you about the character of the machines in a moment. Then as to your staff, your hands and so on, did you require anything further to supplement that on the 25th of May, had you enough of that character to carry on your business?—A. Of machinery?

Q. Yes. A. We had one thing which was really of vital importance in the commencement of the manufacture of fuses, and one thing only in the way of making machinery a magnificent tool room, tool room equipment and tool makers. We hadn't any machinery. There was no such machinery in Canada.

Q. But had you made arrangements as to getting machinery if you wanted it?—A. Yes.

Q. To completely fit out a factory for fuse purposes at any time you required it?—A. Yes, from prompt deliveries at the plant.

Q. Your tool shop, what do you say as to its equipment?—A. We had one of the finest tool room equipments in connection with motor and bicycle work.

Q. What do you say about those tools for the purpose of making fuses?—A. It is necessary to have very efficient tool room equipment, to operate a fuse making plant.

Q. Then the additional equipment of machine, etc., you would get?—A. Yes.

Q. What else would be required?—A. Tools, gauges, machinery and material.

Q. Do you use any number of gauges in your own work of making motors; I suppose you do?—A. Yes.

Q. On the 6th of May, you had this conversation, and Russell and you went through various parts of the United States; did you have any communication with the Shell Committee between that and the 25th of May, or the 21st of May?—A. There is no objection to my referring to dates, is there?

Q. No. I want you to be as exact as you can?—A. Well, we were on our tour of investigation. We were in Philadelphia on the 11th of May.

Q. You kept a record of your movements, I understand?—A. Yes.

Q. Which you are referring to, in order to give us exact dates?—A. Yes. I had a wire from the Shell Committee on that date asking us to come to Montreal immediately.

“Would be glad to see you or Lloyd Harris *re* fuse manufacture at earliest possible moment. (Signed) Shell Committee.”

Q. What date is that?—A. That is dated the 10th of May. I got it on the 11th, in Wilmington.

Q. Did you answer that?—A. This wire was sent to Toronto, and was repeated to us, and we answered it from Wilmington.—A. I replied May 11 by telegram addressed to the Shell Committee, “Your telegram received. Russell and myself investigating fuse question. Do you want to see one of us Montreal to-morrow or Thursday? Answer Manufacturers, Philadelphia.”

[Lloyd Harris.]

Q. That was May 11th?—A. That was May 11th, and that was signed by myself.

Mr. JOHNSTON: Then the Shell Committee will produce that perhaps if they have it. That is a telegram from?—A. Lloyd Harris to the Shell Committee.

Q. Were you then pursuing your inquiries and investigations as to getting plant and material for your work?—A. Yes.

Q. Now, up to that time there had been no promise made to you or no talk of any amount or price or anything else by the Shell Committee?—A. No.

Q. Then on the 13th of May where were you, looking at your notes?—A. Mr. Russell and I came to Montreal in response to this telegram that I received, and we spent the day in Montreal.

Q. Would you read the telegram again, please? There was a noise going on when you read it before.—A. (Witness again reads telegram of May 11th from himself to the Shell Committee).

Q. Then in pursuance of that you came to Montreal on the 13th of May?—A. Yes.

Mr. HELLMUTH: Was there not an answer to that?

Mr. JOHNSTON: Have you got an answer to that?—A. There was an answer. I thought I had it.

Mr. HELLMUTH: Because you would not go in pursuance of that without an answer.

WITNESS: I think I have an answer to that. I received an answer at any rate, because we arranged to go to Montreal.

Mr. JOHNSTON: You have not got a copy of the answer here?—A. No.

Q. Well, if it turns up you might have it produced. You have a file here?—A. Yes, the originals. These are copies.

Q. You met in Montreal at the same place, the Shell Committee's office?—A. Yes.

Q. Whom did you meet?—A. At that interview General Bertram, Colonel Carnegie and Colonel Lafferty.

Mr. LAFLEUR: Mr. Johnston, there is one at page 205. That is probably the one you refer to.

Mr. JOHNSTON: That is May 10th.

Mr. LAFLEUR: There is one from Lloyd Harris to the Shell Committee on May 8th. That is on on the next page.

WITNESS: That was the first telegram I got.

Mr. LAFLEUR: The telegram you got was dated May 10th.

WITNESS: And then I received another one from them.

Mr. JOHNSTON: That is dated May 10th, 1915, from the Shell Committee to T. Russell, Russell Motor Car Company: "Would be glad to see you or Lloyd Harris re fuse manufacture at earliest possible moment." That is exhibit 186. Now, you remember getting that telegram?—A. Yes, I read that.

Q. Then on the 11th you got another telegram—no, this is from Lloyd Harris. "Our factory manager Clayton R. Burt now in London could you cable in such a way as to make it possible for him to get through arsenals where fuses being made and also that he can bring back with him next week all information needed wire me Hotel Biltmore, New York, if want us Montreal Thursday." That is exhibit 187.—A. There was another telegram I sent on that same day, the 11th.

Q. Was that telegram sent, the one I have read to you?—A. Then I telegraphed also, "Your telegram received. Russell and myself investigating fuse question. Do you want to see one of us Montreal to-morrow or Thursday?"

Q. Was that in answer to the telegram of the 10th?—A. Yes.

Q. The question is, "Mr. Carnegie, I have no answer to that message, which was a night lettergram. Have you any recollection of it?—A. No. I have no recollection of it." So it was produced apparently at that time.

Q. "Do you recollect this telegram?—A. I do not recollect it. At the moment I do not." Then there is something intervenes.

Mr. LAFLEUR: Yes, I think that is all.

Hon. Mr. DUFF: Mr. Harris says he sent a telegram the same day, the one he has just read, to know if they wanted to see him in Montreal.

WITNESS: And I got a reply saying they did.

Hon. Mr. DUFF: We have not got that reply.

Mr. JOHNSTON: You came to Montreal, you and Mr. Russell?—A. Yes.

Hon. Mr. DUFF: That was on the 11th that you telegraphed?—A. Yes.

Q. To Montreal from Philadelphia you said?—A. It was from Philadelphia or Wilmington.

Mr. JOHNSTON: Then you met General Bertram and Colonel Carnegie in Montreal?

Mr. HELLMUTH: And Colonel Lafferty.

Mr. JOHNSTON: And Colonel Lafferty. Was he there during the whole of that interview?—A. He was.

Q. Will you tell us as nearly as you can, and as much in detail as you can the conversation that took place *re* fuses on that occasion?—A. The Shell Committee—I might perhaps just read my memorandum that was made, immediately after the meeting.

Q. Was it a correct transcript of what had taken place?—A. Yes.

Mr. HELLMUTH: Perhaps this would save a good deal of repetition. Mr. Lloyd Harris addressed a letter to the Prime Minister, which has gone in as Exhibit 263, in which he sets out all these dates and what had taken place. Perhaps you might read what appears in this and ask him if his memorandum agrees with it.

Sir WILLIAM MEREDITH: Do the notes elaborate beyond what is said in that letter?

Mr. HELLMUTH: Because there is no use going over all this again.

Mr. EWART: I think we had better have his memory.

Mr. JOHNSTON: Let us have your memory first. Perhaps that is the better way.—A. We discussed the matter of fuses in Canada. At this conference we were again told that the proposal that they had in their minds was that whoever got these fuse contracts, a large proportion of them would have to be manufactured in Canada, even though they gave the contracts to American concerns.

Q. You mean a large proportion of the parts of the fuse?—A. And the loading too. That their plans were to build up the manufacturing and loading of time fuses in Canada. We had a long discussion on it, and as a result we were told by Colonel Carnegie and General Bertram that they would retain from a million to a million and a half of that order until they had a proposal from us. We had a definite, distinct, verbal agreement that that would be done.

Q. Was the number of fuses altogether discussed?—A. Five million.

Q. That was talked of as the amount?—A. Yes.

Q. And they agreed to hold a million to a million and a half pending your proposal?—A. Yes.

Q. Was there any discussion at that meeting about the possibility of their being manufactured in Canada?—A. Of course, Colonel Carnegie always took the ground that they could not be done in Canada, but Colonel Lafferty and General Bertram both expressed their opinion, I think that day, that they could be done in Canada.

Q. Did Colonel Carnegie give any reason on that occasion why they could not be manufactured in Canada?—A. Just the general statement that we had not the facilities, we had not the machinery, we had not the men, we had not anything.

[Lloyd Harris.]

Q. Were any of those reasons he gave correct as a matter of fact?

Mr. HELLMUTH: The witness' opinion, I suppose.

Mr. JOHNSTON: Quite so. He knows as a fact. You know as a fact whether you could get men or not.—A. I did not agree with him on any of those statements at the time.

Q. Was there any doubt about the fact of your getting machinery?—A. No.

Q. Was there any doubt about the fact of your getting tools?—A. No.

Q. Was there any doubt about the fact you could get materials?—A. No.

Q. Was there any doubt about the fact that you could get experts if you had a contract?—A. We did not think there was. We had enough confidence in our own ability to think that we could carry it out.

Q. Now, did you ever get any encouragement at any time from Colonel Carnegie to go into this fuse business?—A. Yes. After our famous meeting on the 26th when they advised us they had broken their promise with us, Colonel Carnegie came to Toronto after that in June.

Q. After that meeting on the 26th of May?—A. Yes, the 26th of May. Colonel Carnegie came up to Toronto and he spent the day with Mr. Russell and myself on the 19th of June. He looked over our plant, we took him over and showed him everything. He met our men, and then we discussed the manufacture of fuses with him, and I think it was the following day that General Pease visited the plant. General Pease expressed himself as very favorably impressed and he thought that it was quite in order that these fuses could be made in Canada, and should be made.

Sir WILLIAM MEREDITH: What character of fuses were those?—A. On the 15th of June it was the graze fuse that we were discussing, because there were no further orders for time fuses.

Mr. JOHNSTON: But up to that time what fuses had you been discussing?—A. Time fuses.

Mr. HELLMUTH: Up to the 15th of June?

Sir WILLIAM MEREDITH: Up to the 26th of May.

Mr. JOHNSTON: Up to what time were you discussing time fuses?—A. The 26th of May. We never heard of the graze fuse up until that time.

Hon. Mr. DUFF: When did you begin to hear of graze fuses first?—A. During our discussion on the 26th of May the subject of graze fuses was mentioned.

Q. By whom?—A. Colonel Carnegie. He said that information that they had led them to believe that the War Office was going to require graze fuses, and of course we were very much disappointed at having been turned down on the other order, and he asked us whether we would consider the manufacture of graze fuses. We told him we did not know about them, we had not seen a blue print or anything.

Q. I want you to think. Are you quite clear that that was on the 26th of May?—A. Absolutely.

Mr. HELLMUTH: Would you mind asking Mr. Harris whether the graze fuse—may I ask the question?

Mr. JOHNSTON: Certainly.

Mr. HELLMUTH: I am not going to put you off the track.

Q. Mr. Harris, at that time, on the 26th of May, when Colonel Carnegie spoke to you about the graze fuses, was it in connection with orders that they expected, or was it in connection with the five million?—A. No, it was in connection with the orders that he expected.

Q. I see. So you had assumed that the five million order, and he had spoken to you as though the five million order up to the 26th of May was all time fuse?—A. Yes, and that they were all placed on the 26th of May, we were told that those contracts were let.

Q. I quite understand that. But I want to get this point. You understood up to that time he was practically letting contracts for five million time fuses?—A. Time fuses, yes.

Mr. JOHNSTON: And had you at any time up to that time considered the question of graze fuses at all?—A. Not before the 25th of May.

Q. Had all your calculations and investigations and proposals been made upon the assumption that you were dealing with time fuses absolutely?—A. Yes.

Q. Now, on this 13th of May, when you met in Montreal about this million or million and a half, what else was said that you can recollect?—A. I again took up the subject of the telegram that I had sent them on the 11th of May asking for permission for our Mr. Burt, who was then in England, to visit Woolwich, and I discussed that with Colonel Carnegie, and he said it could not be done, they would not think of it.

Q. Was it ever done?—A. No, we never got permission.

Q. Who was the Mr. Burt that you speak of?—A. Mr. Burt was our Assistant General Manager and our head mechanical man.

Sir WILLIAM MEREDITH: Which way was it, that Colonel Carnegie would not ask permission, or did he tell you it was no use asking that permission, it could not be got?—A. He simply refused to do what we wanted him to do.

Mr. JOHNSTON: I know. But that might not further your interests. Did he say that you could not get inspection or get any admittance at all to see what was going on at the Arsenal as to the manufacture of fuses?—A. I think he made the statement that unless a man went there and spent thirty days it would not be any use.

Q. Of course, that was a matter of opinion. But he did not give you any authority to go and see it?—A. No.

Q. Was it because he did not want to give the authority, or was it because you could not see the Arsenal anyway?

Mr. HELLMUTH: Or he had not the power.

Mr. JOHNSTON: Or he had not the power, whatever you like. Was there anything said about that at all?—A. The request was simply refused.

Q. That is all there was about it?—A. Yes.

Q. Now, just to make it quite clear, what was the form of the request as you recollect it?

Mr. HELLMUTH: Mr. Harris said something before about they would not give leave. That is what I want to know.

Mr. JOHNSTON: I am trying to get at the form of the request.

Mr. HELLMUTH: I thought if we could get the whole of the conversation it would be better.

Mr. JOHNSTON: That is what I am trying to get.

Hon. Mr. DUFF: What was it you asked Colonel Carnegie exactly?—A. If he could arrange for permission for our Mr. Burt, who was then in Europe, to visit Woolwich. We were told that it would be impossible.

Mr. JOHNSTON: That is what took place and what your memorandum of the conversation was?—A. Yes.

Q. Was any reason given why it was impossible? That is really the point we are trying to get at?—A. The reason Colonel Carnegie gave was that it would be useless for him to go there and spend a day or two.

Q. Was it put on the ground that he could not get in there anyway?—A. No.

Q. Or on the probability of his getting in on a letter from Colonel Carnegie or anybody else?—A. No.

Q. That was not the ground upon which it was put. Then having got to that stage in regard to these fuses, what was the conclusion that you arrived at at the meeting of the 13th of May?

Mr. HELLMUTH: Would you ask him if there was anything else at that meeting?
[Lloyd Harris.]

Mr. JOHNSTON: Yes.

Q. Was there anything else at that meeting regarding fuses?—A. They stated to us that their negotiations with the people in the United States called for the building up in Canada of a thousand fuses per day in the sixth month after the date of the contract, two thousand per day in the seventh month, three thousand per day in the eighth month, and five thousand per day in the ninth month, and five thousand per day thereafter.

Q. To be built up in Canada?—A. To be made absolutely in Canada.

Q. What do you mean by making, do you mean the metal part and all that?—A. Manufacturing and assembling.

Q. What about the loading?—A. The assembling and loading go together.

Mr. CARVELL: What date?

Mr. JOHNSTON: May 13th.

Q. And of the conversation that you speak of upon these various occasions up to this time, and perhaps later, you speak guided by notes that you made, how long after each conversation or interview?—A. I generally make my notes very soon after the conversation takes place.

Q. The same day?—A. Yes, always.

Q. Now, did anything further take place at that meeting on May 13th, anything about prices for instance?—A. It was stated that the price that was proposed to be paid would be \$4.50.

Q. Was there any discussion over the question of price between you and Carnegie, or you and the Shell Committee?—A. No.

Mr. HELLMUTH: There were three, General Bertram, Colonel Carnegie and Colonel Lafferty.

Mr. JOHNSTON: I said he or the Shell Committee.

Mr. HELLMUTH: There was no one else to speak to. He said before General Bertram, Colonel Carnegie and Colonel Lafferty.

WITNESS: That is right.

Mr. HELLMUTH: Nobody else?—A. No.

Mr. JOHNSTON: I am asking you a broader question than that perhaps. Was there any discussion beyond what you have told us with regard to prices with any member of the Shell Committee, whether they were there or not? Had you any discussion about that time with any of them, except what you have told us?—A. About prices?

Q. Yes.—A. No, the price was mentioned, I believe. I think the only price that I remember was \$4.50.

Q. Was there any agreement come to as to what the price should be?—A. No.

Q. It was just discussed?—A. It was just discussed.

Q. Was there anything said to you when you were leaving that meeting as to going on with this proposition at that time, May 13th?—A. Yes. We got the definite and distinct promise that they would wait until they had our proposal before they let these contracts.

Q. Was there any time limit within which the proposal was to be made?—A. No. I think I suggested that it was a pretty big investigation to make, and that we certainly would not be over thirty days, and I thought we would be very much quicker.

Q. Then after the 13th of May where did you go, after that meeting?—A. We kind of broke company for a time.

Q. Yes.—A. I was in the West part of the time. I find I was in Chicago on the 18th, 19th and 20th of May.

Q. Still on fuse business?—A. Oh yes, still on fuse business.

Q. Where was Russell?—A. He was in the East.

Q. Still on fuse business?—A. Still on fuse business, yes.

Q. What length of time did you and Russell occupy in your attempts to get the information from any examination of plants or otherwise?—A. We practically devoted our entire time.

Q. Was there anybody else along the same line of inquiry besides you and Russell?—A. Yes.

Q. Who were trying to get this information?—A. Our Mr. Burt—no, Mr. Burt was not home. Mr. Adams and other members of our staff. We had made arrangements with Professor Bain of Toronto University. He was engaged on the powder end of it, the chemical part of it.

Q. Who is he?—A. He is the Professor of Chemistry, I think, in Toronto University.

Q. And how long had he been working at it, do you know?—A. He was working at it concurrently with us. I would say offhand, I have not the dates of the movements of the other men, but after the 13th of May we went back to Toronto and organized our forces of investigation, and we spent practically all of our time, and all the men we could—

Q. Was he with you at that time?—A. No.

Q. But he did spend whatever time was necessary apparently within the time you speak of, from the 13th down?—A. He was following up his own line of investigation.

Q. Certainly?—A. Yes.

Q. Now, did you have any correspondence between the 13th of May and the 20th of May with the Shell Committee or any member of it, or any telegrams that you know of? Look and see please. I do not know that there are any.—A. Yes, I find that Mr. Russell wrote Mr. Carnegie on the 14th of May.

Q. Is that a letter or telegram?

Mr. GRANT: It is in already.

Mr. JOHNSTON: I know. I merely want to get if there is anything more.—A. Asking if he could in any way get us an introduction to the Scovill plant. We were very anxious to see the Scovill plant.

Q. They were then manufacturing fuses I understand?—A. Yes, they were the only concern that had made a success of it as I was told.

Q. And did you get any result from that request at all?—A. Yes, there was a letter dated May 21st from Colonel Carnegie to Mr. Russell, in which he said that he did not think the Scovill Company would enter into negotiations with us to manufacture fuses.

Mr. HELLMUTH: That has gone in too.

Mr. JOHNSTON: I know.

—A. Yes. And Mr. Russell wired the Shell Committee on the 18th of May and said: "Have made some progress. Could I see General Bertram and you Montreal Thursday."

Q. That is in too.—A. That is in. And Colonel Carnegie replied to that on the 18th of May: "Telegram received. Will see you Ottawa Thursday."

Q. Yes. So having refreshed your memory with these, now was there any other letter or telegram that you recall excepting those that are already before the Commission?—A. Not between the 13th and the 20th.

Q. That is what I am speaking of, that week?—A. No.

Q. Then on the 20th of May who came down here?—A. Mr. Russell.

Q. And did Mr. Russell make any report to you of what had been done?—A. Yes.

Q. What were the conditions that you started on after the 20th, how did it stand?—A. Mr. Russell and I met in Toronto on the morning of the 21st, I coming from Chicago and he coming from Ottawa. The Shell Committee's office had changed in that interval I think from Montreal to Ottawa. He said that he had met Colonel Carnegie the day before, and that Colonel Carnegie had told him that they wanted us to hurry up; and on the 21st—

[Lloyd Harris.]

Q. You wired?—A. We wired.

Q. But just before coming to that, did you understand that any proposal or promise had been made to the Shell Committee as to what was going to be done as to time?—A. By whom?

Q. By the Russell Motor people, you and Russell together, as to when the proposal would come to the Shell Committee?—A. When Mr. Russell reported to me that he had told Colonel Carnegie on the 20th that we would have our proposal in their hands the following week.

Q. That is all. I do not want the balance of the conversation, but I am fixing the time. That is within the week or the following week. Now what day of the week would the 20th be, do you know?—A. Thursday.

Q. Then on the 21st of May you communicated with General Bertram?—A. We sent a telegram, a night lettergram rather.

Q. That is, that the proposal would be submitted. You mentioned a time, I think, in that. Just get that in your mind, please.—A. You have a copy.

Q. Yes. But I want you to just read it over and see when you were to have the proposal in.—A. "Expect to submit proposal early next week."

Q. That is the one of the 21st?—A. 21st.

Q. That is following along the lines that Russell told you he had talked with these gentlemen at their office?—A. Yes.

Q. Did you hear anything more about the fuse contract until the 26th of May?—A. On the 25th. Monday was the 24th, a holiday. Tuesday the 25th Mr. Russell and myself completed our proposal, and we wired General Bertram, Shell Committee, Ottawa, that we would be here Wednesday to submit our proposition *re* fuses.

Q. That would be the 26th?—A. The 25th.

Q. No; that you would be there on the 26th?—A. Yes.

Q. Were you all ready then on the 25th to submit your proposal?—A. We were.

Q. Had the proposal been prepared?—A. It was prepared on the Tuesday morning.

Q. I mean before you went to Montreal.

Mr. HELLMUTH: Ottawa.

WITNESS: Ottawa.

Mr. JOHNSTON: Ottawa. And were the terms set out in your proposal?—A. They were.

Q. I mean before you came to Ottawa at all?—A. Yes.

Q. Then in pursuance of that telegram which you sent on the 25th I understand—have you got a copy of the telegram before you now?—A. Yes.

Q. Just recall that to your mind. What does that say?—A. "Mr. Harris and I will be in Ottawa Wednesday to submit our proposition *re* fuses."

Q. Then you got an answer?—A. Yes.

Q. Will you say what the answer was.—A. "Please defer visit until you hear from us."

Sir WILLIAM MEREDITH: Exhibits 170 and 171.

Mr. JOHNSTON: Now, that telegram was sent on what date, the 25th of May?—A. The 25th of May.

Q. And sent at what time, do you know?—A. I think it was about noon.

Q. Sent from Toronto to Ottawa?—A. Yes.

Sir WILLIAM MEREDITH: Is that the one the hour is on?

Mr. HELLMUTH: Yes, 3.40. That is the hour of its receipt here.

WITNESS: I think we sent it immediately after lunch.

Mr. JOHNSTON: At any rate, it was sometime through the day that that was sent?—A. Yes.

Q. And I suppose the time stamped on the telegram, 3.40, may be correct when it was received here?—A. Yes.

Q. Then you got the answer to defer your visit. Do you recollect when you got that answer?—A. That was marked 5 p.m. on my copy.

Mr. LAFLEUR: The time of receipt.

Mr. JOHNSTON: Yes.

WITNESS: That is just the marking on the telegram.

Mr. LAFLEUR: I mean that is the time you received it.

Mr. EWART: The time it was received by the telegraph office.

WITNESS: This is marked on the telegraph blank itself. We may not have received it until 5.15. That is the time it was received in the office.

Mr. JOHNSTON: Yes, that is the time it was received in the telegraph office, Toronto?—A. Yes.

Q. Now, at that time did you know anything about the breaking up of this five million fuse contract?—A. No.

Q. Did you know of anything to change the position of matters between you and the Shell Committee as they existed some week or two before?—A. No.

Q. You did not follow the instructions of the Shell Committee's telegram, that is, you did not defer your visit?—A. No.

Q. You went down next day?—A. We did.

Q. Did you leave that night and arrive here on the Wednesday morning?—A. Yes, Wednesday.

Q. Did you get a letter or were you further advised as stated in that telegram, "Defer visit until further advised"?—A. That was the only advice that we had from the Shell Committee.

Q. Now we come to the 26th, who were present at the time you got to the office?—A. We did not go to the office in the morning, we had a lot of other matters that we were looking after, and we found that it was impossible to make an appointment with either General Bertram or Colonel Carnegie, so that we had no communication with him at all until at luncheon I saw General Bertram in the Rideau Club, and he asked me what I was doing there. I told him we came down with a proposal to make fuses. He says, "Didn't you get our telegram?" I said "Yes." And he said, "We asked you to defer your visit." I said, "We did not defer our visit and we are here with our proposal, as we promised"; and he says "We have let the contracts."

Q. What contracts?—A. It says "What price?" He said "\$4.25." I said "I will see you in your office when you are over there." So I met General Bertram at the Shell Committee's office. I went to the Shell Committee's office at 3 p.m. with Mr. Russell and sent in my card to Colonel Carnegie and he sent out word that he did not want to see us. So I put the proposal in an envelope and sent it in to him and said I was waiting.

Q. Do you mean to say a message was sent or a note sent or what, that he did not want to see you?—A. Apparently not.

Q. How did it come to you?—A. The boy came out and said Colonel Carnegie was busy and he could not see us, to see General Bertram.

Q. That is not quite the same. What do you say was said; you said he did not want to see you, and then your second impression was he said he was busy and you had better see Bertram; what was the language that was used by the messenger, whoever it was that notified you?—A. The boy came out and said that Colonel Carnegie could not see us and asked us to see General Bertram.

Q. Then when you said he did not want to see you that was your mental deduction apparently?—A. That is my mental deduction.

Q. He did not actually use the words; but that is what you thought? Was any reason at that time apparent to your mind except the letting of this contract that could interfere with his seeing you apart from his own business requirements;

[Lloyd Harris.]

was there anything between you and them why he should not see you?—A. Not that I know of.

Q. Having got that message what did you do?—A. I put the proposal in an envelope and asked the boy to give it to Colonel Carnegie, and to tell him I was waiting outside, and would be glad to see him when he had time to see us.

Q. What is the lay-out of the office, whereabouts were you sitting?—A. As I remember I was sitting on a packing case, they had just moved into the offices here.

Q. They were not fitted up?—A. No.

Q. You sat down on the first thing that was handy in the outer office; where were they?—A. Just inside.

Q. Having sent in that proposal and your request, or at least your statement that you would wait, what took place after that?—A. Colonel Carnegie came to the door and said, "Will you come in, Mr. Harris and Mr. Russell?"

Q. How long had you been sitting outside at this time?—A. About a minute, I should think.

Q. Had he got your proposal by this time?—A. Yes, he had it in his hand.

Q. Apparently had not had time to read it, if it was only a minute or so?—A. He had glanced over it apparently.

Q. You and Russell went in; let us hear what took place; there were Colonel Carnegie, General Bertram, you and Russell?—A. No, General Bertram was not there then.

Q. At the opening of it anyway, Colonel Carnegie, you and Russell?—A. Yes.

Q. What took place?—A. I asked Colonel Carnegie I think if he had read our proposal. He said he had looked it through. He said "It is unfortunate that these contracts have already been placed." I think I told him that General Bertram had so informed me when I had met him a short time previous, and I think I then asked what he thought of our proposal, and he thought it was a very good proposal.

Q. What was your price?—A. \$4.20. He made the statement that he did not think we could make a proposal of that kind.

Q. He said he did not think you could make a proposal of that kind?—A. Yes.

Q. What did he mean by that?—A. That we could not make a proposal covering the situation as fully as our proposal did and at the price.

Q. Did he at that time know something from his relations to you of your financial standing or business standing?—A. Not that I know of, no.

Q. That could easily have been ascertained I suppose anywhere?—A. I suppose so.

Q. Having made that statement what reply did you make; you will please give it as nearly as you can in the language that was used even if the language was more or less severe, we had a little of that, but not very much so far?—A. I don't think we said very much, we said we would wait until General Bertram came so that we would have a full meeting, and when General Bertram came why then we had a good heart to heart talk I believe.

Q. How long were you there with Colonel Carnegie before Bertram came?—A. Probably half an hour.

Q. During that time were you discussing matters with Colonel Carnegie?—A. In a general way, yes.

Q. Did you get any information as to the price at which these fuses had been let under the contracts he spoke of?—A. Only what General Bertram had told me before, \$4.25.

Q. Did Colonel Carnegie say anything about the price?—A. Not that I recollect, no.

Q. General Bertram comes, anybody else?—A. At this interview?

Q. Yes?—A. No, just Mr. Russell.

Q. I mean there were the two of you and eventually the two of the Shell Committee?—A. Yes.

Q. Tell us what took place after General Bertram came?—A. We were there for some three hours I think altogether, and we had a general discussion over the whole matter, and as a result I suggested that perhaps they might be able to get further orders from the War Office for fuses. Our proposal was for one and a quarter million fuses and that I thought they ought to try and get orders for another million and a quarter in order to cover those under our proposal, and that they agreed to do, and promised that they would cable the War Office immediately and see if that could be done.

Q. What fuses were you talking about then? What kind of fuses?—A. The time fuse.

Q. During the discussion that took place you said you had a heart to heart talk; was there a good deal of temper about it, or was it all quite smooth talking?—A. There were some things said I think, of course men in the position that Mr. Russell and I were in just at that time after having these promises broken that had been made to us, we were naturally feeling—

Q. Quite so, but were there high words between you?—A. I would not say there were high words, no.

Q. More or less, perhaps in the nature of argument, contention?—A. Yes.

Q. Was there any reason given to you by either Colonel Carnegie or General Bertram why these contracts had been let, let according to your ideas at least?—A. Colonel Carnegie did make the statement that pressure had been brought to bear to place these contracts; I did not ask him what the pressure was.

Q. Pressure had been brought to bear to give these contracts—

Mr. HELLMUTH: No, he did not say that.

Mr. JOHNSTON: To what?—A. To place these contracts.

Q. Did you ask, or was there any discussion as to what that pressure was?—A. No.

Q. Was there any intimation given at that time on that interview as to the men or the people who got these contracts, were you told who were the lucky contractors?—A. They had told us at the meeting on the 13th May the names of one of the concerns, Burns and Bassick.

Q. Told you what now?—A. That one of the concerns that they were negotiating with in the United States was the firm known as Burns and Bassick.

Q. That was on the 13th May?—A. Yes, but I think as far as I recollect now the name of the other concern was not mentioned.

Q. Was the name, Burns and Bassick, or the American Fuse Company or the International, or Dr. Harris, or any such names mentioned at your meeting on the 26th May?—A. I don't think that we discussed that at all; we had had that information before.

Q. Were you shown any papers like contracts or agreements or specifications or otherwise at your meeting on the 26th May?—A. No.

Q. Was the question of your proposal discussed as to its feasibility on the 26th May?—A. No.

Q. You were there a considerable time, you see, an hour or an hour and a half?—A. Yes.

Q. What was the discussion about during that lengthy period?—A. The discussion was pretty much about as to what they were going to do about it—

Mr. HELLMUTH: Will you speak a little louder; we cannot hear over here?—A. The principal subject of the discussion at that meeting was as to what they were going to do about it.

Mr. JOHNSTON: Was there anything said as to the quantity of what they would try to do for you?—A. They were to try and get an authority to place an order for the million and a quarter as mentioned in our proposal.

[Lloyd Harris.]

Q. Was there any reason suggested by either of these gentlemen of the Shell Committee why the contracts were let or placed or whatever one may choose to call it, on the 25th May, or at any time prior to the 26th at least?—A. The statement was made I believe that the people they had proposals from in the States had threatened that unless the contracts were closed immediately they would advance their prices to \$4.60 or \$4.90.

Q. That is as you understood it from the meeting of the 26th May?—A. Yes, that was one of the statements that were made there.

Q. Have you a note of any other statement that was made on that occasion?—A. No, I did not keep notes of most of the statements that were made.

Q. Not on that occasion?—A. No.

Q. Did you hear anything further about or any further communication or discussion with regard to your end of it until 19th July, 1915?—A. There were several letters passed, and Mr. Russell or myself had interviews at different times; I think that all of that has been covered by the letters that have been put in.

Q. Which you have seen filed here, and which were in the papers I suppose—A. Yes.

Q. Were there any interviews, do you know, in the meantime?—A. Oh, yes, we had interviews almost every time we came to Ottawa.

Q. Would that be often?—A. I should think on an average once every two weeks.

Q. Now, you see, we began from May 26, and the next thing we hear of is July 19th, when the Shell Committee wrote offering this order for \$500,000, do you remember that?—A. Yes.

Q. What fuses were those?—A. The graze fuse.

Q. Did you know anything about the graze fuse at that time?—A. Yes, we had been looking into that and investigating the manufacture of them.

Q. And what did you find?—A. We found that we did not think that it was impossible to manufacture them successfully in Canada.

Q. And were they more difficult than the time fuse or less difficult in your judgment?—A. I would say that they are less difficult.

Q. The next thing that we have here is on the 19th July, they wrote to you offering the five hundred thousand No. 100 fuses, that is graze fuse, at an average price of \$3.50 each?—A. Yes.

Q. Do you know what they were getting for graze fuses in the United States at that time?—A. We knew that they were getting \$4.

Q. Did you accept the proposition that they made to you at \$3.50 each?—A. We did.

Q. How did you mean, average price \$3.50 each I see here?—A. The letter which was written, I think it has been put in—

Mr. HELLMUTH: The letter says the first two hundred and fifty thousand \$4, and the second two hundred and fifty thousand at \$3, making an average price of \$3.50.

Mr. JOHNSON: Then what was the next move on your part, having got that proposal from the Committee?—A. We accepted it.

Q. On what date?—A. July 22.

Q. On the 11th August you had an interview in Ottawa with some of these gentlemen, you and Russell were here to enter into the formal contract, is that right?—A. That is right.

Q. And to make it as short as possible you asked Colonel Carnegie for an advance from the Shell Committee of \$100,000 to assist in financing?—A. Yes.

Q. Did you get it at that time?—A. We did not, it was refused.

Q. Why, was there any reason given?—A. The reason given was that advances had not been given to other concerns.

Q. Who made that statement?—A. Colonel Carnegie.

Q. Had there been any advances made to any contractor in regard to other

matters in connection with?—A. He stated that there had been advances made to some cartridge case manufacturers at the commencement of the Shell Committee.

Q. But as to fuses?—A. But as to fuses that there had been none made. Mr. E. B. Ryckman was also present on that occasion.

Mr. EWART: What date?—A. August 11, 1915.

Mr. JOHNSTON: And do you know whether advances had been made or not?—A. I did not at the time.

Q. Did you learn afterwards?—A. I did.

Q. And I think you did get an advance later on?—A. When we learned we made application for it and they made the advance.

Q. How much?—A. 15 per cent.

Q. You wrote to the Shell Committee I understand for the same treatment, 15 per cent, after you discovered it?—A. Yes.

Q. And the Shell Committee agreed to make the advance.—A. Yes.

Q. Now, there is a letter put in here which you sent to the Prime Minister enclosing a statement of certain matters regarding these fuse contracts; do you remember that?—A. I do.

Q. Had you got the advance before that letter was sent or did you get it after?—A. We got it after.

Q. About how long after that?—A. I have a copy of the letter here, if I can find it.

Mr. HELLMUTH: The letter is dated 2nd October, 1915?—A. That is not the letter I am referring to. This is the letter from the Shell Committee, replying to our letter of the 21st September; the letter is dated October 6th.

Mr. JOHNSTON: Yes, that is quite right?—A. And the Shell Committee replied.

Q. Have you got it there?—A. Yes:—

“OTTAWA, October 6, 1915.

“The Russell Motor Car Company,
Toronto, Ont.

“Gentlemen,—

“With reference to your letter dated September 21st requesting an advance of 15 per cent on the contract price of the order for fuses recently placed with you, the Shell Committee have agreed to the advance on the same terms as those made with contractors in the States.

Yours very truly,

SHELL COMMITTEE,

ALEX. BERTRAM,

H.W.N. *Chairman.*”

“DC/O’N”

(Part of Exhibit 270.)

Mr. HELLMUTH: We might also have a copy of your letter of September 21st?—A. There were two letters from the Shell Committee, one dated 27th September; perhaps you would like to have copies of all three of those letters, would you?

Mr. HELLMUTH: Yes, because we have not had them yet?—A. September 21st, September 27th and October 6th. Do you want the originals or copies?

Mr. HELLMUTH: Either will do.

Mr. HELLMUTH: I am reminded that there were some of these letters handed me, and I did not think that letters after the date of the contract with the Russell people would be very important, but now I see it. It is my fault these letters did not go in; it is not Mr. Stewart’s fault. Of course I had not at that time appreciated the Premier’s letter.

Mr. EWART: I think we considered that those did not relate to any one of the four contracts.

[Lloyd Harris.]

Mr. HELLMUTH: However, Mr. Stewart brought them before me.

Mr. EWART: We gave you anything—

Mr. HELLMUTH: Yes, I am removing any blame from the Shell Committee for not having produced these letters, and I am taking the blame myself.

Mr. JOHNSTON: We put in the letter of September 21st.

Sir WILLIAM MEREDITH: Fasten them all together and put them in as one exhibit.

Mr. JOHNSTON: Yes:—

“September 21, 1915.

“General Bertram,
“Chairman, Shell Committee,
“Ottawa, Ont.

“Dear Sir,—

“Following the conversation Mr. Lloyd Harris and the writer had with you on Monday, we beg herewith to respectfully submit our request that we be granted an advance of 15 per cent of the value of the contract placed with us for No. 100 graze fuse.

“The amount of the contract is \$1,750,000, and the amount of the deposit would therefore be \$262,500.

“We understand that this was the arrangement made by you with manufacturers of fuses in the United States.

“The Canadian Bank of Commerce, with whom the money will be deposited, will be prepared to give an undertaking to return this sum or such portion of it as is not earned in connection with the contract.

“Yours very truly,

“RUSSELL MOTOR CAR CO., LTD.,

“General Manager.”

“TAR-A.”

“Shell Committee Letter.”

“OTTAWA, Sept. 27, 1915.

“The Russell Motor Car Company,

“Toronto, Ont.

“Gentlemen,—

“We are in receipt of your letter dated the 21st inst., in which you request that an advance be granted of 15 per cent of the value of the contract placed with you for No. 100 graze fuse, and would respectfully point out that no provision for such an advance was made in the contract, but the matter will be placed before our Committee at its next meeting.

“Yours very truly,

“SHELL COMMITTEE,

“ALEX. BERTRAM,

“J.W. Chairman.”

“DC/O’N.”

Three letters, one of September 21, 1915, from Russell Motor Car Co., Ltd., to General Bertram, one of September 27, 1915, from Shell Committee to the Russell Motor Car Co., and one of October 6, 1915, from Shell Committee to the Russell Motor Car Company, filed together and marked Exhibit No. 270.

Mr. JOHNSTON: Now, did you have any further interviews with these gentlemen of the Shell Committee except what you have told us up to the time that you speak of these letters, October 6th for instance?—A. Of course we were constantly calling on them, we were constantly calling on the Shell Committee in connection with the contract that we were carrying out for them.

Q. I know, but that contract was entered into, I have forgotten the date of it just now, when they offered you—July 19th?—A. Yes.

Q. Up to that time I suppose you have given us all the interviews and conversations you had with the Shell Committee as nearly as you can recollect?—A. Yes.

Q. After that time your communications with them were with regard to the contract they had given you of the 19th July?—A. Yes.

Q. Or the order?—A. Yes.

Q. You heard in New York I understand, that there were tenders being asked for one million fuses?—A. Yes.

Mr. HELLMUTH: When was this?

Mr. JOHNSTON: I will get it in a moment; do you remember at what time that was?—A. That was the 24th September.

Mr. EWART: Are we to go into this?—A. The Commission has ruled.

Sir WILLIAM MEREDITH: That was ruled on before.

Hon Mr. DUFF: No, I don't think so; what kind of fuses is it?—A. Time fuses they were.

Hon Mr. DUFF: It may be very relevant on the question as to the possibility of the making of these things in Canada.

Q. Have you been making time fuses, did you take a contract for time fuses?—A. No, we never got one; we are making them now.

Sir WILLIAM MEREDITH: What Mr. Johnston is trying to show is that invitations to tender were sent to various manufacturers and not to this company.

Mr. JOHNSTON: Yes.

Sir WILLIAM MEREDITH: And the ruling then was that that was not within the scope of the inquiry.

Mr. JOHNSTON: I thought from what the Commissioners had said on a letter date as to the scope of the inquiry that it would be covered by that ruling—

I was saying to my learned friend that I understand that had to do with time fuses and the action of the Shell Committee would be properly inquired into by this Commission, as the appointment states other matters in connection with the Shell Committee or in connection with these contracts.

Sir WILLIAM MEREDITH: Not other matters connected with the Shell Committee—connected with these contracts. Let me understand. As I understand it, a week ago probably it is, what you proposed to do was to show that manufacturers were invited to offer to make these million or whatever it was, and that no notice was sent to the Russell Company—

Mr. JOHNSTON: Yes.

Sir WILLIAM MEREDITH: It has been brought out that the Russell Company finding out about it had put in a tender; All that came out.

Mr. JOHNSTON: Yes; I follow that up by asking, I was merely asking as to how he came to know about it, perhaps that was merely incidental, I did not intend to go into any particular details on that point, but what I did desire to ask him was, having learned they were looking for tenders whether he put in a tender himself or the Russell people?

Sir WILLIAM MEREDITH: That is already on the record.

Mr. JOHNSTON: I propose to follow it with another question to make the connection; you did put in a tender in regard to that—

Mr. EWART: Wait a moment.

Mr. JOHNSTON: Did you get it—

Mr. EWART: Wait a moment.

[Lloyd Harris.]

Sir WILLIAM MEREDITH: I think that came out before, that they did not get the contract.

Mr. EWART: And it has nothing to do with these four contracts.

Hon. Mr. DUFF: I do not quite concur in the idea that it may not be relevant in view of the evidence which has been given this morning; the evidence which has been given this morning may put a very different complexion on it.

Mr. JOHNSTON: Then you will see why I ask the first two questions, because I want to have it consecutive: at that time when they were inquiring for tenders for one million fuses were you in a position to make either time or graze fuses in Canada, whichever it might be?—A. We were just in as good a position then as we were at any time.

Q. Were you in a position to make, that is what I want to get from you?—A. We had already started on getting our plant together for graze fuses.

Q. And did you succeed in making the graze fuse?—A. Yes.

Q. Have you been or were you much in default in regard to the delivery of these fuses you had contracts for?—A. With graze fuses?

Q. Yes?—A. No.

Q. I do not want to go into the details, but merely to see your capacity to do the work; were you in a position to do the same thing in regard to time fuses if you had got them?—A. We thought so, yes.

Q. Was there anything that developed in the manufacture of this wonderful article that changed your opinion in any way?—A. No.

Q. Or diminished your capacity in any way?—A. No, we felt more confidence than ever that we could handle a time fuse contract.

Q. Just a moment, and I think I will just be able to close before the Commission rises; I will just ask you one question; have you at any time been in default under your present existing contract that you know of?—A. No.

At 1 p.m. the Commission adjourned until 2.30 p.m.

AFTERNOON SESSION.

TUESDAY, May 9, 1916, 2.30 p.m.

(Examination of LLOYD HARRIS resumed.)

His LORDSHIP: Well, who will take up the parable now. Has Mr. Johnston concluded his examination?

Mr. JOHNSTON: Yes, Mr. Commissioner.

By Mr. Ewart:

Q. Mr. Harris, I think you told us you had made no default on your deliveries?—A. Yes, sir.

Q. That is, on the contract of August, 1915? You did not interject there that you had got extensions, did you?—A. The extension was granted by the Shell Committee because the extension was necessary on account of the delay that had taken place on their part.

Q. On account of delay on their part?—A. Yes, sir.

Q. And that was the only reason?—A. That was the only reason.

Q. But you got two extensions?—A. No, we only got one extension.

Q. Didn't you get two extensions, two extensions of time?—A. What do you call two extensions?

Q. I should think you would know; you knew what one extension was. Wasn't your time extended twice?—A. No. The only record I have is that it was extended once.

Q. What was that extension, how much?—A. The original date of deliveries were that we had to supply 50,000 from December 17th to January 17th.

Q. You did not do that?—A. We were unable to do it because we had not been supplied with the gauges by the Shell Committee.

Q. Were they to supply the gauges?—A. They were to supply the gauges for checking up our gauges. Their inspection required that they should have our gauges checked up, in order for us to carry out our deliveries.

Q. And you say the only reason for non-delivery of that 50,000 during that month was that they had not given you gauges in order to check your gauges?—A. That was one reason. That was the reason for an extension of, four weeks I think it was.

Q. That is what I thought. You got another extension?—A. No, the whole extension was settled at one interview and at one time. The second reason was, that when we were ready to commence manufacturing our parts, the War Office notified the Shell Committee that the adapter, that is a part of the fuse, was changed. We had already made up several of these adapters, and it was necessary that we should change the style of the adapter, the form of it, and we came to Ottawa (Mr. Russell and myself) and took the matter up with the Imperial Munitions Board.

Q. When was that?—A. I should say that that was in February of this year, or January.

Q. At what time did you make your first delivery?—A. On the 17th of February.

Q. On the 17th of February you delivered 12,000?—A. We delivered 12,000 on the 17th of February.

Q. You have told us you had an extension of four weeks prior to that?—A. No. The whole extension was arranged at the one conference.

Q. But it was an extension of four weeks with reference to the gauges. That would make the deliveries commence on the 17th of January instead of the 17th of December?—A. The whole question of those extensions was made at one time, and the date that was fixed by the present Imperial Munitions Board was from the 5th of February to the 5th day of March. We had to deliver 50,000 fuses by the 5th day of March instead of the 17th day of January.

Q. And you did not do it?—A. We did do it.

Q. You delivered 50,000 on the 5th day of March?—A. By the 5th day of March we had delivered 50,000 fuses.

Q. That is not according to the statement I have here?—A. Then your statement must be incorrect.

Q. So you place the whole cause of the delay upon the Shell Committee?—A. They admitted it.

Q. On those two points?—A. Yes.

Q. But for that you say you worked up to your contract?—A. Absolutely.

Q. Have you anything in writing showing that extension you speak of?—A. Yes. There were letters passed. I have not copies of them with me, because I did not know that that was coming under the scope of the investigation.

Q. You can produce letters showing that the Shell Committee or the Imperial Munitions Board were responsible for the delay?—A. Yes.

Mr. HELLMUTH: It should not have been the Shell Committee, because that Committee went out of office on the 29th of November.

Mr. EWART: Now, Mr. Harris, I think you have (whether intentionally or not) got the impression that the Shell Committee was antagonistic to you throughout. Has that been your idea?—A. Well, for some reason or another we could not apparently get the treatment as Canadian manufacturers that we thought we were justly entitled to.

Q. I asked you whether your idea is that the Shell Committee was antagonistic to you throughout?—A. I would not like to say that, because, as I stated this morning, General Bertram was very anxious for us to start making fuses in Canada.

Q. Would you say then that Colonel Carnegie was antagonistic to you throughout?—A. Well, it appeared to us so, yes.

[Lloyd Harris.]

Q. From the very first?—A. From my first interview.

Q. From your first interview it appeared to you that he was antagonistic to you, upon what grounds?—A. That I do not know.

Q. Do you mean personally?—A. No, I don't think so. He said that this work could not be done in Canada.

Q. Then he was antagonistic rather to the work being done in Canada than to you personally?—A. I think so.

Q. He had no personal antipathy to either you or to Mr. Russell?—A. No, none whatever.

Q. It was a question of whether the work could be done in Canada or in the United States?—A. Yes.

Q. That is what you understood his position to be?—A. Yes.

Q. And that was all a matter about which people might very well differ?—A. It might be.

Q. So that you do not accuse him of any antipathy or wrong-doing towards you?—A. I have not formed an opinion upon that.

Q. If you had had reason to form an opinion upon it, would you accuse him of any antipathy or wrong-doing towards you?—A. Notwithstanding that we were having very severe times, Colonel Carnegie and I were always on very friendly terms.

Q. What appeared to me to be a desire on your part to create the impression that these men were antagonistic to you was what you said in reference to two or three questions. The first was the admission of Mr. Burt to the arsenal. You asked on the 13th of May that they would secure you admission to the Arsenal?—A. The admission of our man, who was at that time in England.

Q. That was Mr. Burt?—A. Yes.

Q. The answer you gave to Mr. Johnston, to begin with, that your request was refused, rather seemed to me and to the rest of us to indicate that they did not wish to help you?—A. That was the impression I got at the time.

Q. That they did not want to help you to find out about fuses?—A. Yes.

Q. Well, that is more than antagonism upon the grounds you have mentioned, of the difference between doing work in Canada and in the United States. That is becoming personal, isn't it?—A. That is rather a personal question, isn't it?

Q. Is that the way you looked at it, that they were trying to prevent you finding out about the manufacture of fuses?—A. We could not understand at the time why.

Q. Will you answer the question please. Is that the way that it struck you at the time, that they were purposely trying to prevent you finding out about the manufacture of fuses? Did it strike you that way at the time?—A. Well, I think it did, yes.

Q. Well, did it?—A. I think so. It is a long time ago now.

Q. You could not say now whether it did or not. If it struck you at the time, surely you would have imagined that they were objecting to you personally, and not merely because you were Canadian manufacturers, wouldn't it?—A. No, I don't think so, because I gave it at that time as my opinion both to Colonel Carnegie and to General Bertram that this work could be done in Canada by dividing it up among four or five concerns co-operating together, and we were simply trying to get all the information we could. We had a man in England, and wanted him to try and visit Woolwich.

Q. And Colonel Carnegie was trying to prevent you getting information; is that what you say?—A. He did prevent us.

Q. And he did that purposely?—A. That would be for him to answer.

Q. Do I so understand you, that you saw them and that he was trying to prevent you obtaining information about fuses?—A. No, it did not strike us I think at that, not at that time.

Q. I thought a minute ago you said you rather thought he did. Didn't you say

so a minute ago?—A. What I meant to say was that we were trying to get our man into Woolwich.

Q. I am asking you what impression Colonel Carnegie's attitude made upon you. Did you think he was trying to prevent you ascertaining about the manufacture of fuses?

Sir WILLIAM MEREDITH: It must not be forgotten that the witness said that Colonel Carnegie told him that it would be useless, that he would have to spend so many months.

Mr. EWART: I am coming to that in a minute. I am trying to find out the impression Colonel Carnegie made upon this gentleman at that time.

Q. Do you wish to change anything of what you have said, remembering that the question is this, whether what Colonel Carnegie said gave you the impression that he was trying to prevent you obtaining information as to the manufacture of fuses, and that that was his purpose?—A. I don't think it struck us that way at that time. We simply asked for permission for our man to visit Woolwich, and it was refused.

Sir WILLIAM MEREDITH: That is not quite accurate—to ask for permission?—A. To ask for permission.

Mr. EWART: Then what he said did not at all surprise you, his refusal did not surprise you in any way?—A. Well, it made us wonder a bit why.

Q. Well, did it surprise you?—A. It did surprise us, yes.

Q. Why he should refuse to help you to ascertain about the manufacture of fuses?—A. Yes, it did surprise us.

Q. You saw that he was trying to prevent you getting that information?—A. No, I don't think it struck us in that way.

Q. Then how were you surprised at it if you did not see it?—A. Couldn't we be surprised at a refusal of that kind?

Q. Not if you did not see that there was anything extraordinary in it. Was there anything extraordinary in his refusal? Perhaps you have had enough of this, as I see you are about the end of your tether.

The telegram of May 11th to General Bertram, "Our factory manager Clayton R. Burt now in England can you cable in such a way as to make it possible for him to get through arsenals where fuses being made and also that he could bring back with him next week all information got wire me Hotel Biltmore New York if want us Montreal." Do you remember sending that telegram?—A. Yes.

Q. Your question there, I am willing to suggest to you, was very much the same kind of question you put to Colonel Carnegie when you got to Montreal: "Can you cable in such a way as to make it possible for Clayton R. Burt to get through arsenals." You told us the answer you got was that it was impossible; you told Mr. Johnston that that was the answer you got?—A. That was two days later.

Q. If you put the question verbally in the same way as you put it in the telegram, would there be any particular significance in the reply which you got, "It is impossible." Let me read you that part of the telegram again. "Can you cable in such a way as to make it possible for him to get through arsenals where fuses being made," and he replied that it was impossible—that it was impossible for him to cable so that Burt could get through the arsenals. Is that a fair statement of what took place between you and Colonel Carnegie in Montreal?—A. We sent the telegram on the 11th.

Q. But is that a fair question; you put the question as in the telegram, and you got the reply that it was impossible?—A. We thought so, that it was quite a proper request for us to make.

Sir WILLIAM MEREDITH: Give a proper answer.

Mr. EWART: Q. Would that be a perfectly natural and proper answer, that it would be impossible to cable in such a way as to get in through the arsenal?—A. We [Lloyd Harris.]

Q. But would that be a perfectly natural and proper thing, to get an answer of that kind? Would there be anything in the back of your head, because of that answer?—A. I cannot really get that.

Hon. Mr. DUFF: Let him finish his answer.

WITNESS: I cannot really get at what you are driving at. We were anxious to get our man, who was in England at the time, into the Woolwich Arsenal. We believed that it was possible for the Shell Committee to arrange that, in fact they did arrange it afterwards for representatives of American concerns, as has been stated, and we simply wanted to get all the information on fuses that we possibly could, and wanted our man, who was right there, to go and get this information. So we sent this telegram from New York and followed it up at the interview we had on the 13th of May, and it was refused. The permission was refused to visit, I mean.

Q. The permission was refused?—A. Not the permission, but the request we made was refused.

Q. The request to do what?—A. To arrange to have our man visit the Woolwich Arsenal.

Q. The request was to cable so as to get him through the arsenal?—A. Yes.

Q. And they said it was impossible?—A. Colonel Carnegie said it was impossible.

Q. Is that right, is that the effect of the conversation, you asked him to cable so as to get this man through the arsenal, and he said it was not possible?—A. He went further than that. He said it would be useless for our man to visit the Woolwich Arsenal for a visit of a day or two.

Q. You have a memorandum of that conversation there, haven't you?—A. I have the copy of the telegram.

Q. But you have a memorandum of the conversation that you made at the time?—A. Yes. "At conference with Shell Committee in Montreal May 1st 1915, we asked Colonel Carnegie if we could arrange"—

Q. Let me see it, please. Is this the one you made at the time?—A. I have made notes all the way through.

Q. What do you say?—A. I have made notes all the way through in connection with that.

Q. You told us you made a memorandum of your conversations on the day the conversations took place, didn't you?—A. Not on every day. I said I had a memorandum.

Q. Did you make a memorandum of this conversation of the 13th of May?—A. I said that I have a memorandum of the conversation of the 13th of May.

Q. Let us see it, please?—A. I don't know that I have mentioned that particular point, in my memorandum.

Q. We will see when we get to it.

Sir WILLIAM MEREDITH: Do I understand that these are extended from notes that you made?—A. I beg your pardon.

Q. Do I understand that these papers you have are extensions of notes you have made, or are they the notes themselves?—A. Some of them are extensions of memoranda that were made.

Q. Where are the memoranda themselves?—A. Here are the memoranda.

Q. Those are copies which you have in your hands. Where are the originals?—A. These are copies of the originals.

Q. But where are the originals?—A. I think I have the originals.

Mr. EWART: Let me see them, please, of the 13th of May?—A. These are the originals that were made by my dictation at that time.

Sir WILLIAM MEREDITH: I rather gathered that you put down in a note book of the matter mentioned and from that you dictated these afterwards. Am I wrong in that?—A. When I have not a stenographer available I make them in my own

writing, and when I have a stenographer I dictate my notes. Upon this occasion I had a stenographer.

Q. So that would represent the original?—A. It would represent the original.

Mr. EWART: You have handed me two memoranda here, one with the paging 0015 and the other the paging 0016. The first of these is headed "Memorandum of Conference with the Shell Committee at their office, Montreal, May 13, 1915", and the second one is headed; "Memo of Information Received from Shell Committee, Montreal, May 13, 1915."

In those I see not a word of your request to Colonel Carnegie that he would cable to England about Burt?—A. No. I have a record of that by the telegram that had been sent the day before, and it was taken up from the telegram.

Q. But the record from the telegram sent the day before will not tell us what took place the day after?—A. That is all the record I have upon that particular point.

Q. So that in the memoranda you made on the day upon which that conversation took place there is not a word about this request about Mr. Burt. There is not a word of it there?—A. No. Of course this Conference lasted some three hours.

Q. And everything important would go down in your memoranda?—A. No, not all.

Q. All the important things would go down?—A. The essential facts.

Q. And that was not an important thing at that time to you, that you had asked for Burt to get into Woolwich Arsenal?—A. It was important.

Q. Then why didn't you put it down in your notes, you put the important things down there?—A. The telegram was there.

Q. But that was the day before, and it would not help us on the day after. Why didn't you put it down on the notes, if you thought what you say, it was an important matter?—A. Simply because I had Mr. Russell with me at the time, and that was one of the matters that were discussed. It would be impossible to put down everything that happened. Mr. Russell was with me.

Mr. EWART: I had better mark No. 0015 and No. 0016 as one exhibit?

Sir WILLIAM MEREDITH: They will be pinned together and marked as Exhibit No. 271.

Mr. EWART: "Memorandum of Conference with the Shell Committee at their Office, Montreal, May 13, 1915. Present: General Bertram, Colonel Lafferty, Messrs. Carnegie, Russell and Harris.

"The Shell Committee stated that they were desirous of placing an order for 5,000,000 time fuses for the British 18-pounder shrapnel shell; that they planned to enter into arrangements with parties who could agree to commence deliveries of said fuses within four months from date of contract at the rate of 5,000 per day, and to increase deliveries to 30,000 per day within six months; that a condition would be imposed that in the 6th month from date of contract 1,000 per day would have to be made in Canada, 2,000 per day in the 7th month, 3,000 per day in the 8th month and 5,000 per day in the 9th month, deliveries of the entire number to be completed by March 31, 1916.

"It was suggested by Messrs. Russell and Harris that they would make a proposal to the Shell Committee to take on part of this business and the Shell Committee promised that if they would not delay the matter too long, that they would retain 1,000,000 to 1,500,000 of the entire order until a proposal could be received. Messrs. Russell and Harris agreed to have a proposal in the hands of the Shell Committee within a reasonable time.

"MEMO OF INFORMATION RECEIVED FROM SHELL COMMITTEE, MONTREAL,
MAY 13, 1915."

"Present:—General Bertram, Colonel Lafferty, Messrs. Carnegie, Russell and Harris.

"The proposal is to place an order for 5,000,000 fuses to be delivered by March 31, 1916, delivery to commence within four months of signing of contract at 5,000 per day; to increase deliveries to 30,000 per day within six months. To commence to manufacture and deliver 1,000 per day in the sixth month, complete manufacture to be done in Canada; and 2,000 per day in the seventh month, 3,000 per day in the 8th month, 5,000 per day in the 9th month, the latter all to be done in Canada. The fuse to be of the American type, and to be made all in brass."

(Marked as Exhibit 271.)

Mr. EWART: Now, when did you put down the memorandum or make the memorandum which you handed to me first, the memorandum of the conversation?—A. I made that immediately on my return to Toronto the following day.

Q. Is this the original of that?—A. That is the original of it, yes.

Q. When was it you returned to Toronto?—A. The same night.

Q. And you made this the next day?—A. The next day.

Q. You dictated it?—A. Yes.

Q. Was it put in some book?—A. No, just on a blank sheet of paper in that way.

Q. How does it bear a number?—A. I have had all the original documents numbered in one file.

Q. Oh, this is the numbering for this occasion then?—A. All the copies that I have and all the originals are in one file.

Q. Did you keep this upon a file?—A. Yes.

Q. This then, we may take it, accurately represents what took place at the meeting with reference to Mr. Burt?—A. The memorandum you hold in your hand?

Q. Yes. Exhibit 272. That will represent now accurately what took place with reference to Mr. Burt?—A. Yes.

Q. Now, let me read it. It is headed simply "Memorandum". "At conference with Shell Committee in Montreal, May 13, 1915, we asked Colonel Carnegie if we could arrange"—not if he could arrange, but if we could arrange—"for permission for Mr. Burt, who was then in Europe, to visit Woolwich, and were told that it would be impossible." Is that true?—A. I suppose that represents what happened, yes.

Q. You will observe, Mr. Harris, that there is not a word there about asking him to cable.—A. We had already asked him to cable in our telegram.

Q. Will you be kind enough to drop the telegram of the day before?—A. Yes.

Q. Fix your attention, if you will, on the 13th of May. I am calling your attention to the fact that in the memorandum which you made when you got to Toronto there is not a word about asking Mr. Carnegie to do anything?—A. Yes.

Q. Have you any explanation?—A. Except that the request was made and was refused, that is all. It was just a matter of record.

Q. You have no other explanation to make?—A. No other explanation to make.

Q. Very well. The remainder of that memorandum reads:—

"After the I.A & F. Company secured their contract, I am informed that the Shell Committee made arrangements for them to send all the men they desired to Woolwich for getting information."

(Memorandum marked Exhibit 272.)

Q. I think you intended to create the impression too, Mr. Harris, that Mr. Carnegie was acting a little contrary to your interests and desires with reference to

inspecting the Scovill works?—A. I do not think I intended to create that impression.

Q. You do not think that he was?—A. I do not think so.

Q. He was helping you all he could in reference to Scovill, was he?—A. He did not refuse. He simply told us that it was impossible, I think, to get into the Scovill works.

Q. Did you say in answer to Mr. Johnston that you said to Colonel Carnegie that you wanted to inspect the Scovill plant, and that he refused to help you?—A. I think I read letters on that subject.

Q. Did you say that to Mr. Johnston?—A. I think not.

Q. Didn't you say that what you wanted at the Scovill Manufacturing Company's works to inspect the works? Didn't you say that to Mr. Johnston?—A. I think not.

Q. If you did, it is a mistake?—A. If I did, it is a mistake.

Q. That is not what you wanted at the Scovill works?—A. I think that I only read two letters.

Q. Never mind the letters now. You have a way of taking me back any time to the day before, and now you are taking me to letters when I am getting at your conversation. Did you want to inspect the Scovill works?—A. We certainly did.

Q. And you asked Colonel Carnegie to help you to inspect them?—A. By letter.

Q. And he declined?—A. He wrote back, and what he said was stated in his letter.

Q. I know. I am asking now your recollection of it, because I understood that when giving evidence to Mr. Johnston you followed the statement, which you now say is correct, that you did want to inspect the Scovill works, by the further statement that Colonel Carnegie refused to help you.—A. If I did I did not intend making such a statement.

Q. What did he say when you told him you wanted to inspect those works?—A. He replied by letter.

Q. Never mind. What is your recollection of the letter?—A. The letter was to Mr. Russell, not to myself.

Q. What is your recollection? Never mind the letter please. I am getting your recollection in the meantime?—A. I do not remember that we ever discussed any arrangement to visit the Scovill works.

Q. You see, when I ask you about a letter you give me discussion, and when I am asking you about discussion you refer me to a letter. Now I am on the letter.—A. Yes.

Q. You say you asked Colonel Carnegie to help you inspect these works, and he replied by letter.—A. We asked him by letter.

Q. I know. And he replied by letter?—A. Yes.

Q. What is your recollection of the letter, of the answer?—A. My recollection is that they would not allow anybody in their works.

Q. You are quite clear?—A. And Mr. Russell went there himself and tried to get into the works, and was not able to.

Q. I am not on that at all just now, am I? You are quite clear, however, that your letter was a request to inspect the works?—A. Yes.

Q. Let me read it to you. It is dated the 14th of May, and is addressed to Mr. Carnegie. Page 74:—

"I tried to get you on the telephone this morning, but found you were out of the city and would not be back to-day.

"I wanted to ask you if you could give me any sort of introduction to the principal people in the Scovill Company, or if you felt that you could intimate to them that we were working in accord with the Shell Committee, and that you would be glad that if anything consistent with good business policy could be done that would expedite the delivery of the much-needed fuses.

"I have a plan in my mind where we might co-operate with these people, and if so we would possibly be able to do even better than Mr. Lloyd Harris and [Lloyd Harris.]

I felt like undertaking when we discussed the subject so fully with you yesterday."

That is the letter you refer to?—A. Yes.

Q. Nothing there about inspecting plant, is there?—A. No.

Q. Your recollection is rather at fault there, is it not?—A. You haven't read the last paragraph.

Q. "If you are able to do anything in the way I suggest with the Scovill people, I will very greatly appreciate it." That is to give you an introduction so you might co-operate with them?—A. Yes.

Q. Then the reply to that, according to your recollection was to the effect that the Scovills would not let you inspect. You were telling me that that was your recollection of the answer?—A. Yes.

Q. Their answer really is this:—

"Your letter of the 14th reached me on my return from New York. I do not think the Scovill Company will enter into negotiations with you to manufacture the fuses. We have been trying to get them to assist us in this matter and they have persistently refused." That is the whole of the letter. Nothing there about refusing to allow people to inspect their works, is there?—A. That was with Mr. Russell.

Q. I know it was. You have told me that before. But I am asking your recollection of it. Now, you see your recollection of it was absolutely wrong, was it not?

Mr. JOHNSTON: I do not see that.

Mr. EWART: You do not; he does.

WITNESS: I would not like to admit it.

Mr. EWART: No, you had better not admit it, but still we all see. Then with reference to a third incident, Mr. Harris, I think you desired to create the impression that the Shell Committee, or at all events Colonel Carnegie, was antagonistic to you, namely, when you went on the 26th of May and asked to see him. You remember your first statement with reference to that?—A. Yes.

Q. "Colonel Carnegie did not want to see me."—A. Yes.

Q. Do you remember what your counsel suggested to you about that answer? That was a mental deduction, there was nothing happened which indicated that at that time, was there? Go on, answer.—A. I got word from him when I sent in my name that he would not see me, or could not see me.

Q. Would not or could not see you, that he was busy?—A. Yes.

Q. Which did he say?—A. And to see General Bertram.

Q. What was the message?—A. That he could not see me.

Q. Is that right, or is the statement you made, as I remember it, to Mr. Johnston, that Colonel Carnegie was busy, which?—A. That is the same thing, isn't it?

Q. That is the same thing?—A. Yes.

Q. I do not know any word in the two sentences that is the same. To your mind those things are identical, that he could not see you, and that he was busy, those are the same propositions?—A. Yes.

Q. Very well. And he asked you to see General Bertram. Is there anything in that communication that indicated to your mind that Colonel Carnegie did not want to see you?—A. There was at the time, yes.

Q. What?—A. Because we had heard through General Bertram that these fuse contracts had been placed in the United States.

Q. I know. I am asking whether there was anything in the message given to you, in those two sentences, that indicated Colonel Carnegie did not want to see you?—A. There was at the time, yes.

Q. What was there in those two sentences that indicated that he did not want to see you?—A. That he did not care to see us.

Q. What was there in the two sentences that so indicated? Remember the two sentences, that he was busy, and would you see General Bertram. What was there in that to indicate that he did not want to see you?—A. There may be nothing, but I—

Q. I should not think there was anything.—A. Perhaps it was my mental deduction.

Q. So it was. Do you think it was a reasonable mental deduction?—A. Well, why did he see me?

Q. How many times in your life have you gone to a gentleman's office and found that he was busy and could not see you at the moment, and asked you to see somebody else? How many times in your life, some thousands?—A. I say, why did he see me when I sent the proposal?

Q. I suppose he found you were persistent and he interrupted the business he was on. But I am asking you whether your mental deduction is a fair one, that he did not want to see you?—A. Well, of course I cannot tell.

Q. You do not know whether it was a fair one or not?—A. I cannot tell what was in Colonel Carnegie's mind.

Q. Of course you cannot.—A. No.

Q. Let me ask you this. Did you consider at the time that he did not want to see you?—A. I thought so.

Q. You thought he did not want to see you?—A. I thought so, yes.

Q. And that impression was removed the next minute, because he came to the door and took you in and talked to you three hours?—A. Perhaps he had seen our proposal.

Q. So the impression which you formed was removed one minute afterwards?—A. No, it was not removed.

Q. Didn't that remove the impression that he did not want to see you when he came to the door and asked you to come in?—A. I don't think he wanted to see me even after I went in.

Q. Why didn't he want to see you?—A. Because he was in a very awkward position.

Q. Now, at that time nothing very startling took place. As Colonel Carnegie said, no bones were broken. You suggested that the Committee should try and get further orders, didn't you?—A. Yes. It was perhaps a joint suggestion, perhaps it was a joint compromise.

Q. Well, you gave it to Mr. Johnston, I took it down, that you suggested that.—A. Well, I think we were the ones to suggest that they should cable to the War Office and see if further orders could be got.

Q. And you said they agreed to do that?—A. They agreed to do that.

Q. They did that, and as a result you got an order afterwards?—A. No. The War Office cabled back. This was for time fuses. We were speaking of our proposal. Our proposal was there for a million and a quarter time fuses.

Q. I know.—A. And within ten days or so after that we definitely got word from the Shell Committee that the War Office had advised them that they would require no further supply of that type of fuse.

Hon. Mr. DUFF: Ten days after. That would be—

Sir WILLIAM MEREDITH: 17th of June, would it not?

Hon. Mr. DUFF: No. Ten days afterwards they got word he said. That would be about the 5th of June.

Sir WILLIAM MEREDITH: The telegram was the 15th of June.

WITNESS: This is the letter dated June 2nd. I think you must have that.

Sir WILLIAM MEREDITH: That is not in then apparently. There is a telegram of June 15th.

[Lloyd Harris.]

Hon. Mr. DUFF: What about this letter of June 2nd?—A. "We have definite information from the War Office that they do not require at the present time any more time fuses."

Mr. EWART: That is in, sir.

Mr. HELLMUTH: Exhibit 94.

Sir WILLIAM MEREDITH: There is a communication from General Bertram to Mr. Russell.

Mr. EWART: I think you yourself wrote out the offer which you handed to Colonel Carnegie that day, didn't you?—A. It was typewritten.

Q. Well, you prepared it?—A. Mr. Russell and myself, yes.

Q. Did you dictate it?—A. Yes, it was dictated in Toronto the day before we were in Ottawa and dated the 25th.

Q. Dictated in Toronto?—A. Yes.

Q. And done over again here?—A. No.

Q. Give me the exhibit, please, number 77. Now, I go back to the 6th of May, Mr. Harris, and in connection with that too I think you desired to create the impression that Colonel Carnegie was antagonistic to you, or do you decline to accept that view?—A. I do not think I tried to convey the impression that Colonel Carnegie was antagonistic to me personally, but he was antagonistic to Canadian industry so far as the manufacture of fuses was concerned.

Q. That is all. What was it that led up to the statement of Colonel Carnegie with reference to Allison?—A. He simply told me at the time after we had—this was getting towards the end of our conversation—he told me at the time that I should see Colonel Allison, that he had these negotiations—

Q. What led up to that?

Mr. LAFLUR: Let him finish his answer. What were you adding?—A. That he was handling these negotiations.

Mr. EWART: That he was handling these negotiations. What led up to that?—A. A full discussion of my desire at the time to get as much information as possible, and also offering to make a proposal for these fuses.

Q. And did you understand that no offer would be received except through Allison?—A. No, I did not gather that.

Q. What did you understand by the statement then that negotiations were in Allison's hands?—A. That the matter of negotiating contracts for the fuses he stated was in the hands of Colonel Allison.

Q. And the Shell Committee were not doing anything about it, the Shell Committee were not negotiating?—A. Well, he told me if I wanted to take these fuse contracts up to get in touch with Allison.

Q. Did you understand the Shell Committee would not negotiate?—A. Well, of course—

Q. Just answer the question.—A. Why, no, I thought the Shell Committee were negotiating.

Q. Of course, they were. You have told us that at great length, that they were negotiating.—A. I was negotiating with them.

Q. When they said negotiations were in Allison's hands, you did not understand that negotiations were out of the Shell Committee's hands?—A. I did not know what to understand hardly.

Q. You have just told us you thought they were negotiating.—A. I negotiated with them myself, certainly.

Q. So you do not understand, Mr. Harris, that the negotiations were out of the hands of the Shell Committee?—A. No, because I would not negotiate with anybody else but them.

Q. Answer me straight, please. You did not understand from what was said that negotiations were out of the hands of the Shell Committee?—A. I—

Q. You did or you did not understand that?—A. I did not understand that.

Q. You understood that the negotiations were still in the hands of the Shell Committee?—A. Certainly.

Q. Then how do you explain the statement that Colonel Carnegie said to you that negotiations were in the hands of Allison?—A. He simply said that the matter was in the hands of Colonel Allison.

Q. But how could they be in the hands of Colonel Allison when you have just told me this minute that you understood, notwithstanding that statement, that they were still in the hands of the Shell Committee?—A. I was not dealing with Allison, and would not deal with him.

Q. That is not an answer to my question, is it?—A. I was there to negotiate with the Shell Committee, and I was told to go and see Colonel Allison.

Q. To drop negotiations with the Shell Committee and go to Allison?—A. Apparently.

Q. You did understand then that the Shell Committee would not negotiate with you any more?—A. No, because I told them I was going to put in a proposal.

Q. Did you understand when they said, "Go to Allison" that they did not want to negotiate with you any more?—A. No, I did not gather that.

Q. You did understand that they were still ready to carry on negotiations?—A. I gathered—

Q. Did you?—A. Certainly.

Q. Then how do you explain their statement that the negotiations were in Allison's hands?—A. I have never been able to explain it.

Q. No, I think you had better give it up.—A. But the statement was made.

Q. But you did not understand that they implied that they were not going to carry on negotiations with you?—A. No, I said that I would make the Shell Committee a proposal.

Q. And do you remember what Colonel Carnegie said immediately afterwards? You gave it to Mr. Johnston.—A. After I made that statement?

Q. Do you remember what Colonel Carnegie said immediately after your statement that you would make a proposal? You remember what Colonel Carnegie said to you, you told Mr. Johnston a few minutes ago. What did Colonel Carnegie reply when you said to him that you would put in a proposal?—A. To—

Q. What did Colonel Carnegie say to you in answer to that remark?—A. Colonel Carnegie had told me—

Q. What did he say in answer to that remark?—A. He said to take the matter up with Allison.

Q. Was that in reply to your statement that you would put in an offer?—A. He never—

Q. Was that in reply to that statement now that you would put in an offer?—A. Yes.

Q. Now, let me tell you what my recollection is of what you said to Mr. Johnston. You said to him that you told Mr. Carnegie that you would put in an offer, and Colonel Carnegie replied that your offer would be considered. That is my recollection; I do not vouch for it. Is that true?—A. I think you are confusing the two dates of the 6th of May and the 13th of May.

Q. Then you think you did not say that?

Sir WILLIAM MEREDITH: He did not say it you mean?

Mr. EWART: Yes. You think that Colonel Carnegie did not say that?

Hon. Mr. DUFF: On the 6th of May?—A. On the 6th of May, no.

Mr. EWART: On the 6th of May, yes. You think he did not say that?—A. No, we did not get that far on the 6th of May.

[Lloyd Harris.]

Q. You think that when you said that you would put in a proposal his reply was, "Go to Allison"?—A. Yes.

Q. What you have said before was that the negotiations were in Allison's hands?—A. He had told me that, he mentioned that twice.

Q. Allison's name then came in twice?—A. Yes.

Q. First he said negotiations were in Allison's hands?—A. Yes.

Q. Afterwards when you said you were going to put in a proposal he said, "Go to Allison"?—A. Yes.

Q. Did you go to Allison?—A. No.

Q. You understood it would be no use going on with the Shell Committee, they havng sent you to Allison?—A. No, I did not understand that, because I stated this morning—

Q. What did you understand?

Hon. Mr. DUFF: Let him finish. What were you going to say?—A. I stated this morning that General Bertram had made the statement at that conference that he had known me for sometime, and that he thought that if I said we could make fuses that possibly we could make fuses. So I got a great deal of encouragement from what General Bertram said.

Mr. EWART: That has nothing to do with what Allison was doing.—A. There was nothing definite happened at that first meeting.

Q. It seems to me that two things definitely happened according to your statement about Allison. When you said that you would put in a proposal Carnegie told you to go to Allison. You did not go to Allison?—A. No.

Q. You still went on with the Shell Committee?—A. I told them that I was going to make a proposal.

Q. They told you to go to Allison?—A. That is what—

Q. You did not go to Allison?—A. No.

Q. You went on with the Shell Committee?—A. Yes.

Q. When you returned you went on with the Shell Committee. Did they remind you that they had sent you to Allison and that they had nothing to do with it?—A. In the meantime—

Q. Did they tell you that? Answer my question and then give your explanation.—A. No.

Q. Did they ever afterwards remind you of this statement, that you were to go to Allison?—A. Well, I reminded them, I think, in one of our talks.

Q. They never reminded you of that statement?—A. No.

Q. You reminded them of that statement?—A. Yes.

Q. When was that?—A. On the 13th of May, I think.

Q. Was that at the meeting when all the gentlemen were present whose names you have given us?—A. Yes.

Q. That is, yourself, Colonel Carnegie, General Bertram and Colonel Lafferty?—A. And Mr. Russell.

Q. And that was the first interview you had with them after the 6th of May, was it?—A. Yes.

Q. Between those dates, Mr. Harris, you were communicating with the Shell Committee?—A. Just once, they sent a telegram. That is the time they telegraphed us to ask us to come to Montreal.

Q. What was the date of that?—A. It was the telegram that I received when I was in Wilmington, the 10th of May.

Q. Yes.—A. "Would be glad to see you or Lloyd Harris *re* fuse manufacture at earliest possible moment." Signed by the Shell Committee.

Q. That was on the 10th of May. Observe, I am speaking of happenings between the 6th of May, when Allison's name was first spoken, and the 13th of May, when you reminded them of what was said. So we get on the 10th of May a telegram from

the Committee to you asking to see Russell or Harris *re* fuse manufacture at earliest possible moment. I suppose you replied that you were hunting up Allison?—A. No. This telegram went to Toronto and was replied to by the Toronto office, Mr. Russell and I being in the States, and as quick as I got the telegram I telegraphed back asking them if Friday would suit their convenience to meet them in Montreal.

Q. And it was in consequence of those telegrams that you went to Montreal on the 13th?—A. On the 13th.

Q. So if they had sent you to Allison, at all events they were telegraphing you now to come back to them.

Then let me ask your explanation of this too. On the 1st of May Mr. Russell wrote to Colonel Bertram in this way, "I have understood that you were anxious to have the fuses for the shrapnel shells made in Canada. I have had the matter up with friends of ours in the United States and believe that I would be in a position to have a plant laid down here to undertake this work in a very short time. I have made considerable progress with this and would be glad if you could let me hear from you by return whether there is any possibility of securing business of good volume on the fuses if we laid down a plant here." That is on page 72.

Now then, on May 10th, at page 73, General Bertram replied in this way, "In reply to your favour of May 1st regarding fuses, we would be pleased to have you send us your proposition together with all particulars, when we will go further into the matter with you."

I am reminding you that we are still dealing with this interval between the 6th and the 13th, and I ask you to reconcile that letter with the statement that you had been sent to Allison on the 6th?—A. Mr. Russell and I were in New York on the 30th of April, and that was the first time that we had heard that there were any fuse contracts to be placed through the Shell Committee. That is the day we saw the Minister. We afterwards heard from friends in Philadelphia that there were contracts for a large number of fuses to be placed by the Shell Committee, and Mr. Russell came on home to Toronto that night and wrote to General Bertram in this connection. I followed along a day or two later, and we discussed the matter, and then it was decided that I should come to Montreal, which I did on the 6th of May. I was alone at that interview on the 6th of May.

Q. So I understand.—A. And then General Bertram's reply to Mr. Russell's letter of the 1st instant was dated the 10th of May.

Q. I understand all that. That has nothing to do with my question.—A. Yes.

Q. Perhaps you have not understood it. I will put it again. Remember, that you had been referred to Allison for the negotiations on the 6th of May. How do you explain this letter of General Bertram's to you on the 10th, in reply to yours of the 1st, saying, "We would be pleased to have you send us your proposition"?—A. I suppose that they had decided that they would rather have us make the proposal direct by that time.

Q. I see, they had changed their mind by that time. They had told you on the 6th, "Take your proposition to Allison;" and by the 10th they had changed their minds. You noticed that when you saw that letter. I suppose you saw that letter?—A. Oh yes, I saw that letter.

Q. And you noticed the marked change, didn't you?—A. Yes.

Q. You noticed that whereas they told you to go to Allison before, they were telling you now to come to them?—A. Yes.

Q. You remember noting that at the time?—A. Yes; which we did.

Q. And you remember talking that over with your partner, Mr. Russell?—A. Yes.

Q. We get to the 13th. Having noticed that change, you brought the matter up—

Hon. Mr. DUFF: Was it before the 13th that this discussion about that letter took place?—A. No, we had not received that letter before we received the telegram [Lloyd Harris.]

asking us to come to Montreal. Mr. Russell and I were both away from Toronto at the time that letter was written.

Mr. EWART: You got this letter before the 13th. You saw that letter before your meeting on the 13th of May?—A. No.

Q. So you were not quite right then in saying that when you saw that letter you noticed the change from "Go to Allison" to "Come to us"?—A. No, I was not quite right.

Q. No, you were not quite right there?—A. No.

Q. That is what I thought. You must have seen that before the 13th?—A. We had our telegram of the 10th.

Q. And you were not quite right in saying that you discussed that change with Mr. Russell upon receiving that letter?—A. No. If what I said conveyed that I was wrong.

Q. You certainly conveyed it; you said you had noticed the change from one to the other and you discussed it with your partner; that was a mistake? Before the meeting on the 13th you were still under the impression you had to go to Allison?—A. No, we had a telegram from the Shell Committee asking us to come to them.

Q. Now then, I am going to ask you, where were you when you got that telegram?—A. Wilmington.

Q. And Mr. Russell was not there?—A. Yes, he was there.

Q. Mr. Russell was there with you?—A. Yes.

Q. When you got that telegram asking you to come at the earliest possible moment it at once occurred to you "This is a change from going to Allison"?—A. We never had any intention of going to Allison.

Q. Of course you had not; that is all nonsense, you never thought that they meant you to go to Allison did you?—A. I thought they did, yes, when it was told me so straight to do so.

Q. You thought they meant that, and did you tell them you wouldn't?—A. I don't think I made any comment on it.

Sir WILLIAM MEREDITH: I thought you told us before you asked was he a member of the Shell Committee?—A. Yes, I asked if Colonel Allison was a member of the Shell Committee.

Q. You just now said you made no comment.

Mr. EWART: Did you ask why you should go to Colonel Allison?—A. I did.

Q. And did they tell you that the negotiations were all in his hands?—A. That the matter was in the hands of Colonel Allison.

Q. Well, we won't go over that again; you have notes of that conversation on the 6th of May?—A. I have, yes.

Q. Will you let me see them please?—A. (Produces).

Q. You say you wrote this on the 6th?—A. On the 6th, yes, sir.

Q. This is in your handwriting?—A. Yes.

Q. You wrote it on the 6th?—A. Yes.

Q. Now I see that you were referred also to another man at that interview, Steinmetz?—A. He is the man I mentioned this morning.

Q. Who is he?—A. He was a Philadelphia man who had telephoned us from Philadelphia to New York and gave us the information that the Shell Committee were going to place large orders for fuses, and he said he had associates in Philadelphia and Wilmington.

Q. Steinmetz stated?—A. Yes—who would be very helpful to us if we considered going into that business.

Hon. Mr. DUFF: This is the 6th May, Mr. Ewart.

Mr. EWART: Yes, sir.

Q. And Colonel Carnegie at that meeting suggested you getting in touch with Steinmetz?—A. No, no.

Q. Did he suggest?—A. No, that was my own suggestion for Mr. Russell's guidance. That was a memorandum I made.

Q. This is not a report of the conversation at all? A report of what happened at the meeting—A. Oh, no, because this is something that did not take place?—A. What did not take place?

Q. About Steinmetz?—A. Down to that last paragraph is all report of the conversation; and then I follow it up with a suggestion to my associate, Mr. Russell, that we get in touch with Steinmetz and find out what he—

Q. There is nothing to indicate that change on this paper is there?—A. Probably not; that is just a memorandum of what actually happened up to that time, and then I suggested we should do certain things in connection with that.

Q. I am going to read the Commission the whole of this—

Hon. Mr. DUFF: Have you got a copy that we can look at?

Mr. HELLMUTH: No.

WITNESS: I have a copy here.

Hon. Mr. DUFF: No, you keep that.

Mr. EWART:

"THE WINDSOR HOTEL,
"MONTREAL, May 6, 1915.

"Colonel Carnegie said *re* fuses:

"That the only two firms in United States making fuses are Bethlehem Steel Co. who have made only 6,000 to date and Scovill Co., Waterbury, who are making 4,000 daily and to do this employing 750 hands. Has just returned from United States where he was investigating fuse proposition and that they propose to go ahead with manufacture of fuses in Canada and aim to get a production of 40,000 daily. Have arranged with firms to co-operate and the matter is in the hands of Colonel Allison and advised our getting in touch with him. Have adopted the American fuse for the present as it is easier to make. He claims that the business is very difficult and ridicules any statement that a plant to make 4,000 daily could be got running in 60 days. Says work will have to be done in different plants and thinks we should get in with Allison work with him."

Down to there you say is a report of your conversation; what follows is your own memorandum for Mr. Russell?—A. Yes.

Q. "The price they propose paying is \$4.50"?—A. That is the end of my report. Q. Then what follows that is for Mr. Russell?—A. Yes.

Q. "Would suggest we ask Steinmetz to show us his hand and tell us how his proposal can be worked out and who his technical associates would be." Going back to the sentence commencing, "Have arranged", that means the Shell Committee had arranged?—A. Yes.

Q. "Have arranged with firms to co-operate"—to co-operate with whom?—A. With the Shell Committee, I understood.

Q. Co-operate with the Shell Committee?—A. That is what I understood, yes.

Q. Or to take contracts from the Shell Committee?—A. I understood it at the time that they had made arrangements with several firms in the United States who would co-operate.

Q. Co-operate with one another?—A. With one another and with the Shell Committee.

Q. Or take contracts from the Shell Committee.

Hon. Mr. DUFF: There was naturally confusion in the mind of Colonel Carnegie about this time about co-operation and contracts in view of the history of the Shell Committee.

Mr. EWART: Yes, there is no doubt.

[Lloyd Harris.]

Q. "Have arranged with firms," that is the Shell Committee have arranged with firms to co-operate; do you mean to co-operate with the Committee or co-operate between themselves?—A. I understood from the conversation that it meant both.

Sir WILLIAM MEREDITH: Perhaps you would ask him how they could co-operate with the Shell Committee otherwise than by contracting,

Mr. EWART: That is the next question.

A. I am reporting.

Q. I know you are reporting his language, but I am asking you what meaning that language conveyed to you?—A. At the time I thought it conveyed the thought to me that they were arranging with several different firms in the United States to co-operate in making the component parts.

Q. To co-operate with the committee?—A. No, with other concerns who would do the loading.

Q. That is the Shell Committee were endeavouring to arrange a co-operation amongst firms over in United States?—A. Yes, that was the idea I had.

Q. That struck you as a rather peculiar kind of thing to do was it not; did that occur to you?—A. Why?

Q. Why, that the Shell Committee who were in Canada were endeavouring to form some kind of co-operation among firms in the United States?—A. Yes.

Q. That would be a peculiar thing for them to do, would it not?—A. Of course I was—

Q. Would that be a peculiar thing?—A. I was told—

Q. Would that be a peculiar thing for them to do?—A. I think so.

Q. You thought it was a peculiar thing; did you say to them, that is a very funny thing for you to do; I should have thought you would have been acting the other way; did you say that to them?—A. I suggested at the time that we could get the co-operation of several firms in Canada to work together—

Q. I am not asking that at all; I asked you what you said to them when they told you that they were trying to secure several firms in the States to co-operate with one another; what did you say to them?—A. I had no comment to make.

Q. You thought it very curious at the time?—A. I thought so, I think.

Q. You did not indicate to them that that was a very curious sort of performance?—A. No.

Q. That is what you thought they were doing, that they were trying to form some conjunction amongst manufacturers in the United States. Now, let me read you the sentence about Allison, having in mind that that is what you did mean: "Have arranged with firms to co-operate, and the matter is in the hands of Colonel Allison"—that is the matter of arranging co-operation amongst the firms in the States, that matter is in Allison's hands, that is what you meant?—A. It did not strike me at that time.

Q. Is not that what you say here?—A. That is not the way I read it, no.

Q. Is not that what you say?—A. That is what it reads, yes.

Q. Very well; that is all we are anxious about, and we would pay more attention to what you have got here and how it reads, if I may say so, than your recollection, which may be defective. You wanted to co-operate with some firms in the States didn't you?—A. At that time?

Q. Yes?—A. We really had not any plans made.

Q. You were busy working and seeing what you could do?—A. The matter was brought to us by—

Q. Never mind how it was brought to you?—A. I think it has a good deal of bearing.

Q. Perhaps it has; go on?—A. The matter was brought to us by a firm in the States, who said that if we would go into the manufacture of fuses they could be of great assistance to us; we did not know whether they could or not.

Q. You were looking for methods of getting the work done in the States?—
A. No, we were not.

Q. Now, in Mr. Russell's letter asking for introduction to Scovill, was not that with the idea of co-operating with Scovill?—A. We were very anxious to get into the Scovill plant.

Q. Was it not with the idea of co-operating with Scovill?—A. It was with the idea of getting as much information as we could on the manufacture of fuses.

Q. Then it was not with the idea of co-operating with Scovill?—A. We would have been very glad if we could have made some arrangement to co-operate with them.

Q. But your request was not with that in your mind, your request was with reference to inspection at the Scovill?—A. And if possible making some arrangement with them whereby we could get the knowledge that we required.

Q. And for co-operation?—A. Yes, and for co-operation.

Q. Co-operation with Scovill; now, I am right, you were contemplating co-operation with some of the United States manufacturers?—A. At that time we thought it was absolutely necessary.

Q. Exactly what I wanted. Now, then, we will read the rest of that sentence with these explanations: "Have arranged with firms to co-operate and the matter is in the hands of Col. Allison and advised our getting in touch with him"—in order to co-operate with these United States firms, that is the way it reads, is it—don't nod, say yes?—A. I suppose that is your meaning out of it.

Q. Is that your meaning of it?—A. I cannot say that I saw it in that way at that time.

Q. You see it that way now?—A. No, I see it less that way now.

Q. Is not that what it says?—A. That is the way you read it.

Q. Is not that what it says?—A. That is what it reads.

Mr. EWART: That will do.

By Mr. Henderson:

Q. Then, purely with reference to what you say about Col. Allison; I assume you want to be fair?—A. Absolutely.

Q. Did you know that Col. Carnegie had returned from New York the day before you met him or that very day, did he tell you so?—A. I think it says so on the memorandum, does it not?

Q. I am not sure, I have not had an opportunity of reading the memorandum, fully?—A. It says "Has just returned from U.S."

Q. He tells us he had first met Col. Allison for business purposes in New York on the 1st May; did he tell you that?—A. No.

Q. Not specifically, but?—A. No.

Q. And he had been in the vicinity of New York from the 1st May until 4th May and had been brought into touch by Col. Allison with Mr. Yoakum, Mr. Cadwell and others; did he not tell you that?—A. No, not at that time.

Q. Did he not explain to you that certain fuse negotiations had been under way in New York within the last few days?—A. He said he had been devoting some considerable time investigating the conditions over there for manufacturing.

Q. He tells us that that had been the cause of his trip to New York for those few days, did you understand that?—A. There were no names mentioned at that interview of the 6th.

Q. Col. Allison's name was mentioned?—A. I mean the other names you mentioned.

Q. I do not care about any other names; did he not tell you that as a result of his trip to New York Col. Allison was actively engaged in certain fuse negotiations on behalf of some manufacturers—now, be fair?—A. No, I think this was written immediately after I came from that meeting with General—

Q. I understand that was written in the Windsor Hotel on the 6th May?—A. Yes.

[Lloyd Harris.]

Q. But I just put it to you that your memorandum agrees exactly with what he probably would have told you at that time, "Have arranged with firms to co-operate and the matter", that is that matter of arrangement of the firms to co-operate "is in the hands of Col. Allison"?—A. Yes.

Q. Did he not tell you that Col. Allison was arranging for certain firms to co-operate in the production of the component parts of fuses?—A. I do not remember that he did.

Q. You cannot say that he did not?—A. No.

Q. And that is quite consistent with your memorandum?—A. The memorandum is—

Q. And since you were anxious to get in touch with American manufacturers it would be quite natural that he should suggest your getting into touch with Colonel Allison and through him with these manufacturers?—A. Who said I was anxious to get in touch with United States manufacturers?

Q. I thought you said so?—A. No, I said we thought it was necessary that we should.

Q. And would not a certain amount of anxiety follow on that necessity, surely?—A. Our whole plan was to do this work in Canada.

Q. Another thing I am coming to; did Colonel Carnegie tell you that the party through whom Colonel Allison was working had a strong liking for the idea of doing work in Canada?—A. He told me that the arrangements that were being negotiated over there provided for these fuses being made in Canada.

Q. And I will tell you that that was the fact, we will show that later, that they were then looking to doing work in Canada, so that you being a Canadian manufacturer might very properly get into touch with them; is not that what likely happened, can you say it was anything to the contrary of that?—A. I had not that impression of it at all.

(Mr. Henderson handed to the Secretary Mr. Harris' memorandum of the interview of May 6, 1915, read to the witness in Mr. Ewart's examination. The memorandum was marked Exhibit 273.)

Q. As a matter of fact you are not speaking from an independent recollection, but you are speaking from a recollection revived by that memorandum, are you not?—A. Of course I have both, I have the memorandum and an independent recollection I am speaking of.

Q. But your independent recollection is very vague, is it not?—A. Not so vague.

Q. What have you a clear independent recollection of apart from this memorandum?—A. Of the impression I brought away from the meeting.

Q. Some people will insist on taking wrong meanings out of things, I do not say you did?—A. I do not know, I do not know that I did.

Q. You do not know you had any impression other than that memorandum now conveys, do you, to the ordinary reader?—A. Yes, I had the impression that it was going to be a very difficult matter for us to make any arrangements whereby we could manufacture those fuses in Canada.

Q. Have you read on page 73 of the transcript what Colonel Carnegie said?—A. I have not seen the transcript.

Q. He says that at this meeting you asked for particulars of the fuses; that was natural, was it not?—A. Yes.

Q. It was an absolutely new thing to you and to Mr. Russell?—A. Absolutely.

Q. Then he says. "I explained to them as far as possible what the manufacture of the fuses meant, the difficulties surrounding the manufacture, and pointed out in particular that the one principal concern was the loading end"—that would occur with your recollection, would it not?—A. Yes.

Q. And you being absolutely new in the business Colonel Allison being in touch with men who knew something about it who were going into it in prospect, was there

anything unnatural about his suggestion that you should get in touch with Colonel Allison?—A. I thought so, yes.

Q. And you still insist in thinking so?—A. I think so, yes.

Q. And you gave a memorandum to Mr. Johnston or Mr. Carvell, or somebody, intending to convey the impression that there was some improper connection between Colonel Allison and the Shell Committee, didn't you?—A. No.

Q. What did you mean by it?—A. I simply meant when I went to see the Shell Committee that I was asked to go and see Colonel Allison.

Q. And you wanted to give the impression that you could not do business with the Shell Committee except through him?—A. That was the impression nearly that I got.

Q. Perhaps not surprising if that is your line of thought. (No answer.)

By Mr. Laflamme:

Q. In the absence of Mr. Nesbitt I wish to ask some questions: you say, Mr. Harris, that on the 30th April you were down in New York with Mr. T. A. Russell?—A. Yes.

Q. I presume you had not gone down to New York on fuse business?—A. No.

Q. It was then that you heard about the project of manufacturing fuses?—A. Yes.

Q. For the first time?—A. Yes.

Q. Who told you about it?—A. Mr. Steinmetz.

Q. Was Mr. T. A. Russell informed of the fact at the same time?—A. At the same time practically, it was Mr. Russell who got the telephone message.

Q. I suppose that Mr. Russell did not know any more about time fuses than you did at that moment?—A. Absolutely nothing.

Q. You knew very little about the classification of fuses, and the only thing you knew was the name and probably the object for which it was used?—A. That is all.

Q. You had never heard about 80 time fuses or 80 over 44 time fuses, or graze fuses?—A. I had never heard of graze fuses, I had heard a good deal more of the time fuses.

Q. It so happened that on the same day the Minister of Militia and Defence was in New York?—A. Yes.

Q. Do you recollect whether or not he was on his way to England?—A. No, he was just there for the day.

Q. How did you happen to know that?—A. Colonel Allison either told us, I think he told us or telephoned.

Q. Were you acquainted with Colonel Allison before that date?—A. Three days before.

Q. I suppose the interview with the Minister was quite short?—A. It was quite long.

Q. On the fuse matter?—A. We did not have any interview with him on the fuse matter.

Q. I thought you said this morning he had referred you to the Shell Committee?—A. Mr. Russell after we got the information from Mr. Steinmetz in Philadelphia, this was after we had met the Minister in the morning, we got the information from Mr. Steinmetz by telephone message from Philadelphia that there were fuse contracts going to be placed in Canada, and asking us if the Canadian Shell Committee were doing anything in connection with it.

Q. Did you see the Minister after that on the same day?—A. No, Mr. Russell telephoned to the Minister.

Q. And of course Mr. Russell alone is able to tell us what the answer was?—A. Yes.

Q. Did you collect from Mr. Russell that the answer had been that you would have to communicate with the Shell Committee?—A. And that we would have to scratch gravel.

[Lloyd Harris.]

Q. At what time of the day was it that this telephone conversation took place?
—A. You will have to ask Mr. Russell for the exact time, but it was in the afternoon.

Q. At all events one thing is certain, and that is that Mr. Russell took the night train and came back to Toronto?—A. Yes.

Q. If that is so can you explain how it is that on the 1st May on his arrival in Toronto he wrote a letter to the Chairman of the Shell Committee in which he said in part, adverting to the manufacture of fuses, "I have had the matter up with friends of ours in the United States and believe that I would be in position to have plant laid down here to undertake this work in a very short time. I have made considerable progress on this, and would be glad if you could let me hear from you"—the only progress he had made so far as I can see at the present is that he had taken the night train and left New York and had gone to Toronto, is that a correct statement?—A. The progress that he made was this, that after we had the news confirmed that the Shell Committee were going to place these orders he again telephoned to Mr. Steinmetz and asked him what information or what progress they had made on the manufacture of time fuses. Mr. Steinmetz told Mr. Russell that the Artillery Fuse Co. had been organized at Wilmington, and that they had taken a plant and were getting ready to start right in to manufacture time fuses; and Mr. Steinmetz also gave Mr. Russell some considerable information.

Q. At all events, Mr. Harris, that is the considerable progress, which no doubt Mr. Russell had in mind when he wrote this letter?—A. Yes.

Q. Nothing else to your knowledge?—A. Nothing else to my knowledge, no.

Q. Between the 1st May and the 6th what did you do personally to ascertain the conditions under which your company could undertake the manufacture of these fuses; and where did you take this information?—A. I just have not my notes as to where I happened to be on the 30th—I was in New York on the 30th April, and from the 30th April till the 6th May I would have to look up my other records on that, but I think I came to Toronto from New York and we immediately began laying our lines to get information as quickly as possible.

Q. Did you catch any fish after laying your lines—what did you collect in the shape of information between the 1st and 6th May?—A. We had a great deal of, for instance we got in touch with friends of ours who were in a position to gather information for us as to what was being done, for instance, at the Frankford Arsenal.

Q. Friends across the line?—A. Yes, and we had our own mechanical man going into the matter with an idea of seeing what machinery would be required.

Q. What was his name?—A. Mr. Adams.

Q. Where was he searching for information, across the line also?—A. No, he was in Toronto at that time; and then I came to Montreal and had my conference with the Shell Committee on the 6th May, and then we immediately left for Philadelphia, Wilmington; Mr. Adams was with us at that time, and we were recalled to Montreal by telegram from the Shell Committee while we were down in that district.

Q. Let us confine ourselves to the period which extends from the 1st to 6th May; had Mr. Adams made some sort of a report to you prior to the interview of the 6th May as to what he had been able to obtain in the shape of information?—A. No.

Q. Did your other man make a report prior to the 6th May?—A. Information was coming in from various sources, and I would have to—

Q. I am talking about two sources for the moment; did the other man who was to find out what was being done at the Frankford Arsenal make a report prior to the 6th May?—A. You mean Steinmetz?

Q. Yes?—A. We had a great many communications between Steinmetz and ourselves about that time, and arranged to go down and visit him and see what he had to show us.

Q. Did he make a report prior to the 6th May?—A. No, I think not.

Q. So that on the 6th May you had no definite report which might be used by you as a safe guide so far as the conditions under which these fuses could be manufactured by you?—A. I did not profess to have.

Q. Between those two dates did you take any steps to find out whether or not it would be feasible for your company to take options on martial and expert labour?—A. After the 13th we did.

Q. Prior to the 6th May?—A. No.

Q. You said referring to the interview you had at Montreal on the 6th May that Col. Carnegie rather discouraged you from entering into the manufacture of these fuses?—A. Yes.

Q. That is the interpretation which you placed upon what he did say, he did not warn you against entering into the manufacture of fuses, did he?—A. Well, he said it was a very difficult business.

Q. Very well, let us see whether we understand each other; I am quoting from the statement made by Col. Carnegie in reference to what he says he told you on that occasion, page 73: "They asked us for particulars of the fuses. I explained to them as far as possible what the manufacture of the fuses meant, the difficulties surrounding the manufacture, and pointed out in particular that the one principal concern was the loading end," is that what he said in substance?—A. Always warned us against the difficulties of the loading end.

Q. You took it that from what he said it was not a very encouraging proposition but rather discouraging proposition, that is it, is it not?—A. Yes.

Q. In other words the fact which he represented to you discouraged you but he did not discourage you in so many words?—A. You mean to say that I actually was discouraged from what he said?

Q. Exactly.—A. I cannot say that, no.

Q. You were not very much encouraged anyway?—A. No.

Q. Did you on that occasion make any mention of the progress that Mr. Russell had already made on the 1st May as indicated by the letter which I mentioned a few moments ago, was there any reference made to that?—A. On the 6th May

Q. Yes?—A. I do not remember that I did, no.

Q. Did you as a matter of fact represent to Col. Carnegie and his colleague that between the 1st May and the 6th May you had made substantial progress in the way of obtaining information which would enable you to enter into the manufacture of fuses?—A. No, not on the 6th May.

Q. That was the occasion when for the first time you stated if I remember well, that it was represented to you that you had better go to Allison?—A. Yes.

Q. You had known Allison for about two weeks?—A. Since the 27th April.

Q. What did you answer to that; did you make any answer?—A. I think I asked the question whether Col. Allison was a member of the Shell Committee.

Q. Are you sure that you put that clearly?—A. In about that way.

Q. Did you get an answer?—A. I was told that he was not.

Q. Did the subject then drop?—A. No, because I was told after that—

Q. I am now adverting to the meeting of the 6th May?—A. Did the subject then drop, which subject?

Q. During the conversation the subject of going to Allison?—A. It came up twice or three times.

Q. During the same conversation?—A. Yes.

Q. Why did not you tell them, "What has Col. Allison got to do with this? I have been referred, or Mr. Russell has been referred, to this Committee by the Minister of Militia and Defence?"—A. I did ask him the question, and the answer was that he had the negotiations in charge.

[Lloyd Harris.]

Q. You put what question?—A. What had he to do with it, what was he doing?

Q. Why did not you say, "The Minister of Militia and Defence has referred me to this Committee?"—A. I did say so.

Q. And with this Committee I intend to deal?—A. That is what we did say, that is what I did say.

Q. It was after that that they said, "Well, you must go to Allison?"—A. Yes, it was after that, because I think when I first went in to the Committee I reported to them that Mr. Russell had spoken with the Minister in New York, and that he had sent me to the Shell Committee.

Q. You having gone to the Shell Committee and the Shell Committee having told you to go to Allison, why didn't you report the matter at once to General Hughes?—A. I don't know why I did not.

Q. Did you consider that reference to Allison of some importance during the conversation?—A. I wondered if it was necessary that I should follow out that suggestion in order to get any of that business.

Q. You considered it as an important reference?—A. Yes.

Q. And is there any reason why you did not mention the fact at all in the report which you submitted on the 2nd October 1915 to the Prime Minister?—A. Yes, I was trying at that time to simply make a plain statement of the negotiations, the facts connected with the negotiations that had taken place between the Russell Motor Car Co. and the Shell Committee.

Q. But you have been telling us for some time what were these negotiations, and you have brought up this incident about a suggestion made to you to go to Allison?—A. Yes.

Q. And on the 1st October, 1915, you had an interview with the Prime Minister?—A. Yes.

Q. And the next day you made a complete report to him in compliance with the promise that you had made on the previous day regarding the negotiations between yourselves and the Shell Committee; I am asking you if there was some reason, or some importance for you to mention the fact before this Commission, why would not it be as equally important to mention it in the report which you made on the 2nd October?—A. Well, I did make the report to the Prime Minister.

Q. I know, but you made a report without any reference to this Allison incident?—A. But I made a further report incorporating the Allison incident.

Q. Let us deal with the first one, page 416, in quoting from your report to the Prime Minister:—

"May 6th, 1915.—Mr. Harris met General Bertram and Colonel Carnegie of Shell Committee in Montreal and was advised that they had instructions from the War Office to purchase five million time fuses, and were negotiating with United States interest to manufacture them. After discussing the matter they stated that they would be glad to hear from us regarding the possibility of making at least a part of this order in Canada".

You notice there is no reference there made to the Allison incident at all?—A. Not in that report, no.

Q. There would be some reason why you did not see fit to insert that in the report which you made on the 2nd October?—A. I do not remember any reason I had in mind at the time except the only reason that I made that report to the Prime Minister at that time was that I felt that Canadian industry had not been properly treated, and I simply wanted to have something done to prevent similar cases of that kind coming up in the future. After that report was made so far as Mr. Russell and myself were concerned the chapter was finished. We have had nothing whatever to do since then with the matter excepting that I had one or two conversations with the Prime Minister subsequently and mentioned that matter to him, amongst other things, and sent him a copy of the statement that you have had here this afternoon.

Q. You are answering a question I did not put. Again on the 7th June, 1915, you wrote a letter to the Shell Committee?—A. Mr. Russell did.

Q. To your knowledge?—A. Yes.

Q. A letter which you approved of?—A. Yes.

Q. It is printed on page 102 of the evidence. In this letter you state in part: "Knowing the importance of this, for purposes of record we are advising you again the steps we took with regard to putting ourselves in position to make this fuse in Canada"—and then you proceed to relate what you had done. Was there any reason why you should not make any reference to this Allison matter in this letter which you wrote to the Shell Committee on the 7th June if only for the purpose of keeping a record of it?—A. I do not know that it was necessary for us to incorporate that statement at that time. We had not been dealing with or through Col. Allison, we had been dealing direct with the Shell Committee.

Q. Between the 6th May and the 13th May what steps did you take to prepare for the manufacture of these time fuses?—A. We immediately started to get options on raw materials and machinery.

Q. Between these two dates?—A. Yes.

Q. What options did you obtain on raw material?—A. You are speaking now between the 6th and 13th May?

Q. Yes?—A. I could not answer that without looking up the records, but we did not have anything definite to work on until after the 13th, so that really our first negotiations, serious negotiations—

Q. I will point out to you here a letter which might assist your memory; I find that a letter which is marked Exhibit 64, printed at page 73, and dated 10th May, was written to your company by General Bertram; this letter enclosed the blueprints and specifications covering the fuse in question?—A. Yes.

Q. So that you did not get the specifications until the 11th May?—A. No, we could not have done; Mr. Russell and I were both away then.

Q. And therefore it is difficult to—

Mr. HELLMUTH: Pardon me, he said he did not really get that letter between the 13th May—

Mr. LAFLAMME: 11th May.

Mr. HELLMUTH: Yes, but they had not got it then, because they were away from home.

Mr. LAFLAMME: That is right; thank you very much.

Q. You were not in Toronto on the 11th May?—A. No.

Q. You came back on the 12th or 13th; on the 13th you were in Montreal?—A. On the 13th we were in Montreal.

Q. On the 14th?—A. On the 14th we were in Toronto.

Q. That is the first time you took communication of this letter of the 10th May?—A. Yes.

Q. And therefore you had not seen these specifications before the 14th May?—A. We had seen the specifications in Wilmington.

Q. Specifications of what?—A. Of the fuse.

Q. 85 fuse, American fuse?—A. The 85 fuse; at the plant in Wilmington we visited they had samples of almost all the time fuses that were made.

Q. But as a business man you could not very well take an option on material before you actually got the very specifications for the fuse you intended to manufacture, could you?—A. We could get options on copper and aluminum.

Q. Do you remember whether you took any such options prior to your second interview on the 13th May?—A. I do not remember the dates, but we did take options in connection with this work.

Q. Had you say before the 13th, because my recollection is you said you had not taken any before the 13th?—A. No, I don't think we did take them before the 13th.

[Lloyd Harris.]

Q. You were discussing it but you had not concluded any, I understood you to say that?—A. Yes.

Mr. LAFLAMME: Had you, prior to the 13th May located and tied down some good expert, and if so who was he?—A. No, we had not.

Q. Had you taken any firm option on machinery for the purpose intended?—A. I think not before the 13th.

Q. On the 14th May you said you returned to Toronto, that was the day upon which the letter Exhibit 65 was sent by Mr. Russell to the Shell Committee. In this letter Mr. Russell wishes to know whether Col. Carnegie could give him some sort of introduction to the principal people in the Scovill company; you had been working on this proposition ever since May 1, and we have reached the 14th May?—A. Yes.

Q. Why was it then necessary for Mr. Russell to write Col. Carnegie in order to obtain any such introduction of the principal people of the Scovill Manufacturing Company?—A. The Scovill Company were the only company in the United States at that time successful in making fuses.

Q. Did you at that time know that the most delicate part of the operation in the manufacturing of time fuses was the blending of the powder and the loading?—A. Yes, that was supposed to be the difficult part.

Q. So that up to the 14th May the Russell Company had no data regarding that feature of the operation, but they intended to obtain this information if they could from the Scovill people?—A. Oh, yes, we had certain information, for instance I said that we had been in Wilmington; we saw a press loading powder rings in Wilmington at the Artillery Fuse Company.

Q. But you say that up to that time your information was that the only people who had been successful in the loading operations were the Scovill people?—A. In turning out completed fuses, yes.

Q. When this letter was written, was Mr. Russell to your knowledge, or were you acquainted with the principal people of the Scovill Company?—A. Mr. Russell had met some of the officials of the Scovill Company in the past in connection with other business, and he went to Waterbury some time during this period to endeavour to get into their plant and see whether he could find out anything, and it was impossible for him to do so.

Q. That is he got a cold reception, he was not admitted?—A. He was not admitted.

Q. And this letter of the 14th May was as it were a second attempt to visit the plant?—A. Yes.

Q. Were you cognizant of this letter when it was drafted and sent?—A. I do not think so at the time; I would see the copy afterwards.

Q. Would you be kind enough to tell us what was intended to be conveyed by the words "If the Committee could intimate to the Scovill people that the Russell Company were working in accord with the Shell Committee"—what did you intend to convey by that?—A. What Mr. Russell's intention was as I understood it at the time to have the Shell Committee say to the Scovill people that we were investigating fuse manufacture with an idea of them giving him as much information as we could get.

Q. That meant that the association with the Shell Committee would make you persona grata with the Scovill Manufacturing Co.?—A. We have had to do that at different times.

Q. Will you kindly tell us what was the plan—which Mr. Russell had in mind and by which your company might co-operate with the Scovill people?—A. Our intention always was in starting the manufacture of fuses in Canada to start with the loading and assembling.

Q. But how could that be done by associating in regard to the most important and delicate operation in the course of the manufacture of these fuses, with an American concern?—A. The Scovill people if they had desired to co-operate with a Canadian concern either by investment or by assistance in any other way could have

been more helpful than any other concern in the United States in enabling us in Canada to establish the manufacture of time fuses.

Q. Had you discussed this proposed plan with Mr. Russell?—A. We had general talks about plans for carrying out this work of different nature.

Q. Did you have any reasons to believe then that the Scovill people would acquiesce in the suggested plan?—A. We had not any idea whether they would or not.

Q. Did you at the same time consider the advisability of discussing any similar plan with any Canadian firms, and if so why not?—A. We were told, of course, that this could not be done in Canada.

Q. The fact that you as a matter of fact had been told by what you considered competent persons is a reason why as a matter of fact you did not discuss any such plans with any Canadian manufacturés?—A. I think that one of the suggestions, I expressed the opinion at one of our interviews with the members of the Shell Committee that if they would get four or five Canadian firms together to co-operate—

Q. Did you suggest the names of any such firms?—A. No, I did not.

Q. Did Col. Carnegie during those negotiations mention the fact that he had communicated with the Canadian General Electric Co.?—A. He did.

Q. The Northern Electric Co.; the Canadian Westinghouse Co.; and did he convey to you the answers that he had received from those companies in regard to the possibility of manufacturing fuses in Canada?—A. He did, that is the Canadian General Electric, I think, was the only one mentioned.

Q. Now, between 13th of May and the 20th of May, what progress did you make to prepare for the manufacture of these fuses?—A. During that period we were getting information on machinery and materials and men, and we made a very great deal of progress. We had options on material, and options on machinery.

Q. During that period?—A. During that period, yes.

Q. What options did you have on material?—A. We had options on aluminium and copper and powder.

Q. What options did you have on expert labour?—A. We had engaged Professor Bain, of the Toronto University.

Q. The gentleman referred to in your letter of the 7th of June?—A. Yes, I think he is referred to in the letter of the 7th of June. He is referred to in our letter of proposal. We had also secured and had entered into a tentative arrangement with Mr. Kirby, who had had a good deal of experience in fuse work in England, both at Woolwich and at Vickers, Sons & Maxim.

Q. Did Mr. Kirby communicate with you personally?—A. No.

Q. Who with?—A. M. George Watts, of the Canadian General Electric Company, told me about Mr. Kirby and suggested that I should get in touch with him.

Q. Did you get in touch with him?—A. We did.

Q. When you got in touch with Mr. Kirby, did Mr. Kirby tell you that on some prior occasion he had had some conferences with Colonel Carnegie in regard to the possibility of manufacturing time fuses in Canada?—A. He did.

Q. What did he have to say regarding these conferences he had with him?—A. Well, as I remember it he did not consider that he had made very much progress.

Q. Who had not made very much progress?—A. Mr. Kirby.

Q. That is to say, Colonel Carnegie was of the opinion that Mr. Kirby had not made very much progress, is that it?—A. No, that Mr. Kirby thought that Mr. Kirby had not made very much progress.

Q. If it is not asking you too much, Mr. Harris, will you tell us what quantity of material you had under option and which you say happened between the 13th of May and the 20th of May?—A. I could not tell you the exact amount.

Q. Well, in round figures?—A. I cannot tell.

Q. Mr. Russell will tell you that?—A. Mr. Russell will tell you that.

Q. Did you during that same period take any option on machinery, and if so, where?—A. Yes, we had our machinery all arranged for.

[Lloyd Harris.]

Q. That is not the question. I am asking you where it was you got the option on machinery. That is what you stated yourself?—A. It was from different places.

Q. Places situated where, across the line?—A. Across the line.

Q. Why didn't you try and procure the machinery in Canada?—A. Because it is not made here.

Q. I suppose Mr. Russell can give us the figures as to that option also.—A. Yes.

Q. You did that relying upon the expectation held out to you at the interview of the 13th that your proposal would be considered, if made?—A. We did.

Q. Coming to the interview of the 20th of May, I would like you to refer to your memoranda or field notes as regards what was said. Did you tell Colonel Carnegie on that occasion that you expected to send in a tender within a week, or did you promise to do so?—A. I was not present.

Q. You were not present?—A. No.

Q. That was an interview between Mr. Russell and the members of the Shell Committee?—A. I think Mr. Russell and Colonel Carnegie alone were present at that meeting.

Q. The reason I ask you this is that in the telegram of the 21st of May addressed by the Russell Motor Car Company to the Shell Committee, it reads that your statement had been that you expected to submit a proposition within a week, and in the letter which was written here from the Chateau Laurier on the 26th of May you referred to a definite promise. Now, which is right?—A. Referred to what?

Q. A promise.—A. A definite promise?

Q. Yes. That is at page 85. The letter states in part:—

MAY 26, 1915.

Shell Committee,
Ottawa, Ont.

DEAR SIRs,—On Thursday, the 20th inst., I promised Mr. Carnegie—

A. That was Mr. Russell.

Q. Yes.—A. Yes.

—that the Russell Motor Car Company would within a week submit for your consideration a proposal to supply the million to million and a half fuses that you were good enough to state you would hold open for us.

The telegram of the 21st of May implies no such promise at all, but merely holds out an expectation. Which is right?

A. The first of May, did you say?

Q. The 21st?—A. We are referring now to the telegram written by Mr.—No, I have it here. I presume the letter of the 26th of May is a rather free interpretation of the terms of the telegram of the 21st of May.

Mr. GRANT: The one was early in the week. The other is a promise that they would within a week do so and so.

Mr. LAFLAMME: The telegram was written after the interview.

Mr. GRANT: But it was earlier than the promise itself.

WITNESS: The telegram of the 21st of May simply intimated that he would be in Ottawa early next week to submit a proposal. That is practically what it says, isn't it?

Mr. LAFLAMME: By the 25th of May had you collected all the information desirable to enable you to make a tender?—A. We had, yes.

Q. Who drafted that proposal?—A. Mr. Russell and myself.

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

Q. There is no doubt about that at all?—A. No doubt about that, no.

Q. When you got the message of the 25th of May asking you to defer your trip to Ottawa, why did you come?—A. Why did we come?

Q. Yes?—A. Because we had our proposal ready and we had promised to be here. We had stated that we would be here.

Q. But the telegram released you of the promise. Why didn't you stay?—A. The telegram did not release us from our promise.

Q. But from their promise?—A. Not necessarily. I did not take it that way.

Q. In this proposition which you made on the 25th of May, now, this appears:—

(1) The Russell Motor Car Company, Limited, will undertake to supply one-quarter of the total number required, namely 1,250,000 before March 31, next.

(2) That we will undertake to do all of the loading and assembling of this number of fuses in Canada.

A. Yes.

Q. At that time what had you done to make sure that you would be able to assemble and load those time fuses here in Canada?—A. I suppose we had done what everybody else had done.

Q. But I don't know what everybody else had done. I am asking you what you did, Mr. Harris?—A. We went into the matter as carefully as we possibly could with the information at our disposal. We planned a building, a large loading plant. We have fourteen acres of vacant land next to our plant in West Toronto which would be well suited, being isolated from any nearby building, upon which to erect the loading plant. We had that land, which would have been a very good place for it.

Q. But what guarantee did you have that you would be able to succeed in the operation of assembling and loading of those fuses in Canada, with the facilities which were then available to you?—A. I suppose only the guarantee that we were Canadian manufacturers and that we could go ahead and do something that other people could.

Q. You cannot give us any other reason than that?—A. Yes. We had confidence in our own ability to do it.

Q. I find in the letter of the 7th of June which you addressed to the Shell Committee a paragraph in which it was stated that Mr. Harris (meaning yourself) spent the next week (meaning the week following the 13th) in the neighbourhood of Chicago acquiring further information on the subject, while the writer visited points like New York, New Britain, Waterbury, Bridgeport on the same errand.

Mr. HELLMUTH: What page is that?

Mr. LAFLAMME: That is on page 102.

Q. What was that errand, Mr. Harris?—A. To get as much information as we possibly could.

Q. On the process of loading and blending the powder?—A. Not so much on the process of loading and blending the powder as on the process of making the parts, making the component parts.

Q. I suppose the statement here that "Col. Carnegie stated that the matter was very urgent, and that we should hurry as much as possible, as the matter could not be held open indefinitely" is absolutely correct?—A. It was made to Mr. Russell. You will have to ask him.

Q. Then you never had any assurance that the Shell Committee would wait for a week?—A. We had the assurance on the 13th of May that they would wait until they had our proposal unless our proposal was unduly delayed.

Q. Unduly delayed?—A. Those are my words.

Q. Of course you understood at the time that these fuses were only a part of a large order for five million fixed rounds of ammunition which the Shell Committee had undertaken to manufacture for the War Office?—A. Perfectly.

Q. And you also considered that the matter was urgent on that account?—A. Very.

Q. When you came and had this interview with Col. Carnegie and General Bertram on the 26th, I think you said this morning that among the other reasons or

[Lloyd Harris.]

excuses urged by Col. Carnegie for closing the two American contracts was that some pressure had been brought to bear. That is right, isn't it?—A. Yes.

Q. Will you let me see your memoranda of that interview, if you have it?—A. I have no memoranda of that interview of the 26th. We made our proposal, found that the contracts had been let, or were so notified, and I thought that the whole matter was a closed chapter, although we were promised that cables would be sent to see whether our proposal could be taken up.

Q. But closed chapter or not, Col. Carnegie stated to you that some pressure had been brought to bear?—A. He did.

Q. Brought to bear upon whom?—A. On the Shell Committee if I understood.

Q. Did he say it in so many words?—A. No, he did not so state. He simply stated that pressure had been brought to bear.

Q. Well, what did you understand?—A. As a matter of fact I don't think I did quite understand what he meant.

Q. Well, do you now understand?—A. No, I don't think I do.

Q. There is no doubt that you did not inquire as to what he meant by that?—A. I did not.

Q. Taking the statement in the atmosphere in which the statement was made, I think you stated that the American companies who had tendered for the work had represented that they had options on material, and unless the contracts were closed the price would advance?—A. Yes.

Q. Putting those two facts together, wouldn't you be rather inclined to believe that that was the pressure under which the committee was then labouring; I want your layman's view of it.—A. I would not think so.

Q. Did they say to you that the contracts had been closed because of this pressure, or because of the reason that options taken by those American concerns would expire and the price would advance; which one of those two reasons was suggested to you as the reason why these contracts had been closed?—A. I think that they were both stated, if I remember right.

Q. Is there any reason why you should not have inquired from Colonel Carnegie concerning the nature of the pressure that had been brought to bear upon the committee?—A. I don't know. You can quite imagine that we were not in the frame of mind to do any very intelligent reasoning at a time like that.

Q. Did you try and find out later whether there had been such a pressure?—A. No, I don't think I did.

Q. Well, don't you think, Mr. Harris, that the fact that this ammunition was badly needed for war purposes in the present war, the fact that these fuses were an essential part of the fixed rounds of ammunition, and the fact that these two American companies represented that their options were about expiring and that the price of material would raise, implying also an increase in the quotation for the manufacture of fuses, that all those facts together would exercise some pressure upon the committee?—A. They may have thought so.

Q. And possibly that is what they intended to convey by the statement?—A. It may be. (That may have been their meaning.)

Q. Just another question, Mr. Harris. Apart from your business interests you seem to have had a great concern for the interests of Canadian manufacturers at large. That is right, is it not?—A. Yes.

Q. On the 17th of August you entered into a contract with the Shell Committee for the manufacture of 500,000 graze fuses?—A. Yes.

Q. I am reading from page 158. In paragraph 12 of the contract there is a stipulation reading as follows: "This contract shall not be assigned by the company either in whole or in part without the previous consent in writing of the purchaser." Now, was that contract sublet in part by your company to American companies or manufacturing concerns, and, if so, to what extent and to whom?—A. Do you want that explained fully?

Q. I want to get the fact first, and then we will get the fact explained.—A. The facts are that when the contract was made on the 17th of August, as already pointed out, we undertook to make deliveries of the first 50,000 fuses between December 17 and January 17. At that time our promises of deliveries on machinery were very bad; a lot of the machinery we could not get promises of delivery on until December and January. We were anxious that we should fill this contract to make our deliveries at the time that we had agreed. So that we made an arrangement with the Shell Committee that we would be allowed to do that. It so states in the contract.

Q. Well now, it is a fact that part of that contract was sub-let?—A. What do you call sub-letting?

Q. A sub-contract?—A. That is—

Q. Sub-let in part?—A. That is for making the entire fuse?

Q. No, for making parts of the entire fuse.—A. Yes. What happened was—

Sir WILLIAM MEREDITH: Witness, you are asked a simple question. You can give your explanation afterwards. He asks you if the fact is that part of the contract was sub-let or sub-contracted for. Answer that, then you can give your explanation afterwards.—A. We bought, I think, five per cent of the total amount of the parts on that contract, made arrangements to buy about five per cent in value of the total amount of the contract.

Mr. LAFLAMME: Did you in the first place sub-let the whole or part of that contract to an American company, which contract was later on cancelled?—A. For the whole fuse?

Q. For a part of the fuse?—A. We sub-let a part with an American Company for certain parts of the fuse, which they failed to deliver.

Q. What was the name of that company?—A. The American Steam Gauge and Valve Company, or the R. B. Phillips Company, one or the other.

Q. Of what place?—A. Boston.

Q. What did that sub-contract aggregate in dollars and cents?—A. The contract with the Phillips Company?

Q. Yes.—A. I really cannot remember.

Q. About in round figures?—A. \$156,000.

Q. \$156,000?—A. Yes.

Q. Is that the only American concern to whom you sub-let a part of your contract?—A. No, we got some other small portion of the brass parts from the Elgin Watch Company.

Q. Can you give us the names of the different American companies to whom you sub-let part of your contract of the 17th of August, 1915?

Mr. CARVELL: You are not going to give away everything of that kind, surely?

Mr. LAFLAMME: What is your answer? If you cannot give us the names, give us the number?—A. Of which?

Q. Of the American companies to whom you sub-let part of your contract.—A. Four, I think.

Q. Four?—A. Yes.

Q. Well, the amount of sub-contracts placed with these four together amounted to how much?—A. If they had been carried out probably \$275,000 to \$300,000.

Q. That would represent a proportion on the whole contract of what?—A. Twenty per cent. Less than twenty—eighteen or seventeen.

Hon. Mr. DUFF: Just at that point, Mr. Laflamme. In point of fact, what percentage in value of the work on the contract was done outside of your own firm?—A. Five per cent. You remember that the contract with the Phillips Company they absolutely fell down on and delivered nothing, so that was cancelled and we had to make those parts ourselves.

[Lloyd Harris.]

Mr. LAFLAMME: Have you a memorandum of the conversation which you had with Colonel Carnegie on the 11th of August in regard to the proposed advance?—A. That is the day that we actually made the contract.

Q. No, you made the contract on the 17th of August.—A. The meeting to arrange the contract was held on the 11th.

Q. On the 11th?—A. Yes.

Q. That was the day upon which you state you mentioned the advisability of obtaining an advance, and Colonel Carnegie answered that no advances were being made?—A. Yes.

Q. Except to manufacturers of some of the cartridge cases. Is that it?—A. No, he went further than that. We asked if advances had been made to manufacturers on other fuse contracts, and he said no.

Q. Have you a memorandum of that conversation?—A. No. Mr. Russell and Mr. Ryckman were present on that occasion.

Q. I am not asking that. Are you quite sure that he referred to contractors for fuses in general, or that he referred to advances made to Canadian manufacturers?—A. I understood him, and we all three understood him to mean—

Q. Never mind what the others understood, I am asking for your understanding.—A. I understood him to say he was referring to contractors for fuses.

Q. You might have misunderstood for all you know?—A. I don't think so.

Q. You would not be absolutely certain as to that?—A. I am.

Q. You are?—A. Yes.

Q. Even though he might be certain of the reverse?—A. Yes.

Q. Just another question, Mr. Harris. When did you become interested in the Russell Motor Car Company? I just want the date of that?—A. Between four and five years ago.

Mr. EWART: I wish to ask the permission of the Commission to take up one point shortly that I omitted, to afford Mr. Harris a chance to give an explanation that I think the Commission would like to get.

Sir WILLIAM MEREDITH: All right.

By Mr. Ewart:

Q. I am going to refer, Mr. Harris, to the report which you sent to Sir Robert Borden on the 2nd of October, 1915. It was accompanied by a letter from yourself you remember?—A. Yes.

Q. Which you commenced in these words: "Referring to our interview of yesterday when you asked me to furnish you with a memorandum of our experiences in negotiating with the Shell Committee for the establishment of a fuse manufacturing, assembling and loading plant in Canada, Mr. Russell and myself have carefully prepared a condensed history of these negotiations, which I now beg to enclose for your information, and which you may or may not use at your discretion." You remember those words?—A. Yes.

Q. That is at page 415. Then I am going to read to you the entry, under date of May 6, for in the accompanying document you proceed chronologically and give under each date what appeared to you to be of importance?—A. Yes.

Q. May 6th. That is the date, as you remember, that is referred to in the memorandum which you gave us, exhibit 273, in which Allison's name appears. I read then from the report under May 6: "Mr. Harris met General Bertram and Colonel Carnegie of Shell Committee in Montreal and was advised that they had instructions from the War Office to purchase 5,000,000 time fuses and were negotiating with United States interests to manufacture them. After discussing the matter they stated that they would be glad to hear from us regarding the possibility of making at least a part of this offer—"

Mr. EWART: Yes, I beg your pardon; "order in Canada." Now, I wish to call your attention, Mr. Harris, to three points in which your memorandum of that conversation as in exhibit 273 contrasts with your statement of the same conversation in this report of the 2nd of October. You will observe, first, that in your memorandum of the conversation, exhibit 273, you say that the Committee said that they had arranged with firms to co-operate; you now state to Sir Robert Borden that what they said was that they were negotiating with United States interests to manufacture.—A. Yes.

Q. That is not very material.—A. I think not.

Q. No. The second I think is more material. In your memorandum, exhibit 273, you bring in Allison's name, you having been told to put yourself in the hands of Colonel Allison. There is nothing of that kind, no mention of Allison's name in your report to Sir Robert Borden of the 2nd of October?—A. No.

Q. That is right, is it not?—A. Yes.

Q. And yet in that report you were evidently giving a list of your complaints to Sir Robert, because you were giving him, "a memorandum of our experiences in negotiating with the Shell Committee."

The third point of contrast I wish to call to your attention is that in the exhibit 273, the memorandum of your conversation made at the time, you say that you were advised to get into touch with Allison. That is in your memorandum?—A. Yes.

Q. In your sworn testimony here, from recollection you said that the negotiations were in Allison's hands. I am right, am I not? You assent to that, do you? You said that?—A. Yes.

Q. Now, what I wish to call your attention to is this, that in this report to Sir Robert Borden on the 2nd of October, so far from saying that the negotiations were in the hands of Colonel Allison, you say this, "After discussing the matter they stated" that is Carnegie and Bertram stated—"that they would be glad to hear from us regarding the possibility of making at least a part of this order in Canada." You observe the contrast there again, do you, Mr. Harris?—A. I do not think that that disagrees in any essential way with the other statement.

Q. Oh yes. The first statement was that negotiations were in the hands of Allison?—A. Yes.

Q. You were told to go to Allison?—A. Yes.

Q. Now you say here that the Committee said to you that they would be glad to hear from you regarding the possibility—that they would be glad to hear from you?—A. Well, at the end of our interview I said that we would make a proposal to them, and they said that they would consider it.

Q. What you said before, as I understand you, was that when you said that you were going to make a proposal they replied, "Go to Allison."—A. They did.

Q. What you say here is, that they would be glad to hear from you—may I put in the word "direct"?—A. Certainly. I proposed to do it direct at that time.

Q. Then why did you leave out all about Allison in this report?—A. I did not want to bother the Prime Minister about that.

Q. Oh, you did not want to bother the Prime Minister about that. And yet you were giving him a memorandum of your experiences?—A. Yes.

Q. This was really in the nature of a complaint to him against the Shell Committee?—A. No.

Q. You do not take it as that?—A. No, I do not take it as that.

Q. Then why are you giving him a memorandum of your experiences negotiating with the Shell Committee? What was the object of this report to Sir Robert if it was not a complaint?—A. At that time on the 30th of September, or the 1st of October, we had had the experiences mentioned here, and we had also the experience, had also learned that the Shell Committee had asked for further tenders for time fuses in Canada, and had not notified us or asked us to tender as they had promised us.

Q. And you so say in this report?—A. Yes.

[Lloyd Harris.]

Q. Do you say so as a matter of complaint or as a matter of encomium?—A. It was a matter of protection as I figured it and Mr. Russell figured it at the time.

Q. As a matter of complaint to Sir Robert so he would protect you?—A. So he would protect Canadian manufacturers. We did not want to be protected.

Q. You were Canadian manufacturers?—A. Yes, we were under the same.

Q. Then do I understand, Mr. Harris, that you object to the phrase "complaint" as applied to this report?—A. I do, yes.

Q. Do you in that report indicate objections to your treatment by the Shell Committee?—A. In this report?

Q. Yes?—A. I think not. I think it is just simply a statement of what we considered were facts.

Q. Facts showing that you had been badly treated?—A. Well, it would look that way, yes.

Q. And the report was put in for the purpose of making it look that way?—A. The report was put in for the purpose of giving to the party that we considered this information we had should go to. When we did that our work was over.

Q. By way of complaint against those parties?—A. Not by way of complaint against those parties.

Q. Did you put in this report all the complaints you had against the Shell Committee at that time?—A. All dealing with our one transaction on fuses.

Q. You did put in there all the complaints you had at that time against the Shell Committee regarding these contracts? Is that right?—A. All that we thought were essential.

Q. And although this document contains all the complaints that you thought were essential, you object to it being called a complaint?—A. It was not put in in the spirit of a complaint at all.

Q. I see. The spirit is different. It reads one way and the spirit, you say, is the other way.

Mr. CARVELL: I would like to ask two or three questions.

Sir WILLIAM MEREDITH: How long will your two or three questions be? Judging by past experience that means 15 minutes.

Mr. CARVELL: I will be satisfied with five minutes.

Sir WILLIAM MEREDITH: How many minutes for you?

Mr. HELLMUTH: I would not like to limit myself.

Sir WILLIAM MEREDITH: All night?

Mr. HELLMUTH: No. I think there are matters that no one has asked about which should be asked about. I feel there are certain matters I would like to clear up here that have not been touched on.

Sir WILLIAM MEREDITH: What does that mean?

Mr. HELLMUTH: I think half an hour at least.

Sir WILLIAM MEREDITH: I also want to ask some questions, but I cannot sit after seven o'clock.

By Mr. Carvell:

Q. Mr. Harris, in your letter to the Premier of the 2nd of October I think you refer to a conversation you had a day or two previous. I do not want you now to go over the subject of this conversation, but did you have a conversation with the Premier regarding the Shell Committee with reference to fuse contracts?—A. I did, yes.

Q. And did you explain to him somewhat in detail what you have been explaining here to-day?—A. In reference to what did you say?

Q. Fuse contracts.—A. Fuse contracts?

Q. Yes.—A. We had a conversation in reference to the matter, that is—

Q. I will change that. In reference to fuses?—A. Yes.

Q. You did then?—A. Yes.

Q. I am not going to ask you all that took place in the conversation, but in that conversation I think you have already said that you explained to Sir Robert the fact that on the 6th day of May you had been referred to Allison. That is true, is it?—A. Whether it was at that first interview or a later one, I am not quite sure, but it was at a later interview if it was not on the 30th of September.

Q. Would the later interview be before or after the 2nd of October?—A. After.

Q. Then you did have a second interview with Sir Robert?—A. Yes.

Q. On one of those occasions you told him about the reference to Allison?—A. Yes.

Q. Did you also on either of those occasions tell Sir Robert what you have said as to pressure having been applied to the Shell Committee in giving those contracts to the American companies?—A. I think that statement was made in our conversation on the 1st of October.

Q. All right. Now, as a result of your conversation with Sir Robert, and I am not going into any more details, did you put this in writing at his request or at your own request?—A. This letter of October 2nd?

Q. Yes.—A. At his request.

Q. Have you any further reasons to offer for not incorporating in the letter of October 2nd, or the statement of October 2nd, the reference to Allison and the reference to pressure?—A. Nothing farther, no.

Q. All right. My friend, Mr. Laflamme, asked you if you thought that the fact that the price of material was going up and options were expiring was what the Shell Committee had in their minds when they said pressure was being applied, and you say it might have been operating on their minds. Do you remember that, that that was what was operating on their minds?—A. That was the question he put to me.

Q. And you said, "Possibly that might have been operating on their minds."—A. Yes.

Q. Was that what was operating on your mind as to the meaning of the term "Pressure having been applied"?—A. No, it was not.

Q. Now, did you understand that pressure was coming from some person—well, I will put it, some person higher up than the Shell Committee?—A. That was the impression that I had, yes.

Q. Just one more question, and I am within my five minutes. A number of questions were asked you and answers given regarding your wish to have your man in England introduced to the Woolwich Arsenal, and you stated that the representatives of the American companies had obtained permission to visit this arsenal?—A. Yes.

Q. Have you some knowledge of that, and, if so, will you tell us what it is.—A. I think that I read that in the evidence that has been brought out.

Sir WILLIAM MEREDITH: Do not let us trouble with it if it is in the evidence.

Mr. CARVELL: It is in the evidence?—A. Yes.

Q. Just one other question. Did you furnish Sir Robert with an additional written report after the 2nd of October?—A. I furnished him with a copy of that memorandum of the conversation that I had on the 6th of May in Montreal.

Sir WILLIAM MEREDITH: He said that before.

Hon. Mr. DUFF: Not only that, but he said he sent it by letter I understood.

Mr. MARKEY: When?

Mr. CARVELL: And did you furnish a copy of these memoranda at Sir Robert's request?—A. I did. November 16th.

Hon. Mr. DUFF: November 16th is the date of the letter.

Sir WILLIAM MEREDITH: Now, Mr. Hellmuth.

[Lloyd Harris.]

By Mr. Hellmuth:

Q. Mr. Harris, in answer to Mr. Carvell you said that the impression that you obtained from what Colonel Carnegie and General Bertram said was that there was pressure from higher up. Would you kindly tell me what the language was from which you drew that impression?—A. That was on May 26th.

Q. Yes. I want the language used from which you drew the impression that there was pressure from some one higher up?—A. The statement, as I remember it, was made by Colonel Carnegie during the course of our interview that day, and he said that pressure had been brought to bear—no, I think he made the statement in this way: "I think it is a fair statement to make to you gentlemen that pressure has been brought to bear to force us to make those contracts", or words of that effect.

Q. I want to get his words. "pressure has been brought to bear to force us to make these contracts." Is that it?—A. That is as I remember it.

Q. I want it as it is, sir. I mean the best of your recollection. I want the words used, because of course we have got to judge what they are?—A. That is the best of my recollection.

Q. What did General Bertram say as to that?—A. I don't think he made any comment.

Q. Then he remained present and silent under Carnegie's statement that pressure had been brought to bear to force them to execute or make the contracts, is that right?—A. That was my impression.

Q. Well, if that is so it is quite impossible that they could have had in their minds the meaning that you told Mr. Laflamme they might have had.—A. What meaning did I tell Mr. Laflamme?

Q. You said they might have taken the meaning, or the meaning might have been, that they were forced by the contractors and the circumstances that were surrounding those contractors, by the options, to make the contracts. You have told Mr. Laflamme that that might possibly have been in their minds from what they said. I just point out to you that that is quite impossible that they made the statement that you said they made.—A. Does not that coincide with my statement now?

Q. Yes; but it does not coincide with your statement to Mr. Laflamme.—A. I did not make the statement to Mr. Laflamme.

Q. Oh yes, pardon me. Mr. Laflamme asked you if they might not have meant that by what they said. You surely followed that?—A. Yes, I followed.

Q. He said that they might have meant by what they said that the pressure was the circumstances of the contractors, and you said "Yes, they might have had that meaning."—A. Yes, they might have had that meaning.

Q. But how could they, if they said they were forced, that pressure had been brought upon them to force them to execute the contracts?

Mr. NESBITT: By some one higher up.

Mr. HELLMUTH: No, he did not say that.

Q. Do you think that would be possible, that there could be any other meaning? I agree with you that the language used, that pressure had been brought upon them to force them to sign a contract, would hardly apply to the contractor. Would you think it could?—A. I do not think so. I did not make the statement. I said it might.

Q. I just wanted to get that. Nobody seems to desire to follow up the statement you made, or the statements that were made at the meeting of May 13th in regard to Allison. But before that I would like you to tell me exactly all that was said in regard to Allison at the time that you were present with General Bertram and Colonel Carnegie on May 6th. I want to know exactly how his name came to be introduced, and exactly what was said, and the attitude in which you left that meeting, if you would tell it to me again please.—A. We had a long discussion about the fuse business. You do not want me to rehash all that I have said?

Q. No, if you will just get right before Colonel Allison comes in and then follow it along?—A. Colonel Carnegie had returned from New York, where he had been in

touch evidently with Colonel Allison and others that Colonel Allison was negotiating with, and he suggested after—this was towards the end of our interview.

Q. Is it the first time towards the end of the interview?—A. After we had threshed the fuse situation out pretty well, then he said “Colonel Allison has this in hand, and you should get in touch with him.” Then he reiterated it afterwards.

Q. I want you to say what he said. I want you to follow that conversation along. At the first conversation he said “Colonel Allison has this matter in hand, and you had better get in touch with him.” What was your answer to that?—A. My first question was, I think in a joking sort of way, as to whether Colonel Allison was a member of the Shell Committee, and they said No.

Q. You knew he was not, didn't you?—A. Yes.

Q. You merely asked that for fun?—A. Probably. At the end of our interview—

Q. No, no, please. You say “Is he a member of the Shell Committee?” And of course they hardly answer you, is that it? Or did they answer you and say “No, of course he is not?”—A. They said no.

Q. Then what did you say?—A. We passed off that subject.

Q. Then when you come back what takes place?—A. It was again suggested that I should go and see Colonel Allison.

Q. In what connection please? That is what I want to get at?—A. To discuss with him the manufacture of fuses.

Q. I see. Who said that, General Bertram or Colonel Carnegie?—A. Colonel Carnegie.

Q. Colonel Carnegie said—well now, just tell me if you can what he said?—A. I have told you what he said.

Q. What?—A. He said “You take the matter up with Colonel Allison. He has the matter in hand.”

Q. Well, what did you say to that?—A. I don't think I said anything to it at the time.

Q. That would not end it you know. You did not leave the meeting then?—A. Oh, no.

Q. Then go on, please?—A. Then I think it was General Bertram remarked that he thought that if we said we could make fuses the possibility was that we could.

Q. Yes. Then any other allusions to Colonel Allison?—A. Yes, in connection with the negotiations that were then in hand in the United States.

Q. No, no. Please try and follow me Mr. Harris. I do not want to stay here all evening, nobody else does.—A. Neither do I.

Q. I am sure you do not. If you would try and follow the conversation?—A. Yes.

Q. At that time what came next in regard to Colonel Allison?—A. That is all there was to it.

Q. No, there was not. You have told my learned friend, and I want you to try and remember it, you have told them that you said you would put in a proposal, and Colonel Carnegie said “Send it to Colonel Allison.” Or something of that kind.

Mr. LAFLEUR: No, “Go to Colonel Allison.”

Mr. HELLMUTH: Colonel Carnegie said “Go to Colonel Allison.” Is that correct? Because I know I am repeating it correctly.—A. That is not correct and I never said it.

Q. All right, that is not correct and you never said it.—A. That is the statement you just made.

Q. That is, that Colonel Carnegie said “Go to Colonel Allison with your proposal”?—A. Yes.

Q. Not correct. I beg leave to state that you seriously assented to that when you said it.—A. Not with your proposal.

Q. All right, we won't argue it. I tell you that.

Sir WILLIAM MEREDITH: It is down, whatever he said.

[Lloyd Harris.]

Mr. HELLMUTH: Yes, it is down. This is what I tell you you are down for, and you may take my word for it that you are down substantially like it, whatever any one else says, because I followed closely. You said "I will put in a proposal." Then Colonel Carnegie said "Then see Allison about it, go to Allison." Did that take place?—A. No, not just in that way, and I don't think that that is the way I have stated it.

Q. All right, we will pass on. Then when you said you would put in a proposal, did you leave the meeting with the understanding that you were to put the proposal in without seeing Colonel Allison, that you were to put the proposal in direct to the Shell Committee, or that you were to see Colonel Allison? I mean when you left the meeting on the 6th of May?—A. When I left the meeting on the 6th of May I intended to have a proposal—

Q. I did not ask you that, Mr. Harris. I do want an answer. Did you leave the meeting with the understanding from them that you were to see Colonel Allison, or that you were to put in a proposal to them?—A. No, I never intended seeing Colonel Allison.

Sir WILLIAM MEREDITH: That is not what you are asked.

Mr. HELLMUTH: That is not what you are asked. You must surely understand one sometimes. I am astonished really at your density. Did you leave the meeting with the understanding that they had that you were to see Colonel Allison, or that you were to put in a proposal direct to them?—A. No.

Q. Which was it? Which?—A. I left the meeting with no intention of seeing Colonel Allison. I did leave the meeting with an intention of making a proposal.

Q. I know that. I did not ask you that. I asked you. Did they leave the impression upon your mind—they leave the impression upon your mind when you left that meeting that you were to see Colonel Allison, or did they leave the impression that they had intended you to put the proposal into them?—A. I left the meeting with the intention—

Q. I do not want to badger you at all, but it seems to me so perfectly impossible that you cannot understand a question like that.

Sir WILLIAM MEREDITH: He was going to answer it when a laugh happened in a corner of the room and put him off apparently.

Mr. HELLMUTH: Let me put it in this way. What impression did that Shell Committee, consisting of Colonel Carnegie and General Bertram, leave on your mind as to their desire when you left the meeting that you should see Colonel Allison, or that you should bring your proposal direct to them?—A. The impression I had was that they would like me to see Colonel Allison.

Q. That is just what I want to get. So when you left that meeting your impression was that the Shell Committee desired you to see Colonel Allison at that time?—A. Yes.

Q. That is why I asked you. How do you explain this statement that you made, and what is your explanation of it, to Sir Robert Borden of May 6th, "After discussing the matter they stated they would be glad to hear from us regarding the possibility of making at least a part of this order in Canada"? What is your explanation that you left the meeting with their stating that you were to see Allison, when you say they stated that they expected me to make a proposal to them?—A. My explanation of that is, I did not intend seeing Colonel Allison, I thought I had left the meeting with the statement that I proposed to make a proposal to them.

Q. But you do not put it that way in your letter. You say in your letter, "After discussing the matter they stated"—not I—"they stated that they would be glad to hear from us regarding the possibility of making at least a part of this order in Canada." Well, that is all right, you have said what you have got to say about that, so we will pass on. You never did go to Colonel Allison?—A. No.

Q. You did go back to the Committee?—A. I did.

Q. You did get a promise from the Committee which you think—you did give your reasons for it—they did not implement and carry out?—A. Yes.

Q. And you naturally felt aggrieved at the treatment that you had received. Is that not so?—A. Well, yes, at the time I think I did.

Q. And when it came to getting the next order in August you thought, or did you think at that time, that it was necessary to see any one, Premier or otherwise, before you got that order, or did you continue to negotiate solely with the Shell Committee?—A. We had their promise after we were disappointed on the other order.

Q. But, Mr. Harris, why should you trust them any more? You do not trust people who have broken one promise very much do you?—A. Why should we trust them any more?

Q. Yes. Why did you trust them?—A. What else could we do?

Q. I do not know. You could have dropped them altogether. You did go to Sir Robert Borden at one time about it.

Mr. CARVELL: Not regarding the first one.

Mr. HELLMUTH: No, no. I am not talking about the first contract. I am talking of the second contract.

Q. You made the second contract without seeing anybody except the Shell Committee. That is right, is it not?—A. This 500,000?

Q. Yes, the August contract?—A. Yes.

Q. Then you told us you saw Colonel Carnegie in reference to making advances. That was after August, or was it in August?—A. That was August 11th.

Q. At that time as a matter of fact you have found now that large advances had been made to the American Ammunition and the International Arms and Fuse Company?—A. We knew that at the time.

Q. No, you found out since?—A. Yes.

Q. I mean you found out since that at the time you went to Col. Carnegie in August these large advances had actually been made before you went?—A. Yes.

Q. So that Col. Carnegie—I am just taking your statement—Col. Carnegie was telling you a fact as a fact, you say, was telling you as a fact that no advances had been made to fuse companies at a time when two large advances had actually been made?—A. Yes.

Q. Which of course you subsequently found out?—A. Yes.

Q. So that, I mean, it was not a question that he was not going to do something, but he was telling you that he had not made advances when he must have known perfectly well that they had been made some month or more before?—A. Yes.

Q. Was it later on that on Exhibit 272 you put this, because you could not have known that at the time when you went to the Shell Committee—the second paragraph, when was that put on?—A. I explained when this matter was up.

Sir WILLIAM MEREDITH: Just answer the question.

A. This was put on within the last week or two, since I saw the information.

Mr. HELLMUTH: It was not put on, the whole of it was not written at the same time?—A. No, that was not claimed to be an original at the time. The other two were.

Q. Perhaps you will tell me what you said on the meeting of the 13th when you reminded Colonel—was Col. Lafferty at the meeting of the 13th?—A. Yes.

Q. General Bertram, and Col. Carnegie, nobody has asked you that, you reminded them of what had been said about Col. Allison; tell me what was said please?—A. The question was asked me, if I had seen Col. Allison.

Q. Who asked you that?—A. Mr. Ewart.

Q. Who asked you if you had seen Col. Allison—

Sir WILLIAM MEREDITH: He is speaking of asking here.

[Lloyd Harris.]

Mr. HELLMUTH: I mean what was said about Col. Allison at the meeting of the 13th May?—A. I had called up Col. Allison.

Q. I did not ask you that; what was said at the meeting, that is all I want to know?—A. I said to General Bertram I think, or Col. Carnegie, or both of them, that while I was in New York the day before I had called up Col. Allison on the phone to ask him some questions about machine guns, and that at the end of the conversation Col. Allison had said to me that he understood that I was interesting myself in the fuse business, and that he had dropped the whole matter, and had so notified the Minister. I did not see Col. Allison, I called him up on the phone and this took place—

Q. I am not asking a bit about that; I am asking you what took place at the meeting of the 13th May—Col. Lafferty was present, you said, General Bertram and Mr. Carnegie.

Hon. Mr. DUFF: He said he repeated this conversation.

A. I repeated this conversation.

Mr. HELLMUTH: You repeated the conversation?—A. Yes.

Q. The whole conversation?—A. Yes.

Q. You said you reminded them of the Col. Allison incident at the meeting of the 13th May; I want to know what you reminded them of?—A. That was what I said, I reported to them what I had heard in New York.

Q. Is that all you reported?—A. All I reported.

Q. And that Col. Allison said he was out?—A. Yes.

Q. Any other remarks about it from any one of the three there—any assent or dissent or “Yes, he is out of it” or “No, he is not,” or anything of that kind?—A. As I remember it General Bertram made a remark as to foxy Allison; I think that is all that happened.

Q. Tell me what he said, please?—A. That was the only remark that was made.

Q. What did he say?—A. I related having spoken—

Q. You need not go over that again?—A. And General Bertram said “foxy Allison”.

Q. That was the gentleman that you had been asked to go to by the same people; did it occur to you that General Bertram had changed his attitude between the 6th and the 13th in regard to Allison?—A. No.

Q. Is that the only other allusion to Allison?—A. That is the only time I ever spoke to him on the matter.

Q. Just one matter and I shall finish; you spoke of manufacturing time fuses?—A. Yes.

Q. Have you manufactured any time fuses yet?—A. We have manufactured the component parts.

Q. I mean assembled and loaded?—A. We have not the contract for loading time fuses.

Q. That reminds me have you made any loaded graze fuses?—A. No.

Q. Have you any plant at present for loading and assembling?—A. Graze fuses?

Q. Any fuses?—A. No.

Q. So that all that you are doing as I understand it in regard to the time fuses is making the component parts, but not doing the loading or assembling?—A. That is it.

Q. Is that right?—A. That is right.

Q. And therefore there would be no such tests as, I mean a fire test or gun test on the fuses for which you would be responsible?—A. No.

Hon. Mr. DUFF: Where are these being loaded and assembled?—A. The Board is building a plant at Verdun.

Hon. Mr. DUFF: Are they in point of fact being loaded and assembled now?—A. No, they are not ready for loading or assembling yet.

Mr. HELLMUTH: Mr. Patterson said, I think, that the Russell Motor Car Co. had been getting his gauges or getting gauges from him, that you had asked to go through their place and get gauges from them, do you know anything about that?—A. Through the Russell Motor Car Co. plant?

Q. No, that the Russell Motor Car Co. had been going through the International Arms and Fuse Co. place at Bloomfield or obtaining gauges from them?—A. No; of course we have nothing to do with loading, and their plant at Bloomfield is a loading and assembling plant altogether.

Q. No, in that you are mistaken; they manufacture there certain component parts, we have heard that from people who know?—A. The Keystone Watch Co. is one of their sub-contractors and we are getting some parts from the Keystone people that are being made on their contract so as to check them up with the parts we are making.

Q. I was not asking that; are the gauges parts?—A. No; we have to get our own gauges.

Q. Do you have your gauges made at all, or have you had your engineers or inspectors getting the proper measurements to these gauges or whatever may be required at all from the International?—A. No.

Q. Are you using International gauges at the present time on the work?—A. No, it is a different fuse we are making than the International is using. What is in your mind on that? I might be able to explain.

Q. Oh, they are using the International gauges at the Keystone, and it is the Keystone gauges you are using?—A. No.

Q. Are the Keystone people making your parts?—A. Yes, that is what I just said, that we are getting a certain number of parts from the Keystone in order to check them up with what we are making.

Mr. JOHNSTON: Made on the International gauges.

By Mr. Atwater:

Q. You are using there the gauges of the International, are you not?—A. The Keystone parts would be made on International gauges.

Q. And you got the permission of the International Co. to use their gauges, did you not?—A. The Canadian Inspection Co. are the ones that inspect for us.

Q. But you are using the International gauges with the International Company's permission?—A. That is the first that I had heard of it; we took it up direct with the Keystone Co.

Q. Do you know whether the Canadian Inspection Co. have any gauges of their own?—A. I don't know what they had in the States.

Q. You tell us you do not know what gauges they are using?—A. We supply all the gauges in our own plant here.

Q. Did you supply the gauges to the Keystone Co.?—A. No.

Q. And you did not know what gauges are being used?

Mr. HELLMUTH: Have you got your notes of the meeting of the 26th May?

Mr. GRANT: He said he had made none.

Hon. Mr. DUFF: He said he had no notes.

Sir WILLIAM MEREDITH: When did you commence to make notes in connection with these transactions?—A. I think the first notes I made was on the 6th May.

Q. Is it usual in connection with ordinary important transactions to adopt the plan that you have adopted with regard to these transactions?—A. It is a habit I have.

Q. In all your transactions?—A. In all my transactions.

[Lloyd Harris.]

Q. In all your transactions of importance?—A. Yes.

Q. I suppose you recognize that Col. Carnegie's duty was not to allow any fuses to be contracted for unless in his judgment they could be properly made at the factory that was proposing to make them?—A. I do.

Q. Can you suggest any possible motive that Col. Carnegie could have had of treating you as you seem to think he did treat you?—A. No; I would not like to suggest any motive.

Q. It is to my mind extremely difficult to understand why a man who had no motive, no personal motive, could have acted towards you as you seem to have suspected or thought, or perhaps both, that Col. Carnegie did act towards you?—A. It has been the greatest mystery that I ever had to fathom.

Q. It never occurred to you that there might be an honest motive behind his action?—A. I always gave Colonel Carnegie credit for being an honourable man.

Q. Then how in the world can you square your evidence with that estimate of him—I do not mean your evidence of what occurred, but your evidence of what you want us evidently to believe is that he dishonestly prevented you and prevented Canadian manufacturers from making fuses in Canada; how can you possibly square that with your idea that he is an honourable man?—A. Well, sir, the answer to that would be the same as I gave to the Prime Minister on the first day of October when I met him; I told him I had never had such an experience in all my history, and that notwithstanding the fact that we had had the experiences that we had that I thought Col. Carnegie was an honourable man, and that the only thing that I could think, the only reason I could think of was that influence had been brought to bear to force him to do things that he did not want to do, nor the Shell Committee wanted to do.

Q. To force an honourable man to do dishonourable acts, do you think that is comprehensible?—A. It does not seem so, but it was the only way I could explain it.

Q. Would not Col. Carnegie have been guilty of criminal misconduct if he had entrusted you with the making of time fuses if he honestly believed you could not make them properly?—A. If he honestly believed.

Q. If he honestly believed that?—A. Yes.

Q. Your theory is that Col. Carnegie is an honourable man, but he has been forced by somebody to do something against his better judgment?—A. That is my theory.

Q. And that you have acted upon—let us call a spade a spade, you thought that your interviews with the members of the Shell Committee that you met indicated that middlemen were being used in large transactions?—A. Yes.

Q. And did you, as a Canadian manufacturer and as interested personally, not think you had a high public duty to bring that out?—A. I did.

Q. Why did not you bring it out?—A. I went to the Prime Minister.

Q. Why did not you bring it out publicly?—A. Because I would not take the responsibility myself of stirring a matter up of this kind while the war was on; that was the way I felt about it.

Q. Was the secret of it that you were looking for a contract?—A. No, sir.

Q. That was not secret?—A. No, sir.

Q. I was quite unable to understand, Mr. Hellmuth cleared it up, what the result of your meeting on the 6th May was, quite unable to understand from your statement; at one time you said (of course, it was a long interview), that Colonel Carnegie said you could not make fuses, time fuses could not be made in Canada, and that General Bertram said that if you said they could he had confidence enough in you to believe that it could be done; now what followed upon that?—A. The suggestion that I should see Col. Allison.

Q. What in the name of common sense would that have to do with your making your proposal to them?—A. That is what I could not understand.

Q. Why did you not inquire?—A. It was the first time I met the Shell Committee and the first transaction I had with them.

Q. You had met quite as important people as the members of the Shell Committee before?—A. Yes.

Q. You have been a member of Parliament, have not you?—A. Yes.

Q. Why did not you dip into this thing and find out something?—A. What could I do?

Q. Find out what they meant?—A. That is what we tried to find out.

Q. You did not ask any questions to indicate as far as I have heard yet?—A. Well, it was intimated to me that if I wished to go into the fuse business the proper method of procedure would be to see Col. Allison.

Q. That is the first time you have made the statement in that form?—A. And at the end of the interview I said "I am going to make a proposal on these fuses if you will accept it", the Shell Committee.

Q. Did you not, and does not your conduct endorse it, that you went away intending and they intending that you should continue your inquiry and make a proposal to them direct?—A. Yes, we did; and we met a week later.

Q. Do not misunderstand me; that you both left, both understanding that that was to be the course taken?—A. We immediately started to get our preparations.

Q. I understand about you, I am talking about the other side; when you left was not the understanding that you were to make your inquiries and make a proposition to them direct, or was it that you were to go to Allison and make your bargain with him?—A. No, there was nothing definite made, nothing definite at the time we parted.

Q. How did you expect if they were only going to negotiate with you through Allison that you could go contrary to their directions and disregard Allison, did not you think that would make trouble in getting your contracts?—A. I say so, I did not know what to think about it, sir; we were so mystified by the whole thing.

Q. And apparently you ended in thinking the worst?—A. No, I did not at that time.

Q. When did it come to you?—A. Later on.

Q. And at what stage?—A. After we had found,—I think that when it came to me was after they broke faith in not asking us for tenders on contracts on the 10th September.

Q. On the second time?—A. On the 10th September.

Q. Then looking back you found in your mind there was only a bad interpretation to be put upon their acts?—A. Yes.

Q. You thought then they were deliberately passing you by?—A. We thought so, yes.

Q. Why?—A. Because they had promised that we would be—

Q. Why should they pass you by?—A. That is what I don't know.

Q. Well, that is all.

Hon. Mr. DUFF: Just one question; about this memorandum of the 6th May, you drew the memorandum up in the Windsor Hotel, I understood you to say, that evening?—A. Yes.

Q. In your handwriting; what did you do with it?—A. I took it to Toronto; I went to Toronto that same night.

Q. What did you do with it then?—A. Turned it over to Mr. Russell for his observation and then it was filed.

Q. You passed it to Mr. Russell and then it was filed in the office?—A. Yes.

Q. And it has been there ever since?—A. Yes.

(The Commission adjourned at 6.05 p.m. to 10 a.m. to-morrow, May 10.)



ROYAL COMMISSION.

TWELFTH DAY.

MORNING SESSION.

OTTAWA, WEDNESDAY, May 10, 1916, 10 a.m.

Mr. HELLMUTH: Before proceeding with the next witness, who will be Major Hawkins, I may say that I have had a graze fuse handed to me marked with a cap and the adapter, which you will remember were spoken of yesterday. I thought perhaps it might be filed as an exhibit. I have also a blueprint.

Sir WILLIAM MEREDITH: Who identifies it? Does Major Hawkins identify it?

Mr. HELLMUTH: He does not make the graze fuses.

Hon. Mr. DUFF: It was referred to by Colonel Carnegie.

Sir WILLIAM MEREDITH: But nobody apparently can tell us that that is the very thing.

Hon. Mr. DUFF: Mark it for identification.

(Marked as Exhibit No. 274).

WILFORD JUDSON HAWKINS, sworn.

Examined by Mr. Hellmuth:

Q. Major Hawkins, I am going to ask you to speak out so that we can all hear you. You were formerly in the American Army, I think?—A. Yes, sir.

Q. What part did you take in the work of that army, what was your particular line?—A. I was commissioned as an officer in the Coast Artillery.

Q. From West Point—did you have your training there?—A. Yes, sir. Later I transferred, in the year 1904, to the Ordnance Department of the Army of the United States, which department is engaged in the manufacture of artillery, ammunition, small arms ammunition, guns, carriages and other Ordnance material.

Q. That was in 1904?—A. That was in 1904.

Q. In the course of that work had you anything to do with the manufacture of fuses?—A. Yes, sir. I had charge of the Artillery Ammunition Department at Frankford Arsenal, which department is charged with the manufacture of fuses, primers, shrapnel, cartridge cases and high explosive shells and other small devices such as hand grenades, illuminating grenades and other miscellaneous Ordnance material.

Q. What was the character of the fuses used there, or manufactured there?—A. We manufactured a number of types of fuses. The one most familiar perhaps to this Commission is the Frankfort Arsenal 21 second fuse, which is now known before this Commission as the 85 fuse.

Q. Were you engaged in the manufacture of that 85 fuse?—A. I was.

Q. Without going into it in detail, that is a fuse in which there are rings; it is a time fuse?—A. Yes, sir.

Q. And they are the rings that are packed or pressed with powder, are they not?—A. Yes.

Q. What is the toleration in regard to that; have you a period within which the fuse has to explode, in the time fuse?—A. Yes. With regard to the time element the fuse is required to burst at a given time, for a given setting of the movable time ring. It is also required to do that uniformly within certain limits. The one is called the calibration of the fuse and the other is called the uniformity of the fuse.

Q. How long had you been engaged in, among other things, the manufacture of these fuses prior to the year 1915?—A. About three years and a half.

Q. Can you tell me whether or not it is a highly technical business, the loading of the fuse?—A. It is so considered.

Q. What is your view of it, is it a matter that can or cannot be quickly picked up?—A. I found that it took me over a year before I felt at all competent.

Q. Well then, when were you first approached by Mr. Patterson or any one connected with the International Arms and Fuse Company?—A. I think it was in May, 1915.

Q. At that time you were still connected with the United States Army?—A. I was.

Q. It was necessary for you to obtain permission to resign, was it not?—A. Yes, sir.

Q. Was that permission sought at an early date?—A. It was.

Q. And it took some time I understand before it was granted?—A. It did. It was somewhat of a question for some time whether I would be permitted to resign or not. I made application to the War Department to be permitted to resign, and subsequently went to see the chief of my corps, General Crozier, and also went to see the Secretary of War, and made such appeals as I could to be permitted to resign, which was a privilege we had always thought we had enjoyed.

Q. When they did give you permission to resign, I believe there was some tag put upon it in regard to time?—A. Yes. The resignation was accepted some time in July, to take effect on November 1.

Q. So that although your resignation was accepted in July you had to remain and were not able to join the company until the 1st of November?—A. I was not. General Crozier felt that it would require at least that length of time to break in some one to the command of the Proving Ground, which command I had at that time.

Q. You were in command of the Proving Ground?—A. Yes, sir.

Q. Was that where the shells were proved?—A. Yes, shells, powder, armour plate, shrapnel and other articles.

Q. Then on the first of November you joined the International Arms and Fuse Company?—A. Yes.

Q. And you have been with them since, and are now with them?—A. Yes, sir.

Q. At the loading, assembling and parts manufacturing plant at Bloomfield?—A. Yes, sir.

Q. Who are your experts, if there are any, your associates there?—A. Colonel Rogers Birnie is the chief of our expert corps. He also comes from the United States Army. I was associated with him at various times during my service in the Army. I may say in that connection that he is looked up to throughout the Ordnance Department and throughout the army as being the greatest authority on ordnance matters, particularly on built-up gun construction that there is either in this country or abroad. He established himself in that position many years ago. You will find that his works on gun shrinkages and so on are referred to not only in all mili-

[Wilford Judson Hawkins.]

tary works on the subject, but also in University text-books and engineering works of various types.

Q. Is there any one else expert with you at the Bloomfield works?—A. There are approximately 38 employees, men and women, who have been previously engaged in the manufacture of fuses in the United States.

Q. When did you start work at the Bloomfield factory, the loading and assembling?—A. In November, 1915.

Q. Was Colonel Birnie there then with you?—A. Colonel Birnie was associated at that time, but he was connected more closely with the New York Office with the business end, and I was connected more closely with the manufacturing end.

Q. That is what I understood, that you were really more closely connected with the manufacturing end, and practically the chief man (if I may put it that way) in overseeing and directing that end. Is that right?—A. That is correct.

Q. Was the factory completed when you went there?—A. The building was completed, but some of the small details, such as electric lighting, some of the steam heating and plumbing were in process of completion. However, we were then occupying for the purposes of the assembling of the fuses the eastern end of "A" plant.

Q. Can you tell me when you first actually loaded some of these time fuses?—A. In December, 1915.

Q. So that in December, 1915, you were actually loading the time fuses?—A. Yes.

Q. Of course the time fuse you were making was not the 85 time fuse but the 80 fuse?—A. That is correct.

Q. Is that correct?—A. That is correct.

Q. And that is a British fuse?—A. Yes, sir.

Q. Was or is there any great difference, and if so what, in principle between the 85 time fuse and the 80 fuse?—A. There is some little difference between them in principle. The 85 fuse is what is known as an interior vented fuse, while the 80 mark 5 fuse is an exterior vented fuse. Also the percussion element of the 80 mark 5 fuse is armed by the spin of the projectile. In other words, it is a centrifugal plunger, whereas the percussion element of the other fuse is marked by linear acceleration or by setback.

Q. What was your knowledge of the 80 time fuse at the time you went to that factory, had you seen any of the 80 time fuses prior to that?—A. I had seen them. I had seen that particular fuse since some time in May. I had seen other similar fuses, such as the Krupp, our own 21 second fuses, our own 31 second fuses, our own 45 second fuses in the course of my every day life for some years previous to that.

Q. So may I say you were familiar with the building up or manufacture and loading of a fuse similar to the 80 fuse?—A. I was.

Q. You say, I understand, that the manufacture of this fuse is a matter of technical difficulty; does that apply to the mechanical manufacture of the component parts or merely to the assembling and loading?—A. It applies to both the production of the metal parts and to the loading, and is particularly technical and unusual in engineering pursuits, so far as the loading is concerned.

Q. Would it be fair to say that the mechanical parts are easier of production than accomplishing the loading part for the actual purpose for which the fuse is intended—which is the more difficult part?—A. It is the more difficult part to load the fuse so as to meet the specifications provided by the British Government.

Q. Then what did you do, if anything, to prepare for this operation of loading?—A. A plant was built particularly for the loading of these fuses. The plant was designed so as to be the last word in regard to its fitness for this purpose; it was one of the first plants to be provided with complete control of the atmospheric conditions; it was one of the first plants, if not the only plant, to be built up in sections so that each section might manufacture independently of the other sections. It was also especially designed with regard to the distribution and division of the risks so far as the storage of explosives is concerned without the plant, so far as the

storage and handling of explosives is concerned within the plant, so far as the blending and treating of the powder before the loading, and so far as the safety of the workers was concerned, and so far as the insurance against interference by malicious persons who might get into the plant was concerned.

Q. I was going to ask you—you have of course seen other plants, you have been at the arsenal, and have you seen any other plants?—A. I have.

Q. How does it compare in your judgment with other plants?—A. It is very much larger than any other plant that I have seen, very much more complete, and is the only other plant that I have seen that was designed especially for that purpose, and on which no money has been withheld which would make it a better or more complete plant.

Q. Could you shortly, without going into too much detail, explain the process of manufacture of these fuses or the loading of these fuses?—A. I think I can. May I use this coloured print?

Q. Yes; is that the same as Col. Carnegie had—oh, you were not here then?—A. It is our drawing, C-3, dated July 28, 1915.

Sir WILLIAM MEREDITH: It is the same as Col. Carnegie had.

Mr. HELLMUTH: It was not put in.

WITNESS: The loading of the fuse includes the loading of the time train rings, which is the pressing in of the powder into this annular groove in the upper ring, and also into the annular groove in the lower ring. It also includes the insertion of the igniting or kindling pellets in the vents, the insertion of the charge in the bottom of the fuse, and the insertion of the percussion detonator, and of the so called time detonator. The loading usually includes not only the introduction of this powder or explosive into the fuse but also the manufacture of the pellets, detonators, and the felt washers, paper discs and other devices used in the assembly of the fuse itself. Possibly the most difficult of the loading operations is the insertion of the powder into the time trains. This requires the use of a specially designed press, which, by the way was designed and developed at Frankford arsenal, and has since been manufactured by a large firm in Philadelphia; this press is now in use by all firms in the United States, and I think will be in use in Canada in the near future. This press is designed with a weighing table. The press is in the nature of a testing machine in that the punch which drives the powder into the groove has a fixed stroke pressing the ring down against the table, until the pressure is of the desired intensity, when the table runs away from the punch; so that one may put on a fixed pressure of ten thousand pounds per square inch, thirty, forty or fifty thousand pounds, whichever you see fit, and as a matter of fact it is desirable to use as great an intensity of pressure upon the powder as the metal in the time train rings will permit. While the powder is being handled prior to pressing in to the rings, it is most important that its content of moisture should not be varied.

Q. May I stop you just a minute there; you spoke of the plant being specially adapted for the atmospheric conditions; will you just say what you meant by that?—A. All of the air that comes into the rooms in which the powder is handled is passed through an air-conditioning apparatus, the object of that being to modify the moisture contained in the air, and bring the moisture content to a constant standard which has been previously determined upon. As a matter of fact it is usually expressed as relative humidity as against absolute humidity; in other words we put into a cubic foot of air a certain quantity of moisture and compare that with the quantity of moisture which that cubic foot of air could contain at the maximum.

Q. Has that atmospheric condition got to be kept constant where this table is or where this pressing in is done?—A. Most emphatically, otherwise it can readily be shown that the time of burning of one of these rings would be affected to the extent of a second in 22 seconds for an exposure of possibly 24 hours.

[Wilford Judson Hawkins.]

Q. I interrupted you?—A. The humidity or moisture is one of the most important ingredients in the time train powder because it affects the rate of burning, and it is required under the specifications that the fuse shall burn a certain number of seconds for a certain setting. There are other ingredients which affect the speed of burning but which are easier to control. There are ingredients which may be used as deterrents when the fuse is burning too quickly and you want to slow it up; there are other ingredients which can be used in the powder to slow it up; in the same way there are still other ingredients which can be added to accelerate the speed of burning.

Q. Has all this to be not only constantly watched but has there to be knowledge on the part of the person directing as to the use to which these various ingredients can satisfactorily and effectively be put?—A. There must be somebody directing at some place along the line who understands the manufacture of fuses.

Q. And is it that knowledge which you say it requires, or required you to take a year to thoroughly appreciate?—A. Yes, sir. I think it took longer than that. When I first went to the arsenal we had no air conditioning apparatus there, and we had more or less trouble with the fuses in the summer months and had less trouble in the winter, and after making a study of the results of the tests over a number of years previous it became apparent that the fuses went wild, so to speak, when the humidity was high. As a consequence I made representations to the proper authorities and obtained grants of funds for the installation of air conditioning apparatus at Frankford arsenal, and it is that type of conditioning of the time train powder which is now in vogue throughout the States and I think also in Canada.

Q. Were there those air conditioning apparatus in use in many, and if so to what extent, of the factories, prior to this work at Bloomfield?—A. Not in many. It had been first introduced at Frankford, and so far as I know that was the first place it was ever used. There was one other factory which I visited, and which has been inaugurated since the war, which I know copied the Frankford Arsenal apparatus.

Q. That is since the war?—A. Yes.

Q. Prior to the war Frankford was practically the only place?—A. That was the only place that had that apparatus, yes.

Q. Just here will you tell me what supply of experts such as yourself were there at the time in May, 1915, who understood this operation?

Sir WILLIAM MEREDITH: In the United States?

Mr. HELLMUTH: Yes, or in America?—A. I think there were very few who had had the facilities that the officers had had at Frankford Arsenal. Within the last ten years there have been say three or four officers who have had charge of the artillery ammunition department and have delved more or less into the lore of loading time fuses.

Q. So that you would place the number of officers from the Frankford Arsenal at three or four?—A. Yes, sir.

Q. Are any of those still at Frankford?—A. No, sir.

Mr. EWART: All dead?

Mr. HELLMUTH: No, they have, I won't say found more useful, but perhaps a little more profitable work, is not that so?—A. That is true.

Q. Were you the first of those officers to take up this work outside of the arsenal, or were you second or third—do you know where you came among them?—A. I think I was about the first of that particular group of officers of which I spoke.

Q. Colonel Birnie was not one of those?—A. No.

Q. Colonel Birnie had retired?—A. Yes, he had retired about first of May, much to our regret.

Q. That is he had retired from the arsenal?—A. Yes.

Q. So that he was not there after the first of May; I am not going into all the details because I do not know that life is long enough for that, but what is necessary

in order that you may ascertain that these fuses are being properly loaded, is there anything in the way of inspection or anything of that kind?—A. Yes, it is necessary to inspect the time train rings themselves after they have been loaded, shaved, water proofed and so on. It is also necessary to provide very accurate chronographs for the timing of the time elements, so that you may ascertain exactly how long the fuse will burn at rest, or while in the act of spinning if you so desire, just how long the fuse will burn for a given setting. That is sometimes spoken of as the rest test or the static test.

Q. Is it correct to say that when you take forty fuses out of a lot, ten are tested at the rest test?—A. That is correct.

Q. Then is that the inspection which has to be carefully made?—A. That is not the most laborious part of it, that is really the last thing that has to be done, but throughout the manufacture, throughout the assembly the greatest care has to be exercised to make sure that one of your operatives, who may be an ignorant girl, or a more ignorant man, does not assemble something the wrong way, does not leave out a powder pellet, does not put something in upside down, does not omit to put in something he should put in, does not shellac some of the parts so heavily that the flame cannot be communicated from one train to another; to make sure that the creep spring is not jammed so that it cannot operate, make sure that the parts gauge so as to arm at the proper setback in the gun; these are the million and one things which come in in the assembly which requires the greatest amount of attention and the greatest amount of labour to obtain a satisfactory product.

Q. You spoke of gauges; what are these gauges?—A. The gauges are measuring instruments.

Q. To what degree do these gauges measure?—A. The gauges show whether the metal parts for which they are designed are within the limits specified by the British drawings. The gauges themselves are made to a nicety of two ten-thousandths of an inch on the maximum and minimum sizes given by the drawing.

Q. How many gauges are there?—A. In the set provided for on the drawings issued to our company there were about two hundred and fifty odd gauges; we have, however, found it necessary to add other gauges to those.

Q. Was your company provided with original gauges, master gauges?—A. It was not, it was not provided with any gauges whatsoever, and the gauge drawing which was provided—

Q. You had gauge drawings?—A. Yes, the gauge drawings provided did not exactly correspond with the fuse which was to be produced and we had more or less trouble in straightening that matter out.

Q. Did you manufacture the gauges yourselves?—A. We did.

Q. All of them, I mean all that were required?—A. May I ask whether you mean we manufactured them at Bloomfield or—

Q. No, I mean through your company, were all the gauges that were required manufactured by you?—A. Yes, we have manufactured all of them, not only for our own use, but for the use of the Canadian Inspection Company, which was retained by the Shell Committee for the inspection of our metal parts, and we have also manufactured and provided all of the gauges used in the Woolwich inspection.

Q. So that you have actually manufactured the gauges for the people who are going to inspect you?—A. Yes.

Q. Both Woolwich and the Canadian Inspection?—A. Yes.

Q. And are the master gauges manufactured by you?—A. Yes, sir.

Q. Were they made at Bloomfield or made outside?—A. They were made outside, they were made wherever we could find a gauge maker to make them.

Q. There are gauge makers?—A. Yes.

Q. Was it necessary for you to ascertain that those gauges were accurate or not after you got them?—A. It was; and in that connection I would state that the Canadian Inspection Co. provided an inspector to check these gauges and the master

[Wilford Judson Hawkins.]

gauges; his name is Julius Magnet, I believe, and he passed on all the gauges on behalf of the Shell Committee.

Q. You have, have you not, a staff of inspectors, or a corps of inspectors in your own factory?—A. We have, in fact we have several corps; we have our own inspectors, that is the employees of the International Arms and Fuse Co., we have the Canadian inspectors who are employed by the Canadian Inspection Co. for the manufacture of the metal parts and we have also the inspection corps under the chief inspector at Woolwich.

Q. Did you not find there was some difficulty in regard to these inspectors thoroughly understanding the duties that fell upon them?—A. They had had no opportunity to know anything about the fuse or its parts, many of them were preachers, lawyers and salesmen, and other people who had been picked up where they could be found.

Q. Particularly lawyers.

Sir WILLIAM MEREDITH: You did not say other useful people.

Mr. HELLMUTH: Did you endeavor with this heterogeneous mass to instruct them how they should do their work?—A. We did everything we could to familiarize them with the fuse; we invited them to come to the plant at Bloomfield to see the loading operations, to see what was required of the parts. We provided our own employees at the works where the Canadian inspectors were employed in order that they might work together and become mutually familiar with the work, and then to further the work of familiarizing all of the people who had to do with the fuses we prepared a manual for inspectors, and that manual was used later by W. Lyon Brown as a text book for instructing the inspectors of the Canadian Inspection Co.

Q. That is to say, Mr. Brown whom we had here, uses that manual for the purpose of instructing them?—A. He did.

Q. And that is a manual I believe that was produced by you, Major Hawkins?—A. Yes.

(Manual for inspectors marked Exhibit 274).

Q. That is a manual for inspectors?—A. That was particularly to emphasize the importance of various fits on the fuses, mechanical fits, and the reason why they were important, also to differentiate the important from the unimportant gauges, and the important from the unimportant limits.

Q. What do you say as to the fuses that have so far been completed by the International Arms and Fuse Co., how have they stood, and how are they standing the test?—A. I think they are standing the test remarkably well, and I might also state that the test is rather more difficult than we are used to in this country; to be specific, the British specification is at least 15% more strict than the specification enforced upon the manufacture at Frankford; but in spite of that we have met the British specifications with quite a wide margin in between ourselves and the limit on those lots of fuses which have passed; our greatest trouble has been in blinds in the time element and blinds on the percussion element, which we have traced back and found to be due largely to the greenness of our help. You see we have expanded our employees from the original 38, the trained nucleus, up to now over two thousand employees, and it has been rather a strenuous time to have them instructed and to teach all those two thousand people not to do things which they ought not to do.

Q. You say you had 38 trained employees and you say you have expanded now up to about 2,000 employees?—A. Yes, we have taken on new employees from the region around the loading plant; these 38 foreigners, so to speak, were brought in from another city.

Q. Perhaps you could tell me, roughly; Mr. Patterson stated the percentage he thought of women to men was about 60 per cent women and 40 per cent men in the employ, is that correct?—A. That is correct.

Q. And a great deal of this work can be done obviously by female employees?—A. It can better be done by women employees on account of the very light delicate nature of the work, such as handling small tablets of tycoon paper or small black powder pellets, which one can scarcely pick up, or blow-out discs for the escape hole vents, all very small delicate work which a woman can do better than a man.

Q. What do you say as to the plant working up to capacity, how soon would you expect the plant to be able to turn out 20,000 a day?—A. We expect to be turning out fuses at the rate of 20,000 a day by the end of this month.

Q. You have got up to 15,000 or 16,000?—A. We have been up as high as 16,000 some days, and the Saturday I came away from the plant we were up to over 15,000 that week, and we had been knocked down that week by the fact that Newark was having its 250th anniversary, and a number of our employees attended.

Q. Have you, during the course of manufacture, met with difficulties from time to time?—A. We have had a good many difficulties in various ways, too many we think. The authorities of the town of Bloomfield were at first complacent to our coming there, but later on interposed objections to our building storage facilities at a place sufficiently distant from the plant to make it safe, and we were denied the privilege of building storage facilities for some little time on account of the opposition in the town council. That was subsequently overcome, and we showed them that we were complying strictly with the laws of the State, and with the same sort of laws which are prescribed in England for the storage of powder. We had trouble with getting machinery, and with getting other supplies on account of freight embargoes on the railroads, so that we could not get materials shipped into the plant; we had to make use of automobiles to bring powder, for instance, all the way from Delaware up to Bloomfield, time after time; we had to use similar measures, use automobile trucks, in getting in some of our machinery. The machinery which we had ordered we found at times was being shipped to other parties, so that we had to send some of those original band of 38 men to the various plants that were manufacturing our machines to watch the machine all the way through its manufacture, and to see when it was finished that it was shipped to us and not to some one else. The DuPont Company suffered from a number of fires and explosions.

Q. What had you to do with the DuPont Company?—A. The DuPont Company is the only factory in the United States that manufactures suitable powder for this fuse, and we, therefore, placed our orders for the powder with the DuPont Company, and when they blew up their plant for making the powder, and when they also later on blew up their plant for making the powder for the pellets and base charges we were of course in trouble. Also there were strikes, and the architect that built the plant had a number of strikes in the building of "A" plant, and in the building of the other plants, which caused us more or less trouble; but the greatest difficulty perhaps was caused by the strikes in the firms which were providing our gauges. Before one can proceed with the manufacture of the metal parts for the fuse it is necessary to have the gauges which are to gauge the parts to be made from the special jigs, tools and fixtures which are provided for the manufacture of the metal parts; therefore the metal parts manufacturers as soon as they have an order begin to cry for gauges, and until they have the gauges they are loath to proceed because they are not sure that the work produced by the patterns which have to be made to these gauges will fit the gauges when they come; and therefore that strike on the gauge proposition was most serious for us, and we did everything we could to get the gauges, in fact Mr. Patterson turned over the entire facilities of the American Machine and Foundry Company plant, working both nights and days and Sundays to get out the gauges which were necessary. To illustrate how great the delay has been on the gauges I might state that some of the gauges have not yet been delivered. Then another difficulty has been the unbalanced deliveries of the metal parts. At the present time we have 100 per cent of some of

[Wilford Judson Hawkins.]

the components delivered on hand, bought and paid for, in the Bloomfield plant, whereas the other components such as caps, rings and base plugs are not 100 per cent delivered by any means, but are delivered only to the extent of our deliveries to the present time, namely 10 per cent on the contract; so that we have had to carry 100 per cent of some of the parts, and we have only been able to assemble as rapidly as the other parts came in, and we have assembled at the Bloomfield plant fuses just as rapidly as the parts were furnished.

Q. Well, what portion of the component parts are you actually manufacturing at Bloomfield, Major Hawkins?—A. At the outset we were manufacturing only the smaller parts incident to loading, such as the felt washers, paper washers, discs, cambric washers and certain jig tools and fixtures. Later on it became apparent, particularly from some of the strikes, that we were going to be behind on the other parts, so Mr. Patterson decided, or the company decided rather, that it would go into the parts manufacture itself and be independent of the other people. For that purposes "C" plant was built at a considerable expense and equipped with a complete line of metal working machines, such as turret lathes, drills, routing machines, punch presses and the like required for the manufacture of these principal parts, and that plant is now in operation producing caps, bodies, base plugs and metal rings.

Q. There are two parts of fuses—I hope they are unloaded—furnished me. Perhaps you can just illustrate what they relate to?—A. That is the cap. Did you want me to explain the operation of the fuse?

Q. Just shortly?—A. This fuse is what is known as a combination fuse. In other words, it has two functions to perform.

Q. Two functions?—A. Yes. One is to burst the shrapnel after a desired elapsed time from the gun, and the other is to burst the shrapnel upon impact, provided it has not been previously burst through the time element.

Q. That is, it acts on percussion and it acts on time?—A. Quite so. For transportation the fuse must be safe to handle, must be insensitive in the handling.

Q. Yes.—A. In other words, it must be like a gun, uncocked. Before it can go off it must be cocked. The cocking is accomplished by the linear acceleration in the gun, or by what is commonly known as the "set-back." To use an illustration, perhaps a homely one, I might cite the case of a man standing up in a trolley car. When the car starts up suddenly from rest to a high velocity the man shoots out of the back door if he does not hold on. That is the same way with the plungers in the fuse. When the fuse suddenly shoots forward in the gun the time pellet or plunger goes as far to the rear as it can, driving the time detonator against the time detonator firing pin. That fills this chamber full of flame. The only place the flame can get out is through the vent leading to the time element. That accomplishes the lighting of your time train or the starting of the clock one might say. At the same time that this is occurring in the gun the percussion element is being armed. It is armed by the driving back of the ferrule so that it fully embraces the percussion plunger and so that it un.masks the detonator to the attack of the percussion firing pin should the two meet, and they do meet of course upon impact, because at that time just the reverse happens of what happens in the former case, the projectile is suddenly stopped and all the parts loose in the projectile tend to come forward. So also in the fuse here, when the fuse is suddenly stopped, the percussion plunger moves forward, driving the percussion detonator against the firing pin. The fuse may be set also at "safe," in which case the lower ring is used in the same sense as a valve and the blank spot in the ring is placed over the vent leading into the powder chamber, so that the time element burns out without ever igniting the magazine charge.

Q. So you can make it that it practically won't work on the time element?—A. Quite so.

Mr. HELLMUTH: I would like to put that in as an exhibit if I may, Messieurs Commissioners.

Hon. Mr. NESBITT: Is that an 80 fuse?

Mr. HELLMUTH: That is an 80 fuse.

WITNESS: An 80 fuse.

(Marked Exhibit 275).

Hon. Mr. DUFF: We had some mention of the 80 fuse modified. Is that a modification upon the 80 fuse? I do not want you to go into detail at all, but just to get it so as to avoid confusion?—A. Yes, sir.

Q. Mr. Carnegie explained somewhat the modification.

Mr. HELLMUTH: That is the 80 fuse modified?—A. Yes. When there is any change in the component parts in the fuse the model number is changed.

Q. But that in its essential principles is the same as the English 80 fuse and this time fuse you have mentioned in the States that you knew of, not the 85 but the others?—A. It is.

Q. I am going to ask you just for the purpose of identification this. This is a graze fuse. Will you just say whether it is properly marked to show the cap, body and adapter?—A. Yes. This is the cap, the body, the adapter, the gaine, the percussion plunger, the graze plunger, the detent, and so on.

Q. But those that are written out on slips and attached do show the various parts properly?—A. They do.

(Graze fuse marked Exhibit 276.)

Q. The last one is a graze fuse. What do you say as to the time in your judgment within which a company or a body of men having an expert of such standing as you possess and such familiarity as you possess with trained employees to the extent of 38 or 40, but without any loading plant,—within what time do you say under those circumstances those men or that company could safely contract to deliver fuses from the time of the contract, having to get the building for loading and the loading plant and acquire the other employees necessary?—A. From 8 to 9 months at the earliest.

Q. Now, in your opinion, assuming that the company or body of men had not an expert accustomed to that work, or a trained nucleus I will say of employees, within what time would you say that would be necessary? I am speaking of the time fuse and the complete fuse?—A. If they had no assistance or good advice at all I doubt whether they would get going inside a year or more. I do not know whether they would then, because they would have to learn for themselves what has taken the rest of us ten or fifteen years to learn.

Q. Did I understand you to say that you started with your 38 trained people at the beginning?—A. Yes, that was the largest number of employees we could lay our hands on that I knew were qualified for this work.

Q. Were you trying to get more and unable to obtain them?—A. We were.

Q. So your efforts were directed to getting as many, within limits, of trained employees who could do that work, and 38 was the limit?—A. Yes. We are taking them on still. We are taking on any man who ever has had experience.

Q. I suppose those men are highly paid men?—A. They are more highly paid than other employees. For instance, a tool maker who not only understands the making of tools, but also knows tool making as applied to the fuse, and understands the fuse itself, is paid more highly than another man who knows nothing except tool making.

Hon. Mr. DUFF: When you spoke of 38 competent workmen, they were workmen having actual experience in fuse making?—A. Yes, actual experience.

Q. In fuse making?—A. Yes.

Sir WILLIAM MEREDITH: Could these 38 men together, or any of them, be left of themselves to do the work without close supervision?—A. They can carry on the administration of the shop as a shop, but they do not understand the mathematics of the fuse. In other words, they do not understand just what to do in case they have a lot of fuses rejected, what is the remedy, where to look for the trouble, and so on.

Q. But they could be left to go on with the loading?—A. Yes, if nothing turns up. It requires constant supervision to keep ordinary employees up to the mark, to

[Wilford Judson Hawkins.]

make them clean about their work, to make them safe about their work, to make them keep the quantity of explosives in a given place down to a safe quantity.

Hon. Mr. DUFF: I suppose you are assuming proper atmospheric conditions. Would they be competent to deal with that?—A. Yes, with the devices which have been provided, but they do not understand the theory of these things.

By Mr. Atwater:

Q. Following the question, Major Hawkins, of the Chief Justice, is it not so that the blending of the powder is a very important factor in the loading of a shell?—A. Yes, it is.

Q. Would the 38, or whatever number of trained assistants you had, be able to take charge of that, would they understand that part of it?—A. They understand the mechanical operations and can make the blends and load the fuses from the blends, but the results of the burning tests which are made on the blends are brought to me or to some one else who knows to decide what the final blend should be.

Q. So that the final stage of it requires something more than the experience possessed by these 38?—A. It requires some knowledge of graphics.

Q. Now, without going over what you have said already, Major Hawkins, would you tell us whether it is important, and how important it is, that all the parts of this fuse should be accurately made?—A. It is.

Q. To indicate to you the nature of my question, what I am trying to get, I will ask you this. What is the pressure to which this fuse is subjected at the moment of gun fire?—A. In the gun the base of the projectile is subject to a pressure of about twelve tons per square inch. That amounts to a total pressure on the base of the projectile of approximately 270,000 pounds, and as a result of that pressure the projectile is rapidly accelerated from a zero velocity to a muzzle velocity of 1,800 feet per second.

Q. 1,800 feet per second?—A. And in order to be accelerated at that rate the whole projectile is being pushed forward by that enormous thrust of the propelling charge, and correspondingly every portion of the fuse has to propel every other portion of the fuse at a corresponding acceleration, and that acceleration amounts in shop parlance to a set-back of about two pounds for each grain of weight. So that if the end of the firing pin weighs ten grains the set-back pull or tension on that part will be ten times two, or 20 pounds. If the part weighed a pound the set-back would be 7,000 times 2 or 14,000 pounds on that particular part. So that every particular part of the fuse is subject to stresses in proportion to the weight of the part which it has to accelerate.

Q. Now, the parts in a fuse itself are screwed in or separate parts, are they not?—A. Yes, sir.

Q. So that in order properly to resist this enormous pressure which is put upon them they have to be made with very great accuracy, have they not?—A. Yes, sir, very great accuracy and of the best physical qualities, tough, ductile, well fitted and well put together.

Q. What would be the consequences if there was anything wrong in the accuracy of the workmanship and the quality of the materials in these fuses?—A. Any sort of inaccuracies would cause failure of the fuses in gun proof and make the fuses in some instances dangerous to fire.

Q. Might it produce an explosion before the projectile had left the mouth of the muzzle of the gun?—A. Yes, it might.

Q. Now, I want to ask you with regard to the 80 mark V. That is the fuse you are making, is it not? The 80 mark V, of which you have been speaking in the exhibit before you?—A. It is.

Q. What is the technical difference between the 80 mark V and the 80 over 44 fuse?—A. The main differences lie in the time element and in the percussion element. The time element of the 80 mark V fuse is vented to the exterior; that is,

as the time train powder burns the gases produced by that burning are exhausted through an exterior port, also the solid products of combustion are scavenged through an exterior port. Whereas, with the 85 fuse or the American—

Q. No, I am speaking of the 80 over 44. I did not ask you about the 85.—A. The 80 over 44 fuse is also an exterior vented fuse; but the 80 over 44 fuse is particularly adapted for use in connection with a high explosive shell rather than for use in connection with common shrapnel. The 80 over 44 fuse is provided when completed with a gaine and with an adapter, which are attached to the base of the fuse, so that the fuse can be used for the detonation of a high explosive shell at some desired lapse of time after emerging from the gun. In order to prevent a premature burst of the high explosive shell in or near the gurr, the lower time train ring in the 80 over 44 fuse is provided with a safety device, which makes it impossible to set the fuse at zero, but makes the minimum setting at which the fuse can be set some two seconds. So that the detonation of the high explosive shell cannot occur near enough to the gun in order to injure the gun crew.

Q. So it cannot detonate as a matter of fact until two seconds at least after it has received its propelling power, after the explosion?—A. That is the object of the design, yes.

Q. Now, what about the 80 mark 7 fuse, Major, which has been spoken of here, what is the difference in that?—A. The 80 mark 7 fuse is a modification of the 80 mark V, an Americanization of it we might call it, or a Canadianization of it, which modification have been made in the fuse in order to make it less difficult to manufacture. In that fuse the aluminium body has been changed to a body of bronze or brass.

Q. Not to interrupt you, Major, you have before you, I believe, a portion of the fuse showing the aluminium parts, have you not?—A. I have.

Q. I would like to ask you to produce it if you will.—A. This is the fuse of which you speak. This portion of the fuse is in the 80 mark 7 made of one piece of brass or bronze, whereas in the 80 mark V it is composed of an aluminium body, of a brass ring which is screwed to it, and of a steel percussion arrangement holder on the interior. Whereas on the 80 mark 7 those three components are combined into one component and all made of brass, which is, we all know, much more readily machined than is pressed aluminium, which is the material used in the 80 mark V fuse. It also eliminates a number of the gauges which are necessary for the 80 mark V fuse and makes, I think, a very creditable design.

Q. The cap before you, that is aluminium also, is it?—A. That is an aluminium cap.

Q. I would like to ask you to produce that, Major, please, as the next exhibit, that fuse you have before you, the whole thing.

Hon. Mr. DUFF: Do you want these to go in separately?

Mr. ATWATER: No, the whole thing.

(Aluminum parts marked Exhibit 277.)

Sir WILLIAM MEREDITH: What is the number of the fuse?—A. This is 80 mark V, body, cap and base.

Mr. ATWATER: Those are the aluminium parts of the 80 mark V, is that right, or of the 80 over 44?—A. Correct.

Q. What would be the difference in the expense of the production of a fuse with these aluminium parts, such as the 80 mark V, and a fuse without those aluminium parts, such as the 80 mark 7?—A. In my opinion the 80 mark 7 is less expensive to produce.

Q. Will you give us the reasons for that?—A. In the first place, there are fewer component parts. In the second place, brass or bronze of proper quality is more readily machined, has less tendency to drag and "bug up" the tools, less tendency to spoil the work. Also, the deep undercut which is present under the graduated ring

[Wilford Judson Hawkins.]

of this fuse is absent in the 80 mark 7, is made shallower so that it can be machined readily, and a number of the operations which are necessary on an aluminium 80 mark V fuse are not necessary—

Q. On the brass?—A. On the brass modification, 80 mark 7.

Q. What would you say roughly was the difference in the cost or expense of turning out the one in aluminium and the other in brass?—A. That depends of course not only on the labour, but also on the cost of the materials. In the present state of the market I should think it would make a difference of some 25 cents or more.

Q. A fuse?—A. Or more. I have not exact figures on that, and that is purely an estimate.

Q. Can you tell us whether there would be any difference in what I will call the ball efficiency, I do not know whether I am using the right term or not, of a shell which was equipped with the 80 mark V fuse and one equipped with the 80 mark 7?—A. Yes, there is.

Q. And, if so, why?—A. I think I can explain that. The 80 mark V fuse is made of aluminium and is lighter than the 80 mark 7 fuse. The specifications for 18-pounder ammunition, to which this fuse is adapted, provide for a total weight of projectile of 18½ pounds approximately.

Q. Yes.—A. So that the weight of the whole projectile, including the weight of the balls, of the diaphragm, of the expelling charge and fuse adapter, etc., must all weigh in the total 18½ pounds.

Q. Quite so.—A. The body of the projectile cannot be changed materially from its present weight, because a certain amount of strength is requisite. Therefore the result of changing the weight of the fuse is to change in the reverse sense the weight or the number of the balls. If you put on a fuse which is a pound heavier than the 80 mark V, you must take out a pound of balls, or about 40 balls.

Q. So you would be likely to do less damage to the enemy with a shell equipped with the 80 mark 7 fuse than would be the case with a shell equipped with the 80 mark V?—A. There would be fewer balls from the projectile.

Q. Would it have any effect on the length of the projectile at all from the making the head of it heavier, so to speak?—A. It would have some effect on that. It would change the centre of gravity of the projectile as regards its position between the base and the point of the projectile, and that would probably change to some extent the ballistic coefficient or the range for a fixed muzzle velocity and a fixed elevation.

Q. Summing up, as a military man I suppose you would say that a shell equipped with the 80 point V fuse was the most effective missile?—A. I would; and a great point is made of that by manufacturers of ammunition. That is, they speak of the ball efficiency as the total weight of the balls divided by the gross weight of the projectile. That is, if the total weight of the balls is 30 pounds, and the total weight of the projectile 50 pounds, the ball efficiency will be 30 divided by 50.

Hon. Mr. DUFF: Does what you say apply to the 18-pounder high explosive, or is mark 7 not used in that?—A. The same would be true, but instead of the balls being reduced it would be the high explosive that would be reduced.

Mr. ATWATER: Now, Major, in connection with the same comparison of these different fuses we have been dealing with, can you tell me what is the comparison of the number of parts that enter into the make-up of the three fuses, the 80 mark V or 80 over 44, the 85 or American fuse, and the 80 mark 7?—A. The number of parts that enter into the 80 mark V and into the 85 fuse are quite similar. The number of parts that enter into the make-up of the 100 or graze fuse—

Q. No, I did not put to you the graze fuse.—A. I beg your pardon.

Q. The three I want are the 80 mark 5, the 85, you see?—A. I see.

Q. And the 80 mark 7?—A. Yes. Well, the 80 mark 7 fuse has fewer parts than the 80 mark 5, because in the 80 mark 7 fuse the graduated ring and the percussion arrangement holder are built in integral with the body, and as a consequence the graduated ring as a separate component is eliminated, the securing pin of the

graduated ring is eliminated, the percussion arrangement holder as a separate component is eliminated. The 85 fuse has slightly fewer parts than either the 80 mark 5 or the 80 mark 7 fuse. The parts are approximately in the proportion of 46 to 43 to 38.

Mr. HELLMUTH: 46 being the mark 5, 43 being the mark 7, and 38 being the American fuse 85?—A. That is correct.

Mr. ATWATER: Now, Major, how do the number of component parts in these three classes of fuse compare with the number of parts that enter into the ordinary or the 100 fuse or graze fuse?—A. The number of parts in these combination fuses of which we have just been speaking is about double, or more than double the number of parts in the graze fuse, because the graze fuse is purely a percussion fuse and has only to perform the function of the percussion element of the combination fuse.

Q. It goes off merely on impact as I understand it?—A. Correct.

Q. It has not to be timed or set to go off at any particular number of seconds or at any particular distance from the mouth of the gun?—A. That is correct.

Q. Now, you have shown me, Major, a little statement of parts in these three fuses. Would you mind producing it? I think it might be useful for the information of the Commission?—A. I have it here.

Hon. Mr. DUFF: We were told there were 42 parts in the 80 fuse and 17 in the number 100 fuse.

Mr. ATWATER: Mr. Lyon Brown stated that.

WITNESS: It depends, your Honour, upon the way that you count the parts. If you count the body as one piece that counts one; if you count the body as the graduated ring, the securing pin, and the aluminium body it counts three. So with the detonator. If you count the detonator as one piece that counts one; if you count the detonator body, the shield and the cardboard cover it is another thing, and so on.

Mr. ATWATER: Would you put in that table?—A. Yes.

(Comparative table of parts, marked exhibit 278.)

COMPARISON OF COMPONENTS OF FUSES.

No. 80/IV A.	No. 85.	No. 100.
1 Cap.....	Cap.....	Cap.
2 Cap set screw.....	Cap set screw.....	Cap set screw.
3 Top ring disc.....	Top ring.....	
4 Top ring escape hole.....		
5 Top ring securing pin (2).....	Top ring securing pins (2).....	
6 Top ring lighting pellet.....	Top ring lighting pellet.....	
7 Top ring escape hole pellet.....		
8 Top ring escape hole paper disc.....		
9 Body.....	Body.....	Body.
10 Graduated ring.....		
11 Graduated ring set screws.....		
12.....	Stop pin.....	
13.....	Stop pin lock pin.....	
14 Base plug.....	Base plug.....	
15 Base plug washer.....	Base plug washer.....	
16 Base plug disc-linen.....	Base plug disc-linen.....	
17 Time pellet.....	Time pellet.....	
18 Time pellet plug.....	Time pellet plug.....	
19 Time detonator.....	Time detonator.....	
20 Time stirrup.....	Split ring suspension.....	
21 Time needle.....		
22 Lead washer.....		
23 Percussion needle.....	Percussion needle.....	Percussion needle.
24 Creep spring.....	Creep springs (2).....	
25.....	Creep spring housings (2).....	
26 Percussion pellet.....	Percussion pellet.....	Percussion pellet.
27.....	Percussion needle axis pin.....	
28 Percussion pellet plug.....		
29.....	Percussion vent lock bolts (2).....	Centrifugal bolt.
30.....	Percussion safety springs (2).....	Safety spring.
31.....	Percussion pellet sleeve.....	Percussion det.
32 Percussion detonator.....	Percussion detonator.....	Percussion detonator.
33.....	Percussion detonator housing.....	
34 Percussion stirrup spring.....		
35 Percussion needle holder.....		
36 Cap for holder.....		
37 Washer for cap.....		
38 Disc for cap.....		
39 Bottom ring.....	Bottom ring.....	
40 Bottom ring setting pin.....	Bottom ring setting pin.....	
41 Bottom ring escape hole disc.....	Bottom ring escape hole disc.....	
42 Bottom ring escape hole pellet.....	Bottom ring escape hole pellet.....	
43 Bottom ring lighting pellet.....	Bottom ring lighting pellet.....	
44 Platform pellet.....	Platform.....	
45 Connecting pellet.....	Connecting pellet.....	
46 Magazine charge.....	Magazine charge.....	
47 Waterproof cover.....		
48 Tear off strip.....		
49.....		Transverse firing pin.
50.....		Transverse firing pin spring
51.....		Secondary detonator.
52.....		Setback bolt.
53.....		Safety screw.
54.....		Gain.
55.....		Sec. det. housing.
56 Felt washer—upper.....	Felt washer—upper.....	
57 Felt washer—lower.....	Felt washer—lower.....	
58 Paper washer—upper.....	Paper washer—upper.....	
59 Paper washer—lower.....	Paper washer—lower.....	
60 Paper tablet.....	Paper tablet.....	
61 Leather washer.....		

Sir WILLIAM MEREDITH: This is a detail of the parts?—A. Yes, sir.

Mr. HELLMUTH: Just put in.

Mr. ATWATER: What shall I call this, drawings of different parts of fuses? See if this represents some of the parts that enter into construction of this 80 mark 5 fuse?—A. Yes, sir, that is a chart which we got up at the factory to use in instructing the employees.

Q. I am putting it in. Have you any objection to filing that, Major?—A. No, sir, I will be very glad to.

Q. This is a chart. You say it was prepared in the International Works?—A. Yes, sir.

Q. For use in the instruction of the employees?—A. Yes, sir.

(Chart marked Exhibit 279.)

Q. You have spoken of the necessity of having the temperature or moisture—

Hon. Mr. DUFF: Both.

Mr. ATWATER: In the part of the works where the loading is done constant, I think.—A. Yes.

Q. Have you any machine to regulate that?—A. Yes. There is quite a good deal of rather complicated machinery for that purpose. A large fan is required to draw air in from out of doors, refrigerating coils are required to govern the temperature of the air, pumps are required for producing spray in the spray chambers in which the air is humidified, delicate measuring instruments which are known as hydro thermostats are required to detect differences in humidity in the air in the loading rooms and in the other parts of the factory which are being humidified, and to automatically control the degree of humidity at that point which has been found best.

Q. One of the photographs that is produced, with which you are no doubt familiar, represents a thermometer apparatus. Has that any connection with that?—A. Yes, sir. That is known as a hydro thermostat, which detects differences in the relative humidity in the air to which it is exposed and through a relay device, operated pneumatically, turns on or off the steam in a radiator which is interposed in the opening of a duct which brings air into the room.

Q. Without going into the details of its operation, Major, the result of that machinery is that it automatically regulates the moisture, does it?—A. Yes, sir.

Q. And this is an expensive apparatus I suppose?—A. Very.

Q. Was it any advantage to this company, the International Arms and Fuse Company, to have any connection or to be able to place any orders for its machines with the American Machine and Foundry Company with which Mr. Patterson is connected?—A. Yes, sir. We found it of the greatest convenience and help throughout. Mr. Patterson gave them the strictest kind of orders over there that our work came first and that they had to get it out when we wanted it, and we used their large facilities to such an extent that they were kept very busy on both day and night shifts. They produced, after we had had in the earlier formative period got out our drawings and designs, tools, gauges, fixtures and table tools necessary for the work. We sent those drawings to the American Machine and Foundry Company and had those parts produced in record time for the equipment of "A" plant when we opened it up in November.

Q. You had in other words a factory on which you could always rely to execute orders of that kind?—A. Yes.

Q. Do you know what is the value of the powder that you have on hand there to-day, roughly speaking?—A. Of the black powder for the fuse?

Q. The black powder?—A. No, sir, I do not know what the value of that is.

Q. Mr. Patterson told us yesterday that recently, since as a matter of fact this inquiry commenced, you had experienced trouble in the works. Can you corroborate that from your personal knowledge?—A. Yes, I can. We have. In spite of everything we could do some malicious persons have attempted to put the heart of the

[Wilford Judson Hawkins.]

air conditioning apparatus out of business, that is the air compressor. One or two attempts have been made on that.

Q. That is, the plant you have been just describing to us for the powder?—A. Yes, sir. Then we have found abrasives mixed up in the powder.

Q. You found?—A. Abrasives mixed up with the powder which we were about to load in the time train rings, and in fact which we did load in the time train rings, and when the rings were shaved after loading they naturally exploded and burnt some of the employees.

Q. Burnt some of the employees?—A. Yes, burned the man who was doing the work.

Q. As a result of their putting this stuff in the powder?—A. Yes.

Q. How long ago was that?—A. We have had various other attempts which have not succeeded, such as the throwing in of amateur hand grenades and that sort of thing into the plant.

Q. Have you received any threats as well?—A. I have not personally, but as a matter of fact people in the plant have received them.

Q. What is the result to the company of this apparent activity on the part of some enemies of the company?—A. The company has increased its guard.

Q. Its guard?—A. Increased its guard and increased the secret service people, plain clothes people throughout the plant, and taken other steps which I am not at liberty to state.

Q. Quite so. I do not want you to state anything. But do you find it necessary to have a secret service staff there as well as a guard?—A. That is our salvation.

Q. And a fairly large one?—A. Yes, large and under various organizations, so that they are in the plant without my knowledge even. I do not know who they are or where they are.

Q. You do not know them yourself?—A. No, I do not want to.

Q. That is a fairly expensive item?—A. I imagine it is. I have not seen the figures, but I have heard it costs a good deal.

Q. And the guard is also an expensive item to the company?—A. Yes, they are.

Q. And the additional guards are an additional expense?—A. Yes, sir.

Q. There are pictures of two rather husky men, Major, (Producing). I suppose you are familiar with them?—A. Yes.

Q. Will you say if those are correct photographs of some of the guards?—A. I would like to verify them.

Q. To show they are not fake pictures in any way?—A. Yes, they are the first and second platoons of the guard. We have to have the place guarded night and day, and it requires three shifts.

Q. Do these guards have to live on the premises?—A. No, sir, they do not, the guards do not.

Q. But are there others who live on the works?—A. Yes, sir.

Q. Who live there, the staff?—A. The staff and the superintendents. We are unable to rapidly duplicate our superintendents, and therefore our superintendents have to be on hand all day and all night.

Q. And they have sleeping quarters there, Major?—A. Yes.

Q. You have to give them their food there too?—A. Yes, sir.

Q. And you have a doctor's equipment in attendance for the employees in case of accident?—A. Yes.

Q. All evidenced by the exhibits put in?—A. Yes.

Q. Are the guards shown on these photographs the only guards you have, or are there others?—A. There is another platoon.

Q. These are only specimen bricks, if I may so call them, only specimens of your guard, shown in the photographs?—A. Yes, sir.

Q. I do not want to put any leading questions to you. I think I can sum it up in a question or two in regard to the efficiency of the plant, when I ask you if by the

time, or shortly at all events this plant will have attained its maximum efficiency; is that so?—A. Yes, sir. It will be turning out 100 per cent of its capacity very shortly, and the employees will have been weeded out as to the good and bad ones, and the good ones will have been trained so that we will be getting to our highest efficiency both as to quantity and as to quality within a very short time.

Q. How many employees would there be; how many are there now, or have you stated that already?—A. There are something over two thousand employees. We take on from 25 to 100 a day, and keep weeding them out.

Q. Up to to-day what is the number?—A. Something over 2,000.

Q. Taking the employees of these plants that are sub-contractors of yours, what would you say as to the number of people engaged in the carrying out of this contract?—A. I have estimated that at from 8,000 to 10,000, including the Bloomfield contingent.

Q. Including your own employees?—A. Yes, sir.

Q. Even to-day do you know of any larger or better equipped plant for the turning out of fuses than the plant of the International Arms and Fuse Company?—A. —No, sir. I do not believe there is any.

Q. Either here or abroad—I mean on this Continent?—A. Quite so.

Q. What would be your maximum output at the time the factory has reached its maximum efficiency?—A. The maximum average output I would put at 60 thousand per calendar day. But we could make up in one day due to a spurt from 75 thousand to 100 thousand fuses per calendar day.

Q. That is a summing up of the factory, I suppose?—A. Yes.

Q. Have you been applied to for information or assistance by any other companies or individuals engaged in the manufacture of time fuses?—A. Yes, sir.

Q. Will you say by whom, and on what occasions?—A. We have offered the run of our plant to all of the people to whom we have been asked to open it by the Shell Committee, that is, so far as Canadian manufacturers are concerned.

Q. Can you give any specific instances of applications made to you for information?—A. Yes.

Q. Or assistance?—A. Yes. We have been requested to furnish copies of the manual of which we have spoken before. We have been asked to furnish that.

Q. That is, the manual we have produced here?—A. Yes. We have been asked to give names of special machines, we have been asked to furnish special drawings and tools. We have been asked to furnish the names of manufacturers of certain special tools.

Q. All of which you have furnished?—A. All of which we have furnished to the Canadian Shell Committee or the Canadian manufacturers who have asked for them.

Q. What Canadian manufacturers have asked for them?—A. Mr. Hathaway, of the Northern Electric Company, who is I understand the Executive head of the British munitions plant, and who is to assemble as I understand it the parts of the 80 mark 7 fuse made in Canada by the Russell Motor Car Company, and possibly by other companies of which I have no knowledge.

Q. He has applied to you for information?—A. Yes, sir.

Q. Any one else?—A. We have furnished all the help we could of course to the members of the Shell Committee whenever they asked for it, and they have been very good in helping us out wherever they could.

Q. Have the representatives of the Shell Committee, or of the Imperial Munitions Board (I think it is called) been down to your plant and over it?—A. Very frequently, yes, sir.

Q. They have been familiar with what you have been doing and how you have been carrying out your contract?—A. Yes, we have done everything we could to make it clear.

[Wilford Judson Hawkins.]

Q. I am told that you loaned patterns of some of the tools?—A. Yes, we have. A number of those tools, as I said, had been manufactured at the American Machine and Foundry Company to our designs. They were special, and it was desired to duplicate those tools in Canada, and we were asked if we would furnish the drawings or the castings or the patterns, and we furnished the patterns.

By Mr. Carvell:

Q. Can you tell me, Major Hawkins, about how long ago the time fuse was first invented?—A. Which time fuse?

Q. Well, the time fuse in principle?—A. The design of time fuse used in artillery ammunition goes away back a 100 years ago and more.

Q. You and I cannot remember that long ago. I don't think you need say that this time ring is 100 years old, do you?—A. I do not.

Q. I am old enough to remember when we had the corn-cob fuse, as it was called. I do not want that. I want to get down to the one time fuse, that is, the time ring. Take this ring that is filled with some sort of powder, which burns at a certain rate per second and responds at the end of a certain length of time?—A. That is a type of fuse known as the dial type. That was first known in this country in about 1882 or 1885.

Q. That would be at least thirty years ago?—A. Yes.

Q. Was it known in Europe before that?—A. It was.

Q. And is the same principle being adopted to-day as was adopted 30 years ago in this country, the principle I mean, not the details?—A. These are dial type fuses. The earlier dial type fuses had only one ring, as the times of flight were short, and it did not require 22 seconds, it only required ten seconds, therefore it did not require but one ring.

Q. But the principle was the same thirty years ago, that is, the principle that you ignite it by some internal mechanism, you ignite a train of powder which would explode at a given time pre-arranged by the gunners?—A. The time train burns at about four-tenths of an inch per second, and after so many inches of the train have burned it communicates with the base charge.

Q. And explodes the shell?—A. Quite so.

Q. That principle has been followed out for thirty years?—A. Yes. There are also mechanical time work fuses, and there is the turbine, which is a clockwork fuse.

Q. But I only want these particular time fuses which are the subject matter of these contracts. There have been changes in the mechanism of those fuses in the last thirty years?—A. Right.

Q. And as I gather from your evidence this morning, there have been changes the last year. You have described here the 80 mark 7 as being somewhat different from the 80 mark 5?—A. Yes.

Q. But there is no difference in the principle of that time ring in the two fuses?—A. No.

Q. The only difference is in the mechanism by which the fuse operates and does its work; is that right?—A. A difference in the arrangement of the components.

Q. The construction of the fuse, I will put it that way. Now, is it not a fact that time fuses have been manufactured in a great many factories in the world during the last thirty years?—A. I would not say a great many. It depends upon how you use the term. The time fuse has been manufactured in one factory in United States, in one or two in England, in two principal ones in Germany, and in about two principal ones in Austria, two or three in France, I do not know about Italy.

Q. What about Japan?—A. I am not familiar with Japan. I think they have an arsenal there.

Q. They have been manufactured in Russia?—A. They have manufactured a few in Russia, but not very many.

Q. The Russians were a little lame, I suppose, and they are now paying the penalty. But they are getting a few made here. You named over a dozen places in the world in which time fuses have been manufactured, outside of the United States?—A. Yes.

Q. Don't you think it is a pretty well-known process of manufacture, the making of time fuses?—A. It is not generally known. It is known to the people who have to do with it.

Q. But I did not say generally. Isn't it a well-known process of manufacture?—A. It has not leaked into the text books, it cannot be found in engineering treatises, and it has to be learned apparently from application and experience.

Q. I am just reminded by my learned friend that he found it in the Encyclopedia, and I have read it in the Encyclopedia.—A. I do not believe that you could manufacture it from the information you would get in the Encyclopedia.

Q. I belong to that mixed class you told us about going down to inspect them some time ago?

Sir WILLIAM MEREDITH: I thought you were a farmer.

Mr. CARVELL: I would imagine that there were farmers in that class of inspectors that went down there, because I understood every class in the community were sent down to that place, for the inspection.

Q. Tell me in how many places in the United States time fuses had been manufactured prior to 1914?—A. Successfully in one place, and semi-successfully in two places other than the first one.

Q. I am talking about time fuses now?—A. Yes.

Q. I do not want the names of places that have not previously been given, but have those places been given here up to the present time?—A. Yes.

Q. Tell me what they are?—A. The Frankford Arsenal is a Government plant where they are produced, and the only Government plant where the combination fuses are produced. The two other plants were the Scovill Manufacturing Company, which manufactured a few combination fuses for the United States, and the Bethlehem Company, which have manufactured a few, a very few (I would not say the number) for the Argentine Republic, and those fuses have not been particularly satisfactory.

Q. They have not been satisfactory?—A. What they had manufactured prior to the War.

Q. Were the fuses manufactured by the Frankford Arsenal for the United States satisfactory?—A. They met the specifications, otherwise they would not have been accepted.

Q. You say that they met the specifications or they would not have been accepted?—A. Not every lot of fuses is accepted.

Q. If you produced them for the arsenal and they were accepted, they would be satisfactory to the United States authorities?—A. Yes, but improvements go on every year.

Q. How many have been manufactured by the United States Arsenal yearly for five years prior to the beginning of the War? If you do not wish to answer that, do not do so.—A. I do not want to answer it. It is but a very small number in comparison with what can be turned out now.

Q. Do you know the names of any places in England where time fuses had been manufactured prior to the War?—A. I know some of the places.

Q. Give them to me please?—A. The Woolwich Arsenal, the Coventry Iron Works, and Vickers, Sons & Maxim.

Q. Any others?—A. So far as the time fuse is concerned, I don't know that there were any time fuses manufactured at other places, but there have been percussion fuses manufactured at other places in England, but I am not aware that the combination fuses were.

[Wilford Judson Hawkins.]

Q. Were they not manufactured at Sir William Armstrong's works at Newcastle?—A. I do not remember that I have ever seen any combination fuses manufactured at the William Armstrong works.

Q. Would you feel like saying that they were not?—A. No, I would not.

Q. Have you ever visited any of the British plants?—A. I have not.

Q. Then you have no personal knowledge of any fuse plants except those in the United States?—A. True.

Q. Do I understand you to say that there were only four men in the Frankfort Arsenal who knew we will say the real secret of manufacturing fuses?—A. I stated that there were only four men who were thoroughly qualified and understood it from the theoretical as well as from the practical side.

Q. You still stick to that, do you?—A. I want to get down to the practical side of it for a few moments. As I understand your evidence this morning, the great difficulty or the outstanding difficulty in the manufacture of a time fuse is mixing together the powder in the proper chemical proportions and having that powder inserted in the time ring under the proper pressure so that it will burn at a certain rate per second. Have I correctly understood you?—A. The main difficulty is in the time element.

Q. And that time element consists in getting the powder of the proper chemical composition and putting it in the time rings under the proper pressure; isn't that it?—A. It includes that, but it includes other things, which I tried to explain to you.

Q. You want the proper atmospheric conditions, the proper amount of moisture?—A. Proper ventage, and so on.

Q. But taking them all together, they are the delicate portions in the manufacture of time fuses?—A. Yes.

Q. Where do you get your powder?—A. We get our powder from the DuPont Company.

Q. You do not manufacture your own powder?—A. We do not.

Q. And the experts of your factory or the International Arms and Fuse Company, or the experts of the Frankford Arsenal, or the experts of any other manufacturing establishment in the United States have nothing to say about the chemical composition of powder?—A. Excepting this, that this powder for the time train rings was developed by DuPont under the direction of the Frankford Arsenal, under myself and my predecessors there. In other words, we got up this No. 22 powder which is now being used.

Q. And that happened some years ago, didn't it?—A. Yes.

Q. And since then the DuPont people are manufacturing powder?—A. That is true.

Q. And it is an ordinary article of commerce, to the man who has the money to buy it—A. Yes.

Q. I could go down and buy powder fit for loading time fuses, if I had the money to pay for it?—A. Yes, and if you knew what to specify.

Q. Now we have the powder. The next is, to bring it to your loading plant. You have described here with a great deal of intricacy the mechanism by which you keep the atmosphere with the proper amount of moisture in it. Couldn't I go and buy that mechanism or that machinery at some other place than your plant?—A. Yes, but you would not know how long to expose the powder unless you had experience in doing so.

Q. Couldn't I find anybody in Canada or in the United States who could solve that difficult problem?—A. Yes, you could.

Q. Then I could get that plant for keeping the atmosphere in a proper condition. But the operation is inserting the powder in the ring under a certain desired pressure?—A. Yes.

Q. That is done by women, is it not?—A. No.

Q. Isn't the machinery all automatic machinery?—A. No.

Q. Describe if you will how that powder is inserted in the time ring?—A. First, the brass time train ring is put into a tool steel matrix or die, which confines the ring so that the brass won't flow or run away under the pressure which is used in pressing in the powder. After the die is put together, the powder is placed into the groove, into the ring and into the extension of that groove in the die by a special apparatus and by special tools which are provided for the purpose.

Q. You simply press a lever, and the machine does the work?—A. No, it is not quite as simple as that. The pressure upon the powder to some extent determines the speed. The low pressures give high speeds, the high pressures give lower speeds, and therefore variations in the pressure are not desirable, and the machine has to be provided with some sort of weighing or relieving device so that the fuse can run away from the punch when the pressure arrives at the predetermined pressure desired, say 50,000 pounds.

Q. Isn't that all done by the machine, simply by being operated by an intelligent person?—A. Well, we have had lots of trouble with that same machine.

Q. But isn't it done by a machine?—A. It is.

Q. And it takes probably one man to operate that machine?—A. Seven.

Q. Couldn't women operate that machine as well as men?—A. No.

Q. We had a picture brought here from England which was being sent about Canada not long ago, where women were pictured loading time fuses?—A. They are not doing it over there.

Mr. NESBITT: I think it was a picture of women loading shells, not time fuses.

Mr. CARVELL: This work is done with a machine, coupled with intelligent application of the machine by seven people; that is right?—A. Yes.

Q. I understand you to say that you take this brass time ring, put it in some sort of receptacle so that when the pressure is applied to it the brass won't give way?—A. Quite so.

Q. That receptacle is a machine?—A. It is called a loading tool.

Q. You would load probably 100,000 or more or less brass rings by simply taking one out and putting another in?—A. Yes.

Q. And that is all mechanical work. I have tried to get you to describe the loading of these fuses. I want you to describe to me what there is about it that the average mechanic, the average intelligent mechanic, cannot learn to do?—A. There is nothing he cannot learn to do. But the trouble is to guide him away from the things he can do wrong.

Q. Would you not find that in the case of manufacturing a watch?—A. I have never manufactured a watch.

Q. I do not want to put any blotches on the picture you painted this morning, but I want to get this thing down to the ordinary conditions of life.—A. If you want me to state that there is nothing but what can be readily learned, I am willing to say yes, because we have taught 2,000 people within the past two months. But it has been a hectic experience.

Q. Then there is nothing so wonderfully intricate or delicate, or almost impossible, about making a time fuse. Do you say no, to that?—A. I do not find it difficult, sir, at all.

Q. Let us just apply your answers to our own country. If we had the money, or a Company in Canada had the money, they could have gone to the DuPonts and bought powder, couldn't they?—A. Yes.

Q. If our men or our people had had the money, we could have bought that mechanism for properly preparing the atmosphere, the moisture, couldn't we?—A. Yes, if you had known it was needed.

Q. And if we had had the money we could have bought that loading plant or loading tool?—A. No. That was not on the market. We designed that ourselves and had it built.

[Wilford Judson Hawkins.]

Q. Couldn't we have bought some sort of a loading plant? Do you mean to tell me that your plant is the only plant in the world that is loading time fuse by machinery?—A. I certainly do not.

Q. Then we could have bought a loading plant, couldn't we?—A. What do you mean by a loading plant, please? Do you mean all the equipment with it?

Q. Something which will load a time ring?—A. The purchase of a loading plant involves the purchase of a building, the purchase of an air conditioning apparatus, the design of a building, the purchase of the loading tools or matrixes I spoke of. I don't know just what you mean by purchasing a loading plant. You cannot buy one already designed.

Q. Major Hawkins, you will treat me fairly, and I want to treat you in the same way. I do not imagine that I can come down here and go to the store and buy a loading plant?—A. I don't know what you meant.

Q. You are an expert mechanic, and I am an ordinary lawyer who tries to learn about these things whenever he can. You surely did not think I wanted you to say that I could go out and buy a plant and everything ready to build time fuses with, but couldn't I go to the United States, or couldn't any other man in Canada who knew what he wanted and who had the money to buy it with, and buy the necessary machinery to go through the operation of placing the powder in these time rings? A. You could buy whatever was on the market.

Q. Weren't they on the market, or couldn't they be manufactured?—A. They could be manufactured.

Q. And they could be manufactured and brought to Canada?—A. Yes.

Q. Don't you think we could have erected buildings in Canada which would have contained that machinery?—A. I do.

Q. Don't you think we could have installed in Canada a building for that plant in getting the atmospheric conditions in proper shape?—A. I do.

Q. Do you know anything about whether we are subject to the same conditions of strikes and so on in Canada as you are in the United States?—A. I don't know about that.

Q. You don't know whether we have to guard our factories the same as you do in the United States?—A. I have heard that you do.

Q. To the same extent?—A. I don't know about that.

Q. Has anything been done or produced in the establishment of that plant in the United States that could not have been done or produced in the establishment of the same plant in Canada, if we had the money to do it with?—A. No, the money and the talent.

Q. Do you think we could not have got any of the talent here in Canada?—A. I think you could have. In fact I heard that some of it did come here from the Frankford Arsenal.

Q. Don't you know as a matter of fact that many of the men you have in your own plant to-day at Bloomfield were engaged to come to Canada?—A. I don't know that.

Q. Have you ever heard that?—A. I have not.

Q. Would you be surprised to learn that the great majority of what you call the experts in your plant in Bloomfield were engaged and would have come to Canada if the plant had been established here?—A. Some of them have told me that representations had been made to them by Canadian concerns to leave us and come to Canada.

Q. I am not talking of leaving you. I am talking about before they went to you. A. I don't know. I did not know that.

Q. Supposing the proper financial inducements had been held out to you, would you have come to Canada and entered into the manufacture of fuses?—A. If I had been permitted, that is, if I could have had my resignation accepted.

Q. You were an officer in the United States Army at that time?—A. Yes.

Q. Or in the United States Arsenal?—A. I was an officer in the United States Army.

Q. However, you did not ask the question, and therefore do not know what would have happened I suppose?—A. No.

Q. We have talked about fuses, and I hope we have established the fact that there is not anything absolutely new in the world in the manufacture of a time fuse. I suppose it is a fact that every shell that is fired in the great War in Europe to-day has to have a fuse, or something to explode it, isn't it?—A. A combination fuse or a percussion fuse?

Q. A fuse of some kind?—A. Yes, either a combination fuse or a percussion fuse.

Q. When you use the word combination you mean the T.P., a time fuse and percussion interval to go off; ~~time~~ under one set of conditions, and percussion on the other?—A. Yes, that is a combination fuse.

Q. And the percussion fuse is the same as you call the No. 100?—A. Yes.

Q. And that is purely percussion?—A. Yes.

Q. Goes off on impact with the ground or some other solid substance?—A. Yes.

Q. I think Mr. Patterson told me yesterday that what he called the plant, or section 'B' of your plant was constructed for the express purpose of taking contracts with the Morgans. Do you know anything about that phase of it?—A. No. I have not been at the business side of it. I am on the technical end only.

Q. I thought he referred me to you to get that information. I was asking Mr. Patterson yesterday about this plant, and I thought he referred me to you.

Mr. HELLMUTH: Mr. Patterson said he could tell Mr. Carvell about the plant.

Mr. CARVELL: Will you tell me what building "A" is being used for at the present time?—A. It is being used for the assembling of the fuses which are being manufactured for the Shell Committee and is being used for shipping, receiving, miscellaneous stores, tool making, office, sleeping and restaurant facilities.

Q. That seems to be the description given by Mr. Patterson as Building "C." However, we will follow it up.

SIR WILLIAM MEREDITH: Do not the photographs show what each building is for?

Mr. CARVELL: I have not seen them, sir.

Mr. ATWATER: The more satisfactory way would be for the witness to speak from the photographs.

Mr. CARVELL: It might take me longer to learn what I want from the photographs than it will take to get the information from the witness.

Q. Take the building which Mr. Patterson called building "B"; what is that used for at the present time?—A. It is used for the inspection of the parts used in the assembling of the 80 mark 5 fuses, and also for certain air-conditioning operations which have to be carried on in connection with these 80 mark 5 fuses.

Q. Where is the actual loading or pressing the powder in the time ring done? Where is that operation performed?—A. That is done at present in seventeen sections of "A" plant. There are 20 sections in "A" plant, and there are seventeen of those sections busy or were set busy last Saturday on that job.

Q. That is, you are actually compressing the powder in those time rings, in "A" plant?—A. Yes.

Q. And you have seventeen sections at work, which seems that you have seventeen complete presses—if that covers the ground?—A. Yes, seventeen complete units, seventeen complete shops.

Q. And you expect to have twenty before you are through?—A. Yes.

Q. Going to building "B", do you have compressing units in "B" plant?—A. Yes.

Q. How many have you there?—A. Twenty.

Q. That is complete then, is it?—A. That is complete.

Q. Do you have any of these compressing units in "C" plant?—A. No, not in "C" plant. The "C" plant is for the manufacture of metal parts.

Q. Then is it your intention to have any compressing units in "C" plant?—A. No.

[Wilford Judson Hawkins.]

Q. It was told by Mr. Patterson yesterday that "B" plant was erected with the idea or hope of obtaining a contract, or of doing business with the Morgans. Do you know anything about that?—A. I am familiar with the affairs of the company in regard to what they intended to do with "B" plant. "B" plant is being used now for the 80 mark 5 fuses. It could be used for 80 mark 5 fuses or 80 mark 7, or any other combination fuse.

Hon. Mr. DUFF: When speaking of 80 mark 5 fuses, do you mean fuses not being supplied to the Shell Committee?—A. Yes, sir.

Q. You are distinguishing between 80 mark 5 and 80 mark 7, are you?—A. The 85.

Q. The 80 mark 5 has been used indifferently here to apply to the fuses you are making according to the present specification and the fuse as it was a year ago. I understand that you in your evidence are distinguishing between the 80 mark 7 to indicate the fuse you are making for the Shell Committee and the 80 mark 5 being the original 80 fuse—or am I right in that? I am not referring to his evidence generally, but to the question he is answering now.

Mr. HELLMUTH: What are you making now, may I ask, 80 mark 5 or 80 mark 7?—A. 80 mark 5.

Hon. Mr. DUFF: I thought he was making both 80 mark 5 and 80 mark 7.

Mr. ATWATER: He never made 80 mark 7 nor the 85.

Hon. Mr. DUFF: I think it is clear enough. They are making what they call 80 mark 5, and only that.

Mr. CARVELL: I don't think the witness can make it any more plain.

Q. Couldn't you take the same machinery you are now loading the 80 mark 5 with and perhaps by changing it in some parts use it for 80 mark 7 or 80 mark 5 fuses?—A. Yes.

Q. You would require different dies, whatever you call it, in which to insert this brass ring when you are applying pressure?—A. Yes.

Q. Such parts as that would have to be changed over, but by getting different patterns or dies you can load any one of the three fuses, one as well as the other?—A. Yes.

Q. There was some talk about you taking a contract for the Morgans, you say you do not know all about the business arrangements, do you know whether that Morgan contract was the 80 Mark V. or the 85?

Mr. HELLMUTH: I did not understand there was any contract spoken of with the Morgans. I understood that what Mr. Patterson said was he had hoped to go to the Morgans if he did not get a contract here.

Mr. CARVELL: I understood he got a contract, and for some reason it was not carried out.

Hon. Mr. DUFF: I do not remember anything being said about it at all.

Mr. HELLMUTH: No such evidence that he got a contract from the Morgans.

Hon. Mr. DUFF: This witness might give whatever evidence he can give with regard to it; if he cannot give any he can say so.

Mr. CARVELL: If I am allowed to ask the witness I will ask what he knows about it.

Q. What do you say?—A. What is the question?

Q. Do you know whether the contemplated contract with the Morgans was for the 80 Mark V. or the No. .85 fuse, or the 85 modified, I think was the term—there were three terms used.

Hon. Mr. DUFF: 80 modified, I think he said.—A. I would prefer you would put that to somebody who knows about it; I know about the technical side, but I do not know about the business end of it.

Mr. CARVELL: It was stated in Parliament some three weeks ago that your company entered into a contract to manufacture fuses for the use of the Allies, I think it was with the British Government, the words used; do you know anything about such a thing?—A. We are making fuses for the Allies, yes.

Q. Outside of these contracts?—A. I do not know the reference to which you refer at all.

Q. I am asking you, do you know whether your company are making fuses for any of the Allies other than under the contracts with the Canadian Shell Committee?—A. Not at Bloomfield they are not.

Q. Are they making them anywhere else?—A. Not to my knowledge.

Q. You would know?—A. I think I would.

Q. Then so far as you know no such thing exists?—A. But remember this, Mr. Patterson and the wealthy lawyer and the other member of the firm have a great many other activities than this one, that is a great many other lines of business, a great many other industries I will say, that I do not know about.

Q. You do not mean to intimate that they have another fuse plant in the United States, do you?—A. I do not.

Q. You don't believe they have?—A. No, I don't believe they have.

Q. And I don't think they have either; if they are not manufacturing them at the Bloomfield plant would not you almost feel like saying you do not believe they are manufacturing them?—A. I would.

Q. When you made the statement that there were eight or ten thousand people employed in the manufacture of these fuses, that calls to our mind another statement made in the Canadian Parliament not long ago in which I think the same numbers were used; do you mean to say that you are employing eight or ten thousand people directly by your plant, or that eight or ten thousand people are being employed in different plants in the United States in making these completed fuses?—A. I do not mean to state either one of those things.

Q. Tell me exactly what you did mean to state regarding that number of employees?—A. I meant to state that directly and indirectly the International Arms and Fuse Co. is causing from eight to ten thousand people to be busy.

Q. You said there are about two thousand people employed in the plant at Bloomfield?—A. I did.

Q. And they are engaged in loading, in guarding, in running a restaurant, in manufacturing parts and half a dozen other vocations which have been referred to by you this morning, and that takes around two thousand; and then you stated also the manufacturing company of which Mr. Patterson I think is the President and General Manager, we were told, is also employing a certain number of men and producing certain portions of these fuses; do you include those in it?—A. I do.

Q. Are the whole of the employees in Mr. Patterson's manufacturing company employed all the time in manufacturing parts for these fuses?—A. I don't know.

Q. Have you ever been in his plant?—A. I have.

Q. How many men has he got employed, how many hands?—A. I don't know how many he has employed there.

Q. I do not expect you would down to say one man, but you can surely give me some estimate?—A. I would like to state this; I was over there in that plant in December, and I have not been over there since; since that time they are turning out very much more than in December, and I do not know how many hands they are using to do it with.

Q. Would it be hundreds or thousands?—A. I should say it would be nearer a thousand than a hundred.

Q. Do you mean to say that practically around a thousand men are employed continuously in that plant of Mr. Patterson's in the manufacture of parts for these fuses?—A. Yes, I would think there were at least one thousand people employed in that factory.

[Wilford Judson Hawkins.]

Q. Working on parts for these fuses?—A. Yes, that is working on the metal parts for the fuses; and then in the other parts of the factory there are toolmakers, gauge makers and other employees who are making machine tools, gauges, fixtures and so on that are also required in the equipment of our building.

Q. That would take a thousand and something besides that employed continuously in Mr. Patterson's plant in the manufacturing of these fuses; do you mean to say that?—A. I do.

Q. Let us go to another plant, and that is the Keystone Co. is it not, which I understand are manufacturing part for your fuses, is that right?—A. Yes.

Q. Do you know how many men in that plant are engaged continuously in manufacturing parts for your fuses alone?—A. No, I do not know; there are a number of men and women in one plant not far from us in that company, and there is another plant in another State but under the same company which has a very much larger number of men and women, and which plant I have never visited.

Q. Do you know with all the men and women in the plant near your plant, or in the other State, how many are manufacturing continuously for your fuses?—A. I can only approximate that by knowing the daily output of parts from there and surmising what the number of employees must be to turn them out.

Q. Well, what do you put it at?—A. I would say 1,500 to 2,000.

Q. Now, you have around 5,000 men so far in those three plants; where do you make up the other three or five thousand hands?—A. Well, there is one very large firm a good many miles to the west that is engaged in the manufacture of the time train rings; I don't think I need to give the name of that firm.

Q. I do not ask you to?—A. That is a very large firm.

Q. A very large firm in the west engaged in the manufacture of time rings?—A. Yes.

Q. Do you know whether that firm is engaged exclusively in the manufacture of time rings for your plant or your fuses?—A. I do not.

Q. Don't you know as a matter of fact they are manufacturing time fuses for other manufacturers in the United States and Canada as well as yours?—A. I do not know that.

Q. Do you know that they are manufacturing other things besides time rings in that plant?—A. I don't know of my own knowledge, no.

Q. Really you have not very much actual knowledge about that plant?—A. I have not.

Sir WILLIAM MEREDITH: I understand he is giving the estimate in these plants, but has not seen all the number of employees that would be required to produce what they get from them?—A. Yes, sir.

Mr. CARVELL: Yes, Mr. Commissioner, I appreciate that, and I am asking these questions in view of certain statements which have been published in Parliament.

Sir WILLIAM MEREDITH: I am not objecting to your questions, but I am pointing out the way in which the witness comes at his evidence.

Mr. EWART: It is the public that is bothering you.

Mr. CARVELL: Of course it is the public that is bothering me; let there be no mistake at all, I am not sailing under false colours here.

Q. Have you any other plant in your mind?—A. May I give you a list, a brief list of the plants that are engaged?

Q. I don't want that because I am reminded by my friend here that practically I am helping the Germans you see.

Mr. HELLMUTH: You were not going to give the names.—A. No, I can name them without telling just who they are.

Mr. CARVELL: When you find an officer sitting alongside of you charging you with assisting the Germans, naturally you have to be a little careful how you seek this

information; so that I do not want the names of these plants, but I would like to have the source from which you make up the remainder of the ten thousand?—

A. There is this firm in the West I just spoke of making time train rings; there is another firm in the East, two firms in the East that are also making time train rings for us; there are a large number of employees at DuPont's that are working for us on various components.

Q. Making powder?—A. Yes; and then there are a number of firms throughout New England who are making stirrups, some are manufacturing pellets, some are manufacturing paper, some felt for the time train rings, some are manufacturing waterproof covers for the fuse, and then there is a box factory making boxes to ship them in, and all of these industries together with others I have not mentioned I—

Q. Do you include in that company—

Mr. HELLMUTH: Let him finish.

Sir WILLIAM MEREDITH: Finish your answer.

A. I estimate the grand aggregate of the people who are busied by our endeavours at from eight thousand to ten thousand people.

Mr. CARVELL: Does that include the firms who refine and cast the aluminium?—A. I had not included those.

Q. If you went back to that—then you have not taken the men who make the brass?—A. No.

Q. Or the steel?—A. I had in mind particularly our sub-contractors, the people who deliver directly to us.

Q. You do not take in the producers of raw material?—A. No.

Q. If you take those in you could easily make twenty thousand?—A. I really do not know.

Q. Let us get down then, as a matter of fact so far as your plant is concerned you are employing about 2,000 people?—A. That is correct.

Q. And 60 per cent of those are women?—A. Yes.

Q. And every particle of which according to your evidence could have been just as well established in Canada if you had had the money?—A. Yes.

Sir WILLIAM MEREDITH: Would you have undertaken, supposing you were in the position of the Shell Committee or of Colonel Carnegie to enter into a contract for prompt delivery of fuses with two gentlemen who had no practical knowledge of the business but had the services of the 38 men that you have got, and that only?—A. I think I should if there had been no established factory to which I could let work, that is some factory that had been manufacturing them successfully.

Q. There being a factory that was able to do it, equipped to do it, what then?—

A. In preference I would let it to the factory that had done the work; it would be less of a gamble I should say, as to the result.

Q. What was the necessity of your services in that view; why could not they get on with those 38 men?—A. Those men are men of the trades class, women who were factory workers or factory operatives, and none of them perhaps had a high school education, much less a college education and none of them knew anything perhaps about interior ballistics or perhaps exterior ballistics; in other words they understood the practical side or parts of the practical side, but they did not understand all of the practical side, neither did they understand anything of the theory.

Q. Does that mean that an expert, some one possessing the knowledge that you had, or some of it, was necessary to the proper conduct of such a factory?—A. Yes.

Hon. Mr. DUFF: (Taking Exhibit 276, graze fuse, in his hand). Do you know the British 4.5 Howitzer shell?—A. No, sir.

Q. Do you know the 4.5 lyddite shell?—A. I do not know it.

Q. I mean to say in a professional way?—A. I would know about what it would be.

[Wilford Judson Hawkins.]

Q. And do you know if the time fuse would in military practice be used with that shell?—A. Not to any great extent, no, sir. The only time that one would wish to put a time fuse with a high explosive shell—

Q. I am speaking of the Howitzer, I am not speaking of the 18-pounder?—A. I see. Well, the only reason for putting time fuse on that is to search behind cover or behind a re-entrant angle; in the high explosive shell explosion you have a cone of dispersion of 180 degrees, whereas with common shrapnel you would get a narrow cone of 15 degrees, and you cannot hope to search behind cover with a narrow cone of 15 degrees, whereas with a 180 degree cone you can hope to search behind cover.

Q. I see you said that eight or nine months would be the time, I fancy you were putting that as a minimum were you not, in the time required to make preparation for the production of time fuses in the condition of the industry that prevailed in the spring of 1915?—A. Yes, sir.

Q. I understood you were giving an estimate. What do you say as to the production of these things (Exhibit 276) the 100 graze fuse?—A. The graze fuses are relatively easy to produce, they are easy to produce anyway in the finished state, and so far as I know they have only been produced in the unloaded condition in this country.

Q. But what about the loading of the graze fuse?—A. The loading of the graze fuse is a relatively simple matter.

Q. Is it a matter which in itself would necessitate the time for preparation being extended much beyond four or five months?—A. No, sir, I would not think so.

Hon. Mr. DUFF: Of course I am only asking you for your judgment in regard to it.

Mr. EWART: There is one question I am asked to put; you have spoken of the difference between the English and American toleration in the time element?—A. Yes.

Q. What is the extent of the difference?—A. About 15 per cent.

Mr. HELLMUTH: He said that?—A. That is the time limits specified in the British specifications are about 15 per cent closer than the time limits which are permitted by the United States Army.

Q. Does that make any difference in the cost of production?—A. Yes, inasmuch as it increases or tends to increase the number of rejections.

Mr. CARVELL: I want to ask this witness what in his judgment would be a fair cost of loading the time fuse when applied to a contract of say two and a half millions.

Sir WILLIAM MEREDITH: Loading only?—A. To furnish what parts in doing that?

Mr. CARVELL: Furnish the powder and the pellets, whatever it takes to do the loading.—A. Powder, pellets, detonators, felt rings, waterproof cover—

Q. Well, I don't know I am sure whether felt rings and waterproof covers are part of the loading or not?—A. It all depends on what is specified to be included in the loading.

Q. I will explain to you why I ask the question; we have had a number of statements of different witnesses as to the estimated cost of loading, and we have had it I think from \$1.30 up to \$2.50?—A. Don't you think it possibly arises from the fact that different people include different work in that?

Q. Possibly it does; to a layman or a farmer-lawyer I would say that the loading of a fuse included the powder in the rings, the pellets leading from the powder ring to the detonating cap, and the detonators, if you take those three, and the actual mechanical operation of placing them in the fuses in the proper condition what would you say it ought to cost?—A. The packing, and also being responsible for gun proof and rest test?

Q. I suppose that all comes in.

Sir WILLIAM MEREDITH: Would that include overhead charges?

Mr. CARVELL: Oh, yes; I stated considering a contract of two and a half millions, and I think it would be only fair to include the cost of proving them.—A. About \$1.70.

Q. One other question, I suppose the United States Government publish in their reports the cost of the production of different forms of ammunition, do they not?
—A. They do not publish it, no.

Q. Would you feel that I was asking something which I ought not to ask you if I asked you what is the cost of producing the No. 85 fuse at the Frankford Arsenal; if you think I ought not to ask that question, just say so?—A. I do not think I ought to answer it.

The Commission adjourned at 1 p.m. to 2.30 p.m.

AFTERNOON SESSION.

OTTAWA, Wednesday, May 10, 1916, 2.30 p.m.

JOHN A. HARRIS, sworn and examined.

By Mr. Hellmuth:

Q. Dr. Harris, you are now and have been for some time connected with and one of the directors of the International Arms and Fuse Company?—A. Yes.

Q. Prior to any connection with that and prior to anything relating to these fuse contracts, what was your calling or following, what did you do?—A. I was interested in quite a few enterprises.

Q. Had you any Canadian enterprises?—A. Yes, sir.

Q. What were those?—A. I manufactured equipment for the Post Office Department.

Q. And where was that manufacturing done?—A. At Toronto.

Q. What was the name of the company or companies?—A. Well, we have a similar name doing a tremendous business in the States, and I will give you the name, but I prefer not to mention it as it may appear in the papers, and a great deal of our business over there has to do with a certain element, so it might have a serious effect on our American business. But I can give you the name.

Q. You can give it to me afterwards, or at least you can give it to the Commission. Then have you any interest in any company that has been mentioned here in Canada?—A. Yes.

Q. What are the companies that have already been mentioned here?—A. I was president of the Manufacturing and Contracting Company.

Q. Yes. What about the Standard Asbestos and Fuse?—A. I was also interested in that. That Company by the way, I may say, though they did not allow a charter inasmuch as the word "Asbestos" conflicted with a similar company, and we had to change the word "asbestos" to the word "Primer," then a charter was issued under the name of the Standard Primer and Fuse Company.

Q. When was that charter got out?—A. That charter was issued on April 30, 1915, to the Standard Primer and Fuse Company.

Q. But before that there was the company, was there not?—A. My attorneys had made an application and it was rejected on account of the name.

Q. That was not one of the companies that you were interested in prior to your considering the fuse question at all, I mean the beginning of it?—A. No, sir, the first company I was interested in was the Manufacturing and Contracting Company of Canada.

Q. And how long have you been interested in that?—A. Since December 26, 1914.

Q. Was that company doing any business, or had it a plant or anything at that time?—A. Yes, sir.

[John A. Harris.]

Q. When did you first hear of or consider in any way the question of the manufacture or contracts for fuses?—A. May I be permitted to explain at length?

Q. If you will not be too long.—A. The people with whom I was associated in Toronto had done such excellent work, and with whom my dealings were so satisfactory, had requested me in October, 1914, to ascertain if they could utilize the machines that we used for the equipment business to make powder tins. They were exceedingly well adapted for that sort of work. I made an effort to secure an order for powder tins, and they wanted to know if I had taken the order under the name of this particular company that had a going plant, of which I have a picture here, and I told him "No, I would be very glad to make an effort for them."

Sir WILLIAM MEREDITH: Who is "him"?

Mr. HELLMUTH: Who is "him"?—A. The firm was W. H. Banfield & Sons, whom we looked upon as our Canadian associates. I made an effort and was not successful, but subsequently I saw General Macdonald of the Militia Department, and I asked him how one should go about securing an order for powder tins.

Q. Yes.—A. He told me that the only way to do that was to see the Shell Committee, and I was loath to ask him to give me a letter of introduction, but he volunteered himself and said "I will be very glad to give you a letter myself to General Bertram." I was returning to New York and went by way of Montreal, and I presented this letter in person to General Bertram. General Bertram asked me quite a few questions, which I believe were answered to his satisfaction, and he said he would be very glad to give us some work.

Q. When was this?—A. I am unable to produce the letter because I gave it to General Bertram.

Q. But about when?—A. It was the latter part of December or very early in January, 1915.

Q. Was anything said then about fuses?—A. Not at that time, but after I had told General Bertram the amount I intended to invest to assist in carrying out the wishes of W. H. Banfield & Son, he at one time asked me with the associations I had in New York if we would be interested in the manufacture of fuses, and, if so, to let him know.

Q. Well then, when next did you come across any one or make any application?—A. In the course of negotiations in connection with the first order it was suggested that I utilize my connections and also the technique of the Toronto factory to ascertain whether we could manufacture in the Dominion.

Q. Manufacture what?—A. Fuses; and with that in view I telegraphed for Mr. W. R. Banfield to come to Montreal to look over the gauge drawings, ascertain how long it would take him to get the gauges out, and what would be the approximate cost of the component parts.

Q. Well, did he come?—A. He did.

Q. Was a calculation made by him?—A. Yes, sir.

Q. And with what results, shortly?—A. He told me that to get the gauges out was problematical, inasmuch as all the gauge concerns, including his own firm, were so engrossed in the work of getting out gauges for shells that it would be many months before they would be able to get a gauge finished. If they did proceed with the work of gauges the shells would remain unfinished. That did not appeal to me as being quite satisfactory, and at one of the meetings at Montreal there was present an official of the Canadian Pacific Railway, and he gave me a pass to enter his works—which pass, by the way, was not required at the gates, and I have it to-day—and Mr. Banfield and I went there to ascertain the important points in connection with shell manufacture and the detail requirements of the fuses which screw into the shell. On my return to New York—I had been going back and forth somewhat on this other business—I spoke to my associate, Mr. Patterson, and discussed with him the feasibility of fuse manufacture and what the American Machine and Foundry Company would be willing to do in connection with work in Canada, and our first

proposal to the Shell Committee was therefore in the name of the Manufacturing and Contracting Company, which was organized under Dominion charter in December, 1914.

Q. We have that in I think?—A. Yes, sir, I have a copy of that proposal.

Q. Do you remember what the price was there?—A. May I refer to it?

Q. No, if you can remember it at all.—A. I think it was \$4.90 and \$5.50. I would like to refresh my memory on account of there being two proposals. (After referring to papers). That was March 19, 1915. The proposal then was, lots of one million at \$5.50 each, lots of two million at \$4.90 each, deliveries to commence—there was a proposal in there that the twenty thousand, if proven satisfactory, would cost them \$6.75 each. The reason for that was this. We were informed at the Shell Committee that they wanted to make a test number, and they put the test number to ascertain whether they could be manufactured in Canada at twenty thousand.

Q. You have just said "Could be manufactured in Canada." Was this a proposal to manufacture in Canada?—A. Yes, sir.

Q. After that proposal went in what was the next occasion? You have got to March 19th. I do not want to take you over the ground which Mr. Patterson has recovered, but just tell me shortly what was the next matter that arose in connection with it?—A. Well, there was considerable correspondence, that is to say, correspondence and visits in respect to the fuses.

Q. We know now that the fuses were not manufactured in Canada. Will you please tell me what occurred in regard to that?—A. Mr. Patterson subsequently came over with an associate of ours, a lawyer, and they had several conferences at the Shell Committee.

Q. Were you present?—A. Yes, sir.

Q. Yes.—A. I believe that the entire Shell Committee were present, with the exception of one or two. Mr. Patterson's recollection of everybody is not as clear as mine, but I believe there should have been added to those in the room at that time Mr. Harston and possibly General Benson, although I would not be sure.

Q. What was the feature, if any, of that discussion?—A. To manufacture in Canada. There was nothing said at that time to manufacture elsewhere, in fact all my efforts after my talk with General Bertram were to manufacture in Canada. At one of these meetings it was stated that the question of loading would be a very important one, and we took the matter up and decided that the best thing to do in connection with determining the question of loading was to find out what powder company in Canada could supply the powder and do the loading. We told them so at the meeting, and Colonel Lafferty, who seemed to know the Canadian Explosives people, telephoned down there and told them—

Q. You heard what Mr. Patterson said about that, about going?—A. Yes.

Q. Do you concur with what Mr. Patterson said about your visit to these people?—A. In every detail.

Q. Then we need not go over that again if you please. I want, if I can, Dr. Harris, to avoid as much repetition as possible, unless you have anything you want to say where you differ or desire to explain. After you had done that what result, if any, followed from that?—A. They wrote us a letter declining to have anything to do with either the powder or the loading.

Q. Yes.—A. Then it looked as if we were not going to be successful. I had taken up the matter with Mr. W. H. Banfield, senior, in Toronto, and had offered to build a factory adjoining the present factory.

Q. Of the Banfields?—A. Yes; if he would undertake the work of making the component parts. We had also intended to bring experts from the United States over into Canada. We then did not want to mix the Manufacturing and Contracting Company with any fuse contracts, in view of the fact that we had already closed our arrangements with W. H. Banfield & Sons in connection with the Manufacturing and

[John A. Harris.]

Contracting Company, and on April 17th we made an offer under the name of the Standard Asbestos and Fuse Company for the same number of fuses.

Q. Do you remember at what price that was? Is that in?—A. I have got it, sir. That was 5,000,000 time and percussion fuses, number 80 mark V, with cover and tin box and in accordance with specifications and blue-prints at \$4.90 a fuse.

Q. That was the offer?—A. Of the Standard Asbestos and Fuse Company. May I make a statement in connection therewith? I have a telegram from my attorneys in Toronto under date of April 28th which reads, "Name objectionable. Existing company called Standard Asbestos Company. Suggest to Ottawa new name in order of preference." That is from my attorneys. I then suggested the name of Primer instead of Asbestos, which was acceptable, and that charter was issued on April 30, 1915.

Q. You put in that offer. What happened to that offer by the Shell Committee?—A. I then took up with the older Mr. Banfield the question of making these fuses in Toronto, and he declined to do anything, saying it was too large an undertaking, and with the component parts having been turned down and the powder having been turned down. Mr. Patterson and I thought there was very little possibility of having tremendous quantities of fuses turned out, in view of the fact that there were no experts to be obtained in Canada to do the loading.

Q. But I thought you said a short time before that you proposed to bring over experts to be obtained in Canada to do the loading.

Q. Why couldn't you bring them over?—A. On account of the component parts not being manufactured here.

Q. Then was the difficulty with the component parts?—A. Both the component parts and the loading.

Q. What did you do with the Shell Committee, what was your communication with the Shell Committee in regard to that? You put in this offer. The offer we understand was not accepted?—A. No, sir, they said that the price was too high.

Q. The Shell Committee did?—A. Yes, sir.

Q. Then did you have any further conferences with the Shell Committee?—A. Yes.

Q. When was your next conference after April 17th?—A. On April 24th.

Q. Yes. Where did you meet them, in Montreal?—A. Montreal. Mr. Patterson and our attorney—

Q. And yourself?—A. Yes, sir.

Q. Now, did you advise them of what had happened in regard to Banfields declining to enter this?—A. Yes, sir.

Q. Tell me what was the attitude at that time of the Shell Committee?—A. They were very anxious to have the work done in Canada.

Q. What did you say to that?—A. I told them that my associates felt that in as much as we could not get any of the components done nor the fuses loaded here, that it was going to be a very difficult undertaking.

Q. Did negotiations break off then?—A. No, sir.

Q. How did they proceed? Tell me what was done then.—A. We then made several visits, and finally it was decided to see what we could do with American talent, and I believe we made a suggestion that General Bertram and Colonel Carnegie come to the States and ascertain what qualifications to do the work were obtainable there, and also to see what machining factories were available.

Q. They did go to the States?—A. Yes, sir.

Q. Before they got to the States had you made any inquiries in regard to what machine shops or factories you could get and what were available?—A. Yes, sir. I personally made inquiries and we secured one of the largest in the United States, that said that they would undertake the work. Colonel Carnegie inspected that particular one, and that was Yale & Towne.

Q. Then you met these gentlemen in New York?—A. Yes, sir. I went out personally with Colonel Carnegie and several other gentlemen to the plant of the Yale & Towne Company.

Q. Up to that time you had no contract of any kind?—A. No, sir.

Q. That was early in May?—A. Yes, sir.

Q. Then after that what was the next thing?—A. I was back in Montreal on May 7th.

Q. Yes.—A. But we could not get anything definite. There seemed to be a tendency to not want to do anything with complete manufacture in the United States. There still seemed to be a feeling that the work or a portion of the work could be done in Canada.

Q. On the part of whom?—A. On the part of ourselves.

Q. What?—A. On the part of ourselves.

Sir WILLIAM MEREDITH: No, the feeling?—A. The Shell Committee and our company.

Mr. HELLMUTH: Had you at that time more or less abandoned the idea of doing the work in Canada?—A. Not entirely.

Q. When you say "not entirely" what do you mean? Had you got any option from this Yale & Towne Company?—A. No, no option, simply I had a talk with Mr. Allen, the President of the Yale & Towne Company.

Q. You had not at that time secured any definite option?—A. Nothing definite, although we had a verbal understanding.

Q. I understand that. And you had not at that time absolutely given up the idea of manufacture in Canada?—A. No, sir.

Q. What difference was there at that time and at any other time later between the possibilities of Canadian manufacture—when did you first give up the idea and why?—A. The reason we eventually gave up the idea, it was more on the part of Mr. Patterson, who is much more technical than I am. All through these negotiations I had assured General Bertram to the last that I was in hopes of putting this thing through without an advance, that I was willing as one to put up my share, that I had put up quite a sum for the Manufacturing and Contracting Company, and it was not until Mr. Patterson and the lawyer and myself came to Montreal that the first talk of an advance was discussed, and it came from Mr. Patterson, who said "You are probably not looking at the technical part of this proposition, for it means according to what I can learn three or four million dollars that will have to be expended." And it was Mr. Patterson who first suggested that an advance payment should come to any company undertaking the work.

Q. But you got a little away from what I was asking you. When did you give up the idea of manufacturing in Canada, about what time?—A. Only after Mr. Patterson said that it could not be done in quantities. The facilities here were not adequate to manufacture 5,000,000 fuses in ten years, and he had talked this over with many technical friends in the States. I of course am not a technical man and did not view it in the same light as Mr. Patterson. I still clung to the idea that possibly we could have some work done in Toronto, hence my desire to have these Canadian companies chartered.

Q. Then when did you first tell the Shell Committee that the work would have to be done in the States?—A. I believe it was on that trip when this lawyer and Mr. Patterson and myself were in Montreal. I think it started then.

Q. That was on?—A. That was on the 26th of April.

Q. The 24th or the 26th?—A. The 26th of April.

Q. You said you came here on the 24th I think.—A. Yes, sir. This little book by the way is a regular little memorandum book, it is the original memorandum book, and I find I left New York on the 24th.

[John A. Harris.]

Q. You would not get here until the 25th?—A. I went to Toronto, sir, and I then went from Toronto to Montreal. I arrived in Montreal on the 25th.

Q. And was it on the 26th that you saw these gentlemen?—A. Mr. Patterson and the attorney arrived on the 26th in Montreal, and we were there on the 27th.

Q. And at that time your recollection is that you practically advised him that the work would have to be done in the States?—A. My recollection is that Mr. Patterson then said it would be utterly impossible to make 5,000,000 time fuses, I don't know whether he used the expression that time that it would take five or ten years to do, or whether at some subsequent meeting.

Q. At all events, you were then contemplating the five million fuses coming to you?—A. Oh, yes.

Q. When did you next put in an offer, or did you put in any written offer at that time?—A. No, sir.

Q. Was there a verbal offer at that time?—A. We then put in a proposition. I have a wire here, if I may be permitted to transgress just a moment.

Q. Yes.—A. Colonel Carnegie made every effort to learn about some copper matters. I will not state how I learned the information beforehand, but it was a very important matter and had to do with a national thing, and I sent him this information. He replied to this by saying, "Thanks your wire *re* copper. Can you reduce price fuses as we are informed price much too high." That was March 26th he sent me that wire. This is the original wire, at least a confirmation of it. I answered back on March 27th, "Mr. David Carnegie, Shell Committee, Drummond Building, Montreal. Wire received. After taking up matter respecting reduction in price of fuses I am pleased to inform you that we will make the price \$4.90 per fuse in quantities of one million or more."

Q. You have gone back a moment.—A. Yes, that referred to the first order. That shows the reduction from \$5.50 to \$4.90. Then it was subsequently discussed at this Montreal meeting, when I believe it was stated that we would accept \$4.50. That was a verbal understanding.

Q. \$4.50?—A. Yes, sir.

Q. And I suppose I may say this, that all this time you were discussing the English 80 time fuse?—A. Yes, sir.

Q. Not the American 85?—A. No, sir; although we made an offer to substitute the American 85 for the No. 80 mark ⁵, because we were told that aluminium was a most difficult thing to work and to get in this country. That is to say—

Q. You mean in North America?—A. That is to say, the aluminium that would be required to stand the heavy pressure that is required in fuses.

Q. Then, Dr. Harris, you left that meeting, as I understand you now, of the 27th of April, with a verbal offer to make the fuses at \$4.50, but not accepted?—A. That was, I believe, sir, in March.

Q. No.—A. Yes, sir, that was April 26th.

Q. Well, did you make a proposition in writing at the meeting in April?—A. I do not recall.

Q. You would have it there, wouldn't you, if you had? You said you made a proposition. Now, I want to know whether it was in writing or verbally.

Mr. NESBITT: He said verbally.

Mr. HELLMUTH: I know he did.

WITNESS: I believe it was verbally, sir.

Mr. HELLMUTH: And that was to come down to \$4.50, was it not, for 5,000,000 fuses?—A. Yes, sir.

Sir WILLIAM MEREDITH: That was before the attorney and Mr. Patterson came on the 26th?

Mr. HELLMUTH: Was that at the meeting?—A. Yes, sir.

Sir WILLIAM MEREDITH: That must have been the 27th. You said Mr. Patterson did not arrive until the 27th.—A. Mr. Patterson arrived on the 26th.

Hon. Mr. DUFF: April 26th was the date on which they expressed their readiness to make fuses at a certain rate, was it not, \$4.50?

Mr. HELLMUTH: Yes.

Mr. HENDERSON: Patterson says there was a sort of dicker with the Shell Committee, that the Committee asked for \$4.50, and they did not agree to it. You will find that on page 532.

Mr. HELLMUTH: They had not accepted your offer at that time, as I understand it?—A. No, sir.

Q. Now, at that time had you secured any options, or was it later?—A. Options on materials?

Q. Yes.—A. Yes, sir, I have an option here, a very important option, dated April 24, 1915, from the Aluminium—

Mr. ATWATER: You had better not give the name.

Mr. HELLMUTH: You need not give the name.

WITNESS: This option is to the Standard Asbestos and Fuse Company, Limited, showing again that my efforts were to still do the work in Canada, addressed to Pape avenue, Toronto. If you would like to see this option?

Mr. HELLMUTH: No.

Sir WILLIAM MEREDITH: For what period was the option, or does it state?—A. Ten days, sir. That was April 24th.

Mr. HELLMUTH: You got that option, as I understand it, before Mr. Patterson and this lawyer at the meeting of the 26th had said or informed the Shell Committee, with apparently your concurrence, that the work could not be done in Canada?—A. Yes, sir.

Q. Prior to that you got that option?—A. Yes, sir.

Q. Then had you any other options at that time? I do not want you to give the names.—A. Quite a few.

Q. And were they short options like that?—A. Yes, sir, most of them were, because at that time all the big companies were approached by so many people for ammunition, which at that time was in great demand.

Q. Then did you inform the Shell Committee at the meeting of the 26th that you had these options?—A. Yes, sir.

Q. Had you any options on any experts at that time? Colonel Birnie, had you any option on him then?—A. That I am not sure, because Mr. Patterson arranged all those details.

Q. Then after the meeting of the 26th or 27th, as the case may be, what was the next thing that you did in regard to the matter?—A. Mr. Patterson and the lawyer went to New York.

Q. What did you do?—A. I went to Toronto on the eleven o'clock train on the 28th.

Q. That is the eleven o'clock evening train?—A. Yes; and it was agreed after we had taken up the matter with the Canadian Explosives that Colonel Carnegie was to go to New York and investigate these options and the facilities we had.

Q. And you have told me that Colonel Carnegie did go down to New York?—A. He did not go that night.

Q. No, not that night, but he went very shortly after?—A. I understand that Colonel Carnegie went to New York, according to my notes here, on the 30th. I was in Toronto and I left Toronto on the 29th, and Colonel Carnegie left Montreal on the 30th, and the purpose of my trying to get there was to tell him not to go to Wilmington. I arrived at the station at 9.30 and he had got in at 7.36. I immediately went over to the Belmont Hotel to ascertain if he was registered there, and they said he was not, and I missed him. He went direct to Wilmington.

Q. Mr. Patterson has told us about his visit to Wilmington and about Colonel Carnegie's expressing disappointment at what he found there. Were you present?—

[John A. Harris.]

A. Yes. That evening Colonel Carnegie returned from Wilmington and came to the offices, and I quite concurred in his disappointment.

Q. You were disappointed yourself?—A. Very much so.

Q. Was it on that occasion or later on in May that Colonel Carnegie had the interview with Major Hawkins and Colonel Birnie?—A. I was not present at any of those meetings.

Q. What did you do next after that, please, in regard to it, yourself?—A. My next trip to the Shell Committee was I believe on a call, or a telegram was sent to me asking me to go to Montreal, and I went to Montreal on May 6th, arriving there on the 7th. I was very much disappointed to learn that General Bertram and Colonel Carnegie had left Montreal that morning and that they were not expected back that day or the day following, or something to that effect. So I made that trip, which was a useless trip, and I returned to New York.

Q. You did not see them, or have any discussion?—A. No.

Q. When did you first learn that there were competitors in the field for the contract?—A. I did not know that there were any competitors until I think it was around the middle of May, I should judge, although I may say that continually one hears all kinds of rumours that there are people going to enter the field and do the work.

Q. But about the middle of May how did you learn then or did you learn then authoratively the fact that there were competitors?—A. The way I first heard it was this, that our price was too high and that other people coming in might possibly get us to reduce the price. I did not know whether there was anything in it or not.

Q. About the middle of May did you learn anything about your prospective competitors, I will put it?—A. No. We were still under the impression that we were going to get the five million fuses.

Q. Did anything take place by way of interview or correspondence of any moment to advise you between the 15th of May and the 25th when you got the letter for two and a half million fuses that you were only going to get one-half of the order?—A. Nothing definite.

Q. Were you here after the 7th of May and between that and the 28th?—A. No, sir.

Q. You were not?—A. No. I left New York on the 20th of May, which was a Thursday.

Q. When did you come to Ottawa?—A. I arrived in Ottawa on the 21st.

Q. Were you in Ottawa (I am going to follow this up a little) from the 21st to the 25th?—A. No, sir. I was in Ottawa, and Mr. Patterson and Colonel Birnie were here.

Hon. Mr. DUFF: That was on the 21st?—A. I arrived on Friday the 21st. Mr. Patterson and Colonel Birnie were here. Mr. Patterson was getting very impatient. He thought I was not quite active enough to bring this to a head, that he had very close friends in New York who could readily with his facilities give him fuses. But in justice to me and in fairness to me Mr. Patterson thought he would come over and learn directly himself.

Q. "Give him fuses"—do you mean give him contracts for fuses?—A. I don't quite understand, sir.

Mr. HELLMUTH: Do you mean by your words "giving him fuses" giving him contracts for fuses?—A. Yes, sir.

Q. Giving him the opportunity of making fuses?—A. Yes. Therefore he was over here when I arrived.

Q. That was on the 21st?—A. Yes, sir.

Q. Did you see the Shell Committee then?—A. I saw General Bertram and Colonel Carnegie then.

Q. Was anything done then, on the 21st?—A. The only thing that was done was that Mr. Patterson was getting very impatient, saying that these options would expire.

We had very great difficulty to hold the most important of these options that I spoke of, without which we could not make one fuse, and unless he could get something definite at that time he was going to return to New York and drop the matter, that was why I came on.

Q. Did you go away from Ottawa after the 21st?—A. Mr. Patterson and Colonel Birnie left on Saturday the 22nd, for New York. I had started to go with them. They had decided, or I believe Mr. Patterson had decided to drop the matter. I talked with him from here to a junction between Ottawa and Montreal, and I said "I will not go to New York, I will go back to Ottawa and make an effort to ascertain whether we are going to get anything definite in an order." I returned to Ottawa on Monday the 24th, which I have a note here was a holiday.

Q. Yes, it is a holiday in this country?—A. On the 24th I arrived in Ottawa, and saw Colonel Carnegie and General Bertram.

Q. On the 24th?—A. Yes, sir.

Q. They actually would do business on that day, would they?—A. Well, I saw them on the 24th and told them that I was afraid that after all these months of effort on my part to bring about a successful conclusion to this fuse matter and interest him as I thought in such important factors in the technical world, that it seemed a pity we could get nothing definite, and that Mr. Patterson had gone away very much chagrined. I wanted to know if we could get something definite, and if not we were going to make efforts elsewhere. On the 25th they handed me a letter at about noon, because after I got the letter I went to lunch at the Chateau Laurier.

Q. Is that letter of the 25th giving an order for two and a half million fuses at a minimum of \$4.25 already in as an exhibit?—A. I have the letter here, sir, and the envelope here also which was handed to me. It is dated May 25.

(Exhibit No. 76, page 83 of Printed Report.)

Q. Was that the result of the conference—conferences perhaps I should say—that you had with General Bertram and Colonel Carnegie on the 24th and the morning of the 25th that you got that letter?—A. I believe it was, sir.

Q. That letter was not sent by mail, but was handed to you?—A. It was handed to me. I have the envelope here too.

Q. You knew then at all events definitely that there was no five million order; you appreciated that, of course?—A. Yes, sir. I knew at that time that we would not get the whole order.

Q. I want to ask you this, had you any discussion at that time as to why you were not going to get the whole order?—A. They said it would be impossible for us to make deliveries of such a quantity of fuses within a short time, and that it was only proper that they should divide the order between companies that would get them out simultaneously.

Q. That was the reason given to you?—A. Yes, sir.

Q. There is something else in that order that I would like you to deal with. You said that your price was \$4.50?—A. Yes.

Q. That order, while it does not fix a maximum price, fixes a minimum price of not less than \$4.25?—A. Yes, sir.

Q. Did it not occur to you that they would probably want to keep you at \$4.25?—A. They may have made the effort. But we were relying on Colonel Birnie's proposal, saying that \$4.50 was a low figure for that particular kind of fuse, in view of the fact that they had never been made in this country.

Q. What I want to get at is this, did you or did you not at that time advise the Shell Committee that you would not come down to \$4.25, or did you leave that as a matter to be dealt with and negotiated as between the \$4.25 and the \$4.50?—A. At the time I received this letter I told them I would return to New York on the afternoon train and take it up with Mr. Patterson, that we did not, or at least that we were not a party to the proposition making the price \$4.25.

[John A. Harris.]

Q. But did you leave any hope with the Committee that there might be some possible adjustment in regard to price, or did you say "It is no use giving me an offer of \$4.25"?—A. I was always favourable to a reduction, and manufacture in Canada.

Q. May I take it from that, or will it be fair to take it from that that you left them with the hope that you, Dr. Harris, might induce your associates to keep the price somewhere between \$4.25 and \$4.50?—A. I would not be positive. But I think I did, because my efforts were always to get the fuses at the least possible cost and to have them manufactured in Canada. I of course could not govern my associates. I was one of three.

Q. You took that away with you then; I believe you left Ottawa that afternoon. Did you see them again that afternoon, or after you went to lunch?—A. No. I left on the 4.45 train.

Q. When did you see Colonel Carnegie and General Bertram after you left the office about noon with that letter; did you see them again that day?—A. No, sir.

Q. Did you see them again that day?—A. No, sir.

Q. You left that afternoon?—A. Yes, sir.

Hon. Mr. DUFF: Before you pass on, Mr. Hellmuth, will you ask Dr. Harris whether he can recollect whether or not he met the members of the Shell Committee, I mean before the meeting of the 24th of May.

Mr. HELLMUTH: Before the meeting on the 24th of May?

Hon. Mr. DUFF: I understood from him that Mr. Patterson led him to believe that if it had not been for Dr. Harris he, (Mr. Patterson) had practically made up his mind to throw the thing up.

WITNESS: Yes, sir.

Mr. HELLMUTH: Did you advise the Shell Committee of the attitude of Mr. Patterson in regard to the delay and his desire to throw it up?—A. Directly. I referred to it on several occasions.

Q. But on the 24th?—A. The 24th was when I returned from Montreal to Ottawa.

Hon. Mr. DUFF: But before the 24th?—A. Before the 24th I did draw attention to the fact that these options were expiring.

Mr. HELLMUTH: But Mr. Patterson's attitude?—A. I cannot recollect whether or not I did directly. I would not be sure about it.

Q. You said that Patterson had left chagrined?—A. On the 22nd, on the Saturday.

Q. Did you say anything about that to either Colonel Carnegie or the Shell Committee?—A. No, because Mr. Patterson had decided so abruptly to leave.

Q. But when you came back did you tell them?—A. Yes, on my return from Montreal.

Q. Before you got the letter of the 25th had you told them?

Sir WILLIAM MEREDITH: He started from Montreal with them, but came back to Ottawa again.

Mr. HELLMUTH: When you came back on the 24th, on the holiday, and on the morning of the 25th did you tell them then of Mr. Patterson's attitude?—A. I saw them on the morning of the 24th.

Q. But after you returned from Coteau Junction, where you had gone with Mr. Patterson, did you tell General Bertram of Colonel Carnegie on the 24th, after you came back, or on the morning of the 25th that Mr. Patterson was inclined to throw the whole thing up?—A. I did.

Hon. Mr. DUFF: What I rather wanted to ask was this, whether before Mr. Patterson left you had made them aware that on account of the fact that the options were running out Mr. Patterson's mind was practically made up to throw the thing up?—A. Yes, sir.

Q. The question is whether you made General Bertram or Colonel Carnegie aware of that fact before you and Mr. Patterson left?—A. Yes, sir.

Q. On the 22nd?—A. Yes, sir, Saturday the 22nd.

Mr. HELLMUTH: You did make them aware of it?—A. Yes, sir.

Q. Then you all went away at that time as though you were disgusted with the matter, and you came back afterwards?—A. We did, the three of us.

Q. You came back to find if you still could arrive at a method of getting in—may I put it that way?—A. Yes, sir.

Q. After you got the letter of the 25th of May, what did you do with regard to these options you had already secured; did you close with any of them or did you get extensions?—A. We got extensions in some cases, and we lost others. We lost one of our most important options.

Sir WILLIAM MEREDITH: Was that after the 25th?—A. That was after the 25th, sir.

Hon. Mr. DUFF: Just a moment. Did you lose any options before the 25th?—A. That I am not sure about, but I can refresh my memory from wires. Mr. Patterson told me that certain firms were very restless, and that we would lose them.

Mr. HELLMUTH: After the 25th, when you went back you had in your pocket with you this letter from the Shell Committee. Did you consult with Mr. Patterson and the other associate in regard to the suggested minimum of \$4.25 and the \$4.50?—A. Yes, sir.

Q. From what place you concluded to stick at \$4.50?—A. Yes.

Q. So you were not prepared to undertake it when you met them at anything less than \$4.50—A. No, sir.

Q. Did you come here with Mr. Patterson on the first of June?—A. I left New York on May 31st and arrived here alone on June 1st.

Q. Did you meet the Shell Committee or General Bertram and Colonel Carnegie on that day?—A. I am a little hazy on what took place on that trip, sir. Mr. Patterson and Colonel Birnie arrived on the 2nd of June. There must have been something took place or I would not have had Mr. Patterson and Colonel Birnie here. My impression is that I was making an effort to meet the \$4.25, but I could not decide that alone and they came on.

Q. You were the one who might come down—is that a fair way of putting it?—A. Yes, sir.

Hon. Mr. DUFF: He was a good Torontonian?

Mr. HELLMUTH: They did come, and it was on the second that the three of you met General Bertram and Colonel Carnegie?—A. I believe so. I believe we did.

Q. Have you any note to show whether you did or not?—A. All I have is this little book which I always carry, and it says "Monday, May 31, left for Ottawa, arrived on June 1st." I have a little note here on June 2nd, which was Wednesday, "re fuses. Patterson and Birnie arrived at twelve o'clock." On the 3rd, which was Thursday, "Left five o'clock C.P.R. for Montreal, left Montreal on the Delaware & Hudson, making a day trip to New York." We all had appointments in New York that night.

Q. Is your memory sufficiently good to tell me what took place between you and the Shell Committee or General Bertram and Colonel Carnegie on that trip? If you do not remember I do not want you to say. A. I should judge it was all a question of the price.

Q. That is about all you can say?—A. Yes. We had the letter. We had nothing definite in the way of a contract.

Q. You had an order, if you chose to take it, at a minimum of \$4.25 or whatever might be agreed with the others, but they were not bound to go on with it, you know that as a business man; did you hear what Mr. Patterson said on that day?—A. I have not read Mr. Patterson's testimony. I was in the room, but I have no recollection of that. I did not refresh my memory. I am going just by my own recollection.

Q. Did you come down again between that and the 16th?—A. I left for Ottawa on the 15th of June.

[John A. Harris.]

Q. You were not here between those dates?—A. No, sir.

Q. And did not see Colonel Carnegie, General Bertram or any member of the Shell Committee in New York between those dates?—A. No, sir. Just a moment. I will have to refresh my memory upon that. I have a telegram here from the Shell Committee, dated June 7th: "We are amending contract forms and hope to send you copies to-morrow."

Sir WILLIAM MEREDITH: That is not in, is it?

Mr. HELLMUTH: No, sir, I don't think it is. At least I do not recollect it.

Q. That was a telegram you got on the 7th or 8th?—A. It was dated at Ottawa, June 7, 1915.

Q. We may assume that you got it that day, I suppose? Did the contract forms follow?—A. Of that I am not sure.

Q. Well, if you are not sure I will not press you about it. At all events you came here, leaving New York on the 15th and getting to Ottawa on the 16th?—A. I have something here which may enlighten us. On June 13th, I sent a wire to General Bertram, "Can arrangements be made for you and Colonel Carnegie to come to New York and learn directly and promptly of our bankers and banking arrangements," and that that would greatly facilitate the details and assure early disposition of all contract matters, and requested an answer.

Q. That has not gone in. Did you get an answer to that?—A. I have no answer here. There may have been one. I have not a complete file. In connection with our files, I may say that quite a few of our papers have disappeared mysteriously. I have a wire here addressed to me by Colonel Carnegie, from my secretary. We had asked Colonel Carnegie if he could make arrangements for our Mr. Graham, who was then with the British American Tobacco Company in London, and the British American Tobacco Company's engineer to visit the arsenal, and Colonel Carnegie I think replied stating that he believed arrangements might be made, and I wired my secretary.

Q. Have you Colonel Carnegie's telegram there?—A. "Have received cable stating arrangements can be made for your Mr. Graham and engineer to visit arsenal. Signed. Carnegie."

Hon. Mr. DUFF: Let us have the date, please.—A. It is marked New York, June 16th. On June 16th, I was in Ottawa. I wired my secretary as follows, "Call up Mr. Patterson and read Carnegie's telegram to him."

Mr. HELLMUTH: Well, you were here on the 16th of June, and remained here until the 19th?—A. I remained here until the 20th. I left on the early train, at 5 o'clock in the morning.

Q. Of the 20th?—A. Of the 20th.

Q. You were here on the 16th, 17th, 18th, 19th, those four days?—A. Yes, sir.

Q. I do not want to go into all the details, but during those four days were negotiations going on between you, the Shell Committee, your lawyers and their lawyers in regard to the contracts and the form they were to take?—A. Continuously.

Q. And eventually you left with a signed and executed contract for two and a half million of time fuses at \$4.50?—A. Yes, sir.

Q. In that contract the provisions in regard to the Guarantee Company guaranteeing advances were 15 per cent, ten per cent down when the guarantee was given and five per cent in four monthly payments—the general features of the contract?—A. Yes, sir.

Q. And the times of delivery?—A. Yes, sir.

Q. Mr. Patterson I believe was not here on that occasion?—A. No, sir. He did not think a contract would be signed.

Q. He did not think a contract would be signed?—A. No. So I told him I would go over anyway, that I would go over myself. In fact I came over alone, without an attorney. I did not think it was necessary to have any attorney.

Q. But you got one?—A. An attorney?

Q. Yes.—A. He came here on the morning it was signed. I wired him when I knew it was going to be signed.

Q. You must have known at that time that there was another concern negotiating at the same moment for a contract?—A. I certainly did.

Q. You know that that was what is now called the American Ammunition Company?—A. Yes, sir.

Q. Will you tell me what gentlemen, if any, you met who were connected with that other company?—A. On the train I came in on, on the 15th I met Mr. Yoakum, Mr. Cadwell, and a Mr. Callahan. That was on the 15th.

Q. Did they tell you what their business was?—A. Yes. They told me they were coming over on fuse matters.

Q. You did not swap stories as to the position you occupied?—A. No, sir. I did not say much to them, and I don't think they said much to me. But we were on the same train.

Q. Did you as a matter of fact at all discuss with them any of the terms of your proposed contract?—A. No, sir.

Q. Or they with you?—A. No, sir.

Q. During the negotiations that were going on here, did you during those days have any discussion with these other gentlemen as to the terms on which they were getting their contract?—A. No, sir. I was all alone at the time. I went to see Mr. Orde all alone. I thought, as Mr. Orde thought, that it was rather strange that I should not have some advice, I had to arrange my appointments with Mr. Orde in accordance with his convenience, because these other people were going to him separately.

Q. You were one against three?—A. Yes. I wired Mr. Patterson to send an attorney on, as I was all alone.

Q. You were in the hands of the Philistines, apparently?—A. Mr. Patterson wired back and said I was strong enough to do it alone. Finally he sent Mr. Carpenter, of this law firm, down, who arrived at twelve o'clock, just at the time we were completing the contract. But Mr. Orde was very kind to me indeed.

Q. You knew Mr. Orde?—A. I knew Mr. Orde.

Q. You knew he was acting for the Shell Committee?—A. Yes. But I knew he was quite fair in regard to the terms of the contract.

Q. You understood the terms of the contract, as a business man?—A. Yes.

Q. You appreciated them of course?—A. Yes.

Q. And you were willing to and did sign that contract?—A. I did.

Q. Was there any discussion during those four days about price—I just want to know whether there was or not?—A. My recollection is that there did not seem to be much discussion as far as I was concerned, for the reason that I had been told that our price was \$4.50, and as I said I was only one of three and we had a gentleman's agreement that we were to see the thing through regardless of what it would cost. Mr. Patterson and this lawyer were not present, so I simply had to follow it out.

Q. You could not go any further than that, in fairness to your associates?—A. Exactly.

Q. Did you know what price your competitors were getting, at that time?—A. No, sir, I did not.

Q. Did you know that at that time, of the total five million fuses 1,666,666 or one-third of the entire five million were to be No. 100 graze fuses?—A. No, sir.

Q. You were never offered the graze fuses?—A. No, sir. We were bidding on time and percussion fuses.

Q. And that was your only bid?—A. That was our only bid.

Hon. Mr. DUFF: Do you know definitely, Dr. Harris, not only with regard to yourself personally but with regard to your associates, that you were never requested to take any part of the 100 graze fuses, by the Shell Committee?—A. Absolutely. I am not [John A. Harris.]

a technical man on fuses, and would not know the difference, but we were bidding on time and percussion fuses No. 80 mark 5.

Q. You were not asked to take any part of the other order?—A. No, sir. As a matter of fact, if any such suggestion had come up I would have been at a loss. I would not have been able to decide, because we had not discussed the No. 100 fuses.

Mr. HELLMUTH: That was a matter you had not taken up with the Committee?—A. No, sir.

Q. When you went away did you know there were any graze fuses in the other people's contracts?—A. I had heard there was a 100 fuse, but I did not know what it was.

Q. This contract, I am not going into the guarantees and do not think it is necessary to go over it again, but what did you do in regard to completing your arrangements if any for manufacturing; what did you do with the options, in the first place?—A. We closed our options. We worked night and day, and are still working.

Q. Did you have any personal knowledge (you have told me you were not on the technical side) or information given to you by anybody as to—may I put it as strong as this—the foolishness of undertaking to make deliveries according to the terms of the contract, within the time?—A. Colonel Birnie had told us that we could never do work that would require eight to ten months in five months.

Q. His opinion was that the work that was necessary to be done would require eight to ten months, and that you could never do it in five months?—A. Yes, sir.

Q. Tell me why, if you had that from Colonel Birnie, you signed a contract to do in five months what would take eight or ten months?—A. I made every effort to extend the time.

Q. With the Shell Committee?—A. With the Shell Committee. But it was simply a question of take it or leave it, and I thought possibly that we might be able to get through in five months. Not being a technical man, I made an error.

Q. At all events I may put it this way, that you had hope that Colonel Birnie's prophecy would not be found to be strictly accurate and that you would get through in a shorter time?—A. Yes.

Q. Because I cannot conceive that a business man would voluntarily sign an agreement which he knew he could not perform?—A. No, sir.

Sir WILLIAM MEREDITH: Did he have any hope that if they made a good showing he would get an extension?

Mr. HELLMUTH: Did you have any hope at that time that if you came anywhere near that and made a fair showing you would get an extension?—A. We certainly did. At least I certainly did. It was so intimated in the room at the time.

Q. While they would not extend it legally and be bound by it, they intimated to you that if you made a good showing you would get an extension?—A. Yes, sir.

Q. May I always assume when you say they that you mean General Bertram and Colonel Carnegie?—A. Yes. General Pease also told me verbally. I objected to the five months, and General Pease told me "I do not see how you can do it, but if you do well you will get an extension."

Q. General Pease then was not so far away from Colonel Birnie in regard to time?—A. I think he was very much of Colonel Birnie's opinion as to time.

Q. You say you closed the options immediately after the contract was signed, the options you had on machinery?—A. Yes.

Q. Had you options at that time on component parts as well as on machinery?—A. We had tentative options, and of course had the American Machine and Foundry Company.

Q. May I call the American Machine and Foundry Company Mr. Patterson's Company?—A. Yes, sir.

Q. Mr. Patterson with this lawyer, were they your only associates in this venture?—A. The only ones.

Q. You three were the only associates in the venture?—A. Yes.

Q. I am not going to ask you about the incorporation of the International Arms and Fuse Company, because Mr. Patterson has told us about that?—A. Yes.

Hon. Mr. DUFF: Is there any way of getting exact information as to what options they had and when they expired, so that they may be identified?

Mr. HELLMUTH: Perhaps you can tell me what options you had at the time you went back and closed them?

Hon. Mr. DUFF: I do not mean that. I mean what options had they at the time of the visit of the 20th of May? Take that period, and say what of those options expired after that date, between that and the time the contract was closed or signed.

WITNESS: The most important of the options was extended from time to time. It was originally given for ten days. The others were mostly verbal options. I think there were one or two others, but most of them were verbal options with very large manufacturing concerns.

Mr. HELLMUTH: I am going to ask you this; do you take verbal options, expecting them to be lived up to if conditions are such that it would be detrimental to live up to them?—A. Well, the close affiliation of the American Machine and Foundry Company with ourselves was ample for us to take their verbal option.

Q. But the others?—A. The others were with the Presidents of two concerns, and they assured me that they would do a portion of the work.

Q. Did they fix any time within which you would advise them in order that they should do a portion of the work?—A. Yes.

Q. Had you kept those alive?—A. With great difficulty in one case; the others took on other business.

Q. You lost?—A. Yes, we lost several of them.

Hon. Mr. DUFF: At what point were they lost?—A. They were lost I should judge between—I have to be guided by this big option because most of them were at that time; they were lost I should judge between April 15th and May 15th.

Q. Did you lose any of the options that you had after May 15th and before the contract was signed on the 19th June or did you keep all those options and were you able to close them?—A. We lost some.

Q. You lost some between May 15th and June 19th?—A. Yes.

Q. Or June 20th when you got back?—A. Yes.

Q. You did lose some of them?—A. Yes.

Q. Were they important or not, or were they small?—A. In two cases they were very important, I should say they were very important.

Q. Did you keep any of the really important ones?—A. Yes, the most important one, that was extended every ten days; we kept that alive.

Hon. Mr. DUFF: That was the aluminium?—A. Yes.

Q. You said there were two very important ones that lapsed between 15th May and 20th June, about what time, could you fix it any closer than that?—A. I could not, sir, without the file; I have some memoranda.

Mr. HELLMUTH: When you told the Shell Committee that some option had expired, and that others would likely expire I want to know—you will pardon the expression—whether you were bluffing or telling what was the fact?—A. No, sir, I can give you the names of the firm; I prefer not because they are doing British work now.

Hon. Mr. DUFF: I had not that in my mind of suggesting that his representations were not perfectly sincere, I mean to say I did not wish Mr. Harris to get that impression?—A. No, I have not that impression; I would be very glad to give it to the Commissioners.

Mr. HELLMUTH: But I thought it was not unfair to ask the witness; I want to know.

[John A. Harris.]

Mr. CARVELL: What were they for?

Mr. HELLMUTH: What were they for, were they machinery options or parts options?—A. Components parts.

Mr. JOHNSTON: To be manufactured?—A. Yes, sir.

Mr. HELLMUTH: I will ask you this; in the subsequent arrangements that you made for the manufacture of those parts for which you had lost the options was it a gain or a loss to you by having had those companies cancel the option?—A. In one case I think it was a loss, though one can never tell in the munitions business; but from what they are doing to-day I think it was a loss as compared with the one we had to substitute.

Q. That is in the other?—A. That I do not know whether that would have made any material difference, I think it would have in that case too, because the one we had to substitute in that case has entirely fallen down.

Q. I am now asking you, did you close all the outstanding options that you then had when you went back on the 20th June?—A. I believe we did, for I no sooner got back than everybody got busy.

Q. Where you yourself busy at this time or were you engaged in other enterprises?—A. I closed every contract for this particular work personally.

Q. Do you mean that you closed out or dropped from them, I don't mean gave up but dropped your personal attention for this?—A. I personally closed that contract for the two million five hundred thousand time and percussion fuses No. 80 Mark V.

Q. How much of your time did you devote to this business after you had got the contract?—A. Probably nine-tenths of my time, I may say that all my time, night and day.

Q. What did you do in regard to a factory for the loading and assembling—we have heard what Mr. Patterson said, did you hear what he said?—A. Yes.

Q. Do you want to say anything more or do you want to follow what he said in regard to what was done?—A. I think he covered the ground fully. I purchased the property and closed all the contracts and everything in connection with the loading plants.

Q. In regard to the amount of money that has been put into the International Arms and Fuse and the dates in regard to advances, did you hear what Mr. Patterson said?—A. Yes, sir.

Q. Do you want to add anything to that?—A. Nothing outside of one thing, that as I said there was a gentleman's agreement, we talked it over at the Metropolitan Club one evening, this lawyer, Mr. Patterson and myself, and we decided that any amount that was necessary the three of us would put in, and we have kept that gentleman's agreement up to this date.

Q. That was not a written agreement?—A. No, sir, just between the three of us.

Q. Sometimes gentlemen write agreements, not always perhaps. I do not suppose you know from what you have said very much about the technical manufacture of fuses?—A. I made an effort one time to learn something about it and I was ill for two days; I gave it up.

Q. I need not ask you if you identify these photographs; they have been all identified?—A. Yes, sir.

Sir WILLIAM MEREDITH: I suppose nobody questions these being genuine.

Mr. HELLMUTH: You have seen the book of photographs that has gone in?—A. Yes, sir, I have been over at the buildings as they progressed.

Q. And they represent your factory and not some imaginary factory?—A. I am very familiar with every foot of the building.

Q. I am going to ask you just one further question, perhaps two.

Sir WILLIAM MEREDITH: Is that a gentleman's agreement that it is only to be one?

Mr. HELLMUTH: I don't know, it may be broken; it is on one subject anyway.

Q. In regard to this fuse contract which you and your associates obtained in the name of the International Arms and Fuse Company, what inducement did you use or was used upon you or any of your associates so far as you know to enter into or obtain the contract outside of the price that is in it?—A. None whatever.

Q. Who, if anybody approached you or so far as you know any of your associates for any reward or commission or amount for obtaining the contract or conducting any negotiations leading up to it?—A. Nobody.

Sir WILLIAM MEREDITH: Will you ask him if there is anybody interested in the contract?

Mr. HELLMUTH: Is there anybody, and if so whom, interested in the profits whatever they may be, in this contract outside of your three selves and I think one gentlemen they said had 300 shares?—A. Nobody.

Hon. Mr. DUFF: You might ask him if there was any suggestion with regard to any other influence.

Mr. HELLMUTH: Was there any suggestion, and if so what, made to you prior to your entering or proposing to go into the fuse business with the Shell Committee or during the negotiations, was there any suggestion that anybody could help you to obtain a contract or to bring it about?—A. None whatsoever.

By Mr. Atwater:

Q. If I understand your evidence rightly your attention was directed to the making of fuses, the first thought of your making fuses was suggested by General Bertram, is that correct?—A. General Bertram asked me if I would undertake to look into the matter of manufacturing time and percussion fuses for the Shell Committee.

Q. At that time had you any other contract for the supply of munitions to the Shell Committee or any company in which you were interested?—A. I did.

Q. What was that?—A. That was for shells.

Q. Undertaken by what company?—A. The Manufacturing and Constructing Company.

Q. That is the same Manufacturing and Contracting Company which put in the first contract of the 19th March?—A. Yes, sir.

Q. And that contract was actually in force or had been undertaken at the time that General Bertram asked you to interest yourself in the manufacture of fuses, is that right?—A. Yes.

Q. If I understand you rightly also, practically down to the time that you received the option of an order of the 25th May, 1915 you still were endeavouring to carry out any contract you got for the manufacture of fuse, if possible, in Canada?—A. Every effort.

Q. And it was only when you found it was impossible to get your associates, and for your company to carry them out in Canada, that you told the Shell Committee you would have to manufacture in the States?—A. Yes, sir.

Q. When you were in Montreal at the time of the signing of the contract of the 19th June.

Sir WILLIAM MEREDITH: That was here.

Mr. ATWATER: In Ottawa, on the 19th June, was anything said by you to the Shell Committee of requiring to finance your company on the strength of the agreement that was being entered into?—A. No, sir.

Q. Had you any necessity for any such financing?—A. No, sir.

Q. It was not you that asked for any endorsement of that contract by the Minister of Militia or any one representing the British authorities?—A. No, sir.

Q. Have you any connection at all in regard to the carrying out of this contract with any other company or individual, or association of individuals, except those that you have mentioned who are interested in your own companies?—A. No, sir.

[John A. Harris.]

Q. Can you at all remember if in connection with the carrying out of this contract you have been asked or the company has been asked for any information or assistance by any other individuals or companies manufacturing fuses in Canada?—A. Yes, sir.

Q. Will you kindly indicate what the nature of those requests was, and what assistance you gave?—A. Every request that came from Canada and abroad I have answered promptly with the customary desire on my part to be of assistance, and I have quite a considerable number of requests in writing, I may read one to you to give you an idea, and in ordering these manuals we could have got through with ten, and I ordered five hundred, though we knew we would never use them ourselves.

Q. You are speaking of what manuals, the inspectors'?—A. Yes, sir; and we sent quite a few of these over to England.

Mr. JOHNSTON: There is nobody objecting to all this?—A. The most recent request in connection with a desire for information has come from the British Munitions Company; they had come to me through a letter from the Imperial Board, and we had met a few of these requests and they asked, the letter is addressed to me, and said "My dear Doctor"—

Mr. ATWATER: Never mind reading the letter, just tell us the purport of it.—A. It practically asks us to tell them all our business, and I told them all our business in my reply.

Sir WILLIAM MEREDITH: What body is that?—A. The British Munitions Company; that is the Government loading company in Montreal.

Mr. ATWATER: You say they asked you to tell them all your business?—A. Practically so, and I replied giving them all the information they requested.

Q. I would like if the Commissioners would allow him to indicate—

Sir WILLIAM MEREDITH: Would not the shortest plan be to let him do what he started to do, to read the letter?—A. "My dear Doctor: You very kindly offered to help us out on this fuse work. I am therefore writing you asking if you can give me addresses of the manufacturers who are supplying you with the following raw materials for the 80 mark V. fuse; linen for the disc for base plate"—

Sir WILLIAM MEREDITH: Perhaps you need not read those details, the list of things; how many are there?—A. About ten. I replied and I stated: "My Dear Mr. Hathaway: I beg to acknowledge receipt of your communication of the 20th, and in reply beg to say it gives me much pleasure in furnishing you with the following addresses of the manufacturers who are supplying us with raw material for the No. 80 mark V. fuse"—and I gave all the addresses in reply to each one of his answers.

Mr. ATWATER: Will you mind filing with the Commission copies of that letter and answer?—A. Yes; I can file the original and the answer.

Mr. HELLMUTH: I don't think that ought to be filed with anybody, the names.

Sir WILLIAM MEREDITH: That discloses just what we have been trying to keep out, does it not?

Mr. HELLMUTH: I think so; I think that should be kept out.

Mr. ATWATER: Have there been any other requests made?—A. Yes, sir. We furnished quite a few concerns that are now undertaking the work, including Mr. Myler, vice-president of the Canadian Westinghouse Co., was one; the Williams Manufacturing Co. was another; and we have quite a few. We also have supplied the Imperial Munitions Board with anything that they wanted, whether it be our drawings or our gauges. There are quite a number of these requests, and to all we answered that our doors are open and our available information is at your service. This is an illustration, this is a letter to us dated December 29th: "This letter will introduce to you Mr. Melville White of the Canadian General Electric Co. in Tor-

onto. Any assistance you can give to him to inspect plants making time fuse parts under our contract will be very much appreciated."

Q. What is the date?—A. December 29, 1915. I immediately on December 30th sent this letter to Mr. Wilson, blank company, such a city: "Dear Mr. Wilson: In reference to our conversation over the telephone respecting the routing of the time train rings would appreciate very much any courtesy you can show Mr. Melville White and Mr. James Grant in connection therewith."

Then another gentleman of such and such a city: "Dear Mr. So and So. The bearer, Mr. Melville White, together with Mr. James Grant of the Canadian General Electric Company in Toronto will present this pass, and I would like you to kindly arrange to have them inspect the plant. I would appreciate your taking these gentlemen through the plant personally, as Major Hawkins and Mr. Russell are in Providence."

Another one to the American Machine and Foundry Co. "Dear Mr. Haynes: This will serve to introduce to you Mr. Melville White and Mr. James Grant of the Canadian General Electric Co. in Toronto. Please be good enough to show these gentlemen the manufacture of fuse parts. Any courtesy extended will be appreciated by the Imperial Munitions Board as well as the writer."

And they go on that way; there is quite a number of them.

Q. Briefly, I am correct in saying that you have been frequently applied to by Canadian manufacturers of fuses for information, assistance, and that you have in every case accorded it?—A. Yes, in every case.

By Mr. Johnston:

Q. Would you allow me to ask you a question which the others have rather avoided by name, but it may be interesting to know from your standpoint, and remember I am not accusing your firm of anything improper in asking the question; did you ever, in the course of your negotiations in this matter, run across a gentleman named Allison?—A. I did.

Q. Where did you run across him?—A. In New York.

Q. What time in New York did you see Mr. Allison?—A. Some time in May.

Q. Could you fix the date a little more definitely perhaps than some time in May, because that is 31 days you know?—A. I should judge it was, though I would not be positive, the early part of May.

Q. Had you known Mr. Allison before this date?—A. Many years ago I wished to dispose of \$600,000 worth of Tennessee bonds, and I met him at that time, but I should judge that is 14 or 15 years ago. It was then the firm of Meldrun & Allison.

Q. Where did you run across him?—A. In New York.

Q. In the bond business was it?—A. Yes.

Q. Brokers?—A. Yes, they were bond brokers.

Q. It is the gentleman, so that there need be no mistake, the gentleman I refer to is J. Wesley Allison?—A. Yes, sir; at that time I think Mr. Allison was connected with the New York Central Railway in some way.

Q. And you sold your bonds through him?—A. No, sir, I don't think we got a market at that time; and they were finally disposed of by somebody.

Q. You tried to sell them through him at that time?—A. Yes.

Q. Some time about the beginning of May you met or saw or ran across J. Wesley Allison, whereabouts in New York did you see him?—A. At the Manhattan Hotel.

Q. How did you come to see him at the Manhattan?—A. Mr. George Ahrens.

Q. One of your incorporators?—A. Yes.

Q. Junior?—A. Yes, George Ahrens, junior, told me he had three thousand rifles that he could get hold of for immediate delivery and I had been told that Col. Allison was in a position to place these rifles.

Q. To buy them from you if you bought them?—A. Yes, sir.

[John A. Harris.]

Q. Would you tell me who gave you that information?—A. Why it was in the newspaper that Colonel Allison was very much interested in fuse contracts.

Q. Did anybody give you the information apart from what you saw in the papers?—A. No, sir.

Q. Then Mr. Ahrens was the man who mentioned the fact to you about a large number of rifles, that if you bought he thought they might be disposed of to Allison or through Allison?—A. No, he did not think I would buy them, but he asked me if I could take him to Colonel Allison.

Q. But you had known Colonel Allison casually up to that time?—A. Absolutely so, but I had not seen Colonel Allison from the time of this so many years ago until that time.

Q. And within this fourteen or fifteen years ago you only knew him casually I suppose?—A. Yes.

Q. How did Mr. Ahrens junior come to suggest you taking him to Colonel Allison?—A. Because Mr. Allison junior was then, his office is right in our building, and his father was formerly Vice-president of the American Tobacco, and we are altogether there—

Q. How did he become aware that you knew Colonel Allison at all?—A. He did not, he just spoke to me about the rifles, and I told him I would be glad to take him to Colonel Allison which I did.

Q. You would not meet at the Manhattan Hotel?—A. We went to his rooms in the Manhattan Hotel.

Q. Did you then negotiate for the sale or purchase of any rifles?—A. He told Colonel Allison that he had these rifles, and about where they were, and Colonel Allison smiled and said there are about five thousand people had those same rifles, that they were old rifles, and they were only worth about 50 cents apiece; and he would advise him not to put any money in it, that it looked as if they were trying to get hold of some of Mr. Ahrens' money, as Mr. Ahrens was a millionaire.

Q. That is the fact that he is a millionaire?—A. Yes.

Q. Apart from the fact that Allison said so?—A. Many times over.

Q. How long did you remain with Colonel Allison on that occasion?—A. I should judge that our interview was for half an hour, we examined some guns that were all around the room.

Q. None of them exploded?—A. No, sir.

Q. Having done that did you talk about any other matter in connection, for instance, with Government contracts?—A. No.

Q. Nothing said about fuses at that time?—A. No, sir.

Q. Take your memory back and see if a suggestion was not made by Allison with regard to fuses at that time?—A. No, sir.

Q. Nothing of that sort. Then did you see Allison again, or did he see you?—A. I saw Colonel Allison once or twice but not on any business matters.

Q. The fact that you saw him is all I am asking you about now; did you see him again, and if so when?—A. I think I saw him in the Manhattan Hotel again.

Q. On what occasion?—A. I would not be quite sure as to the date, but I go to the Manhattan quite frequently, and I may say in that respect that I purchase a great many of my theatre tickets at that exchange in the Manhattan.

Q. Did you see him in his room on either of those occasions?—A. No, sir.

Q. That is on the occasions you speak of subsequent to the time you went with Ahrens?—A. No, sir.

Q. About what time did you see him on the second or third occasion?—A. It was in the evening.

Q. I am speaking about the month?—A. I should judge it would be some time between the 15th May and well I would not be quite sure, any time between the 15th May and I should say the end of June or something like that.

Q. Did you see him about the middle of May on your first occasion?—A. With Mr. Ahrens?

Q. No, yourself at the Manhattan?—A. I would not be sure.

Q. Cannot you give us a little better than that, was it in the month of May you saw him?—A. It may have been, I did not see him over any business appointment, it was just casually I saw him.

Q. Did you speak to him on the occasion when you met him in the month of May?—A. I spoke to him because it was in a restaurant.

Q. Did you speak to him about any business of any kind?—A. No, sir.

Q. Anything more than just submitting the time of day or that sort; was there anything more than that?—A. Nothing more than that.

Q. Did you know at that time that Allison—I don't know whether it is a fact or not, but had you heard that Allison at that time was interested in or negotiating fuse contracts in Canada?—A. I heard it from some of my bankers he was investigating—

Q. He was investigating Allison?—A. No, he was investigating about me.

Q. Who was investigating the banker?—A. Colonel Allison was investigating about my affairs.

Q. Would you tell me what right he had to investigate about your affairs so far as you knew?—A. That is just what I wanted to know at the time myself.

Q. That is what I am wanting to know now; I suppose you cannot help me?—A. I will give you the President of the bank that told me at the time.

Q. Do you know why he was making inquiries about you, did you learn that?—A. I was a little suspicious at the time.

Q. Suspicious of what?—A. I naturally would be suspicious of any one investigating my affairs.

Q. And what were you suspicious of, you must have had some suspicion, what was the suspicion in your mind?—A. Well, it was not a suspicion of him trying to harm me, but simply a business suspicion that something must be on.

Q. I am asking you what was on?—A. If I had known at the time I would not have been suspicious, but I did not know.

Q. But I say there must have been some suspicion in your mind because that is your own language and I am asking what was the suspicion that you thought was on at that time, if you will tell me please?—A. Well, to be frank—

Q. Yes, I would like you to be, you are on oath as well?—A. To be frank I thought that possibly they were making efforts to interest me in some rifle proposition or something and I was told to be very careful.

Q. It did not occur to you that it was a fuse contract?—A. No, sir, that never occurred to me, because I felt reasonably sure that the Shell Committee were going to deal with me fairly.

Q. The inquiries that were made were as to your financial standing I suppose?—A. Yes, sir, they were; there were quite a few of them from what I could learn at that time.

Q. Quite a few of them by whom—Allison?—A. Indirectly we traced it—I am interested in several businesses, and I immediately traced it and learned where the inquiries came from—

Q. I do not want the details; I am accepting your statement as being perfectly frank and perfectly straight. Did you find, may I suggest another name to you inquiring about you, or do you know the names of the people who were inquiring about you?—A. At that time?

Q. Yes?—A. No, I cannot recall; I cannot recollect.

Q. You did not come across a gentleman named Yoakum at all, did you?—A. No, sir.

Q. Did not hear of his making inquiries?—A. No, sir, though I had heard that he was—at what date was that, sir?

[John A. Harris.]

Q. I am speaking about the dates the inquiries were made; I cannot be more definite than you are?—A. I met Mr. Yoakum of course on the train.

Q. Oh, yes, but did you hear of his making any inquiries about you?—A. No, I cannot say that I did.

Q. You cannot say more strongly than that?—A. No.

Q. That is you may have heard that he might have made these inquiries?—A.

Yes.

Q. Did you hear of any other gentleman, or shall I exhaust the list for you?—A. No, sir, I do not know that I can directly mention.

Q. You did not hear of a gentleman named Craven making inquiries about you?—A. No, sir.

Q. Never heard his name before?—A. No, sir.

Q. Did you hear the name, Mr. Bassick, making inquiries?—A. I have heard all of these names since.

Q. Mr. Bassick, did you hear of him?—A. I have heard of Mr. Bassick.

Q. Did you hear of him making inquiries with regard to you about the time of these fuse negotiations?—A. No, sir.

Q. Nor the inquiries made by a musical gentleman—you speak of a legal gentleman, did you hear of any musical gentleman?—A. May I ask who the musical gentleman is?

Q. He is a gentleman with a foreign name, Lignanti,—did you hear of Lignanti?—A. No.

Q. He was not making inquiries about you as far as you know?—A. No, sir.

Q. Mr. Cadwell, did he make inquiries or see you about any matters?—A. No, sir, though I have had the pleasure of meeting Mr. Cadwell.

Q. Since these affairs took place?—A. Yes.

Q. Taking all these gentlemen whose names I have given you, had you any knowledge or any conversation with any of them either shortly before or some time after the month of May or June 1915 that you recollect?—A. No, I do not recollect.

Q. You may have had and may have forgotten?—A. Yes.

Q. You won't be more positive than that?—A. No, I won't be sure.

Q. I want the information for another purpose; I am not intimating to you that there is any suspicion in my mind about any matter of that kind.

Mr. HELLMUTH: Would you mind asking if he had any conversations with them in reference to fuse contracts?

Mr. JOHNSTON: That is what I am asking about.

Mr. HELLMUTH: You were asking about any.

Mr. JOHNSTON: Any includes the fuse contracts; you say you had no conversations that you recollect?—A. No, sir.

Q. Excepting what you have given me with regard to Col. Allison?—A. Yes.

Sir WILLIAM MEREDITH: Would it not be fairer to take Mr. Hellmuth's suggestion?

Mr. JOHNSTON: Did you have any conversation upon any subject whatever, fuses or otherwise except what you have told me?—A. I have no recollection.

Q. The first time you met Allison was in a restaurant I think you said after the first meeting about rifles?—A. Yes.

Q. Where was the second meeting with Allison if you can tell me?—A. I am a little hazy on that; I am not sure whether the first time was in the corridor of the Manhattan, or whether it was in this restaurant.

Q. It was one or the other?—A. Yes, sir.

Q. A matter of no moment?—A. Yes, sir.

Q. When did you first hear of any of these men concerned in a fuse contract?—A. I believe it was in Ottawa.

Q. Do you know about what date?—A. I could not place the exact time.

Q. I do not ask you for the exact time, if you will give me the month it will satisfy me?—A. It was within the month before the final signing of the contract.

Q. That would be from the 20th May to the 20th June, within a month?—A. Yes.

Q. That would be four weeks or thereabouts?—A. Yes, it may have been a few days.

Q. What was the first thing you heard with reference to these men having a contract or any of them, or any company of which they formed a part, Bassick, Allison, Yoakum, or anybody else in connection with this contract?—A. The only thing that I recall is that we had competitors.

Q. But in the way of meeting, did you meet these men in Ottawa or in Montreal?—A. Yes, I met them on the train coming from New York.

Q. Yoakum and another gentleman?—A. Yes.

Q. Did you meet them in Montreal or in Ottawa while you were negotiating with the Shell Committee?—A. No, sir.

Q. You did not turn up at the same time at the office apparently of the Shell Committee?—A. No, sir.

Hon. Mr. DUFF: But you knew there were competitors on the 21st May?—A. Yes.

Q. Did you know their indentify then?—A. No, sir.

Mr. JOHNSTON: Did you know who they were, the individuals?

Hon. Mr. DUFF: That is just what I have asked him.—A. No, I could not say that I did.

Mr. JOHNSTON: I suppose you knew Allison as an individual, but whether he was a competitor or not you do not know?—A. No, sir.

Q. What names did you hear were competitors, or who was a competitor?—A. Well, I did not hear anything to lead me to believe that any of these gentlemen were competitors; I simply heard there were competitors, and I have some telegrams here, at least I think I have, saying that the price was too high, and then I knew that there must be competitors. I think I have some communication here which states the price was too high, and they got a lower price from somebody else.

Q. You knew there were some competitors, but whether they were these men or not you did not know?—A. No, sir.

Hon. Mr. DUFF: I think we had better have those telegrams.

Mr. JOHNSTON: Will you let me see the telegrams; take in May and June, telegrams or letters?—A. Well, I find these telegrams are dated in March.

Q. It does not matter, if you will give us telegrams in connection with this fuse contract?—A. Yes, this is one telegram: "Can you reduce prices as we are informed price is much too high"—that is March 26th.

Q. That is already in. What was the reply to that?—A. We reduced the price.

Q. Have you copy of your reply?—A. Yes, we reduced the price to \$4.90.

Q. What does the telegram say?—A. "Wire received. After taking matter up respecting reduction in price of fuses I am pleased to inform you we will make price \$4.90 per fuse in quantities of one million or more"—that is March 27th.

Q. The next telegram or letter?—A. I may have a letter later, but I have not it in this file. I also have something here that may be a guidance to you; I got this rough draft of a contract that was drawn up for us in Montreal.

Q. I do not care anything about that; it is the communications.

Hon. Mr. DUFF: You were talking about a letter that you were looking for; is your recollection it was a letter from the Shell Committee to you?—A. That is my recollection, though it may have been verbal; they may have told me verbally we had competitors.

[John A. Harris.]

Mr. JOHNSTON: Let me see the draft contract until I get the date of that, if you please.—A. (Witness hands draft contract to Mr. Johnston.)

Mr. ATWATER: Will you let me compare it; I do not know that that has been put in before. This is the first time I have seen it.

Mr. JOHNSTON: (To witness) Well, your counsel seems to think there might be something in this requiring explanation, and rather than open that question up I do not want to put it in for the moment anyway; he does not know just exactly what position you are in in regard to that memorandum, or the others may be in, and he will have an opportunity of seeing it later on.

Q. Were there any letters, you see I want to get at any letters or telegrams that passed between you and the Shell Committee relating to this particular proposal or the price at which the fuses were to be got and paid for?—A. I hardly think I have.

Mr. NESBITT: I will look at that agreement.

Mr. ATWATER: I think that is a private matter.

Mr. JOHNSTON: If it is to be used I will put it in.

Mr. NESBITT: Look at it and let me know whether I can see it, Mr. Atwater.

Mr. JOHNSTON: If it is proper to be admitted I will put it in and it can be put in without this witness being in the box.

Q. Can you find any letters or telegrams in connection with the fuse contract, along about April, May and up to June?—A. No, sir, outside of—

Q. Those two you have read?—A. Yes.

Q. I do not care anything about those; any correspondence of any kind between you and the Shell Committee?—A. No, sir, it was mostly always on trips.

Q. In person?—A. Yes, they would say to come over at a certain time.

Q. While we are at this, when was the price fixed at \$4.50 definitely, I mean as far as your party was concerned, do not let us get into discussions and so on—A. That was at the final signing of the contract, June 19.

Q. What I want to get is your best recollection of the price when it was fixed, first fixed, was it fixed at \$4.50 per fuse in the month of April, 1915?

Hon. Mr. DUFF: Fixed by whom?

Mr. JOHNSTON: Fixed by themselves; fixed by you and Mr. Patterson and others.

Hon. Mr. DUFF: Mr. Patterson told us that was the 26th April.

Mr. JOHNSTON: What is your recollection of it?—A. I think it was the time we were in Montreal.

Q. That would be 26th April?—A. Yes.

Q. Having that in your mind, assuming that to be the correct date, 26th April, the real point I want to ask you about is this, was that ever changed in any way from that down to the time that you got your contract as far as you are concerned?—A. No, sir, I personally made efforts as I said—

Q. You have told us about that but they did not result in anything; then the Shell Committee knew from the 26th April down to the time that they made your contract that \$4.50 was your price, and they had reason to believe that that was your only price?—A. Yes, sir.

Q. You gave certain prices at \$5.50, \$4.90, back in March, and you also spoke of \$6.25 for the first 20,000, all that I may take it was wiped out when you finally came to the conclusion on the 25th April that \$4.50 was your last price?—A. Yes, sir, we had got better technical advice than we had at the beginning.

Q. And you thought you could make them for that safely?—A. Yes.

Q. With perhaps a little profit?—A. Yes, sir; Colonel Birnie said it would be an unknown quantity until we had tried it out.

Q. Will you tell me this fact; did you know at the time on the 21st May—you were here were you on May 21st?—A. Yes, sir, I was in Ottawa on 21st May, and that is when I met Mr. Patterson and Colonel Birnie, they were here when I came over.

Q. Did you know or had you any information of any kind that on that date the Shell Committee had granted an order as it is called, for three million fuses out of this five million lot at \$4.25 each?—A. No, sir.

Q. Were you told that any fuses were being let to anybody else cheaper than what you were offering to do them for?—A. I don't think so.

Q. So that on the 21st May, 1915, according to this letter which was put in, I just call your attention to it, the Shell Committee had made a proposition to Bassick of Bridgeport, that is one of the gentlemen we are speaking about in this way, "On behalf of the Shell Committee I hereby grant you an order for three million fuses at a minimum price of \$4.25 each to be supplied in accordance with specifications and drawings which will be forwarded to you later. These drawings and specifications will be either for No. 85, No. 80 modified, or No. 80 over 44 fuses, and one or two designs may be desired in connection with this contract." (Exhibit 68).

That would be the same class of fuses they were dealing with you?—A. Yes.

Q. They did not tell you they were proposing to deal with this other company at \$4.25 per fuse?—A. No, sir.

Q. Then follows the letter to you about the two and a half million?—A. On May 25.

Q. At \$4.25 each minimum?—A. Yes, sir.

Q. Now, will you tell me what conversation or discussion took place which brought that letter or offer within the scope of your \$4.50?—A. I had returned, as I have said, from Montreal and told them that after all my efforts it looked as if we were going not to meet with any success in the closing of a contract, as Mr. Patterson had gone away chagrined—

Q. You told the Committee?—A. Yes; and it looked to me that we should have something definite one way or the other. Then I received this letter.

Q. Where did you receive this letter?—A. At the Shell Committee.

Q. Then you read it at the Shell Committee's office I suppose?—A. Yes, sir.

Q. Was it written while you were there?—A. Yes, sir.

Q. Dictated and written?—A. Yes, sir.

Q. I do not see any initials on this.—A. I have the initials, sir.

Q. Who dictated it, "D.C."?—A. I will show you the original, sir. (Producing).

Q. "A.B./O'N." That is, Alexander Bertram dictated it.—A. And signed by him.

Q. Yes. "O'N." is the typewriter I suppose. You heard that dictated I suppose?—A. I do not think so. I sat in the outer office.

Q. You did not read it until it was printed off?—A. No, sir.

Q. What did you say to General Bertram when you read that proposition? What took place between you and him? Just keep to the time when you first learned that they were offering you \$4.25 minimum.—A. I told him "I shall take the letter to New York and take it up with my associates."

Q. At that time of course you did not intend to accept any such proposition?—A. I could not very well in justice to my partners.

Q. I am not asking about the reason. But you had no intention of accepting that proposition on that day at that time or until you had an opportunity of consulting with your associates?—A. I did not.

Q. And you did not expect that your associates would ever consent to any such proposition as that?—A. Not after it was talked to me about the danger of there being a loss on the undertaking.

Q. And that talk took place before you were in Ottawa on the 25th of May?—A. Yes, that was discussed with Colonel Birnie.

Sir WILLIAM MEREDITH: Mr. Johnston, I am curious to know what he understood by the words. "At a minimum price of \$4.25."

[John A. Harris.]

Mr. JOHNSTON: I worked it out to my own satisfaction after a good deal of trouble.

Sir WILLIAM MEREDITH: But in his own mind.

Mr. JOHNSTON: What did you understand by the proposal "At a minimum price of \$4.25 each"?—A. May I ask you to repeat the question?

Q. Yes, certainly. What you did understand was the meaning of the words "At a minimum price of \$4.25 each"?—A. I must confess that I had never heard the term before I really did not know what it meant.

Q. I think we have all had a little trouble that way.

Sir WILLIAM MEREDITH: Perhaps you will ask him if he inquired what it meant.

Mr. JOHNSTON: Did you inquire what it really meant?—A. No, for this reason, sir. The letter was handed to me before lunch, and I took the letter and went right over to the Chateau and had lunch.

Q. That was just then more important than a big contract?—A. I believe General Bertram was very busy.

Q. No doubt?—A. And after handing out the letter I believe he went out of the office. I made an effort later in the afternoon to see him. Whether I saw him or not I am not quite sure. At any rate, I left that afternoon.

Q. Didn't you work out in your own mind some idea what it meant, because otherwise one would have thought you would have asked him?—A. I should judge from the word "minimum" it meant it was to be no less than \$4.25, although it may have been more.

Q. But this agreement does not speak of it being any more so far as this letter is concerned?—A. No.

Q. You did not get it in your mind the wrong way foremost I hope.

Mr. EWART: Like you did.

WITNESS: I really did not catch it.

Mr. JOHNSTON: You did not get it with the offer the other way?—A. No, I don't think I did. I assumed from the word "minimum" that it would be no less than \$4.25, although it might have been more than \$4.25.

Q. Would sell at \$4.25, but would not take less than \$3.00. That was not the idea you had in your mind?—A. No, sir.

Q. That is what you thought, anyway. I fancy that is the correct meaning of the expression "minimum \$4.25."—A. Yes, sir.

Q. At any rate, you have not got any clearer meaning of it since than you had at that time?—A. No sir, I never found out.

Q. Unless you are right in your idea now?—A. Yes.

Q. Then you came over for lunch and you want back again, did you?—A. I believe I did, but my recollection is not quite clear: I am not sure whether I saw General Bertram.

Q. At any rate you took it home with you, knowing at that time that as far as any contract was concerned the \$4.25 shut you out, if it was \$4.25?—A. Yes.

Q. Then will you tell me, just going on with that for a moment, at what period, keeping in mind not general discussions and so on—I am not using that in a military sense—at what period did you come to any understanding or agreement at \$4.50?—A. I—

Q. Not when you had it in your mind, Dr. Harris, but just at what time?—A. I think, sir, the only time we came to an agreement was on the 19th of June, when we came in to sign the final contract.

Q. Will you tell me what took place immediately prior to the \$4.50 being the final determination?—A. All I know is we came into the room—I had of course had occasion to see Mr. Orde several times.

Q. Yes.—A. I am not quite sure that these contracts contained \$4.50 in them when I got here to Ottawa, or whether it was put in afterwards. Probably Mr. Orde can enlighten you on that. I was all alone, I had nobody with me, as I stated. But in any event when the contracts were signed the price that we had quoted was in there of \$4.50. I do not know anything about the other contract.

Q. Was there any explanation, because it seems to me a very remarkable condition of things, not on your part perhaps, how this \$4.50 got in a contract when the original proposition was a minimum of \$4.25, without some discussion or some talk on the part of Mr. Bertram or Mr. Carnegie and yourself?—A. I assumed that they had agreed to our quotation.

Q. But was there nothing said about it?—A. I think Colonel Carnegie said to me, "You people should do a little better than \$4.50."

Q. When was this said?—A. On that trip to Ottawa on June 15th, one of those days.

Q. One of those days on that trip?—A. Yes, sir.

Q. And you stayed over until the 19th of June?—A. Yes. I think Colonel Carnegie did say to me that we should do better than \$4.50.

Q. But then there was nothing definite about that, you see?—A. No.

Q. May I take it that what was done was this, just keeping yourself in the position of one of the parties, that you had fixed back in April \$4.50 as your price?—A. Yes, sir.

Q. Practically an unalterable price unless Mr. Patterson and your legal member changed that figure. They had not changed it as a matter of fact?—A. No, sir.

Q. They were still standing firm on \$4.50?—A. Yes, sir.

Q. And there was no prospect of their changing so far as you knew, whatever they might have done under other circumstances? That is right, is it not?—A. Yes, sir.

Q. Then you make the offer to the Shell Committee. It is in their custody for some considerable time, let me say weeks, that is they have a knowledge of \$4.50 being the price, their offer being also in existence at \$4.25, and the first thing that you are asked to do is to sign a contract at \$4.50, without any conversation or any suggestion or discussion.

Sir WILLIAM MEREDITH: That is not what the witness says.

Mr. JOHNSTON: No, I am not saying it is what the witness says.

Sir WILLIAM MEREDITH: He says Colonel Carnegie asked him the first day he was there if that was not too high.

Mr. JOHNSTON: That is not the point.

Sir WILLIAM MEREDITH: Your question would exclude that.

Mr. JOHNSTON: No, I do not want to exclude that. I am merely saying as to the mention of the \$4.50, not as to the question of its being too high, I am quite conscious of that fact, but I am asking—I am not quoting your words—if that substantially represents the state of facts when you were asked to sign that contract?—A. I believe they are, sir.

Sir WILLIAM MEREDITH: Perhaps you would ask him, Mr. Johnston, to make that complete, so as not to have to go back to it, when Colonel Carnegie made that remark to him what was his reply.

Mr. JOHNSTON: What did you say when Colonel Carnegie said you were a little bit high or too high?—A. I told him we had very good technical advice and we felt the price was just and fair, and with that in view and the further fact that we were then asked to bid on a large contract in the United States that we felt we could not go any lower.

Q. Then having regard to both propositions—?—A. If I may, Mr. Johnston, I believe I have in among these papers somewhere a telegram from Colonel Carnegie begging me to reduce the price which was too high, but it may take some time to find.

[John A. Harris.]

Q. Perhaps you can find it a little later on.

Sir WILLIAM MEREDITH: After the adjournment.

Mr. JOHNSTON: After the Commission rises perhaps you will be able to find it.

Q. Then that was one question that I asked you, and I was asking whether in view of both statements, what Colonel Carnegie said to you about the price being too high, and the statement of facts which I tried fairly to summarize, having that knowledge and being presented with a contract making it \$4.50, without any further discussion, nothing occurred to you at that time, or was your mind impressed in any way?—A. I will say I thought it was peculiar, but on the other hand I felt that they were giving us the price we had asked. But I think it was peculiar without having gone into it more in detail in our conversations.

Q. Then another thing that I would like to ask you about—I do not wish to transgress upon the hour of rising.

Sir WILLIAM MEREDITH: What is the hour?

Mr. JOHNSTON: I do not know.

Mr. HELLMUTH: 5.30, is it not?

Sir WILLIAM MEREDITH: Does everybody want to sit until 5.30?

Mr. HELLMUTH: If we do not make it six hours a day we will never get through.

Sir WILLIAM MEREDITH: We will be able to eat our Christmas dinner at home.

Mr. NESBITT: There are witnesses from New York clamoring to get away.

Mr. HELLMUTH: I am in a sense between two fires. There are a number of gentlemen here from New York, and they are all asking me if they cannot get away.

Mr. JOHNSTON: You are no further as far as I am concerned. I am willing to go on. It was only in courtesy to the Commissioners and those who wanted to rise at five o'clock that I raised the point.

Hon. Mr. DUFF: The Commissioners will yield to your pressure and sit another half hour.

Mr. HELLMUTH: So far as I am concerned I would like to sit from eleven till four.

Sir WILLIAM MEREDITH: What, straight on, without any intermission?

Mr. HELLMUTH: Without any intermission if the others will.

Mr. JOHNSTON: You could not do that with the witnesses because they would want their lunch.

Sir WILLIAM MEREDITH: Well, we have lost five minutes.

Mr. JOHNSTON: Now, there is another matter that I would like to get your view upon. You were promised, that is not correct, but you had discussed with the Shell Committee an order for 5,000,000 fuses?—A. Yes, sir.

Q. Which would represent at your prices considerably over twenty or twenty-five million dollars?—A. Yes.

Q. Now, will you tell us how definite it was with regard to the quantity of fuses that were discussed? I mean, how did that come up in discussion?—A. As to the five million, sir?

Q. How did you know it was 5,000,000 or 500,000, or any other number?—A. General Bertram had told me that they would probably place orders for five million fuses at the beginning.

Q. Didn't you have a proposed contract in which five million fuses were discussed or stated?—A. Yes, sir, we made quotations on two occasions to cover five million fuses.

Q. And was any question raised as to the number of fuses that were talked of?

Hon. Mr. DUFF: That was on the 19th of June?—A. On the 19th of June.

Mr. JOHNSTON: No.

Hon. Mr. DUFF: I beg your pardon, Mr. Johnston.

Mr. JOHNSTON: Before that?—A. Yes, they seemed to have a desire to get fuses quickly, and they thought that probably if more than one company was manufacturing they would get them sooner.

Q. No, that is not my question. There was a proposal to make in Canada on the 19th of March?—A. Yes, sir.

Q. Was the number talked of at that time?—A. Five million.

Q. Yes?—A. Yes, sir.

Q. Was any other number of fuses mentioned excepting the five million up until the 21st or 25th day of May?—A. No, sir.

Q. When was the reduction from five million to less than that first made, and by whom?—A. Well, the first I really knew of it was when I heard there were competitors in, we didn't know whether we would get the five million.

Q. Did you ask the Shell Committee as to the amount you would get then?—A. No, sir.

Q. Of course, you would not have taken 500,000 at that price?—A. No, sir.

Q. And you would not have taken a million at that price likely?—A. No, sir.

Q. Because you were cutting pretty close at \$4.50 according to your expert's advice?—A. Yes, sir.

Q. The profits being uncertain?—A. Uncertain.

Q. We find here, you perhaps did not know it, that on the 21st of May a gentleman named Bassick got an order for three million fuses. That only left two million for you?—A. Yes, sir.

Q. When did you first learn of that, or did you ever learn of that state of facts?—A. No, sir, I did not.

Q. The next thing that you knew was two and a half million?—A. Yes, sir.

Q. Just how did you come to know that there were two and a half million available to you?—A. On the 25th of May.

Q. So that up to the 25th of May am I right in saying that you believed you were to get five million?—A. I would not say positively that I believed, because I had heard that there were competitors.

Q. But you thought at any rate that that was the number you were negotiating for?—A. Why, yes; but I want to feel just and fair in saying that the Shell Committee on occasions had told me that putting everything under one contract would not give them fuses so soon as if they divided.

Q. And what did you say?—A. I told them I could not advise them as to that, that I did not know enough about the fuse end of it.

Q. Having talked of five million, when they raised that question didn't you then advise them that you would be able to turn out according to the terms of your contract in your opinion at that time?—A. Oh yes, sir.

Q. So all they had to do was to make a higher daily production?—A. Yes, sir.

Q. And you would have fulfilled the obligation with your capacity and your financing behind?—A. Yes, sir.

Q. And you could have fulfilled a five million contract, perhaps not just as easily, but as readily as you could the two and a half million contract?—A. After we got up to 100 per cent efficiency I was satisfied.

Q. Yes. And you get up to 100 per cent efficiency more quickly in a larger contract than you do in a smaller one?—A. I think so.

Q. I think that is what they figure on.

Mr. EWART: I think Mr. Patterson said they would get up their efficiency at the same time.

Mr. JOHNSTON: You heard about competitors. Did you know that they were competitors for fuses?—A. Yes, sir.

Q. You understood that at least, I should not say that you knew it?—A. Yes.

[John A. Harris.]

Q. Because a man never knows anything in this world definitely. Then from the 21st to the 25th did you see during those four days the Shell Committee? Just give me the actual definite information, if you can, Doctor, on that point.—A. Yes, sir. I arrived here on Thursday—no, I arrived here on Friday, on the 21st.

Q. And you remained here?—A. And I remained here with Mr. Patterson and Colonel Birnie, we were here until Saturday the 22nd, and the three of us left here.

Q. Then you came back?—A. We all decided to go to New York, and I said "I am not going, I shall return to Ottawa." I went on to Montreal and returned on the 24th of May, which, according to a note here, was a holiday.

Mr. EWART: I think I have heard that before.

WITNESS: Yes; and on the 24th of May I saw General Bertram and Colonel Carnegie.

Mr. JOHNSTON: Was that the only once you saw them between those days, the 21st and the 25th?—A. Yes.

Q. You saw them on the 25th?—A. Yes.

Q. Then you left, according to your data on what day?—A. I left on Tuesday.

Q. The 26th?—A. No, I left on the 25th at 4.45.

Q. You left on that date?—A. Would you like my diary?

Q. No, I am accepting your statement. You left on that afternoon?—A. Yes.

Q. Had you any information in that time from the Shell Committee that they had four days before let three million of these fuses?—A. None whatever.

Q. So that as regards that you had no information whatever as to the condition?—A. No, sir.

Q. Then you got your two and a half million. Did you ascertain at that time who were your competitors in the fuses?—A. Yes, sir.

Q. Who were they?—A. Well, I then learned that it was some New Yorkers.

Q. Did you learn their names?—A. I believe I did, but I cannot be positive.

Sir WILLIAM MEREDITH: He says "then." When does he mean, on the May visit?

Mr. JOHNSTON: Yes, I am speaking of the May visit between the 21st and the 25th. I am asking about the three million fuses and if he learned who were the parties who got the three million fuses. He said Yes. Then I asked him, who were they.

Mr. HELLMUTH: He said he did not know there was anybody got three million.

WITNESS: No, I did not know anything about the three million.

Mr. JOHNSTON: No, that is not the question at all.

Hon. Mr. DUFF: He said he knew he had competitors.

WITNESS: Yes, sir.

Mr. JOHNSTON: I say between the 21st of May, 1915, when apparently somebody got three million, whoever they were, Bassick and others, and the 25th of May when you got your two and a half million?—A. I said I did not know anybody got anything on the 21st.

Q. Did you learn between the 21st and the 25th that anybody had got fuses?—A. No, sir.

Q. That is what I want to get at —A. No, sir.

Q. And certainly you did not know as a matter of fact, let me make this clear, that on the 21st of May Bassick had got an order for three million?—A. No.

Q. You did not know about that at all?—A. No, sir.

Q. You were not so informed at any rate?—A. No, sir.

Q. And you went back to New York with your contract, which was consummated on the 19th of June by a formal document?—A. Yes, sir.

Q. You went back without knowing anything about the balance of the fuses or what disposition had been made of them—A. Oh, yes, I did on the 19th of June.

Q. No, up to the 19th of June?—A. Oh, up to the 19th of June?

Q. Yes—A. Oh yes, I had learned subsequently that another company had got half of the order.

Q. From whom did you learn that may I ask?—A. I am not quite sure, but I was here on the 7th and I think I heard it then. I was here in June, on June 1st.

Q. I am asking you if you can tell me when you first learned of this transaction?—A. I should say it was on this trip on June 1st.

Q. Had you one on June 7th as well?

Hon. Mr. DUFF: You were here I think with Mr. Patterson on June 1st?—A. Yes, sir, I came over then, and Mr. Patterson and Colonel Birnie arrived the day following.

Q. You think it was on that occasion you learned that half of the order had gone to somebody else?—A. Yes.

Mr. JOHNSTON: Now, did you know the "somebody else"?—A. Yes, I knew then that somebody—

Q. No. Did you know who the somebody else was?—A. I was not positive.

Q. You only had your suspicion, I suppose that it must have been these men on the train who were talking about fuses?—A. Yes, sir.

Mr. HELLMUTH: They were not on the train then.

WITNESS: They were on the train on June 15th. I left New York on June 15th, and Mr. Yoakum and Mr. Cadwell and Mr. Callahan were on the same train.

Mr. HELLMUTH: I see.

Hon. Mr. DUFF: He says it was on the occasion of the visit on the 2nd of June he learned that the competitors had got half the order?—A. Half the order.

Q. Did you then learn the identity of the competitors?—A. That I would not be sure, sir, though I may have learned at that time.

Mr. JOHNSTON: But you are not certain?—A. No, sir.

Sir WILLIAM MEREDITH: Perhaps you might bring it to his mind, when he learned that did he inquire of Colonel Carnegie or General Bertram?

Mr. JOHNSTON: Did you make any inquiry when you learned that?—A. I want to be very fair to General Bertram. I may have asked General Bertram who it was, and he may have told me, but I am not quite sure.

Q. That is all speculation?—A. Yes.

Q. You do not know one way or the other?—A. I cannot testify truthfully as to whether General Bertram told me who it was.

Q. And you do not know the name of any other person from whom you may have got the information?—A. No, sir.

Q. Well, what I wanted to make clear, I am not particular about the dates, is that you were not informed so far as you know up to the 25th of May that any other contract was on foot or any other proposal as to half or whatever it was?—A. Outside of the fact that I knew there were competitors. That is the only way I was informed.

Q. And that you were getting two and a half million?—A. Yes.

Q. And then you cannot say between that time and the time of the contract, when it was made on the 19th of June, what information you got as to anything specific regarding the names of the parties or otherwise, or from whom you got that information if you did get it? You are not very clear as to that?—A. No. As a matter of fact we did not bother very much.

Q. You got your contract, all that apparently was coming to you on your way, and you were holding yourself to that?—A. Yes, sir.

[John A. Harris.]

Q. Then apparently the parties—when I speak of the parties I mean you and your associates and the Shell Committee—did not come to any understanding upon which you both agreed until what time do you say?—A. Well, we never came to any distinct understanding until the final contract was signed.

Q. The 19th of June?—A. The 19th of June.

Q. And it was an open matter on both sides to give and take as you saw fit from the earliest period up to the 19th of June?—A. Yes, from April 26th to the 19th of June.

Q. Quite an open matter?—A. Quite an open matter.

Q. Let me close that part out by this question, which may save asking you perhaps two or three others.

Up to the 19th of June, when the \$4.50 was talked of and settled, there was no probable or possible chance (if I may put it as strongly as that) of the gentlemen accepting any proposition that had been made to you up to that date, as to prices only?—A. No, sir.

Q. There is another matter I would like to ask you about—

Hon. Mr. DUFF: Before you go on with that, would it be convenient now to ask Dr. Harris to explain this. He says they were prepared on the 26th of April to enter into a contract at \$4.50. Mr. Patterson also told us the same thing. Was there any respect, and if so, in what respect were they in a better position to undertake the contract two months later or say the 16th of June than they were on the 26th of April, having particular reference to options on either experts or materials?

WITNESS: We were in a better position, sir.

Q. In what way?—A. We had got a great deal of technical advice by that time, by June 19th, and we had canvassed the question of components much more thoroughly and knew a little more about how far we could go as to prices, after having discussed it with a technical man like Colonel Birnie. I believe also Mr. Patterson took it up with a very high official of the United States.

Q. That was in regard to your experts?—A. Yes.

Q. In regard to your options on the engagement of experts, what change took place between the 26th of April and the 16th of June, as to the engagement of experts?—A. We had engaged quite a few for the Frankford Arsenal, under option.

Q. I am speaking particularly of your more important options.—A. I am not sure of the date Colonel Birnie talked to Major Hawkins. Possibly it was before the 19th of June.

Q. The question I am asking you is, what experts had you engaged on the 26th of April? Perhaps you can give it to us again, if you cannot remember now?—A. I don't know of any outside of Colonel Birnie that we had in mind.

Q. You had engaged Colonel Birnie at that time?—A. I believe we had. Mr. Patterson was more familiar with that, and he undertook those negotiations.

Q. Now with regard to options on material. What was your position on the 26th of April as compared with what it was later?—A. We were in a much better position later than we were on the 26th of April.

Q. You were in a better position later in respect of options on material; you had a large number of experts engaged, and in addition to that you had ascertained or acquired a great deal of technical information?—A. Yes.

Mr. JOHNSTON: And therefore on that ground—if I may be allowed to put this question—you were prepared for better terms; do I understand that?—A. No, sir.

Q. What you were asking in the first place was \$5.50 and \$4.90?

Hon. Mr. DUFF: That was in March.

Mr. JOHNSTON: Between the 26th of April and the 19th of June the lowest you got was \$4.50?—A. Yes.

Q. And you stuck to that?—A. Yes, sir.

Q. You had certain experts, or options at any rate with certain experts, getting them on the 26th of April, or in April?—A. Mr. Patterson had made some arrangements, I believe.

Q. You know how many?—A. I would not be sure. There was Captain Torney for one, Captain Cushing, Mr. Kerlin, and Colonel Birnie.

Q. Was that in April?—A. I think that all started about that time, but I would not be sure about that. Mr. Patterson would know more about that.

Mr. NESBITT: Maybe the witness has forgotten that on the 20th of April their loading operations were with the DuPonts, who fell down, and they all had to be looked into again.

Mr. JOHNSTON: I want to get this from you; in June what experts had you at that time different from what you had in April?—A. I don't think we had anything different in June.

Q. The experts remained about the same?—A. Yes. They are very rare.

Q. And as to the contracts you speak of, or options on material, none of that material I suppose was manufactured, it was all in the raw state, the raw condition, whatever it was?—A. Yes.

Q. Then the options you had with regard to the manufactured parts, they were not in existence at the time, or at any time up to the time you began the manufacture after June?—A. Some of them were.

Q. What particular component parts would be ready or that you would have options on before you got your contract?—A. There were none of them ready, of course.

Q. That is what I say, that so far as material was concerned, whether in the shape of component parts or raw material, none of that was ready of course before the 19th of June?—A. No, sir.

Q. But you had entered into certain tentative arrangements to make certain of that material into component parts that could be used in assembling the fuses?—A. Yes. The options were really under the heading of Facilities.

Q. Will you tell me the volume, or have you any idea of the volume in dollars and cents, roughly speaking, of the component parts on which you had options? I want to get the extent of the options in volume?—A. One was nearly four million dollars.

Q. That did not leave much margin for the balance. What was that for?—A. Aluminium.

Q. Was that changed?—A. No. Fortunately we were able to hold that.

Q. Was there any other large volume that you can think of?—A. Not any exceedingly large volume, outside of the loss of the facilities.

Q. Would you say it was perhaps several thousand dollars here and several thousand dollars there, and so on?—A. Yes, small amounts.

Q. It would not be in millions?—A. No.

Q. Nor in hundreds of thousands?—A. No, sir.

Q. Altogether it might reach \$80,000, \$90,000 or \$100,000, the sum total, at that time?—A. It might. I would have to refer to the books to say that.

Q. There is another matter I would like to ask you about, Dr. Harris. Were you in commercial business in the City of Toronto, or practising your profession, or does the doctor mean a military title or a medical title?—A. A medical title.

Q. Were you practising in Toronto, or attending to manufacturing interests?—A. Just manufacturing interests.

Q. You lived in Toronto about what time?—A. I have not been living there for many years.

Q. What is that?—A. I have not been living there for many years.

Q. You knew Banfield before you left Toronto?—A. No, sir.

Q. You met him in business afterwards?—A. Yes, sir.

Q. You have mentioned two companies (and it might be in your own interests to tell us what the facts are as well as to the interest of this inquiry)—you have mentioned a company called the Standard Asbestos Company?—A. The Standard Asbestos and Fuse Company.

Q. The first company?—A. No, the first company was the Manufacturing and Contracting Company.

Q. And by reason of similarity in name you had to change that and make it the Standard?—A. No. If I may be permitted to say, the Manufacturing and Contracting Company of Canada Limited was formed or chartered on the 26th of December 1914.

Q. That was not changed?—A. No. The Standard Asbestos and Fuse Company, which we had intended to use, Mr. Patterson absolutely separated from the other company.

Q. That was the 30th of April?—A. The 19th of April. We selected that name without ascertaining whether it could be used, and our attorneys wired us—

Q. Give me the name?—A. It is named the Standard Primer and Fuse Company.

Q. The word Asbestos being struck out?—A. Yes, sir.

Q. You spoke of manufacturing in Canada. Will you tell me in what position the Manufacturing and Contracting Company of Canada was in at the time you were talking of manufacturing in Canada?—A. It was, as I said, at the instance of Mr. Banfield that I formed the Manufacturing and Contracting Company.

Q. Had that company any assets in the shape of real estate or buildings at the time we are talking of in the winter of 1915?

Mr. HELLMUTH: 1914.

Mr. JOHNSTON: No. It was not formed until the 26th of December, 1914.

WITNESS: It was December, 1914, that it was formed, and it secured its assets, at least I purchased quite a considerable amount of machinery immediately.

Q. Where was that machinery taken to?—A. It was put in a building that was purchased.

Q. I will take your sum total?—A. I have photographs of the factory here. It was rather a huge thing.

Q. I want to get some idea of the financial position. Has this factory ever been run at all, operated?—A. Yes. It has completed all the work which was assigned to it, and is at present working from here.

Q. Where is it situated?—A. In Toronto.

Q. Whereabouts in Toronto?—A. On Pape Avenue.

Q. Under that name?—A. Yes, sir.

Q. We are speaking of the Standard Primer and Fuse Company?—A. No the Manufacturing and Contracting Company.

Q. What about the other one, the Standard Primer and Fuse Company?—A. That is also in the same factory.

Q. What do you say, putting it roughly, that the assets of these two companies would be?—A. I should judge over \$300,000.

Q. Is that anywhere near Banfield's factory?—A. Yes, sir, it is one and the same.

Q. Was it Banfield's factory that was utilized for the purpose of carrying on these operations?—A. No, it was the building that was purchased.

Q. It is a different factory to Banfield's. That is your position in regard to that?

Mr. HELLMUTH: Ask him what they are making.

Mr. JOHNSTON: What are you making on Pape avenue in either of those companies or both?—A. Shells and primers.

Q. Did you see anybody in connection with starting in Canada except Banfield?—A. Only Banfield, and as I stated I went out to the Canadian Pacific Railway to ascertain more of the ballistics. We did not get much information out there on fuses. I have here the original pass given to me.

Q. But you did not do anything of a practical character there?—A. We ceased to make further effort when we were turned down by the Canadian Explosives Company.

Q. The Canadian Explosives Company of where?—A. Montreal.

Q. Turned down in what way?—A. They said they would not supply us with the powder, or load the fuses.

Q. They would not load?—A. No, sir.

Q. Did you try anybody else in Canada or is there anybody else to try?—A. I was confident that if the Banfield's could not do the work probably nobody else could.

Q. You say you tried the Banfield's and that they were the only people you were trying to get interested in the manufacture of these articles, and if they fell down or would not go into it you felt it was not hopeful to go to any other factories?—A. I did not feel safe in going any further than Banfield's, because I knew they were die makers and gauge makers.

Q. A large business?—A. Yes.

Q. You had one Mr. Banfield in your employ?—A. Yes.

Q. A son of the old gentleman?—A. Yes.

Q. What is he, an expert?—A. Mr. Banfield was brought over to the International Company as an efficiency engineer.

Q. That does not convey very much meaning to me. Does that mean that he was capable of looking after the manufacture of fuses?—A. Not in a sense. He was what we might call a productionist, to get the stuff out faster.

Q. I suppose Banfield, with his knowledge and experience and capacity, it would not take him very long to learn the art or trade of making the shells or loading?—A. I think Mr. Banfield could master anything in mechanics.

Q. You have a high opinion of his capacity?—A. Yes, I have, and I hope Mr. Banfield will be associated with me as long as I want him. I might say I am very fond of the Banfield boys.

Q. One reason you thought of continuing or carrying on a business in Canada if you got it started was the fact that you had the strong assistance of the Banfields, from a mechanical standpoint?—A. That is correct.

Q. And if you once got started, if Banfield was not an expert you could soon make him one?—A. Yes. I had such confidence in their honourable dealings that I allowed them to use the bank account as they saw fit.

Q. I think my own firm would give them a certificate of good character.

Sir WILLIAM MEREDITH: What are you stopping for, Mr. Johnston?

Mr. JOHNSTON: I thought when the clock got round to 5.30 it was time for me to stop.

Sir WILLIAM MEREDITH: Have you concluded?

Mr. JOHNSTON: Yes, sir.

By Mr. Carvell:

Q. I understand you are anxious to get away, Dr. Harris. I have just two or three questions I would like to ask, if I may be allowed to do so. You referred to the fact that you had a contract with a Toronto factory for primers, together with certain other articles?—A. Shells and primers.

Q. Will you tell me when you received that contract?—A. I would not be quite sure as to the date.

Q. Give it as nearly as you can?—A. I think it was in February.

Q. Of this year?—A. Oh, no.

Q. Of 1915?—A. Yes.

Q. Would it be possible that it was as late as the last of April?—A. It may have been. The primers came in in quantities, some of them as late as May, to my recollection.

[John A. Harris.]

Q. I would like to have, and I will not bother now about it, but I can give notice now that I will later on ask the Shell Commission or some other authorities to find out whether you received any contracts for primers after the 23rd of April, 1915?—
A. I am pretty sure we did. They came through in 200,000 lots.

Mr. HELLMUTH: I do not want to object, but what on earth can it matter unless there was some inducement to enter into the contract for fuses, why he entered into the primer contract?

Hon. Mr. DUFF: That was a critical time.

Mr. CARVELL: I only want the fact.

Mr. HELLMUTH: I have one or two witnesses who want to come here to tell of contracts they had under the Shell Committee. One ruling ought to apply. Either we can go into other contracts, or we cannot. If it is alleged that Dr. Harris was induced by reason of these primers to make a particular contract I can see the force of it, otherwise I cannot.

Mr. CARVELL: I am not going into the question to-night, or discuss the ruling. One ruling will suffice. But I propose to rely upon that ruling and to follow up with the question I am going to ask now.

WITNESS: I would be very glad to give the exact dates, but I did not know they were going to go into that, or I would have had them with me. My recollection is that there were quite a few primers came in May. Originally it was only 200,000 primers. It was a very small amount to equip for, but we equipped and turned out as many as I think five thousand or ten thousand a day, I am not sure which.

Mr. CARVELL: I do not want to go into the details with you just now. Did you discuss with your confreres the possibility of whether you would accept a lesser price than \$4.50 for these fuses had you been given a contract for the whole five million?—

A. I will answer that in this way, Mr. Carvell. Personally I wanted to have the fuses manufactured at \$4.25, but our \$4.50 was all along covering the five million and we did not know that we were going to get any less than five million.

Q. You knew after the 25th of May?—A. Yes.

Q. Between the 25th of May and the 19th of June did you discuss with any of your confreres the possibility of taking a less price than \$4.50 provided you received the contract for the whole five million?—A. No, sir.

Sir WILLIAM MEREDITH: Has anybody else any questions to ask?

Mr. ATWATER: In view of the questions put to Dr. Harris by Mr. Commissioner Duff, I would like to ask this:—

Q. You were asked whether your company was in a better position to undertake this contract on the 19th of June, the date you actually signed the contract, than it was on the 26th of April, which was the date you had the interview with the Shell Committee, you and Patterson and the others in Ottawa, or was it in Montreal?—A. Montreal.

Q. Your answer to that was not very clear, to my mind. I don't know whether it was to the Commission or not. Did you not have trouble with the sub-contractors with regard to the arrangements you had made for carrying out any contract you might receive?—A. Yes.

Q. Subsequent to the 26th of April?—A. We did, with the Dupont Company.

Q. When you got back to New York after your visit to Montreal on the 26th of April, you found according to Mr. Patterson that the Dupont Company had thrown up or broken their bargain to do the loading?—A. Yes, sir. We had that in writing from the Dupont Company.

Q. So that down to the time of the Dupont failure in regard to the loading part of it, you had in contemplation that the loading of the fuses you were to undertake the contract for was to be done by the Dupont Company or somebody else?—A. Yes.

Q. So that between the 26th of April and the day the contract was actually signed you had to reform your plans so as to contemplate the acquisition, erection and completion of a loading plant as well as a manufacturing and assembling plant?—A. We had to materially change our plans.

Q. So that as a matter of fact you were not in as good a position to carry out the contract at the time you actually took it on the 19th of June as you were at the time of the meeting in Montreal on the 26th of April?—A. Quite true.

Q. That is right, is it not?—A. I did not understand his lordship's question to me in that way.

By Mr. Nesbitt:

Q. After the 26th of April, between that and the 19th of June are you able to say whether the market was in a feverish condition as to prices?—A. Very much.

Q. Rising?—A. Yes, sir.

Q. Brass, for instance?—A. Yes.

Q. Copper?—A. Yes, sir.

Q. Spelter and zinc?—A. Yes.

Q. You were willing to take \$4.25, as I understand?—A. Personally.

Q. For the five million?—A. Yes.

Q. Your associates were willing to take \$4.50 for five million?—A. They finally insisted on \$4.50.

Q. But they accepted \$4.50 for the two and a half million?—A. Yes.

Q. Was or was not that a concession upon their part to that extent to meet the Shell Committee's demand for lower prices?—A. Well, I really do not know whether it was in the form of a concession so much, or whether previous conversations had taught us to believe that they were endeavouring to get more than one manufacturer, to turn them out in a quicker time. In fact I recall on one occasion that Mr. Patterson said "Why, it is no use of us trying to do anything that would prevent them getting fuses sooner."

Q. In other words, competition or the knowledge of competition apparently kept the price at \$4.50 for two and a half millions?—A. As to whether they had in mind competition or not, I do not know, but I do know that they were making every effort for the placing of the contracts to make delivery come in as quick as possible.

Q. But competition in the minds of your associates kept the price at \$4.50 for the two and a half millions?—A. I am sorry I have not got that wire, because we were told frequently that we were too high.

Hon. Mr. DUFF: I would like to have this clear, because I got a different notion of it from Mr. Patterson.

Q. Do you mean by your answer to Mr. Nesbitt to intimate that you thought of raising the price beyond \$4.50 when you heard the suggestion that the order was going to be reduced?—A. No, sir. I would have been inclined to withdraw.

By Mr. Henderson:

Q. Am I right in understanding that the question of competition was an influence in bringing the price down to \$4.50? Let me put it this way; you were informed some time during the month of April that there was competition?

Hon. Mr. DUFF: Have we that fact, in the month of April?—A. Not in the month of April.

Mr. HENDERSON: Wasn't that in the latter part of April? I want to see whether your understanding is not consistent with that of others who are going to tell their story?—A. I would not be quite sure.

Q. I want you to be sure. Something happened about the 26th of April, and a new price of \$4.50 was talked about then?—A. Yes, sir.

Q. You were coming down?—A. Yes, from \$4.90 to \$4.50.

Q. Although I do not understand that you made any binding offer at that time?—A. No, sir.

Q. Because there were other considerations to be talked about, but the price was coming down from \$4.90 to \$4.50; was it not about that time that you were informed that the Shell Committee could get a better price than \$4.90, they thinking of \$4.25, and you then came down to \$4.50 tentatively—I am talking now of the 26th of April?

[John A. Harris.]

—A. I am sorry my recollection is so vague upon that point, but I believe Colonel Carnegie said our price was too high, and that others had quoted a lower price.

Q. I am quite willing to tell you what I have in mind. During the last couple of weeks in April, prices were being procured, and those gentlemen in Ottawa were led to believe that they could get a price of perhaps \$4.25 and certainly \$4.50; was that fact not communicated to you, or the substance of it?—A. That is what I say, if I could lay my hands on what I think was either a telegram or letter that stated it specifically, that our price was high and that we would have to reduce it, that they had some other price.

Q. And that had to do with your bringing your quotation or tentative quotation down to \$4.50?—A. It may have been some element. But the greatest element was the fact that we thought we could do the work for \$4.50, on the technical advice of Colonel Birnie.

Q. But all the time you wanted to get the best price you could, as a business man, you were not philanthropists?—A. Yes.

Mr. JOHNSTON: Have you got the telegram?—A. I may not have that telegram.

Mr. CARVELL: Would you be willing to have Captain Torney come before the Commission and give his evidence?—A. I have no objection personally.

Q. Will you ask him if he will come here?—A. Personally, I will be very glad to.

Sir WILLIAM MEREDITH: When was it, as far as your company was concerned, that the idea of manufacturing the whole or any part in Canada was given up?—A. I should judge, sir, that it was after we had got the communication from the Canadian Explosives Company.

Q. What date would that be?—A. I have been unable to locate that.

Q. Can you give it to us approximately?—A. I would judge it was about ten days after we had been there, which was April 26th, so that it would make it somewhere before the 10th of May.

We lost a great many of our letters in our office, just how we do not know, but our files are not at all complete. We were asked for certain papers, copies of all our correspondence, and we were greatly surprised to find that a great many of them had been taken.

We have a very peculiar situation in the States, as you know, and in that particular branch of our work we have as many as seven agencies working for us, and it is quite a large affair.

Mr. ATWATER: What sort of agencies?—A. Detective agencies. Mr. Patterson said the ammunition business is one requiring tool makers and experts. I may add that the ammunition business also requires as a very important adjunct a thorough secret service. I have had to employ right in our offices in the city of New York as many as four or five men at a time to act as clerks who had no other duty to do but to observe things. One of the men who have recently been convicted had something to do with our own plant. One has to be exceedingly cautious, and on that account we have at all times made every effort to work together in the spirit of giving all the information we get to the British Government, which I have been doing ever since the war started, to General Pease and to others in New York. So if there is any reluctance on my part to keep from mentioning names, I would be very glad to write them out or to show the photographs and leave them with Mr. Atwater before I leave Ottawa.

Mr. ATWATER: Have you reason to suspect that your employees, your papers or your plant have been tampered with or interfered with?—A. Absolutely.

Q. You have?—A. Yes, sir.

Q. Have efforts been made to do so from time to time?—A. Yes, right in close proximity to our own plant. We even have to be so careful as to secure the services of insurance investigators and press people.

Q. You do not know where those documents are?—A. No.

Q. You spoke of some photographs you had of your Toronto factory, that is the Manufacturing and Contracting Company.

Mr. JOHNSTON: He handed them to me as being photographs.

Mr. ATWATER: I want to have them identified.

Q. Have you any objection to producing those and identifying them as direct photographs of the plant of this company in Toronto, as an exhibit?—A. No, sir.

(Photographs marked as Exhibit No. 280).

Mr. NESBITT: You were asking something about whether you were making fuses for the British Government. Were you offered and found yourselves unable to accept an offer for four million fuses?—A. Yes, sir.

Q. From the British Government?—A. From the British Government.

Hon. Mr. DUFF: Would you get the date of that, Mr. Nesbitt, or about the date?

WITNESS: This is something I would not like to have known.

Hon. Mr. DUFF: Never mind then.

Mr. ATWATER: You are not bound to show it.

Mr. HENDERSON: He is only showing it to the Commissioner.

WITNESS: There is the signature of the firm to it.

Mr. NESBITT: There was a statement made in the House.

Mr. JOHNSTON: Surely my learned friend cannot go into this without the statements made under them. I am not asking to go into it.

Sir WILLIAM MEREDITH: The Premier will not raise any question about it at all. The witness says it was an offer of a four million fuse contract.

Mr. JOHNSTON: It is merely getting it in by a side wind.

Mr. NESBITT: No, it was asked, because Mr. Carvell asked the question.

Mr. HELLMUTH: Surely it is important. Mr. Carvell asked quite properly. The statement was made by a Minister in the House that these people were offered a fuse contract, and he was asked if he had any fuse contract and he said no. Mr. Carvell is acting for the public, and Mr. Nesbitt is acting for the Minister.

WITNESS: I want to correct that. I was asked if we now have a contract, and I said no. We had a contract, but we did not execute it. We refused to go on with it.

Mr. MARKEY: As far as the evidence has gone in, they built two large buildings for that purpose.

Mr. NESBITT: Is this for the public?

Mr. MARKEY: The notion has gone out that one building was built to supply a contract for the Shell Committee. This Company goes to work and builds two other units for the purpose of this British War Contract. Now it is sought to place on the record that they were offered and refused the contract, and the witness now says he had a contract which he did not fulfill. It requires further explanation.

WITNESS: We built no special buildings for the contract. We built a building, and fully six weeks to two months before we had the offer of the second contract the "B" building was in course of construction. We had intended to use the "B" building originally for a locker room and eating rooms for the employees, and the balance for an emergency plant. Finally we were offered this work and we built a "C" building which we were going to use for the employees to eat in. All the equipment of the "C" building is there to show that we have not utilized it for that purpose. Subsequently we used the "C" building for a machinery building. But we did not put the "B" building up specially for this contract.

Mr. ATWATER: You are using the whole of them at the present time?—A. At the present time.

Mr. MARKEY: You got a contract for the British War Office?—A. Yes.

Q. And it was subsequently cancelled?—A. Yes. That is, we cancelled it ourselves on account of our difficulties in getting the component parts.

(The Commission adjourned at 6 o'clock p.m. until 10 a.m. to-morrow.)

[John A. Harris.]



ROYAL COMMISSION.

THIRTEENTH DAY.

MORNING SESSION.

OTTAWA, Thursday, May 11, 1916, 10 a.m.

Mr. HELLMUTH: I desire to say to the Commission that I have had placed before me again the entire file and correspondence between a Mr. Thomas and the Shell Committee. I think I said that I had at one time seen the entire file. I mentioned at the opening of the Commission, or early in its sittings that there only appeared to be two letters of any importance at all, and that those letters did not deal with the question of fusc contracts. These two letters deal with questions which were discussed between the Shell Committee and Mr. Thomas. I thought of placing the whole file before the Commission, and if the Commissioners thought those letters in any way bore upon the subject of this inquiry I should be very glad to put in the whole file, or the letters in question. But I cannot say definitely that they do sufficiently bear upon the subject of the inquiry here to justify me in putting them in.

This file contains both the Thomas and the Hichens files.

Sir WILLIAM MEREDITH: Do you suppose we are going to wade through all that material.

Mr. HELLMUTH: The letters I speak of are dated the 5th and 10th of October.

Sir WILLIAM MEREDITH: Turn down the corners of them, and that will do.

Mr. HELLMUTH: The two letters are of date October 5, 1915, from General Bertram to Mr. Thomas, and a letter from Mr. Thomas to General Bertram of the 10th of October, 1915. I will turn the corners of those two letters down. There is also a letter from General Bertram of the 17th of November, but it is not of any very great importance.

Sir WILLIAM MEREDITH: Mr. Moorehouse can turn down the corners of whatever letters are necessary.

Hon. Mr. DUFF: I should like, Mr. Hellmuth, to have the Minute Book for inspection.

Mr. HELLMUTH: Of the Shell Committee, sir?

Hon. Mr. DUFF: Yes. Put the Minute Book in along with that file.

Mr. HELLMUTH: These are not going in, Messrs. Commissioners. They are only given for the use of the Commission. I will hand the Minute Book in now, so that there will be no question about doing it at another time. There is nothing in the correspondence that I can find after November.

Sir WILLIAM MEREDITH: What is the view of counsel as to how long this inquiry is likely to last? Will it be prolonged beyond the end of next week?

Mr. HELLMUTH: I do not think, Messrs. Commissioners, that it will be possible to finish it by the end of next week. I had hoped it would have finished by the beginning of the week, but there are a number of witnesses some of whom have communicated with me stating that they desire to be called. I do not feel that I am entitled to say to any witness who desires to come here and give evidence (although I do not at all know the nature of that evidence) that he should not be put in the witness box, when it can very easily be ascertained whether or not he has any evidence to give.

Sir WILLIAM MEREDITH: It has been suggested that if that is the case it would be expedient to adjourn the week of the 24th. Monday would be a broken day, there would be a holiday on Wednesday the 24th, and besides that my colleague will be required one day (Friday, I think) in the Supreme Court. The week therefore would be very badly broken up. Perhaps the proceedings would be shortened if that week were eliminated. What is the view of counsel about it.

Mr. HELLMUTH: Personally I should be very glad, because it has been a very considerable tax, so far as my work is concerned, making preparations and getting witnesses together. I would be very glad of an opportunity of gathering up the threads as far as I can. I think perhaps it would quite probably lead to a shortening of the inquiry.

Sir WILLIAM MEREDITH: An end much to be desired.

Hon. Mr. DUFF: "This a consummation devoutly to be wished."

Sir WILLIAM MEREDITH: Mr. Johnston, what is your view?

Mr. JOHNSTON: To be quite frank about the matter, Messrs. Commissioners there is an accumulation of work that must be attended to by several of the counsel here, and I do not think it is quite fair that they should be tied up here and that other work be at a standstill. Out of consideration for the engagements of counsel, if nothing more, I think it would be a very proper thing to do.

In addition to that, I think there is quite a bit in what you have said in regard to the broken week and the difficulty of proceeding with the work of the Commission with any degree of continuity at all.

Sir WILLIAM MEREDITH: What do you say, Mr. Atwater?

Mr. ATWATER: It is quite immaterial to me, sir. It will give me an opportunity to attend to some cases in the Supreme Court.

Sir WILLIAM MEREDITH: Now, Mr. Ewart?

Mr. EWART: Personally I always like an adjournment and a little holiday, but the Minister of Militia feels that he is carrying on his work under great difficulties at the present time. It is very essential that he should get this matter off his mind. Notwithstanding that, we make no objection. The Minister of course has this advantage, that he will have a week to do his work in and to catch up with some of the arrears. We therefore quite willingly agree to what is proposed.

Sir WILLIAM MEREDITH: Now, Mr. Carvell?

Mr. CARVELL: Whatever suits the rest of the counsel will be quite agreeable to me, sir.

Sir WILLIAM MEREDITH: Mr. Nesbitt, what do you say?

Mr. NESBITT: I have nothing to say, sir.

Sir WILLIAM MEREDITH: What does that mean?

Mr. JOHNSTON: That is very unusual.

Sir WILLIAM MEREDITH: I understand, Mr. Ewart, that from the standpoint of the Militia Department there is no objection to the adjournment.

Mr. EWART: No objection, sir.

Sir WILLIAM MEREDITH: I suppose it will give General Hughes an opportunity during that week of attending to the more important duties perhaps of his office. Mr. Laflamme, you have not spoken yet.

Mr. LAFLAMME: There is no objection on my part, sir.

Sir WILLIAM MEREDITH: Mr. Ewart, you speak for those who are with you?

Mr. EWART: Yes, sir.

Sir WILLIAM MEREDITH: Now, Mr. Henderson?

Mr. HENDERSON: We must fall in with the adjournment, sir.

Sir WILLIAM MEREDITH: Under pressure?

Mr. HENDERSON: It will be a little inconvenient. The week following the adjournment is the week of our non-jury sittings here. I will have to make other arrangements for that.

Sir WILLIAM MEREDITH: That will be our arrangement, then, unless we should be fortunate enough to get through next week.

Mr. HELLMUTH: I am going to ask Colonel Cantley to come back to the witness box for a moment. He wants to explain one or two matters.

THOMAS CANTLEY, recalled.

By Mr. Hellmuth:

Q. Colonel Cantley, you have already given evidence here?—A. Yes, sir.

Q. You mentioned to me that you would like to explain in regard to first of all the note, I think it was, that Colonel Carnegie's remuneration was to be paid by the Militia Department. You did not tell me exactly what your explanation was, but you wanted to make some statement in regard to it?—A. If I remember correctly, in the letter which was given Colonel Carnegie at the time of his appointment, which letter was signed by General Bertram and myself, it was stated that he would be given a reasonable remuneration, which would be paid by the department. Afterwards the Colonel in his evidence, as I remember it, stated that he had not been paid by the Militia Department but by the Shell Committee. His statement of course was correct.

In explanation of the statement in the letter the point is this, that at that time, as I have already referred to, we were in some doubt as to how we would come out on that first contract.

Q. What was that?—A. How we would come out as a result of the first contract, in other words whether there would not be a loss, and as the engagement of Colonel Carnegie was going to add somewhat to the expense of the execution of those orders, when we went to Valcartier and asked the General for authority to engage him I suggested that he would be paid by the department and not by the committee.

Q. And that was what the letter stated he would be?—A. Yes.

Sir WILLIAM MEREDITH: I suppose you mean by that he was paid out of the public funds in the hands of the Shell Committee as such, and not by the four manufacturing gentlemen?—A. No, sir. I mean that he would not be paid by the Committee. At that time there were no contractors.

Hon. Mr. DUFF: You said he was paid by the Shell Committee?—A. Yes, sir.

Q. I am referring to the payments which were made; those payments were made by the Shell Committee as a Shell Committee and not by the four manufacturers out of their private funds?—A. That is right.

Mr. HELLMUTH: Speaking of private funds, did you yourself draw anything from the funds of the Shell Committee?—A. No, sir, nothing whatever.

Q. I understand you travelled, and came here backwards and forwards a great deal on that business?—A. I did.

Q. You drew your expenses, I assume?—A. I did not.

Q. Were they paid out of your own pocket?—A. Yes, sir. I presented no bill of and kind whatever, and got no pay of any kind whatever from the Shell Committee.

Q. I am reminded of something by my friend Mr. Stewart. Was that sum of 11 cents you had reserved, the money of the Shell Committee, or did you get any public funds for the Shell Committee?—A. Myself personally?

Q. No, did the Shell Committee have any public funds from any particular source?—A. Not that I am aware of. We were given a credit. The War Office, as I understand it, put some money at the credit of either the Government or the Minister of Militia or the Committee; at all events a credit was opened at the Bank of Montreal against which we could cheque.

Q. All the money you got in that way had to be accounted for by the orders you took and the prices paid for them?—A. Yes, certainly.

Q. As I understood from both Colonel Carnegie and General Bertram—I don't know whether I went into it with you or not—at the very outset it was decided that you would take the sum of 11 cents per shell on the first order, in order to provide for those expenses of administration?—A. Yes. Our calculations brought up the cost of the shell to \$8.44. We realized that there would be some expenditure (how much we could not state) and we added the 11 cents. The reason we added 11 cents was because it made up the round figure of \$8.55, not because it was merely 11 cents.

Q. Was it out of those moneys or out of similar moneys on contracts afterwards that Colonel Carnegie was paid?—A. Yes.

Hon. Mr. DUFF: You are going to call the supervisor, I suppose?

Mr. HELLMUTH: Yes, sir.

Hon. Mr. DUFF: The suggestion of this last witness is apparently that no cheques were drawn against that fund in the Bank of Montreal supplied by the War Office for such matters as Colonel Carnegie's salary.

Mr. HELLMUTH: Yes, sir.

Hon. Mr. DUFF: I am merely suggesting (I suppose it has a bearing on the question) whether the Shell Committee was acting as a public body administering public funds, as has been discussed so much here. Surely the best way is to call the man who had charge of the accounts.

Mr. HELLMUTH: I am instructed that so far as moneys were received or placed to the credit of the Committee, those moneys were accounted for in the various orders that went out, plus the amount added for administration expenses. How the cheques were drawn I do not know.

WITNESS: I would like to say this: The 11 cents was not the measure of the difference between the cost and the price at which we were paying for the shells. It developed afterwards that we had overestimated instead of underestimated it. In addition to that we were able to get during the latter stage of the manufacture of the first order component parts at a lower price than we paid at the outset.

Mr. HELLMUTH: However, I will get from the supervisor how the accounts were kept.

Q. I understand you want to say something in regard to the cancellation clause in the fuse contracts. You remember that in the fuse contracts there was a provision that if deliveries were not made within the time specified the contracts could be cancelled?—A. Yes, sir.

Q. What did you desire to say in regard to that?—A. What I desire to say in regard to that is that in my judgment that was one of the most important clauses in the contracts if indeed not the most important.

Q. In what respect?—A. In this respect. At the meeting held in Montreal on the 4th of June, to which reference was made by Colonel Watts and at which a letter was drafted which was sent to General Bertram and by him I understand given to Mr. Orde to be used in connection with the preparation of the contracts, we had a very lengthy discussion; when I say we, I refer to Colonel Watts—I think Colonel

[Thomas Cantley.]

Lafferty was the man who took the prominent part in the discussion—and Colonel Watt was anxious to insert a clause which would enable the Committee to collect damages for non-fulfilment of a contract. I pointed out to him that in my opinion a cancellation clause was of very much more importance, and if the ammunition company consented to that clause the Committee had practically the whip hand, and for this reason, that if on the 30th of April they had not completed their contract under the provisions of the cancellation clause, on notice being given to them the Committee had the right to cancel the contract. What might happen and likely would happen was this, that at the time the ammunition company would probably have very large quantities of various component parts necessary and requisite for building the shell. If the Committee sat down and said the contract is cancelled, that material, which might have amounted in value to two, three, or four millions of dollars, and probably would, would have no value whatever except for scrap.

Q. But how would that help you?—A. That would help the Committee in this way, that they could then go to the Ammunition Company and say, "The contract is cancelled, we will enter into a new one," and could cut the price to \$4, \$3 or perhaps \$2, and the other people would have to accept that or scrap the material, and if the Ammunition Board were able afterwards to do what I have suggested could have been done and which I think they did do, they were put in that position by the foresight of the Committee.

By Mr. Johnston:

Q. As a matter of fact that principle did work out as you say as to cancellation?—A. I understand so, though I do not know the exact details of it.

Q. You understand contracts were in default and they were cancelled and new arrangements made at a lower figure generally speaking?—A. I understand so.

Q. That is with regard to the American Ammunition Company anyway, under this contract?—A. Yes.

Q. To what account did you understand Colonel Carnegie's salary was to be charged; how was it to be paid in your judgment?—A. Do you mean as to the date when we wrote the letter?

Q. No, I mean out of what funds, in what way was it to be paid?—A. I presume it was to be paid by check as other salaries were paid in connection with—

Q. Out of what funds?—A. Out of the funds at the disposal of the committee, a portion of which was the accumulative profits.

Q. I thought you objected to paying that because you said there might be a loss on the first contract?—A. I did object to it at a time when I was afraid there would be a loss.

Q. At what time was it you objected to Colonel Carnegie's salary?—A. I never objected to his salary, I arranged his salary.

Q. Being paid out of the profits?—A. I never objected.

Q. Why was it not agreed to be paid out of the profits if you did not object?—A. I have already told you, sir.

Q. Tell me again?—A. Will you be good enough to repeat your question so that I will understand it if I can.

Q. Let me put it in this way, I cannot give it to you verbatim; why did you object to Col. Carnegie's salary being paid out of the profits; let me take it to that stage?—A. I did not object at that time because I did not know there were any profits; I asked the Minister that his salary be paid, which is a different thing, as I understand it, from objecting.

Q. When was it arranged that his salary should be paid out of a certain fund?—A. I do not know.

Q. Did you make that arrangement?—A. No, sir.

Q. You thought it should be paid, as I have taken it down, by the Department?—A. I suggested that it should.

Q. What do you mean by that?—A. I have already said I was afraid that the contract would not carry the added burden of Col. Carnegie's salary.

Q. But did not the profits belong to the Department, did not they all come in as part of the general transaction?—A. At that time I did not think there would be any profits.

Q. If there were any where did they go to in your judgment?—A. That was a matter I had not discussed.

Q. You had not thought of it?—A. No, I was not giving it very much concern as to what we would do with profits.

Q. Were these the profits to be made by the contractors that you are referring to?—A. There were no contractors at that date.

Q. On the first contract I thought you said?—A. There were no contractors at the time I took the matter up with the Minister.

Q. There must have been contractors when the contracts were made?—A. Pardon me, no contract had been presented to us at that time.

Q. What did you mean by saying there might be a loss on the first contract, what contract were you referring to? Was there any contract then contemplated or in question?—A. There was an order given for 200,000 shells.

Q. I am treating that as a contract if it was acted upon; am I right about that?—A. If you are dealing with the matter from a legal point of view, I presume you are, I do not know—

Q. It is not legal matter; I wanted to know how you treated—there was an offer made for 200,000 shells, and that offer was accepted and carried out, executed?—A. Yes.

Q. What difference did it make to you or to the Shell Committee if Col. Carnegie's salary was paid out of the profits or out of the War Office funds or out of any other funds of national or public character; what difference would that have made if you were not to get the profit?—A. It might have made this difference, that instead of the committee being able to deliver to the War Office 200,000 shells at the price which they had said they could deliver them, that we would have shown a deficit on the execution of the contract, and if that were so it would reflect to some extent on the business capacity of the men.

Q. That is the sole ground upon which you objected?—A. Yes.

Q. You wanted to make the Shell Committee, apparently, if not a profit-making concern at least a concern that kept its head above water, was not getting into any deficiency?—A. You can put it that way.

Q. Did you make any distinction in regard to the funds you were speaking of, did you make any distinction between the committee and the contractors?—A. No contractors at that time.

Q. When do you say the contractors began?—A. At the time we signed the contract.

Q. That would be 1st October, 1914?—A. I do not know.

Q. That is the contract you mean, the first one?—A. Yes.

Q. When did this conversation take place about Colonel Carnegie's salary?—

A. The letter is in evidence, I have forgotten the date.

Q. Was it long before that?—A. Some time before that.

Q. Some days or weeks or months?—A. Days, or possibly weeks, I do not know how long.

Q. Do you remember when Colonel Carnegie was appointed?—A. The same day as that letter was written.

Q. What letter was written?—A. The letter I have referred to which was put in evidence as signed by General Bertram and myself.

Q. That was the time of his appointment, the date of that letter?—A. Yes, sir.

Q. And that letter will speak for itself, that is in?—A. Yes, sir.

[Thomas Cantley.]

Q. To what salary did that apply, could you tell me how much were you paying at that time to Colonel Carnegie?—A. \$1,000 a month for three months.

Q. That had nothing to do at all, and you had no connection with the War Office, I understand, as to salary or otherwise?—A. You mean any communication with the War Office as to his salary? No.

Q. Apparently you had nothing to do with that—did you have anything to do with that?—A. Anything to do with what?

Q. With Colonel Carnegie's large salary which he got later on?—A. Later on, oh, no.

Q. You have spoken again about 11 cents, will you just tell me what was in your mind that that 11 cents would cover, I mean the items, I do not care about the amounts and the details, but what class of items would that cover, class of expenses?—A. We opened an office and we had to employ a certain amount of help, clerical and otherwise. We had a staff of inspectors inspecting component parts at the factories, and there were other incidental expenses which we assumed would have to be made, including the rent for our office.

Q. It was that class of expense you referred to that would be covered by the 11 cents?—A. Yes.

Q. The balance would be included in the estimate of the cost of the contract at so much per shell?—A. What balance?

Q. Any balance of expense or cost would be included in the cost of production?—A. Probably, well, we had nothing else except the difference between \$8.44 and \$8.55.

Mr. HELLMUTH: At the time, I think it was September 17, perhaps it is a little later that you got this letter which employed Colonel Carnegie, did you or did you not at that time know that four members of that committee would be required to be contractors?—A. Did I understand?

Did you or did you not know that at that time, that four members or some of the manufacturing members of the committee would be required to enter into a formal contract and bind themselves to the War Office?—A. I did not, no.

WILLIAM I. BANFIELD, SWORN.

By Mr. Hellmuth:

Q. You have been engaged in what business, prior altogether to this fuse matter?—A. I am connected with the firm of W. H. Banfield & Sons, Toronto.

Q. W. H. Banfield being your father?—A. Yes, sir.

Q. And you are one of the sons?—A. Yes, sir; we have been 35 years in business in Canada manufacturing all kinds of special machinery, dies, tools, jigs, gauges, sheet metal stampings, small metal parts, electrical fixture parts and fittings, power and stamping presses, and regularly small parts manufacturing machinery.

Q. Were you yourself acquainted with the manufacture of these articles that you have spoken of?—A. Absolutely, I am a practical man, I served my time at the trade right at the bench like every other man, worked up, in fact we grew up.

Q. You grew up with the manufacture?—A. Absolutely.

Q. How long were you in that business before you went to the States?—A. I have been 20 years in the fine machinery business.

Q. What was your position in the W. H. Banfield Co. at the time that you went to the States?—A. I am factory manager and general manager and estimator of costs, and designer of tools and jigs.

Q. Were you practically in charge of the factory?—A. Yes.

Q. Was your father taking any part then?—A. Of recent years my father has taken less and less interest, for the last five or six years leaving the entire responsibility on myself, that is as far as the mechanical work is concerned. I have a brother that looks after the office and office work.

Q. But you are the man who has had charge for some years of the machinery and the technical work of the factory?—A. Yes, sir, and the work of seeing that

certain orders were executed in their time, and pushed along and gotten out within the time we contracted to do the work.

Q. Was the business a big one or a small one?—A. I should say prior to the war, the year that the war was declared, I should say that we did \$500,000 worth of business; our business has grown every year till it has come up to that.

Q. So that you were a growing business as well as a large business?—A. Yes, we have handled some pretty big contracts.

Q. When did you first hear anything about Dr. Harris, or did he approach you—have you known Dr. Harris for some time?—A. About eight years.

Q. When did he first approach you in reference to the question of fuses or manufacture of fuses?—A. I do not think he approached me, I think I approached him.

Q. We will not quarrel over that; when did you first discuss it, what date?—A. I could better tell how the incident came up if I was allowed to tell the connections with it.

Q. You can do that, but of course you appreciate that we do not want to take up too much time, so that if you will shortly tell us what brought you to it?—A. I had been trying, I had just finished a contract of three or four hundred thousand dollars, and I was looking around for more business.

Q. Was this a war contract?—A. No, sir, I was looking around for more business and I heard that there were possibilities of some war orders, and I had come to Montreal to try and see if I could get something, but it was a little bit early, and things had not got shaped into shape. Later I asked Dr. Harris if he thought that there would be any business coming. He said he did not know. However, in January some time I met Dr. Harris in Montreal and we talked over the manufacture of shells, and it had been greatly written up in the paper that there were going to be shell orders coming to Canada, and we talked over the manufacture of shells, and we went to see the committee.

Q. The Shell Committee?—A. Yes, sir.

Q. Whom did you see?—A. Why, the two Bertrams, I believe, and I believe Mr. Carnegie, and they asked me, we approached them regarding getting a shell order and they asked me if we could make shells.

Q. We cannot go into the whole shell order, pass on please; at all events did you get a shell order?—A. Yes, sir.

Q. Having got a shell order will you come on to what occurred about the fuses?—A. At the time we were down seeing about getting a shell order—the first thing I knew about a fuse—that is what you want?

Q. Yes?—A. I was sitting by Mr. Bertram, junior's, desk discussing the technical difficulties that might be encountered in the manufacture of the shells, and he picked a fuse up from the desk and he said, "Well, how would you like to make that?" And I says, "Good night."

Q. Why?—A. Because I had taken it apart and I could not get it together right the first time. So later in the month—that was all that was said then—later in the month I was called to Montreal by Dr. Harris. I had been told it was in connection with the fuse. I brought with me our superintendent, a very capable man, he had been years in the manufacture of small parts, in connection with piano action, piano player parts and very fine intricate machinery, and this was about the middle of February, and I also got in touch with a man from Cleveland who was a very fine machine screw parts expert, and all day Saturday and all day Sunday at the Windsor Hotel we took apart, discussed the manufacturing problems of the fuse, how it could be machined, went over the specifications and the limits and the tolerances most thoroughly, and when we were leaving shaking hands with each other we said, "Well what have we gained?" And I suggested that I thought the fuse was a good thing to leave alone, and they all fully concurred with me on that point.

Q. Why do you say a good thing to leave alone?—A. There were so many things that would enter into the difficulties I could see, in not only manufacturing and

[William I. Banfield.]

machining the fuse at that time, but the specifications on the loading, while I was not an expert I could read between the lines that the thing was very accurate, very accurate, and that the whole secret of the proposition would be in the blendings of the powder, not just simply putting powder in there—

Q. We heard you can get the powder from DuPont's?—A. Why, you can buy ordinary powder from DuPont's, but a fuse is not loaded with ordinary powder, it is loaded with a combination of powders, faster powder mixed with slow powder.

Q. Had not you got the combination from DuPont's?—A. Absolutely not; that is the secret. If I knew it I would be delighted.

Q. What do you mean by the secret, the blending of these powders?—A. Why certainly. Anybody can take and put some tea together and get a mixture, but a man that puts that together to get a certain flavour is a blender, and that is the secret of the fuse, of blending the different kinds of powders that they buy from DuPont's, so that when it is compressed in a fuse the fuse time train rings will function absolutely within one-tenth of a second; that is the secret.

Q. Have you seen these fuses made at the International Arms and Fuse Company?—A. I have.

Q. Who does that blending?—A. They won't let me see.

Q. How do you know it is blended?—A. I have talked to the men who blend it, but you can get no information as to how it is blended; that is a secret that they have guarded, these fuse men for years; Major Hawkins has guarded that thing for years, and the men there won't give you one bit of information as to how to blend that powder. They discharged out of their place not three weeks ago three very capable men that had been trying to gain information as to how to blend powder.

Q. Let us get back to the mechanical parts; what do you say as to what you found in regard to the making of the component parts?—A. After we had left each other I came back to Toronto with my superintendent; I brought back with me the blue prints of the fuse in every detail and the full specifications. We would work at it and talk it over, and I went into it very thoroughly with another very capable man I had that has had a large experience on this class of work, mechanical experience I am speaking of now, not powder experience; I have had no experience in that whatever; and I went into it with my father, I went into it with other machinery men.

Q. When you say other machinery men do you mean machinery men in your own employ or outside?—A. Outside, and nobody seemed to like it; we all thought it was a fine little novelty, it was so delicate and so intricate, it was not a thing that we could see could be possibly manufactured successfully in this country. However, I further went into the proposition of manufacturing it, in this way, that were we to get an order how much tools and stuff we would need to get out to get an order to produce the fuse. I had figured out that there would be required twenty working sets of gauges, and there are 275 or 276 gauges in a set, and it meant somewhere around 5,500 gauges.

Q. What is the difficulty about getting 5,500 gauges?—A. I will tell you now. At that time the Shell Committee had placed a large order of shells, and every gauge and tool concern in the country were working nights and days to produce gauges, jigs and tools for the manufacture of shells; furthermore toolmakers were about as scarce as hen's teeth, we were all jumping each other's men; I would hire a man from Hamilton, and some firm in Hamilton would come down and hire two of my men, and firms across the street from me would pay 10 cents an hour more to my men, and I would have to go and jump some from the Canada Foundry, and the whole thing was you could not get the men, due to the fact I believe, largely due to the fact that this Government at the time I believe had consented to allow the English Government to take out 1,500 or 2,000 mechanics out of this country to England to make ammunition; and when you take 1,500 to 2,000 toolmakers and mechanics out of this country I will venture to say roughly that 75 per cent of them will come out of the province of Ontario,

because west of the province of Ontario there is practically no fine manufacturing, neither is there very much east; the closer and finer manufacturing seems to be done in the province of Ontario.

Q. Did you find there was a shortage owing to the scarcity occasioned by that?—

A. Well, there was great scarcity of labour, and everybody was so busy making shells and working on shell tools. I might say then that here is the point that came up, had we placed the fuse business in Canada, and had it been necessary, which it would have been, to get the gauges made in Canada, I am just giving this as an illustration, that 5,500 gauges is approximately equivalent to 300 sets of 18 pound shrapnel gauges, had we placed that order, and paid a premium over the regular rates to induce manufacturers to make those gauges quickly for us, because it would be necessary to have them very rapidly, because we had to produce fuses in a short time, it would have so blocked the Government or the shell manufacturers with jigs and gauges that I do not know what would have happened, due to the fact that a shell order we got on the 9th March we did not get the official Government inspection gauges till the latter part of August; so, just as I had estimated at that time it would have put the thing in a very bad state, because everybody was bending every effort to produce ammunition and the fuse is of such a more delicate finer work that it would take the very finest of mechanics, such as the foremen of the plants, to make the finest tools required for the fuse.

Q. Having acquired that knowledge?—A. There was another thing that helped me draw my conclusion as to why I did not think fuses could be made in Canada. Our firm sells goods, I will venture to say that I think we sell directly and indirectly to 75 per cent of the manufacturing concerns of Canada some thing, our line is so large, and I have known for years practically what the possibilities were of a very large number of manufacturers, and I might say that there are parts in the fuse that to-day I do not believe can be manufactured in Canada, commercially and successfully manufactured to conform to the specifications. There is, for instance, the small spiral spring that holds back the percussion pellet holder, this spring is a very simple looking little thing, perfectly harmless it looks, but it must do certain things, it must compress at a certain pressure, and it must not compress at a certain pressure, and if it collapses in the time that it is compressed it is not of any use, and every one of those springs has to be individually tested before it goes into a fuse. It is a very accurate part; I do not think that that part can be successfully manufactured in Canada even to-day, or for some time to come.

Q. Why not?—A. The country is too young for this class of work of the finer type of work that finer mechanics can work and can only work; it takes years to develop the class of labour—I am not talking of ordinary men who operate the machines, but the men who can look after this work and know that it is right; and the whole thing is so fine that the country was in my opinion too young for this class of work. Now, there is another thing I would just like to speak about, and that is the brass stirrup that holds up both time and percussion pellets, there are different designs but they do the same thing. I do happen to know since I have been with the company—

Q. The International?—A. Yes, the International Arms, the difficulties that the component parts manufacturers in the States have encountered; I have seen hundreds of thousands of these brass stirrup springs scrapped simply because it must sustain a weight and it must collapse under a certain weight, and it must not move under another certain weight, if it moves one one-thousandth of an inch under another weight it is rejected.

Q. Are those all tested before?—A. Absolutely every piece is tested three times.

Q. Having those matters in your mind what did you say to Dr. Harris?—A. Well, Dr. Harris said to me "What do you think of it"? And I said "Life is too short to worry about that"; I said, "I don't think it can be made in this country." However, he is one of those persistent kind of fellows that kept after me and said "Well, why can't you make it"? He seemed to think I could make it, and I was

[William I. Banfield.]

only fencing off that I could not make it. I am more convinced than ever now that I could not have made it. However, I tried to tell him that I could not make it, especially in the time; that was the thing.

Q. What time did he want you to make it in?—A. Six or seven months; and I said that to organize an equipment, to get in your equipment to make any quantity of those a day, to perfect your jigs and tools, to perfect your gauges and know that every gauge of a master set conformed to every other gauge would take at least a year; and he says "Oh no, oh no." I said "Well, that is my opinion anyhow;" and I think I was right; I don't think the Government have yet got the primer gauges straightened out, and there are only 84 of them.

Q. Did you or did you not inform Dr. Harris that you could not undertake the manufacture of those fuses, the component parts?—A. I did, and when Dr. Harris finally told me that he was going to go ahead with it I said, "Well, you just count me out."

Q. You would not have anything to do with it?—A. Absolutely not.

Q. Did you consult any other machinery manufacturer?—A. About the fuse?

Q. About the manufacture of the fuse?—A. I had consulted them in this way, that when I went to them to get assistance to make the gauges—five thousand sets of gauges is an enormous amount, worth approximately \$100,000 or \$110,000, and I had gone to them to see if I could get these gauges made, not only the gauges, but the jigs and the tools. We might have been able to get through with the gauges, but then there are so many tools needed and they are constantly being needed.

Q. But I want to know what the manufacturers said, Mr. Banfield?—A. When I showed them the drawings of the gauges most of them said they could not make the gauges, let alone going in to help make the fuse.

Q. Then you eventually told Dr. Harris, as I understand it, that you were out of it?—A. Yes, sir. I would not go in on it. Finally he put a proposal in, that was under another company and I was not considered in on it.

Q. Then how did you come to go into the service of the International Arms & Fuse?—A. Well, we had been making shells.

Q. You mean you had been making shells in your factory?—A. Yes, in Toronto. We had made a very large quantity, and I might say this, that when I first went to get a shell order—I do not want to take up your time—but when I first went to get a shell order from General Bertram he asked me how many I could make in a day. I said "A thousand." He said, "What!" I said "A thousand shells." He said "Do you know what you are talking about?" I said, "I think I do." "Why," he says, "the whole of Canada is only making 700 to-day in a day." Then with Dr. Harris the two of us went at the request of the Committee to the C.P.R., and they were making 300 a day, that is all they were getting out. When I came back the next morning to the Committee I was more convinced than ever that I could handle the situation, and General Bertram said, "How many do you think you can make a day now?" I said "Two thousand." And everybody nearly fell over.

Q. What did you make?—A. I made 2,300 a day.

Q. Of shells in your factory?—A. Yes, sir; though it took us seven months to get to that output from the time we got the order. It takes time to work up to capacity.

Q. Well, we will pass from the shells; that is an aside. Now, how did you come to go to the International?—A. Well, I completed this shell order and I had finished my shell business and a lot of other business in connection with powder tins—we had made a couple of million of those; I think we made the first 200,000 powder tins for shrapnel shells made in Canada—business was slacking off and I had the thing well organized, and I was very anxious to learn the art of fuse making, and it always stuck in my crop that I had the chance of making something and had turned it down. So I talked with Dr. Harris about it and he said he would be very glad to have me come over as an efficiency engineer. I said "That is just the job I want. I will

then be able to go and see every manufacturer making the parts." And I consequently went with the company.

Q. And you have been with them since?—A. Yes; and I had the liberty of going through every component part manufacturer's plant that was making parts for us.

Q. You have been?—A. Yes, I have spent days at them.

Q. At the different manufactories?—A. Yes, sir.

Q. Now, looking at the matter with hindsight as well as foresight, what do you say as to the time when Dr. Harris came to you with respect to the turning out of fuses in Canada—leaving out the loading—within six or eight or ten months?—A. That is such a long thing that I do not think I can answer that question.

Q. What do you think as to the possibility or probability or likelihood of such a factory as you possess—I am not asking you about any other—A. Or what we could have possessed?

Q. Or what you could have possessed, being able to turn out the complete fuse, barring loading, within six or eight months?—A. It could not be done.

Q. What period would you put it at?—A. I had previously put it at a year, and I think if I had the same opportunity to do it in Canada, knowing what I do today, that is with the information I have gained of the different difficulties that numerous manufacturers have encountered, I would still ask for that time in the least. And I would like to say this in explanation, that at that time when the proposition was offered to me the machinery market was in such a chaos and upset condition, everybody had bought from stock almost every available machine that could be used in the manufacture of ammunition, and the replenishment of that stock was only being taken care of by the regular stock manufacturers of machinery, that is machinery manufacturers who were in the business prior to the war. Since the war there have been thousands of concerns enter into the manufacture of machines of all kinds. They have taken the standard of lathes built by Bardons & Oliver and Warne & Swazey, they have taken their standard patterns and they have duplicated them. In other words, there have been a lot of what we would term mushroom machine companies spring up that manufacture machinery that, if you went into the business now or four or five months ago, would greatly facilitate your prospects of being able to complete a fuse contract in any given time. The business has settled down and certain manufacturers have come into the market to supply the excessive demand that is being made for machinery.

Q. May I sum it up in this way? In your judgment it would have been much easier four or five months ago to have taken an order for fuses—I am not touching the loading, you say you know nothing about that—to be delivered within a certain time than it would have been at the time you saw Dr. Harris?—A. I would say it is a hundred per cent easier at least, because you can get the machinery now that you could not get at that time.

By Mr. Atwater:

Q. Mr. Banfield, with regard to the shell order that you carried out that you had from the authorities, there were some photographs produced here before the Commission yesterday. Are they correct photographs of your plant?—A. Yes, sir.

Q. I want you to just tell us in a general way about the capacity of the International Arms & Fuse Company's plant at Bloomfield, which you are acquainted with,—I do not want you to go into details, but I just want you to say what is your appreciation of that plant with regard to the contract that that company has undertaken to supply for two and a half million fuses to the Shell Committee?—A. This plant is an enormous plant, and when I think of the way those people have spent money to try and speed up the delivery of fuses, it is beyond anything I could ever have thought of. I would just like to illustrate that by one point. They were shipping heavy machines of 1,500 and 2,000 pounds by express, dozens and dozens of them coming in by express in order to get them there in time. Then the component

[William I. Banfield.]

part manufacturers would ship stuff by express and a lot of it would get lost on account of freight embargoes and congestion through the express companies, and they instituted a service between three of their sub-contractors where men went on passenger trains and carried the stuff for hundreds of miles, and while the man was at Bloomfield today with boxes of stuff that had come on the train he was met with the company's cars to bring those boxes to the plant, and another man would be at the plant waiting for them, waiting for this stuff to be brought in, and it just looked to me as if—well, I was glad I was not in it.

Q. These are illustrations of the endeavours of the company to carry out their contract. Can you tell us whether from your personal observation or knowledge of that class of work the company have done all that is possible for them to do to carry out the terms of their contract?—A. They have done that, and more.

Q. Now, did you have any conversation with any of the military authorities at all in regard to your contract of the way in which it was carried out?—A. The Manufacturing & Contracting Company?

Q. Yes.—A. Why, as no doubt the military officers—

Mr. HELLMUTH: I do not want to interrupt, but I really do not think we can go into the Banfield contract.

Sir WILLIAM MEREDITH: I do not think so.

Mr. ATWATER: That is all, Mr. Banfield.

By Mr. Carvell:

Q. Mr. Banfield, do I understand you to say that when you were seeing all the lions in the path of making fuses in Canada—A. The which, lions?

Q. The lions in the path.

Mr. EWART: L-i-n-e-s in the path.

Mr. CARVELL: Mr. Banfield, you and I will get along much better if we treat each other as intelligent men. I know you are an intelligent man, and I suppose you will assume I am. I asked you when you were telling about the lions in the path of making fuses in Canada as of what date were you speaking?—A. Why, at the time I was dealing in the matter.

Q. And when was that?—A. Why, during January, February, March, 1915.

Q. And you claim that at that time there were great difficulties in obtaining gauges and machinery of various kinds required in the production of all kinds of munitions of war?—A. I might add the month of April to that.

Q. And do you contend that at that time these difficulties existed?—A. In getting gauges?

Q. In getting gauges and machinery for the manufacture of munitions of war?—A. Yes, sir.

Q. Were there difficulties supposed to be in the way of manufacturing the ordinary shrapnel shell at the beginning?—A. Were there difficulties?

Q. Yes.—A. There were.

Q. How long did you consider the matter before you went into the manufacture of the shells?—A. Two and a half months.

Q. Were the two and a half months taken up in considering the possibility or impossibility of successfully manufacturing, or the possibility or impossibility of obtaining the contract?—A. With the possibilities and the impossibilities of manufacture.

Q. And that is what deterred you for two months?—A. Yes.

Q. And for two months you were really afraid that you could not manufacture a shrapnel shell?—A. Why, I only wanted to take 2,000 at the start.

Q. I understand. And you were so timid that you would only take 2,000 shrapnel shell, and you considered that for about two to two and a half months?—A. No, not that long.

Q. I am putting it to you. I want the answer.—A. You have got a wrong impression.

Q. Then will you give us the correct impression?—A. I was approached by a party in Toronto who had been down to Ottawa seeing the Shell Committee, asking if I would not like to make some. I went into it with him—this would be two and a half months before I got an order—and I said it looked all right. I afterwards got the English Government specifications and when I read up about all the sclerscope tests and heat treating and everything else I was then rather afraid.

Q. And that frame of mind continued for some weeks or months?—A. No, not very long.

Q. For how long?—A. I then went around to other manufacturers who were making shells.

Q. Yes.—A. And saw what they were doing and got more confidence.

Q. How long did it take you to get up sufficient confidence to think that the Banfields could manufacture them?—A. I should judge a week.

Q. And you did this after investigating other establishments where they were being successfully manufactured?—A. Where they were being manufactured—I would not say successfully.

Q. All right. Tell us where you went?—A. The Dominion Bridge in Montreal.

Q. Well, you do not mean to say that the Dominion Bridge were not successful, do you?—A. At that time, yes.

Q. They were not?—A. They were having difficulty with the hardening. The same thing existed at the C.P.R. with the hardening of the shrapnel shells.

Q. Did you go to any other place?—A. I went to the Canadian Foundry.

Q. Yes, what did you find there?—A. I felt kind of afraid after I came from there.

Q. What date was this?—A. I could not say exactly, I should judge around March sometime.

Q. That would be March of 1915?—A. Yes, February or March.

Q. Then, Mr. Banfield, as I understand it, you now swear that down to February or March of 1915 you had grave doubts about your ability to manufacture shrapnel shells?—A. No. I had confidence and I had doubts. I was buoyed up in some places and thrown down in others.

Q. Then you had doubts? Will you go that far?—A. No, I had not any doubts, I saw that I could do it, but that it would take time to overcome the difficulties that existed.

Q. Now, when was it you agreed to take an order for 2,000 shells?—A. I never agreed to take an order for 2,000.

Q. When did you want to take an order for 2,000 shells?—A. I don't know as I ever wanted to take an order for 2,000.

Q. Don't haggle, Mr. Banfield. Get beyond that and answer my question.—A. I did not think I would like to make any more than 2,000.

Q. You are only parleying with words. When was the time you would like to take an order?—A. When was the time I would like to take an order?

Q. Yes. Let us get away from this nonsense. A. I should judge in February some time.

Q. All right. In February, 1915, you reached the point where you would like to take an order, and had some doubts or realized there were some difficulties?—A. I saw there were difficulties.

Q. That was in February, 1915?—A. Yes.

Q. Now, sir, is it not a fact that since that date you have manufactured 200,000 shrapnel shells or shells of different kinds?—A. I have.

Q. More than 300,000?—A. I am not prepared to say.

Q. Then between 200,000 and 300,000?—A. I don't think that information ought to be given out.

[William I. Banfield.]

Q. We do not want any of your wishes about any of this at all. When the Commission asks me to stop I will stop.

Sir WILLIAM MEREDITH: He has a right to state his point.

Mr. CARVELL: Then I won't press that question further.

Sir WILLIAM MEREDITH: I am not stopping you. I am only stating that the witness has a right to state his point.

Mr. CARVELL: When a witness gets gay you naturally feel you want to try and get out the evidence.

WITNESS: I do not want you to feel that I am hiding anything, but I do not want to give the Commission a wrong inference of what my knowledge is.

Q. That is just what you are giving. When a technical witness gets gay with counsel he usually gets the worst of it in the end. A. I never had that—

Q. Let us get along.

Mr. ATWATER: You might let the witness answer.

Mr. CARVELL: Let us get along.

A. I think you will if you go the right way about it.

Q. Unfortunately I have to go my way. Then the difficulties in the manufacture of shrapnel were not as serious a proposition as you were afraid of at the beginning?—A. They were very serious.

Q. I see, those were as serious as you feared at the beginning?—A. I might explain that situation, Mr. Carvell, that I never made any shrapnel shells.

Q. What did you make?—A. High explosive shells.

Q. Now, is there very much difference in the method of manufacturing the high explosive and the shrapnel?—A. Considerable.

Q. What is the difference?—A. One is hardened, the other is not.

Q. And that is the only difference?—A. No, there are hundreds of differences.

Q. What is the general principle of difference?—A. The shrapnel shell is hardened and filled with bullets and resin, and the high explosive is not.

Q. You do not make resin and bullets?—A. No, but you have to put it in there to weigh right.

Q. You don't put it in, you don't manufacture?—A. Don't manufacture bullets?

Q. The bullets and the resin?—A. No.

Mr. EWART: You do not grow resin on the trees.

WITNESS: No, I have no resin trees.

Mr. NESBITT: You do not seem to appreciate the difference.

Mr. CARVELL: I know as much about it as you do.

Mr. NESBITT: You do not evidence it.

Sir WILLIAM MEREDITH: I think we have lost six dollars and a quarter. Let us get on please.

Mr. CARVELL: I do not want to ask you for the prices of your high explosive shells but you have manufactured high explosive shells for very much less in the later stages of your work than you did in the early stages, haven't you?—A. If you say for less I should say yes, but when you say very much less I say no.

Q. That is your answer, you say yes.—A. No, not to your question.

Sir WILLIAM MEREDITH: You did not catch what he said. He said for less, not very much less.

Mr. CARVELL: Messieurs Commissioners, at this stage I do not want to go into the question of any contracts for shells, and therefore I do not frame a question that will draw an answer of that kind, but I do think that I am entitled to this information

Sir WILLIAM MEREDITH: His answer is different from your inference of it.

Mr. CARVELL: Let me put it so plainly that you cannot misunderstand it. Are you not manufacturing the high explosive shells for the Shell Commission or the Munitions Board, whatever it may be, for less dollars and cents than you were at the beginning?—

A. I am not manufacturing any high explosive shells for the Imperial Munitions Board.

Q. Are you for the Shell Committee?—A. No, sir.

Q. Is any company with which you are engaged manufacturing them?—A. High explosive shells?

Q. Yes.—A. No, sir.

Q. Any class of shells?—A. Yes, sir.

Q. What are they?—A. Shrapnel.

Q. Have you had more than one order for shrapnel?—A. No sir—yes sir.

Q. You have?—A. Yes sir.

Q. Now, is the price that you are receiving for the last order—

Mr. NESBITT: I object to this. You cannot go to the man's credit. It is going into the very question that I understand the War Office have cabled out that they do not want gone into, the prices of shells, and so on.

Sir WILLIAM MEREDITH: In a general way, without getting particulars, surely it is not improper to ask whether they have been manufacturing for less. That is all I understand Mr. Carvell is asking.

Mr. CARVELL: Yes, that is all.

Mr. NESBITT: He was told they were for less.

Mr. CARVELL: I am going to follow it up now.

Q. Now sir, are you not manufacturing the latest order for shrapnel shells for less dollars and cents than the former order?—A. I never made any before.

Mr. NESBITT: I object.

Mr. CARVELL: Didn't you say you had two orders?—A. I never made any; they cancelled the order.

Q. They cancelled the order?—A. Yes.

Q. Then is not the second order for very much less than the first order?—A. In quantity, yes.

Q. That is what I said.

Sir WILLIAM MEREDITH: In quantity he said. You did not understand him.

Mr. CARVELL: What about price?—A. Yes.

Q. We have spent 15 minutes to get what you might have answered 15 minutes ago?—A. You did not ask it that way.

Q. You are one of those cute witnesses that usually get worse off in the end. Then you are manufacturing munitions of war cheaper than you were some months ago?—A. I am.

Mr. EWART: Who got the worst of it in the end?

Sir WILLIAM MEREDITH: Order, please.

Mr. CARVELL: You honestly believed when you went—

Mr. NESBITT: I object to that form of question. It is insulting in its language.

Mr. CARVELL: No.

Mr. NESBITT: It is intended as such.

Sir WILLIAM MEREDITH: I think the witness is perfectly capable of taking care of himself.

Mr. CARVELL: Now, did you honestly believe when you considered the manufacture of high explosive or shrapnel shells that there were the difficulties which you have related to us?—A. No.

Q. You did not believe that, I see.—A. I did not, I did not believe there were the difficulties before I took the order that I encountered after I took it.

[William I. Banfield.]

Q. You did not believe?—A. No, I did not believe it.

Q. Then the difficulties were much greater than you thought they were?—A. They were greater.

Q. And yet even with those greater difficulties than you had imagined in the beginning you have succeeded, have you?—A. I have made a quantity of shells

Q. And have succeeded fairly well?—A. I have.

Q. And have made some money?—A. That is a question.

Mr. HELLMUTH: I do not think that should be gone into.

Sir WILLIAM MEREDITH: He says "That is a question."

Mr. CARVELL: All right. Now then, Mr. Banfield, I want to come to this little spiral spring that you can see on the end of this pencil.—A. I cannot see it from here.

Q. You can see the pencil?—A. Yes, sir, I can.

Q. I will tell you that I have extracted it from the time fuse which Mr. Atwater was kind enough to present to us a few days ago. I have taken it out from the lower part of the time fuse. Now, you know that there is such a thing as a little spiral spring in that, don't you? I will send it to you if you wish to see it.—A. Is it the percussion pellet spring holder?

Q. Yes.—A. Or the concussion part?

Q. No, the percussion, the lower one.—A. Yes, I have seen it.

Q. And you know what I am referring to?—A. Yes, sir.

Q. Is that one of the articles which you stated even to-day could not be successfully made in Canada?—A. That is one of the articles to which I referred.

Q. Well, I understand you referred to that as one of the articles. Now, of course, you cannot see it, but you know what I am talking about. I want you to describe what is the tremendous mechanical difficulty in making that little spring.—A. You have to be a spring maker to know that.

Q. Well, Mr. Banfield, I think you can give me some information.—A. The spring must sustain a weight. If it sustains less than that weight it is of no use; if it sustains more than that weight it is of no use.

Q. That may be true.—A. If it collapses or otherwise flattens in sustaining that weight it is of no use.

Q. Does it have to sustain a weight at all times?—A. It says in the specifications that it must do those things I have mentioned.

Q. But I am asking you, Mr. Banfield, as a gentleman who knows about making fuses?—A. It must have a regular general tension at all times.

Q. That is even while the fuse is at rest?—A. It has a tension.

Q. Tension on this spring?—A. Yes.

Q. What is the real object of that particular tension while the fuse, we will say, is at rest or being transported?—A. It assists in keeping the percussion pellet from arming.

Q. Is there not something else there to keep that percussion pellet from going back?—A. A stirrup spring.

Q. Would this little article I have here be called the stirrup? You can see that I presume?—A. I cannot see it that far.

Q. I will pass it up to you. (Stirrup passed to witness.)—A. That is the piece.

Q. That is the stirrup?—A. Yes, a brass stirrup.

Q. And that is another article which you say is so difficult that you do not believe it can be made in Canada?—A. And do not think so to-day.

Q. You believe that, that is the evidence you are giving?—A. Absolutely. I might say on that stirrup spring that my hindsight is a good deal better than my foresight from what I have learned since.

Mr. EWART: Were you speaking about the stirrup or the stirrup spring?—A. The brass stirrup.

Mr. CARVELL: Now, is it not a fact that before that pellet could come back and explode the shell as a percussion fuse that you would have to straighten out the sides of that stirrup?—A. Yes, sir.

Q. Would it not take a hundred times or a thousand times as much pressure to straighten out the sides of that stirrup as it would to overcome the resistance of the spring?—A. It would take more pressure.

Q. Would it not take a hundred times more pressure?—A. I don't know.

Q. Mr. Banfield, you are a mechanical man. You can take these two little articles in your hand.—A. I would not say so unless I made a test of it.

Mr. NESBITT: That is as far as the witness can go.

Mr. CARVELL: I want to see how far this witness will not go. You have been in my position before, you have found a witness who you think rather bright, and I want to follow this fellow up.

Q. I want to know how much more pressure it will take to straighten out the sides of this stirrup than it would to overcome the resistance of the spring?—A. How much more.

Q. Yes. I would like to have some degree or percentage?—A. I don't know how much more it would take. I would say, roughly, twice as much or more.

Q. How is that?—A. I would say it takes more.

Q. And, roughly, twice as much?—A. And more.

Q. How much more?—A. I don't know.

Q. Would it take three times as much?—A. I should judge so.

Q. Would you put it at about that?—A. No.

Q. I want you to go on.—A. I could not say, I have never made a test.

Q. That is as near as you have made a test?—A. Yes, sir.

Q. I think the Commissioners can take these two little articles and be guided by their own test as to the value of this evidence.

Sir WILLIAM MEREDITH: You should not comment.

Mr. CARVELL: Possibly not; but when a witness makes a statement of such absolute ridiculousness—

Sir WILLIAM MEREDITH: We will be here two weeks with this witness.

Hon. Mr. DUFF: I would like to have those last three questions and answers read.

(Reporter reads same.)

Q. Is that your answer?—A. Not as near as I can go.

Q. That is how you put it?—A. I did not mean so.

Q. You had better listen to the question. How near can you go just from looking at it and exercising your common sense and judgment?—A. The conditions under which it functions in the fuse have considerable to do with it.

Q. That is not the question you are asked at all. Putting it at a minimum is it ten, twenty, fifty times?—A. More than that.

Q. What is your minimum?—A. A thousand times he asked me.

Q. A thousand times is the maximum, is it?—A. I should think so.

Q. Now, what is the minimum on your present judgment as you see them there?—A. Five hundred times.

Hon. Mr. DUFF: Now, Mr. Carvell, you have got an answer to your question. A minimum of 500 times, a maximum of 1,000 times. It is much better if you answer the question in the first place.

Mr. CARVELL: I felt that.

Hon. Mr. DUFF: There is no necessity for comment. Go ahead.

Mr. CARVELL: These are the two articles, as I understand it, that you mentioned as being so intricate that they could not be manufactured in Canada, am I right?—A. I did not say they could not be manufactured as only meaning the word manufactured; I said commercially.

[William I. Banfield.]

Q. Well, commercially. I want to be fair, and I adopt that. You still think that they could not be commercially manufactured in Canada?—A. Within the time that was necessary to get them.

Q. That is something else that was not stated by you in your former answer.—A. I did.

Sir WILLIAM MEREDITH: I think he did.

Mr. CARVELL: However, it does not make very much difference.

Mr. HELLMUTH: I think the witness said it could not be manufactured to-day.

WITNESS: Commercially.

Mr. HELLMUTH: Yes, commercially, quite so. But I mean you said to-day?—A. Yes, and I said at that time within the required time too.

Mr. CARVELL: My note is, "Parts of fuse which to-day cannot be commercially made in Canada."

Mr. HELLMUTH: Yes.

Hon. Mr. DUFF: That is it.

Mr. CARVELL: Do you still say that?—A. That is my opinion.

Q. That is your opinion. All right.—A. Yes. I have in mind general competitive prices and commercially. That is my opinion.

Q. That is a fair way of putting it, Mr. Banfield?—A. That is right.

Q. That stirrup, I suppose, is made by one stamp of the die?—A. No, sir.

Q. How many operations would there be in making that?—A. The difficulty does not come—

Q. Pardon me. I am asking you now about the mechanical side, then I will give you every opportunity to explain the difficulties. I know what you will say, you have told us once before.—A. No.

Q. I want you to answer my questions.—A. I am going to.

Q. Is that made by one stamp of the die?—A. Just a minute. I am going to answer you. I should say three or four operations.

Q. Three or four stamps of the die?—A. Three or four operations.

Q. All right, to make that stirrup?—A. Yes.

Q. Now, I would think it is only fair that you should be allowed—A. I do not want to say that then it would be satisfactory.

Q. Now, I think it is only fair that you should go on and state wherein the difficulties arise.—A. This is one of the most difficult pieces that enter into the construction of the time fuse.

Q. Explain in what way it is difficult.—A. In the manufacturing, in the rolling of the brass. The brass is rolled in sheets approximately from 6 to 12 inches wide. This stirrup, and consequently the upper stirrup, must work at a certain pressure, that is, it must release the percussion pellet holder and allow it to come in contact with the steel needle and mercury cap under a certain strain.

Q. Pardon me before you finish that. The stirrup we are now talking about is the one that operates on the percussion fuse when the shell strikes the ground?—A. There is one similar to it, the upper part.

Q. That is the time stirrup?—A. Yes.

Q. I am talking of the lower one or the percussion?—A. Yes.

Q. And that percussion stirrup is straightened, that is, when the fuse strikes the ground the pellet goes forward with such force that—A. It draws out the sides of the stirrup.

Q. And allows the pellet to go forward and the cap will strike on the pointer?—A. Yes. In the manufacture of brass it is rolled and in the rolling they roll the sheets about 6 inches wide and they spring in the centre from the immense strain. Consequently the brass is thicker in the centre of the sheets than at the edges, and if the thickness of this brass varies one-half of one-thousandth part of an inch the result is this, that the stirrups you cut from the centre of the sheet of brass do not

arm at the same specifications or the same weights as the stirrups which you cut from the side of the sheet, because the brass in the centre is thicker. Furthermore, when the brass in the centre is thicker and your dies are set down to the required depth to half a thousandth in forming these, when it hits the brass it has a tendency to harden the brass, because the method of hardening brass is by either hitting it or rolling it, and that makes it also harder. Another difficulty is in annealing sheets of brass; if the temperature is hotter at this point than it is at this other point, this brass is softer at this point than at that point, with the result that the stirrups you cut out of this part, irrespective of the fact that they are cut from the centre and will not be right, are wrong in that the temperature of the brass is wrong. I have seen hundreds of thousands of them thrown away.

Q. That is the difficulty in the rolling of the brass is it not?—A. And in the manufacture.

Q. Of the brass?—A. Of the stirrups too. If the press hits one harder than the other, if the operator allows a little bit of dirt or oil to get under the dies which would in any way increase the thickness of the pressure, it would harden the spring. It is what I would call a manufacturing condition.

Q. By the rolling of the brass and the operation of the die?—A. In the manufacture of the stirrup.

Q. Would you not find the same difficulty in rolling that brass in the United States that you would in Canada?—A. I am speaking of the difficulty that they had.

Q. Then would you have any greater difficulty in rolling that brass in Canada than you would in the United States?—A. Yes, sir.

Q. Why?—A. Because there is only one brass mill in Canada to roll either brass bars or sheets, and it is not and was not at that time a capable first class mill, it was not a good mill.

Q. Could they not have obtained other machinery?—A. Why, with the expenditure of large sums of money I should say Yes.

Q. I do not want to name the manufactory you refer to, but how many factories were in the United States that were in a position to roll this brass?—A. There were a lot of them thought they could roll it, but afterwards found out they could not. They have since built special machines to roll it.

Q. Could not a Canadian manufacturer have gone down there and purchased these brass sheets?—A. Could not he have gone down and purchased the brass sheets?

Q. Yes.—A. They have only successfully made that stirrup within the last two or three months.

Q. All right. Could not the Canadian manufacturer have purchased?—A. He could two months ago or a month ago, but not in the earlier stages.

Q. Would not the Canadian manufacturers have been in just as good position in obtaining brass up to two months ago as the United States manufacturer—A. If he obtained it from the States, yes.

Q. That settles one difficulty now, Mr. Banfield.—A. He would have encountered the same difficulty.

Q. Why, certainly he would.

Hon. Mr. DUFF: Mr. Carvell, I thought you were talking about the present time. Are you not wasting a good deal of time?

Mr. CARVELL: The trouble with this witness is you have just to take the time he is willing to give you. I started in to talk about the condition of affairs in the months of January, February, March and April.

Hon. Mr. DUFF: I only make the suggestion. I thought perhaps it might facilitate the examination.

Mr. CARVELL: I want now to go back and ask this witness this.

Q. If in view of your being able to overcome the tremendous difficulties which you have done in the manufacture of high explosive and shrapnel shells, don't you

think you had sufficient ability to overcome some of the difficulties you have referred to in the manufacture of the time fuse?—A. In time, yes.

Q. I thought so. Now, is there anything else outside of the loading,—and I am not discussing that at all, Mr. Banfield, with you, because I understand you have not loaded,—so far as any mechanical part of this fuse is concerned, with the exception of two little articles that you have referred to, which could not be fairly commercially made in Canada?—A. Is there any which?

Q. Is there any part outside of these little articles—and I want to say there would be another one of those stirrups in the upper part of the fuse—would there be anything outside of these articles which could not be fairly successfully made in Canada?

Sir WILLIAM MEREDITH: Do you mean now?

Mr. CARVELL: Yes, or eight months ago.—A. I think that outside of those parts, having been given ample time it could be made in Canada.

Q. I think so too. Now, will you tell me what would be the approximate cost of one of those little parts for one of these fuses?

Mr. HELLMUTH: Percentage?

Mr. CARVELL: No. I would rather get down to cents.

Q. Half a cent or a quarter of a cent?—A. I do not know what they pay for them.

Q. Do you believe that one of these stirrups costs a quarter of a cent?—A. Yes.

Q. Now, I would like you to give me the maximum amount that you believe one of these stirrups will cost?—A. I should say a cent and a half.

Q. There are two of them, that would make three cents to a fuse. And what would you say would be the maximum cost of that spring?—A. Three-quarters of a cent or a cent.

Q. Let us call it a cent. We have four cents. And you, sir, believe that because you would have to go out of Canada to buy four cents worth of articles for one fuse that you cannot make fuses in Canada?—A. No, I did not say that.

Q. Those are all the reasons you have given. Have you any others?—A. I gave the time as the big obstacle that you could not make it in Canada.

Q. Let us test that out. You are somewhat familiar with the International Arms & Fuse Company's plant in the United States, are you not?—A. Yes, sir.

Q. You have been down there assisting them for a long time, I understand?—A. Yes, sir.

Q. You know when they got their contract, don't you?—A. I have an idea.

Sir WILLIAM MEREDITH: Oh, tell him.

Mr. CARVELL: On the 19th of June, 1915.

Q. And how long was it before you became aware that they were not succeeding very well in their undertaking?—A. They never told me they were not succeeding very well in their undertaking.

Q. Didn't you know as a matter of fact that they were not delivering fuses in time or according to the contract?—A. I did not know.

Q. Did you never know when they were to deliver their first fuses?—A. No, sir.

Q. You never were told that?—A. No, sir.

Hon. Mr. DUFF: Cannot you give him the dates, Mr. Carvell and then found your question on the actual time? We know the dates.

Mr. CARVELL: Mr. Commissioner, I am trying to test this witness out. If he says he did not know it I have to accept that. You say now you did not know when they were to commence delivering fuses?—A. Not at the time I went to the company.

Q. Do you know now?—A. I have heard it said they were to deliver them, at, I think, five months.

Mr. CARVELL: This witness knows a lot. I told you I was testing him out.

Hon. Mr. DUFF: Oh.

Mr. CARVELL: You know now you were told they were to commence delivering fuses in five months?—A. Yes.

Q. There is no doubt that is correct at all. Now, when you answered me a while ago that with the exception of these three small parts you could have made fuses in Canada if you had sufficient time, or that they could not have been made in the time of this contract, do you mean that they could not have been made in the five months?—A. In Canada?

Q. Yes.—A. That was my opinion.

Q. But do you also know that the company did not commence delivering fuses in five months, the International?—A. Did I also know?

Q. Yes.—A. No, I did not know that.

Q. Well, I do not know, Mr. Banfield, whether I can state to you as a fact that a solitary fuse was delivered in five months or not. However, I can state that, if so, they were in no large quantities and in no sense carrying out the contract.—A. I would not expect there would be.

Q. Do you know whether they were or not?—A. Delivering in five months?

Q. Yes.—A. I do not know whether they were or not. I have heard since. I did not know at that time when I went with the company whether they had delivered any fuses in five months.

Q. Do you know now?—A. I have heard it said here that they did not.

Q. Don't you know as a matter of fact that it was 8, 9 or 10 months before they really commenced delivering fuses in large quantities?—A. It depends on what you call large quantities.

Q. I will tell you, Mr. Banfield. Under the contract they were to deliver 5,000 a day after the 19th of November. You say now you know they did not fulfil that part of the contract. Now, I will put it this way. When did they first commence delivering at the rate of 5,000 a day?—A. I don't know.

Q. When did you go on with the company?—A. In February.

Q. Were they delivering at the rate of 5,000 a day when you went with them in February?—A. I don't know.

Q. Well, I would like to find something you do know. However, we will keep on. What are you doing?—A. What was I doing?

Q. Yes.—A. When I first went with the company I was efficiency engineer visiting the plants and trying to help out the production of parts.

Q. That is, they took you down there in order to re-arrange their own manufacturing establishment?—A. No, they took me down there to help and try to get the manufacturers to come up to their deliveries.

Q. The subcontractors?—A. Yes.

Q. They took you around to the different subcontractors?—A. I went there, yes.

Q. That was your business?—A. To help to increase the production from the different subcontractors.

Q. You went to the different subcontractors and you advised them I suppose? You did not go in and take charge of their shops?—A. That is a very delicate thing to do. When you go into another man's plant and tell him how to make stuff he goes up in the air, like a lawyer would if another lawyer told him how to judge law.

Q. I imagine you went about it diplomatically. I want to know what you did.—A. I tried to point out the difficulties that we were having with a lot of the stuff they were supplying, that it was not being made to the requirements, that it was not being shipped on time, and so on.

Q. As a result of your discussions with them, were there improvements?—A. I would not say it was a result of my discussions. There were improvements.

Q. After your discussions there were improvements?—A. After our discussions there were improvements.

Q. And somewhat decided improvements?—A. In some cases yes, and in some no.

[William I. Banfield.]

Q. Then it is a fact that a Canadian manufacturer was able to go to the United States and give them some pointers?—A. I would not say so.

Q. Then you do not appreciate your services, I am afraid, as highly as some of the rest of us do?—A. I cannot help that.

Q. We admire your modesty anyway, Mr. Banfield.—A. Thank you.

Q. Did you do anything else towards hurrying up this business?—A. Yes, I realized the fact that a number of the subcontractors—I will give one as an illustration, and that will best straighten the matter out.

Another one of the most difficult parts of the fuse is to load the time train rings, and tool them and mill them as called for in the drawings and specifications. That has been an obstacle that has cost hundreds of thousands of rings to be rejected. One firm I am told lost 95,000 sets.

Q. Those people had better come to Canada if they are going to fall down in that way. I venture to say that General Bertram would not make a blunder like that?—A. They have not done any better here.

Q. They have not had an opportunity?—A. They will have. I saw that some of the subcontractors were having trouble and considerable difficulty, and I suggested to the Company that in view of the fact that they had a contract, to get it out in time they should equip a reserve plant, a plant of such a type that if any of our subcontractors failed to make the required deliveries we could in that plant take on their contract and absorb it and supply the necessary parts until such time as arrangements were made to get a steady supply of parts coming in.

Q. And they consented to that?—A. Yes, sir. That is the building I have charge of.

Q. More Canadian ability?—A. No, I would not say that. Other firms are manufacturing rings.

Q. You say you got an auxiliary or supply plant ready, and you are taking charge of that now?—A. That is what I am doing.

Q. Will you tell me in how many—I do not want you to give the names of them at all—but in practically how many different shops or institutions are the parts of these time fuses being made for the International Arms and Fuse Company. Do not give the name, because I do not want that?—A. I don't know whether I should give that information or not.

Q. I don't think that would do much harm.—A. I would have to get a pencil and pad. I can figure it out. Roughly ten, twelve, fourteen, or something like that.

Q. Take these little springs you were speaking about. Are those made at one place?—A. I don't know.

Q. Don't you know where they are made?—A. No, sir.

Q. Have you no idea at all where those little springs are made?—A. No.

Q. Have you any idea where the stirrups are being made?—A. Yes.

Q. Don't you know that certain parts of these fuses are being made by—there is a factory that has been mentioned here?—A. In Jersey City, or Philadelphia?

Q. The Keystone Watch Company?—A. They have a number of factories. Philadelphia or Riverside?

Q. Don't you know that the Keystone Watch Company are making some parts of these fuses?—A. Yes, sir.

Q. What parts?—A. What parts? They have an order for completed fuses.

Mr. ATWATER: Isn't this a part of the Inquiry that should not be gone into?

Sir WILLIAM MEREDITH: Are these for the International Arms and Fuse Company?—A. Yes, sir.

Mr. CARVELL: Do you mean to say that the Keystone Watch Company are making these complete fuses?—A. No. I said they are supplying some.

Q. Are they supplying the complete parts?—A. Yes, but they do not make them all.

Q. They get them from some other source?—A. They assemble and buy certain parts that they cannot make.

Q. I am not taking into consideration the loading, because I know that is done at the Bloomfield plant, but outside of the loading, is the Keystone Watch Company furnishing the completed fuse—I don't care whether they are making it or not?—A. Not that way. They furnish the parts.

Q. Do they form sufficient parts which afterwards are assembled and made into a complete fuse?—A. No.

Q. What parts are lacking?—A. I would have to see their contract. But I know there are parts of the fuse that they do not make, that they do not supply.

Q. You said a while ago that they supplied completed fuses?—A. You are putting it in such a way that I cannot answer it, with the question you ask me.

Q. I will give you every opportunity to explain, Mr. Banfield, as I do not want you to say anything that is not a fact?—A. There are parts of the fuses that they supply and there are parts that they do not supply.

Q. Tell me the parts that they do not supply?—A. I could not tell you them all.

Q. Tell me one of them?—A. A part they do not supply?

Q. Yes.—A. The powder in the rings.

Q. Surely you have sufficient intelligence to know that I told you to exclude the loading of the fuses. I am not talking about the loading. In order that there may be no question about it, I do not want you to take into consideration the powder that goes into the time rings, I do not want you to take into consideration the pellets that lead from the time rings to the percussion cap. Take out those two, and eliminate the work of putting in the powder, and the pellets, is there anything else the Keystone Watch Company are not supplying?—A. The spring.

Q. That little spring?—A. Yes.

Q. Anything else?

Mr. NESBITT: What have we to do with this? It is an absolute waste of time.

Hon. Mr. DUFF: I do not think it is a waste of time nearly as much as a great deal of evidence we have heard already. For my part, I would like to have this part of the examination concluded.

Mr. CARVELL: Tell me the remaining parts that the Keystone Watch Company are not supplying?—A. The felt washers.

Q. What will those felt washers cost?—A. I don't know. I would not put a price on that thing for anything.

Q. I am talking of the felt washers?—A. That is what I am talking about too.

Q. We will have to follow that up a little. You are a manufacturer, are you not?—A. I am a manufacturer.

Q. And have been for twenty years?—A. Yes.

Q. Manufacturing tools, gauges, parts, machinery and a variety of articles?—A. Yes.

Q. And with your twenty years of experience do you tell me that you have no idea what a little felt washer will cost?—A. I have an idea.

Q. That is all I am asking for?

Mr. EWART: He did not say he hadn't an idea.

Mr. CARVELL: It is only the difference between tweedledee and tweedledum.

Sir WILLIAM MEREDITH: It would be better if you did not make these little speeches, Mr. Carvell.

Mr. CARVELL: Perhaps you are right, sir.

Sir WILLIAM MEREDITH: Let us get this more on a judicial basis.

Mr. CARVELL: But when we get an intelligent witness such as this gentleman failing to give intelligent answers, one can hardly avoid making some sort of speech.

[William I. Banfield.]

Q. Have you any idea of the approximate cost of that felt washer?—A. I would like to say that I don't know how much the felt cost, where they buy it, or anything about it.

Q. You can say yes or no; if you say no, that ends it. Have you any idea of the approximate cost of that felt washer?—A. I have.

Q. What is it?—A. Can I say within an amount?

Q. Yes, certainly.—A. I would say within five cents.

Q. Is there any other part that the Keystone Watch Company do not supply?—A. There are a lot of parts, but I do not know them all.

Q. Tell me all you do know?—A. Well, I would need the chart to do that.

Q. Well, get the chart?—A. I am going to give this information subject to it being confirmed by Major Hawkins or some person who is more familiar with this contract and what they supply than I am.

Q. We will take it for what it is worth?—A. I am not going to say that it is authentic or correct, but only what my idea is. I do not think they supply the leather washer.

Q. You do not think the Keystone Watch Company supply the leather washer?—A. No.

Q. Which you have put at a maximum price of five cents?—A. No. That is the felt washer.

Q. Take the leather washer, then?—A. And I do not think they supply the cloth washers. I do not think they supply the set screw for the cap. I do not think they supply the securing pins.

Q. Where do they go in?—A. They keep the top ring from turning around on the stem.

Q. That is, the top time ring?—A. The top ring, yes. I don't think they supply the silk paper tablets for the flat holes, nor the onion skin washers.

Q. Wouldn't it be fair to say that outside of the spring and the stirrup they supply all the metal parts of the fuse?—A. No, because the securing pin is a metal part, and the screw is a metal part. Then there is a paper disc for the escape hole, onion skin discs, I don't think they supply those.

Hon. Mr. DUFF: That onion skin disc is not a metal part?—A. No.

Hon. Mr. DUFF: He is asking you what metal parts they do not supply.

WITNESS: Is that all you want to know, what metal parts they do not supply? I will try and assist you by going down this way. Paper washer, onion skin washer for the bottom ring, the cloth washer for the bottom ring, the temporary paper disc for the bottom ring, the linen discs for the base plugs, the base plug washer.

Q. That linen disc is a little piece of linen in the centre of the base plug?—A. Yes.

Q. About a quarter of an inch across, or something like that?—A. Yes. They do not supply the detonator. That is not in the fuse you have.

Q. The detonator is not here?—A. No. You have not got a completed fuse.

Q. I think I know the parts of this fuse pretty well, Mr. Banfield?—A. I think you do. Also the linen for the percussion arrangement holders, the linen washer for the percussion arrangement holder, the coil spring for the percussion arrangement.

Q. You mentioned that before?—A. And the paper disc for the percussion pellet box, the cloth washer for the body, and the fuse cover.

Q. We have not got that here?—A. No. That is this big piece. I think, subject to correction, that that would be about right.

Q. In your opinion, Mr. Banfield, what would be the total cost exclusive of the stirrups and springs?—A. I don't know. I could not start to reckon that up.

Q. Wait until I ask a question and do not get excited. Excluding the cost of the spiral spring and the two stirrups what would be the cost of the articles you have named now that are not supplied by the Keystone Watch Company?—A. I could not undertake to say.

Q. I want the very best judgment you have?—A. I am not going to say what an amount like that is, because you can figure these things out yourself.

Q. You as a manufacturer of twenty years standing, assisting these people in getting this thing up, going to the United States to arrange with them, cannot give an estimate of the cost of those articles?—A. If I could do that I would be a wonder, in the time I am here.

Q. Could you do it?—A. I could, in about a week.

Q. That is about the best you can do?—A. It would take considerable time to compile that information.

Q. A little paper washer—?—A. But that paper comes from Austria.

Mr. HELLMUTH: I think we are now getting into matters we should not get into.

Mr. NESBITT: Probably we are getting into the reasons why the questions are asked.

Mr. HELLMUTH: That statement about the paper coming from Austria should not be made, and I do not think the Press ought to take any notice of the statement.

Sir WILLIAM MEREDITH: I am sure they will not.

Mr. CARVELL: I hope you will not imagine that I knew anything about what the answer was going to be.

Mr. NESBITT: I don't know. Perhaps you can say where those papers went that disappeared from the files. Perhaps you will find out from some witness who comes here.

Mr. CARVELL: I won't take that from you, Mr. Nesbitt.

Mr. NESBITT: You will take anything that comes from me, anything I like to give you.

Mr. CARVELL: I don't think I ought to be asked to stand here and take that from Mr. Wallace Nesbitt. If he thinks I took the papers, let him put me in the witness box in a manly way, and not fling nasty slurs across the table at a man who is trying to conduct an investigation in an honourable method.

Hon. Mr. DUFF: Mr. Nesbitt's observation is not one that ought to have been made. I feel it is my duty to say so, and I think it is my duty to say if that sort of thing is continued I shall not sit here any longer.

Mr. CARVELL: I don't think, Messrs. Commissioners, that I will ask this witness any further questions.

Sir WILLIAM MEREDITH: Is the steam all off now? Has anybody else any question to ask this witness?

Q. Can that spiral spring and stirrup be bought in the United States?—A. I should think so.

Q. Since when, always?—A. No, sir, not always.

Q. Well, since when?—A. It is something which has developed since the War,

Q. I did not mean that. I meant always since the War?—A. The stirrup, it has taken months for them to find out the real reasons and get down to the real reasons why they were having considerable trouble with fuses arming and not arming at different times, and it is only lately they have got it to a proper stage where it is right.

I would like to say before I go that at the time this proposition was offered to me I was very anxious to take it and keep it in Canada. I realized the fact that the Government of England was anxious to get all parts they could manufacture in Canada, and I had in view this object, that I believed that if I would be successful in manufacturing fuses in Canada, that even after the expiration of the war we would have a permanent industry. I went into it very exhaustively with that object in view. I really now feel that in view of the fact of the early deliveries that were needed for the ammunition, that I fully did the right thing in helping to have the order placed in the United States.

[William I. Banfield.]

By Mr. Grant:

Q. Have the Keystone Watch Company a plant in Toronto?—A. Not that I know of.

Q. Have they a branch in Toronto?—A. Not that I know of.

Q. Do you know the American Watch Case Company?—A. On King Street West.

Q. Yes.—A. I know them.

Q. Do they not control the Keystone Watch Company?—A. I don't know.

EDWIN B. CADWELL, sworn.

By Mr. Hellmuth:

Q. Mr. Cadwell, where do you reside?—A. Englewood, New Jersey.

Q. May I ask you what your occupation or calling was. I am going to ask you to speak up, because we cannot keep this room quiet and it is very difficult for us to hear. What was your occupation or calling originally?—A. I have always been a manufacturer.

Q. What were you a manufacturer of, Mr. Cadwell?—A. Various things. The one allied to this business was in connection with the Standard Screw Company.

Q. The Standard Screw Company is where?—A. The Standard Screw Company is a New Jersey corporation, with five factories scattered throughout the United States.

Q. What position did you occupy with the Standard Screw Company?—A. I was Vice-President.

Q. How long were you Vice-President?—A. I organized the Standard Screw Company in 1900. The first three or four years I handled its financial matters. Afterwards I was its Vice-President.

Q. You handled its financial affairs and then became Vice-President?—A. Subsequently, for a period.

Q. Sometimes Vice-Presidents go on handling financial affairs. Tell me what you mean?—A. I did not drop its financial affairs.

Q. What did you do after you became Vice-President?—A. I have always been connected with the Standard Screw Company for sixteen years.

Q. Do you know yourself anything about the manufacture of machinery or of the products made by machinery?—A. Somewhat, yes. I have always been identified with things mechanical.

Q. From when?—A. For thirty years.

Q. And you were for some time Vice-President of the Standard Screw Company?—A. Yes.

Q. Were there any other manufacturing concerns in which you were interested?—A. Yes. I am interested in several others.

Q. Manufacturing concerns in the United States?—A. And in Canada.

Q. I just want to ask you this question; are the factories with which you are connected in Canada manufacturing war material?—A. No, they are not.

Q. Are they manufacturing machinery?—A. No. They are saw-mills, log and railroad saw-mills.

Q. That will not help us much in the fuse business, will it?—A. I don't think so.

Q. Were you prior to this contract (I understand you were, and that is why I am asking you the question) interested in any companies in the States that were manufacturing fuses?—A. Yes.

Q. Before this contract, you were interested in those?—A. Yes, long before.

Q. Was your company one of the first companies that undertook to make fuses for the use of the Allies?—A. I think it is a fact that we took the first contract that was made in the States.

Q. For Allies' fuses?—A. Yes, sir.

Hon. Mr. DUFF: That is, your own company?—A. The Standard Screw Company.

Mr. HELLMUTH: That was a contract that did not come through the Shell Committee here at all?—A. It did not.

Q. Were you engaged upon that contract at the time negotiations first started here with regard to the fuse contracts?—A. Yes. We were delivering fuses under the first contract.

Q. I am not going to ask you the details and terms of that. But you were in a contract for fuses?—A. Yes, several of them.

Q. Several of them, were you?—A. Yes.

Q. Were those for the No. 100 fuse, or a time fuse?—A. Both time fuses and 100 fuses.

Q. That is, the graze fuse?—A. Yes, sir.

Q. At all events, you must have appreciated the difference between the two classes of fuse?—A. Our contract with the Shell Committee required—

Q. I am not asking about that. I am falking of before you had any contract with the Shell Committee, you knew the difference between a time fuse and a graze fuse?—A. I did.

Q. How many companies were you interested in, or how many contracts were you interested in in regard to fuses prior to any connection with this contract—I do not want the names of the companies, I want just the number of contracts?—A. I had taken four contracts prior to this one.

Q. Perhaps I may get from you now, what was your first knowledge of any fuse contract possibility in Canada?—A. It would be impossible for me to give the date, but it was probably early in January or perhaps the latter part of January, 1915.

Q. That is, January of last year?—A. Yes, sir.

Q. Who first gave you any information, or how did the information come to you?—A. We at the beginning of the war established relations, that is, established agents in the various countries, and were kept informed by them from time to time of possible business prospects.

Q. You were out for business?—A. When the war broke out 70 per cent of the equipment of the Standard Screw Company was idle. It had not been going on more than 24 hours when I commenced to plan to fill those factories with war material, to manufacture war material.

Q. May I say here that so far as a number of the factories in the United States is concerned, the war was the beginning of an enormous business?—A. It was.

Q. There is no doubt about that, as far as your factories were concerned?—A. None whatever.

Q. You say 70 per cent of the equipment of the factories was idle when War broke out, and within 24 hours you were hunting for war orders?—A. Yes. We had 1,800 screw machines standing idle.

Q. Can you tell me through what agent (if you know) the possibility of a war contract in Canada came?—A. We did not give much consideration to the Shell Committee business until it was brought to our attention one day by a man named Craven.

Q. You had heard of the possibility, but had not paid much attention to it?—A. No. We were busy preparing to make fuses in a large way. We had several large contracts, and we were not giving much attention to what was going on in Canada.

Q. Who was Mr. Craven?—A. I had no idea. He came into the office just like hundreds and thousands of other men, and told me that the Shell Committee wanted to buy fuses, and that he would bring Colonel Carnegie to my office.

Q. Was that the first you had heard of the possibilities with the Shell Committee?—A. That was the first time we had given it serious consideration.

Q. Had you seen anybody else before that?—A. No.

Q. Let me put this question to you. Had you seen Colonel Allison before that, in connection with fuses?—A. No.

Q. Had you before that seen Mr. Yoakum in connection with fuses?—A. No.

[Edwin B. Cadwell.]

Q. So Craven was the first man who really brought you in touch with it?—A. Yes.

Q. He said he would take you to Colonel Carnegie?—A. No, that he would bring Colonel Carnegie to my office. I was too busy to go and see Colonel Carnegie.

Q. When was that, please?—A. That was in the very last days of April, or the very first of May.

Q. So that it was in the very last days of that month or the beginning of May you first saw Mr. Craven?—A. Yes.

Q. Did he bring Colonel Carnegie to your office?—A. No, he did not.

Q. That does not seem to be a very helpful start, does it?—A. No.

Q. I would like, if you possibly could, to follow up in close connection what occurred there?—A. I will tell you the whole story. Just at the time Mr. Craven dropped into the office and offered to bring Colonel Carnegie, Mr. Bassick called up. It might have been the day before, or possibly the same day. He said that he was in touch with a large fuse contract, and wanted to know if I would join him in taking it and executing it. Having known Mr. Bassick for some time—

Q. What was Mr. Bassick?—A. He was a manufacturer in Bridgeport, Connecticut, and elsewhere in New England. He did not tell me and I did not ask him what contract it was. I was not worrying any about getting all the business we could do. I did not go very extensively into the matter with Mr. Bassick at that time, but I said I would join him.

Q. You said you would join him?—A. I said I would join him. I asked Mr. Craven if he had been in touch with Mr. Bassick in connection with the matter, and he rather avoided the question, and I learned afterwards that he had been. The next day Mr. Bassick came to my office and explained to me that he was in touch with the Shell Committee.

Q. Mr. Bassick did?—A. Yes; we discussed the matter in general and agreed that we would endeavour to secure a contract which we would execute jointly.

Q. That is you and Bassick?—A. Yes, I told him to go ahead with his negotiations and keep me advised. A few days passed, and he requested me to meet Mr. Yoakum at the Belmont Hotel.

Q. Up to this time had you seen Colonel Allison?—A. No, we met Mr. Yoakum at the Belmont Hotel, and at that meeting we all discussed—

Q. That is you three?—A. Yes, the question of taking a large contract for manufacturing fuses and organizing a company to execute it.

Q. What was Yoakum's connection?—A. I never had met Mr. Yoakum until that morning, but of course I knew him by reputation, knew him as a large railway contractor and builder of railroads; his name was known to every one I guess in the United States as a man that had done big things; therefore I was entirely willing to enter into an arrangement with Mr. Yoakum and Mr. Bassick to handle a big fuse contract.

Q. Do you know how Mr. Yoakum had come into it; did you hear then at all?—A. Mr. Bassick told me in asking me to meet Mr. Yoakum that Mr. Yoakum was in close touch with the situation in Canada and he thought he could be of assistance in carrying forward a negotiation. The following day I was invited to meet Colonel Carnegie.

Q. By whom?—A. By Mr. Bassick. I met Mr. Bassick and also Mr. Yoakum at the Belmont Hotel again and Mr. Bassick had two or three other manufacturers that were proposing to furnish some of the component parts, it being agreed that we were to organize a company to assemble and load the fuses. After a few moments' discussion we all went over to the Manhattan Hotel and I was introduced to Colonel Carnegie, General Bertram, Mr. Allison, by either Mr. Bassick or Mr. Yoakum, and I would not be able to say which. I was put forward as the man that was already engaged in the manufacture of fuses, and Colonel Carnegie questioned me closely for several minutes as to my qualifications as a manufacturer. He then wanted to know who our experts were and I succeeded in getting one of our production engineers up, and later in the day I succeeded in getting our ballistic engineer,

Mr. Gladeck—the production engineer was Mr. Baker. We were in the room with these gentlemen probably an hour and a half all told.

Q. What part did Mr. Yoakum play in that?—A. I do not recall that Mr. Yoakum had very much to say. Colonel Carnegie took the situation in hand and put us all through a very severe course of sprouts; we had to tell him our history from beginning to end, at least we either had to do that or refuse to answer his questions; he asked a great many questions.

Q. Did General Bertram speak much or not?—A. He did not have very much to say; Colonel Carnegie had the—

Q. What had Colonel Allison to say?—A. I don't think he uttered a word all the time I was there.

Q. What was said, if anything, or what did you understand was the relationship of Colonel Allison to the matter, because he was not one of your triumvirate?—A. He might have been a member of the Shell Committee for all I know.

Q. As far as you were concerned you did not know what he was there for?—A. No, I did not ask any questions at all; I had no occasion to. I went over to meet the Shell Committee.

Q. Was there any conclusion arrived at at the meeting as to what should be done or what the chances were of your getting a contract?—A. Colonel Carnegie said he would like to visit our factories. I urged that he go to Trenton and look at one of the large plants that I was interested in, but he finally decided to go to Bridgeport to look at the plants that Mr. Bassick was interested in.

Q. You thought your plants would make a good showing?—A. We were making fuses in the plant we were interested in, in Trenton.

Q. Just here, at this meeting, can you give me the date, or did you?—A. It was in the early part of May.

Q. I think we have pretty well fixed the date; at that meeting was anything said in regard to whether the fuses were time fuse or graze fuse No. 100?—A. They were time fuses.

Q. That is what you understood?—A. Yes.

Q. That was what was being discussed?—A. Absolutely, nothing else.

Q. Were they 80 time fuse or the American 85?—A. They did not know, it was a very vague question as to what type of fuse would be required.

Q. Had you been manufacturing in your own factory—you said you had four years, were you manufacturing the 80 or 85?—A. We were manufacturing the 85's.

Q. And were you loading them or manufacturing them unloaded?—A. No, manufacturing them unloaded.

Q. So that you had not had—it is fair to put it this way is it not—you had had no experience in the loading business?—A. No experience in the loading, but shortly after the war broke out we commenced to make our plans for going into the loading of fuses, and we put under retainer the civilian superintendent of the fuse department of the Frankford Arsenal.

Q. Who was that?—A. Mr. Gladeck.

Q. He was the civilian superintendent of the Frankford Arsenal?—A. Fuse department, and he was the only man so far as we knew who had both the technical and the practical knowledge in the manufacture of fuses in the United States.

Q. You did not know anything about these army officers?—A. I did not know anything about them; I was more interested in getting a practical man than I was a technical man.

Q. You did not get him on account of this contract?—A. No, we had him under retainer months before this Shell Committee was formed, at least a month before it was formed if I am correctly informed.

Q. But the Shell Committee was formed—you do not know how early it was formed?—A. I said if I am rightly informed.

[Edwin B. Cadwell.]

Q. The Shell Committee was formed in September, 1914; had you Mr. Gladeck at that time?—A. No, but we had him about that time.

Q. When that meeting adjourned or when that meeting was concluded, I don't know which it was, Colonel Carnegie went off to Mr. Bassick's factory?—A. He went the next day, as I recall.

Q. Did you go too?—A. Yes.

Q. You accompanied him?—A. Yes.

Q. So that you three—did Mr. Yoakum go?—A. Yes.

Q. We have Mr. Yoakum, Mr. Cadwell, Mr. Bassick, and Colonel Carnegie?—A. And General Bertram.

Q. It would not be fair to ask if you had a special train?—A. As I remember we went up in a smoking car.

Q. At all events you got to Bridgeport?—A. Yes, and examined Mr. Bassick's factories.

Q. Had you seen Mr. Bassick's factory before?—A. I never had made a careful inspection of his factories before.

Q. You knew of it?—A. Yes, but I never went through them.

Q. Did you make a careful inspection then?—A. Yes.

Q. Did Colonel Carnegie express approval or disapproval at what he saw there?—A. He did not express to me his approval or disapproval.

Q. Did he give you any indication at that time what he thought of the Bassick factory, Burns and Bassick factory?—A. No, he did not.

Q. Were you satisfied with the factory?—A. It would not have met my requirements as a fuse producing firm.

Q. What was the result of that meeting, did you say anything more, did you go to any further?—A. Yes, we visited two other factories as I recall it: one was a typewriter factory which Mr. Bassick had relations with.

Q. Was any approval or disapproval of that expressed?—A. I would have approved of that factory as the manufacturing of component parts.

Q. Did Colonel Carnegie express approval?—A. I don't think he did audibly, but I could see I think in his appearance that he approved of it.

Q. You judged that from his appearance and manner?—A. Yes.

Q. Were you satisfied with that?—A. Yes.

Q. Did you go to another factory?—A. We went to another factory but I cannot recall what it was.

Q. And the same party?—A. Yes, the same party, we were all together.

Hon. Mr. DURF: Colonel Carnegie pretty eager to find a place to make fuses?—A. He was the busiest man I ever saw.

Q. All of which you duly remembered when it came to fixing the price I suppose?—A. Yes.

Mr. HELLMUTH: I suppose I might suggest here that you had no objection, if you could, to get an order, had you?—A. Oh, no, but we were receiving orders, and had taken a great many orders since this one, and I believed that the war would be a long war from the beginning, and I never had any doubt as to our having all that I could possibly handle.

Q. Then we have finished our journey?—A. Yes, we have finished the journey I think.

Q. What was the next adventure, if I may put it in that way, your coming together?—A. On this trip I left the discussion largely in the hands of Mr. Bassick and Mr. Yoakum, and I was impressed with their ability to go ahead and negotiate for a contract. Therefore, I did not do anything more except to say to Mr. Yoakum and Mr. Bassick to keep me advised as the negotiations progressed; and one day I received a telephone message, a few days later, saying that they were going to Montreal to see the Shell Committee.

Q. Do you remember who was that from?—A. That was from Mr. Bassick, as I recall. Upon their return from Montreal I was told that it was their impression that a price of \$4.25 could be had for the fuses.

Q. This you got from Bassick or Yoakum?—A. I think perhaps from both of them. At that time material was quite reasonable in its price, copper was about 15 cents a pound, aluminium was about 17 cents a pound, spelter was about 11 cents a pound; therefore I think \$4.25 would have been a fair price for a fuse made of brass; this fuse being made largely of aluminium we discovered that nothing short of \$5.50 or \$6 would be a fair price for it; we have discovered it is a very difficult fuse to make.

Q. You thought at that time it was going to be of brass?—A. No, we did not, but we deceived ourselves as to our ability to manufacture this fuse from aluminium and meet the requirements, and of course some of the other component parts they have given us great difficulty.

Q. At all events you thought, whether your knowledge proved your thoughts were correct or not, that \$4.25 was a fair price?—A. We felt that we might be able to make it at that price and make some money.

Q. Of course we are still talking of time fuse?—A. Oh, yes, nothing else ever thought of.

Q. About what date is that, when Bassick and Yoakum, one or both, told you that they thought they could get a contract or get an order at \$4.25?—A. I should think that was about the middle of May.

Q. From that time on was the market the same, did the market remain the same?—A. The market advanced in the next three weeks from 30 to 50 per cent of everything that went into that fuse.

Q. On the raw material?—A. Yes.

Q. Material that would go in to manufacture the fuse?—A. Yes.

Hon. Mr. DUFF: That is from about the middle of May?—A. That was from about 1st May, from the time we first started the market was going up steadily.

Mr. HELLMUTH: That is in the first three weeks of May?—A. No, I would say from the middle of May till the 15th of June the market advanced from 30 to 50 per cent on all materials.

Q. I take it, Mr. Cadwell, that you kept pretty close touch with that market?—A. We were buying all the time.

Q. Is it the fact that you were necessarily watching the market for your other orders all the time?—A. Yes, it was.

Q. Having been told that this order might be got at \$4.25 what did you do?—A. I said we would consider joining the organization, or participating in the organization of the company to take the order.

Q. That is what you told Bassick and Yoakum?—A. Yes.

Q. Did you have a meeting?—A. I don't think we had a meeting; we did most of our business by telephone.

Sir WILLIAM MEREDITH: What size order?

Mr. HELLMUTH: Did you know what size the order was?—A. Five million fuses.

Q. You thought you could get a five million order?

Hon. Mr. DUFF: I don't think I caught just about what time you are speaking of?—A. About the 15th of May.

Q. That is about the time when you told them that that price would be acceptable to you?—A. I did not say it would be acceptable, I said I thought we could make some money at it, and I would be willing to join in the organization of a company to take the order.

Q. To take an order at that rate?—A. Yes.

Mr. HELLMUTH: You say you do your business by telephone, that is the long distance telephone?—A. Well, I very rarely leave my office, nearly everything is done over the telephone.

[Edwin B. Cadwell.]

Q. Or they come to your office?—A. Yes, but most of our business in New York is done over the telephone.

Q. Is your recollection, because I suppose that is all—did you keep any memorandum of these things?—A. I never keep a memorandum of anything except after it has reached a stage that it becomes very important. Up to this time it was of no importance.

Q. Your impression and your recollection is you telephoned Bassick and Yoakum because you think you heard from both?—A. They telephoned me, I think.

Q. And you in reply to them individually, without a meeting of the three, said you would be willing to go into an organization and get up a company to take this contract?—A. Yes.

Q. Had there been any discussion about the shares in which you would take it, or how the profits, if any were to be divided, at that time?—A. We discussed the question of organizing a company to assemble and load, and I said I would take two million sets of the component parts for manufacture, the other three million being left to the disposal of Mr. Bassick and Mr. Yoakum in other factories as they saw fit.

Q. Was that all that had been said up to that time?—A. It was just a general talk, there was nothing—

Q. Had anything been discussed as to the question of the capital or the shares that each of you would take?—A. I said we would take all they would let me have.

Q. That is from a manufacturing?—A. No, that is for the organization of a company to assemble and load.

Q. You would take as much of the capital as they would let you have?—A. Yes.

Q. Did they say how much they would let you have?—A. No, they said they felt that we were in a better position to know what was to be done in the assembling and loading, and they were quite willing we should have a larger interest in the company.

Q. Was anything said at that time in regard to anybody else except you three going into it?—A. No, nothing whatever.

Q. Was Colonel Allison's name mentioned as going into it?—A. I never heard his name mentioned from the time I was introduced to him until months afterwards.

Q. Then after this telephone conversation or conversations, what was the next thing—you had not gone to Montreal, you have told us?—A. No, I was invited to go to Montreal, but I said no, it was not necessary; they could go ahead and negotiate. A few days later they called me up and said they were going to Ottawa to meet the Shell Committee, and wanted to know if I would go along. I said no, that I was entirely willing to leave the negotiation with them.

Q. Do you remember who it was called you up?—A. I think it was Mr. Bassick, because I knew him intimately and I was only incidentally acquainted with Mr. Yoakum, having only met him once or twice.

Q. You told us you said that they could go and negotiate?—A. Yes. They were gone a couple of days and returned, and Mr. Bassick came to my office and showed me a letter granting him three million fuses, the type to be designated later.

Q. We have had the letter?—A. I have seen the letter.

Q. A letter of the 21st May?—A. Yes.

Q. That was the letter of the 21st May to Bassick about three million fuses?—A. Yes.

Q. Then you knew you were not going to get the five million?—A. Yes.

Q. Was that the first knowledge you had that you were not going to get the five million?—A. Yes.

Q. How did you take the cut from five million to three million, if I may put it?—A. At that time I had a discussion with Mr. Bassick about how large a participation he would want in the fuse loading company and how many of the component parts he intended to make, and he said he thought he would be glad to turn the whole thing over to us, that it was uncertain how large an investment he would care to make in the enterprise; therefore I formed the opinion that I probably would get the whole thing.

Hon. Mr. DUFF: This was after you saw the letter?—A. Yes.

Mr. HELLMUTH: You were keener about getting the manufacturing order than anything else?—A. Yes.

Q. What about the loading, were you just as keen about getting up a company to load?—A. I was very keen on that subject, because we had the experts; I might say we had in addition to Mr. Gladeck six of his foremen all under retainer, that was a man in charge of each department, and those men are now all in our employ.

Hon. Mr. DUFF: Did Colonel Carnegie know what he has just mentioned?

Mr. HELLMUTH: Did Colonel Carnegie know you had Mr. Gladeck and these foremen?—A. I told Colonel Carnegie that we had Mr. Gladeck and six of his foremen, and also Captain Paton, of the United States Navy. Captain Paton entered our employ in the early part of the war, I should say the first two or three weeks of the war. I would like to make one thing clear, when I say our employ, we have a good many associates in this business, and I am speaking collectively now; there was a group of us that had this business in hand; I was the manager—

Q. "Our" means more than the American Screw Co.?—A. I might say that I had resigned from the American Standard Screw Co. prior to this time.

Q. Had you any relations with them?—A. I have always been one of the largest stockholders in the company.

Q. Did you remain a large stockholder?—A. Up until quite recently, and I am still a large stockholder, but I have sold a large amount of the stock.

Q. But you were at the time of these contracts a very large stockholder?—A. Yes, sir.

The Commission adjourned at 1 p.m to 2.30 p.m.

AFTERNOON SESSION.

OTTAWA, Thursday, May 11, 1916, 2.30 p.m.

Examination of Mr. CADWELL resumed.

By Mr. Hellmuth:

Q. When we adjourned for lunch my recollection is that we had got to the time when you had seen or telephoned Mr. Yoakum and Mr. Bassick after they had reported, and it came down to their going to Canada again?—A. Yes.

Mr. EWART: You asked him whether he had told Colonel Carnegie that he had Gladeck and six of his foremen, and Mr. Cadwell had just added, "Yes, and Captain Paton from the United States Navy."

Mr. HELLMUTH: That you told Colonel Carnegie, as I understand it, at the prior meeting when you met him in New York, considerable prior to the 21st of May?—A. Yes.

Q. Now, did you and Mr. Bassick come to any conclusion at that time as to what share he would take in the company that was to be organized?—A. No, we did not.

Q. Had you come to any conclusion with Mr. Yoakum?—A. No.

Q. Had any other person but those two, Yoakum and Bassick, in conjunction with yourself been suggested as parties to take hold of this contract for three million?—A. None, except my immediate associates.

Q. I mean those are your own friends. Was Colonel Allison one of those?—A. No.

Q. You told me you had not had any dealings with him at all except what you have related about his being in the room that time. Then when was the next occasion you remember that anything came up about it?—A. A few days later Mr. Bassick called me on the phone and said that he just heard from General Bertram, I think, to the effect that they wanted to reduce his allotment from 3,000,000 fuses to the 2,500,000 fuses.

[Edwin B. Cadwell.]

Q. That would be the letter we have had in of May 25th?—A. Yes. Then I should think perhaps next day or the following day I was also notified by Mr. Bassick that he had received word from the Shell Committee stating that it would be necessary to change from time fuses to graze fuses.

Q. Did he say in what proportion at all?—A. No, at that time the proportion was not discussed.

Q. What did you say as to that?—A. I said that I would be willing to consider making graze fuses.

Q. Had you been making on your other contracts graze fuses?—A. Graze fuses unloaded but not loaded.

Q. And you had been making time fuses also unloaded?—A. Yes.

Q. Then you said you would be willing to consider that, you told Bassick that?—A. Yes.

Q. Did you see Yoakum about that time?—A. I think I had one or two telephone communications with Mr. Yoakum.

Q. Of what nature?—A. Regarding the question of changes from one type of fuse to another, and as I recall it Mr. Yoakum wanted to make sure that I would undertake graze fuses.

Q. Did you come on at that time to Canada?—A. I was notified by either Mr. Bassick or Mr. Yoakum that it would be advisable for us to go to Ottawa for the purpose of negotiating or arriving at the details of the contract.

Q. Could you tell about what time that would be, Mr. Cadwell?—A. I should think that that would be about the first day of June.

Q. Did you go?—A. Yes, we came to Ottawa.

Q. Who came with you?—A. Mr. Yoakum, Mr. Bassick, Mr. Callahan, my counsel—

Q. And yourself?—A. And myself.

Q. There were four of you came down?—A. Four of us, yes.

Q. Whom did you see when you got here?—A. We saw Colonel Carnegie and General Bertram.

Q. And can you tell me shortly what the conversation was then or the interview? Where did it take place?—A. At the Shell Committee's office, and I inquired as to just what it was they wanted. They said they had a communication from the War Office requesting that the contract for 1,666,000 number 100 graze fuse, of like amount of No. 80, and of like amount of No. 80 over it—

Q. You understood then the War Office had divided the contract into three like?—A. Yes.

Q. That is, two lots being 80 over 44 and the other being 80 mark 5?—A. Yes.

Q. And the graze fuse 100?—A. Yes.

Q. What was said about the graze fuse?—A. They wanted to know if I would take the contract, and I replied that my plans had all been made with a view to the taking the time fuse contract, that immediately upon learning that they would likely want us to take graze fuses I had notified the various factories that we were associated with that we were likely to change from time fuses to graze fuses, and urged them to secure options upon the machinery necessary to manufacture graze fuses.

Q. Did you tell Colonel Carnegie, or did Colonel Carnegie know at that time that you and your associate companies had been manufacturing graze fuses?—A. Yes, I told him that we had.

Q. Can you remember anything more about that interview? Was anything spoke about price, for instance?—A. Oh, yes, in justification of our asking a price which we deemed would be adequate we explained to Colonel Carnegie and General Bertram the very large amount of equipment which would be required to produce graze fuses from steel, it having been indicated to us that these fuses could be made of steel instead of brass. It was impossible to secure brass rod at that time for making large quantities of graze fuses. At my suggestion, and I think it is safe to

say at my suggestion, the British War Office accepted what is known as a pressed casket for the manufacture of the graze fuse body.

Q. That was before this contract?—A. Yes. It had not been accepted by the War Office at that time as I recall it, but it was under consideration. The number 100 graze fuse was being made by the Standard Screw Company from brass rod, and the rod mills in the United States were unable to produce brass rod in sufficient quantities at that time to manufacture large quantities of the graze fuse. Therefore the question of steel—and I might say that I suggested the question of making steel number 100 graze fuse to the British War Office fully six weeks before I ever heard of a graze fuse contract with the Shell Committee—

Q. Well, did you discuss this with Colonel Carnegie and General Bertram?—A. Yes.

Q. And tell them what you had done?—A. Yes.

Q. You told them you had made that suggestion yourself to the British War Office, and that it was under consideration?—A. I think so.

Q. Was any price then agreed upon?—A. I asked Colonel Carnegie if he had any other tenders on this graze fuse, and he said that he had.

Q. That he had not?—A. That he had.

Q. That he had not?—A. No, that he had. He said he had a tender, as I recall it. I asked him if he had more than one tender, and he said no. I said to Colonel Carnegie that all we wanted was what we considered was a fair price, that we knew nothing about the loading* of the graze fuse, that according to the specifications we must submit to a firing proof, which was something we knew nothing about the risks of, and I made it very plain to Colonel Carnegie that we considered the firing proof a serious matter. Knowing about it we considered it a serious business to undertake the manufacture of a fuse of that character that must be submitted for firing proof.

Q. Yes. What did Colonel Carnegie say?—A. Well, I think he pointed out that it was from his point of view not such a serious matter, as he naturally would, being the purchaser.

Q. Yes. Did he convince you?—A. No, he did not convince me. The negotiation was a very friendly negotiation as I tried to have all negotiations, and I am sure Colonel Carnegie did. I said to him, "Now, do you believe that the concern tendering on this fuse can produce them in the quantities you require, and are you willing to give me some indication of what you think is a fair price for the number 100 fuse" And after more or less discussion he said to me that he would think that \$4.00 was a fair price under the circumstances.

Q. What did you say to that?—A. I said to him that in view of the fact that it would be necessary for us to buy something like \$1,200,000 worth of special machinery to do that job, which could not be used for the production of time fuses, that I was at a loss to know what would be a fair price, and I would have to give it some consideration.

Q. Hadn't you the machinery for that in the factories in which you were filling these graze fuses?—A. The class of machinery required for producing a steel fuse is entirely different from that required to produce a brass fuse.

Q. I understand. And the fuses you were producing at that time were brass fuses?—A. All brass.

Q. Then did the conversation continue in regard to price?—A. As I recall it, this interview that I have just referred to took place before luncheon. We met after luncheon and the question was again taken up, and—

Q. Was this about the 1st of June?—A. Yes, about the 1st of June. Colonel Carnegie, I think, recognized the strength of my argument in regard to the exceptional expense that would be necessary, and indicated to me a willingness to pay us \$4 for the fuse. I recall that Mr. Yoakum and Mr. Bassick and myself retired to another room in the Shell Committee's office for the purpose of discussing whether we would agree to that price. I also recall that I was in favour of it, and Mr. Yoakum was neutral,

[Edwin B. Cadwell.]

and Mr. Bassick thought we ought to have more money and urged that I demand \$4.25; but I insisted that unless we met with exceptional difficulties in connection with the firing proof that we could produce the fuse at \$4 at a satisfactory profit.

Q. Yes.—A. So we returned and I agreed to the price of \$4.

Q. Were you here from the 15th to the 19th?—A. Yes.

Q. It is not the conversation that took place at that time that you are referring to?—A. No.

Q. It is the conversation about the 1st of June?—A. Yes.

Q. Did you get any contract then?—A. No.

Q. Did they accept definitely then?—A. No.

Q. But you told them \$4, and Colonel Carnegie himself thought that was a fair price, and you were willing to accept?—A. We were willing to accept, and a tentative agreement was drafted.

Q. Have you got that, Mr. Cadwell?—A. No, I would not imagine that we have that.

Q. Tell me, was anything said then about the price of the time fuse?—A. Oh, yes.

Q. What was said about it?—A. Of course Colonel Carnegie urged us to take all of the graze fuses and reduce our time fuse contract to 833,000. At the time he was urging us to do that I pointed out to him that it was an exceptionally expensive procedure to plan to make such a small quantity of time fuses as 833,000, that the proportionate cost would be great, and that we could not think of taking the time fuses at \$4.25.

Q. Would you have taken the time fuse at \$4.25 at that time, or had you expressed your willingness—yes, you had previously thought that \$4.25 would be a fair price for the 5,000,000 or the 3,000,000?—A. Yes, but I think at that time material had advanced to such a point that I had refused to consider \$4.25 for a contract for time fuses in any quantity.

Hon. Mr. DUFF: About what time?—A. About the 1st or 5th of June.

Q. I rather want to get the attitude of yourself and your associates at the time the letter of the 21st was given?—A. If we had received five million or even three million at that time, and the contract had been firm—of course I did not consider that that letter was sufficiently firm for us to enter into contracts for millions of dollars worth of material.

Q. No, I understand that. But what was your attitude at that time?—A. My attitude at that time was one of doubt in a measure. At the same time I am inclined to believe that if that contract or letter that Mr. Bassick brought back had been firm for 3,000,000 fuses, and I could have covered myself on material and machinery, that is, if we could have bought material and machinery at the price that had prevailed perhaps within a few days—material was advancing very rapidly, copper was advancing from one to two cents a pound a day.

Q. Perhaps the word "attitude" was not a very apt term to use to convey my meaning. What I rather wanted to get was this. Were the Shell Committee given to understand that you were prepared to enter into a contract on that basis as to price at that time?—A. No, because I never had agreed to a price of \$4.25.

Mr. HELLMUTH: I judged from what you had said, Mr. Cadwell, that if you had had a firm contract instead of the letter of May 21, if a firm contract had been brought to you at that time for the three million fuses, even with the advances that had taken place, that looking back at it now as you recollect it you think you would have been inclined to accept it?—A. The type of fuse had not been decided upon. If that had been type 85 I am quite confident that we would have taken it; but type 80 over 44 we knew nothing about, therefore I was undecided.

Q. I see. If it had been type 85 you think you would have taken it at the \$4.25?—A. I think we would.

Q. Then we were talking about the meeting on or about June 1st. What was said

about the price then? You have explained it was said that the order being reduced you practically had two contracts then?—A. Yes.

Q. And I take it—you can correct me if I am wrong—that it requires two different kinds of machinery for the time fuse and the graze fuse?—A. Absolutely.

Q. Or you had to have separate plants?—A. Two separate and distinct organizations.

Q. What did you say, if anything, in regard to that?—A. I said we would not consider accepting a contract for 333,000 at anything less than \$4.50.

Q. You said that then?—A. Yes. I was very definite in that respect.

Q. And did you at that time argue to Colonel Carnegie that the division of the order into graze fuses and time fuses made you entitled to more consideration?—A. Very strongly.

Q. You did argue that?—A. Oh, yes.

Q. Was any suggestion made as to your having competitors at that meeting?—A. Oh, yes, he said he had a tender by a very good concern, but when I questioned him as to whether he felt they could fill the order he was not very emphatic on that.

Q. But did he tell you who was going to get the 2,500,000 of time fuses that were left after yours?—A. I don't think Colonel Carnegie told me. I was aware at the time that what was known as the Tobacco Crowd were competitors. We know them in New York as the Tobacco Crowd.

Q. And you knew they were your competitors?—A. Yes.

Q. Did he give the actual figures of the tender on the 100 fuse?—A. He said he had a tender at approximately \$4.

Q. Did he tell you who it was do you remember?—A. No, he did not.

Q. Did you find out afterwards?—A. No.

Q. Then you do not know anything about that?—A. No.

Mr. LAFLEUR: It was not a firm tender, but it was an approximate tender as the witness says.

Mr. HELLMUTH: Yes we have it in.

Q. I was going to ask you this. Would it as a business proposition be better or more advantageous to the manufacturer to have a 2,500,000 order in graze and in time or have them in one?—A. If the time fuse had been of a type which we were familiar with, and which our experts had been making for years at the Frankford Arsenal, the time fuse contract would have been very advantageous, but as these contracts have turned out, the fewer of the 80 over 44, or what is known as the 80 mark 5, that the manufacturer might have to make the better for the manufacturer.

Q. That is hind sight?—A. That is hind sight.

Q. At the time am I right in saying this, your attitude was that you would rather have had all the time fuse?—A. Yes.

Hon. Mr. DUFF: Would he rather have had a graze fuse order without any time fuse at the time?—A. No, I would not, for this reason. We had an expensive organization for producing time fuses, and we had not as yet received a contract for loaded time fuses. Therefore we were anxious to secure a contract which would enable us to establish our time fuse loading factory.

Mr. HELLMUTH: You wanted to get into the loading business?—A. Yes, sir.

Q. You wanted to make the fuse absolutely complete?—A. Yes.

Q. And you had up to that time only made the unloaded?—A. Yes.

Q. Of the American type?—A. That is it.

Q. Since this Shell Committee contract have you taken on other contracts for time fuses?—A. Yes.

Q. To any extent?—A. Yes.

Q. Loaded?—A. Yes.

[Edwin B. Cadwell.]

Q. May I ask you how many?—A. My own company organized for the purpose of assembling and loading has taken 1,500,000 time fuses, other companies with which I am identified have taken on very large quantities of component parts.

Q. Now, is there anything more that you can tell me in regard to these interviews and conversations on or about June 1st?—A. We tentatively agreed upon a price for the graze fuse of \$4.00, and for the time fuse of \$4.50 at that interview, and the lawyers, my counsel and, as I recall it, Mr. Orde, were requested to prepare agreements covering the contracts.

Q. Then did you go away?—A. Yes.

Q. You left Ottawa,?—A. Yes.

Hon. Mr. DUFF: Was that June 1st?—A. That was, I should say, sometime between June 1st and 5th. I have not refreshed my memory as to those dates at all.

Q. I think one might suggest to the witness that the President of the other company, Mr. Patterson, said that on the 2nd of June he had definitely rejected the proposal that the Shell Committee had made to him, I think, on the 1st of June. I am not asking you whether you had any knowledge of it, but I am suggesting as to the date there. It may be material not to have any mistakes.

Mr. HELLMUTH: I think, Mr. Commissioner Duff, that that is so. My recollection is that Mr. Harris came on the first and Mr. Patterson joined him on the 2nd in Ottawa. That was at \$4.25, was it not?

Hon. Mr. DUFF: Mr. Patterson's own evidence is the first. Dr. Harris put it as on the 2nd. That is, Dr. Harris' evidence was rather inconsistent with the idea that it could have been on the 1st. I am dwelling on that in particular, but what occurred to me was the rather curious state of facts, if it were so, that after a definite rejection by the International Fuse Company, and without hearing anything further from them, the contract should have been settled on the basis mentioned by Mr. Cadwell. I am rather suggesting so you get the date as near as possible.

WITNESS: May I give this explanation? Colonel Carnegie gave me to understand that under no circumstances would he give this order all to one concern.

Mr. HELLMUTH: He did.—A. Therefore, regardless of what Mr. Patterson may have done, I do not think he would have given us the order for the full five million.

Q. He told you he would not give you the full order?—A. He gave me definitely to understand that he would not trust this whole thing to one concern.

Hon. Mr. DUFF: What struck me was that he did not give you any suggestion then that you should take two and a half million time fuses, but it was rather the contract you wanted to get.—A. I think Colonel Carnegie was set upon our taking the graze fuse contract, for the reason that he was satisfied we had better facilities and a wider knowledge of the business.

Mr. HELLMUTH: He knew you had been making the graze fuse you have told us.—A. He knew we were making—

Q. And filling orders?—A. Yes; as a matter of fact I brought him one we had made.

Q. You say, Mr. Cadwell, at that meeting. Do you mean that at that meeting you had brought Colonel Carnegie a specimen of a graze fuse that you had made?—A. Yes.

Q. And you showed it to him at that meeting?—A. Yes.

Q. Had you any discussion about it?—A. I don't think any discussion. I think he recognized the fact that we were producing fuses of that type

Q. Now, you went away with, as I understand it, a fairly definite understanding that you would get 1,666,000 odd of graze fuses at \$4 and 833,333 of time fuses at \$4.50?—A. I did.

Q. That was the impression left on your mind at that time?—A. Yes. Of course, there was no writing in regard to that.

Q. No, nobody was legally bound?—A. No.

Q. But that was the understanding that the Shell Committee were likely to carry out with you?—A. Yes.

Q. And you were likely to carry out with them?—A. I was prepared to, yes.

Q. Were your two associates, whatever they may have said about higher prices, with you in regard to that?—A. At that time we had a discussion as to what participation we would all take in the company which was to be organized for taking over this business, and Mr. Bassick was very undecided as to how far he wished to go. Mr. Yoakum said that he was prepared to take 20 per cent, or we were talking about raising \$500,000, therefore I think the sum of \$100,000 was agreed upon as his participation at that time.

Q. And who was to put up the other four?—A. I said I would take any part of it.

Q. That the other did not?—A. Yes.

Sir WILLIAM MEREDITH: Any part of the whole?—A. Any part of the whole.

Mr. HELLMUTH: Then was anything decided in regard to that at that time beyond what you say, that Mr. Yoakum said he would take 20 per cent? Did Mr. Bassick decide whether he would come in or not?—A. At that point the question of paying a commission on the contract was raised.

Q. Wait a minute. Paying a commission to an outsider?—A. No, to Mr. Bassick.

Q. Why? Who raised that? Was this while you were in Ottawa?—A. Yes, that was raised right here at that time.

Q. Was that raised before General Bertram and Colonel Carnegie?—A. Oh, no.

Q. Where was it?—A. At our rooms at the hotel.

Q. After the interview?—A. Yes.

Q. You began to discuss what you would do. What do you mean about commission? Who suggested commission first?—A. It would be my recollection that Mr. Bassick suggested that the proper way for us to handle the matter would be for us first to agree upon a fixed amount of money to be divided between ourselves, myself representing Cadwell & Company, and not the new organization which we were proposing to create. His suggestion was that we fix upon a certain amount of money to be divided as and when received out of payments for fuses as delivered.

Q. Let me understand. Was the idea then that Cadwell & Co., yourself being really Cadwell & Co., Yoakum and Bassick should get from the organization that you were about to create commissions each for bringing or creating this corporation or bringing this business to them as and when the fuses were delivered by the corporation?—A. Yes, that was what we discussed.

Q. Now, was anybody else discussed as coming into that deal at all?—A. No one.

Q. Will you tell me why it would be necessary, if you three were going to be the entire parties interested in the corporation, that you should get commissions from the corporation instead of taking your profits in proper proportion, if there were profits, out of the corporation?—A. Well, of course when I speak of ourselves taking any part of the whole I refer not only to Cadwell & Company, but to a group of men that I had interested in the fuse business in New York that were willing to furnish whatever credit or money was necessary to handle the fuse business in a large way.

Q. Then, as I understand it, Cadwell, pardon me, Yoakum and Bassick considered that if they brought this contract to this corporation that was to be created and to the people who would be associated in that, that they should get something out of the business they were bringing to them: Is that right?—A. I think perhaps that was their view, and particularly Mr. Bassick's view, for the reason that he seemed disinclined to participate in a financial way in the company.

Q. I see, Mr. Bassick's idea was then that he would not be one of the organization financially interested, and that he ought to get something in the way of commission. What had he done?—A. He was undecided, he could not decide, and he thought the best way to do would be to agree upon a certain amount of money to be paid as and

[Edwin B. Cadwell.]

when received to the group of us in the way of compensation for bringing about this business and putting it in the form of a corporation, you understand.

Q. Was any other person save you three discussed as being entitled to receive or get any commission?—A. Oh no, there was no one interested that I knew anything about.

Q. There was no one interested that you knew anything about?—A. I never heard any one mentioned at all.

Q. Did you come to any conclusion here in Ottawa after this meeting as to the proportions the various ones of the three were to receive, and how it was to be received, and when?—A. Well, we had a very heated discussion over that.

Q. Yes.—A. And we were all of us practically ready to leave Ottawa and let the fuse contract go.

Q. You could not agree?—A. We could not agree for a long time; we did finally agree.

Q. I am going to try and follow that up, if I may, Mr. Cadwell, because we want to hear all about that. How was it that the difficulty arose, were you not to share equally?—A. We never had up to that time discussed how we were to share. It was agreed time we would undertake to promote this business and that we would organize a company to execute a contract if we got it, and I said I would take any part of the capital that we could agree upon, but we never discussed how we would divide it. Mr. Yoakum indicated that he would be glad to take \$100,000 of it. Mr. Bassick never did decide what part he would take.

Q. You left Ottawa at all events without coming to any conclusion?—A. No, we practically arrived at a conclusion before we left, although I might say this, that Mr. Bassick took the position that he had been more instrumental than any one else in connection with it at that time. Mr. Yoakum took the position that that was not so, that he had more to do with bringing the thing together than any one else, and I said they could fight it out as they chose, but as far as we were concerned, unless they declared themselves as to what part of the capital they would furnish, that we would take 25 per cent of any commission agreed upon and let it go at that.

Q. Then what had Mr. Bassick been instrumental in accomplishing? You said he contended that he was more instrumental in it than any one else?—A. He took the letter from General Bertram out of his pocket and he said "The contract is based upon this letter, and if this matter of commission is not settled to my satisfaction I am going to return it to the Shell Committee, and we will drop the whole business."

Q. That was a letter of May 21st?—A. Yes, sir.

Q. He rather had you—if I may put it that way?—A. I did not care.

Q. You said you finally agreed?—A. Yes.

Q. What was the agreement then?—A. The agreement was that we were to have 25 per cent.

Q. When you say we, you mean E. B. Cadwell & Company?—A. I mean E. B. Cadwell & Company. We agreed upon a commission of an even million dollars on the contract. I said we would take 25 per cent of the commission and they could divide the balance up to suit themselves.

Q. Do you know how the balance was divided?—A. Yes.

Q. Tell me please?—A. Mr. Yoakum persuaded Mr. Bassick that he was entitled to the larger part of the commission.

Q. What was his argument, if you can remember it?—A. He maintained that he really initiated the business. As far as I have been able to discover, Mr. Craven got to all of us about the same time, although I am inclined to believe now that possibly he did get to Mr. Yoakum first. I never knew anything about that until recently though.

Q. Yoakum claimed he had been the one to initiate that?—A. Yes.

Q. You have let the two of them fight out the 75 per cent, or whatever the commission was to be, between them?—A. Yoakum always took a very much stronger

stand in reference to the money he was ready to place in the venture, and I think that had a very great influence with the Shell Committee. Mr. Yoakum always maintained that he was prepared to put money in and to stand back of the contract. I think he urged that upon Mr. Bassick too. I think he said, "Bassick, you show no inclination or willingness to put money in," and I think that had something to do with it.

Q. What was Yoakum to get?—A. \$475,000.

Q. That would be 47½ per cent?—A. That would be 47½ per cent.

Q. You were getting 25 per cent?—A. Yes.

Q. The balance is not a very difficult calculation. Then Bassick was to get \$275,000?—A. That is correct.

Q. This commission you say was based upon a round million dollars?—A. Yes.

Q. How was you to get it out?—A. As and when the money was received.

Q. You say "As and when the money was received;" Do you mean as and when cash advances were made?—A. Oh, no.

Q. What do you mean?—A. It was definitely understood that none of the cash advanced was to be paid out as commissions.

Q. How were you to get it then?—A. As and when fuses were delivered and paid for.

Q. Was anything fixed as to how much would come as and when fuses were delivered and paid for?—A. In view of the fact that the fuses were sold at different prices, we finally agreed upon a sum of 40 cents per fuse, which would amount to one million dollars.

Q. Forty cents per fuse was to be received as and when the fuses were delivered to the purchaser, that 40 cents to be divided in the proportions you have mentioned between yourself, Yoakum and Bassick—is that right?—A. Correct.

Q. Was that agreement reduced to writing?—A. When we returned to New York we reduced it to writing.

Q. Was it signed?—A. Yes, sir.

Q. Have you got it?—A. I guess we have. We usually keep documents of that kind.

Q. Can you produce it?—A. If you wish. I have not got it with me.

Q. But you will get it, will you?—A. If you wish it.

Q. I think we would like to have it?—A. The original?

Q. Yes, if you can?—A. I don't think there is any objection to that.

Q. Do you mean that it is in Ottawa?—A. No, sir. It is in New York. I brought no papers with me at all.

Hon. Mr. DUFF: There must be more than one.

Mr. HELLMUTH: Perhaps we can get it from somebody else. There may be a copy.

WITNESS: I might say I never looked at it from the day I signed it.

(Document produced by Mr. Johnston).

Mr. HELLMUTH: Before you look at the copy at all, have you any doubt about the material terms of that document?—A. None whatever.

Mr. HENDERSON: Where did you have it, Mr. Johnston?

Mr. JOHNSTON: I am not giving it in evidence as a copy. The witness can say.

Mr. HENDERSON: He can say, if he recognizes it.

Mr. HELLMUTH: May I read it over?

Sir WILLIAM MEREDITH: Let the witness look it over, and it can be read afterwards.

Mr. HELLMUTH: (After the document shown to witness). Have you read it, and is that the agreement?—A. That is the document.

[Edwin B. Cadwell.]

Q. I will read this now to the Commission. You say you recognize it. It is dated the 10th of June, and was made in New York?—A. Yes, sir.

Q. How soon after you got back there?—A. I would say within two or three days.

Mr. HELLMUTH: This is the document, Messrs. Commissioners.

"THIS AGREEMENT made this 10th day of June, 1915, by and between B. F. Yoakum of the City and State of New York, party of the first part, and E. W. Bassick, of the City of Bridgeport, Connecticut, party of the second part, E. B. Cadwell & Co., Inc., a New York corporation transacting business in the City of New York, acting herein by E. B. Cadwell' its President hereto duly authorized, party of the third part and said E. B. Cadwell & Co., Inc., as trustee hereunder party of the fourth part, witnesseth.

"WHEREAS the Shell Committee of Canada acting by Brigadier-General Alexander Bertram as chairman and agent has agreed to purchase 2,500,000 fuses from a manufacturer to be designated by E. B. Cadwell & Co., Inc., and

"WHEREAS said E. B. Cadwell & Co., Inc., and said Yoakum and said Bassick were together instrumental in negotiating and effecting said contract for the purchase and sale of said 2,500,000 fuses which contract is presently to be reduced to writing and executed, and

"WHEREAS said E. B. Cadwell & Co., Inc., and said Yoakum and said Bassick are together entitled to receive as their total and aggregate commission for negotiating and effecting said contract the sum of one million dollars (1,000,000) in the whole, being at the rate of forty cents per fuse; and

"WHEREAS of the total amount of said commission of one million dollars (1,000,000) to be received said Yoakum is to be entitled to four hundred and seventy-five thousandths ($\frac{475}{1000}$) or eventually a total of \$475,000, being, at the rate of nineteen cents per fuse; and said Bassick is entitled to two hundred and seventy-five thousandths ($\frac{275}{1000}$) or eventually a total of \$275,000, being at the rate of eleven cents per fuse; and said E. B. Cadwell & Co., Inc., is entitled to two hundred and fifty thousandths ($\frac{250}{1000}$) or eventually a total of \$250,000, being at the rate of ten cents per fuse; and

"WHEREAS said Yoakum and Bassick are willing and desirous that said E. B. Cadwell & Company, Inc., shall receive in the first instance said one million dollars (\$1,000,000) commission when and as it is may be paid over to it, which it shall receive as trustee, however, and for the sole purpose of receipting for the same and forthwith disbursing all of the amounts it may from time to time so receive as such commission on said contract in the above proportions, to wit:—four hundred and seventy-five thousandths to B. F. Yoakum two hundred and seventy-five thousandths to E. W. Bassick and two hundred and fifty thousandths to E. B. Cadwell & Co., Inc.

"NOW THEREFORE: in consideration of the premises and the mutual promises and agreement herein, and One Dollar received each of the other, receipt of which is hereby acknowledged, the parties hereto each for himself and itself respectively and for his and its respective heirs, executors, administrators, successors and assigns agrees each with each of the others as follows:

"FIRST: said commission of One Million Dollars (\$1,000,000) and each and every part of the same when and as received by E. B. Cadwell & Co., Inc., shall be received by it as trustee and shall belong to said parties of the first and second and third parts in the following proportions; Four hundred and seventy-five thousandths to B. F. Yoakum, Two hundred and seventy-five thousandths to E. W. Bassick, and Two hundred and fifty thousandths to E. B. Cadwell & Co., Inc.

"SECOND: said Trustee has full power and authority to receive receipt for and good acquittance thereof to give for any and all sums so coming into its hands hereunder.

SHELL CONTRACTS COMMISSION

"THIRD: Said trustee agrees to deposit any and all sums constituting such commission so received by it in a special bank account, in its name, and separate from its other funds and to forthwith advise the parties of the first and second parts hereto of the receipt of such sums and immediately upon such deposit being available to divide same at once in said proportions of four hundred and seventy-five thousandths to B. F. Yoakum, two hundred and seventy-five thousandths to E. W. Bassick and two hundred and fifty thousandths to E. B. Cadwell & Co., Inc. Said trustee further agrees to act as such trustee hereunder without compensation for services.

"FOURTH: The parties of the first and second part hereto agree to continue to use their best endeavours to bring about the execution and delivery by said Shell Committee of said contract for said 2,500,000 fuses.

"FIFTH: It is understood and agreed that E. B. Cadwell & Co., Inc., as trustee and otherwise assumes no responsibilities for the performance by the other party to said contract with said Shell Committee of that contract, and that its responsibilities hereunder are to protect the interests of the other parties hereto in and to said commission, if requested in writing by any two of the first three parties hereto, and to do all that may be needful or proper to secure said commission when due, if so requested, and to safeguard and distribute the same as provided for herein. Any expenses that may be incurred by the trustee hereunder shall be borne by the parties of the first, second and third parts in their proper proportions, provided they have been authorized in writing by any two of the first three parties hereto. The Trustee shall not be held responsible to any of the parties hereto for any action or non-action by it in accordance with any written request excepting for its gross negligence or wilful malfeasance.

"SIXTH: E. B. Cadwell & Co., Inc., hereby agrees that it will enter into an agreement with the other party to said contract for two million five hundred thousand fuses with said Shell Committee, whereby said party will agree to pay E. B. Cadwell & Co. Inc., at least forty cents a fuse from the purchase price when and as received by said party for lots of fuses under said contract finally delivered and accepted, which forty cents per fuse said E. B. Cadwell and Co., Inc., shall receive as commission subject to the terms of this agreement.

"This agreement however is conditioned upon said agreement just above described being entered into, and if the same is not entered into then this agreement is to be null and void.

"SEVENTH: All advices and notices hereunder to be sent by E. B. Cadwell & Company, Inc., as trustee and otherwise to either of the parties of the first and second part may be sent mailing same in the City of New York addressed to B. F. Yoakum, 71 Broadway, New York City, until another address shall be furnished by said Yoakum, and E. W. Bassick, 60 Broadway, New York City, until a new address is furnished by said Bassick.

"All sums to be paid hereunder by the trustee to B. F. Yoakum shall be paid to the Bankers Trust Company, of the City of New York, for his account until other instructions are given by said Yoakum to the trustee and thereafter according to such instructions. And all sums payable to E. W. Bassick by said Trustee shall be paid to said Bankers Trust Company, for his account, until other instructions are given by said Bassick, and thereafter according to such instructions.

"EIGHTH: This agreement supersedes all previous agreements between the parties hereto relative to said contract or proposed contract for 2,500,000 fuses.

"In Witness Whereof the parties of the first and second parts have hereunto set their hands and seals hereto and the party of the third part has caused these presents to be signed by its President and its corporate seal to be attached,

[Edwin B. Cadwell.]

attested by its Secretary, all in quadruplicate the day and year first above written.

"In the presence of:

"B. F. YOAKUM,
"E. W. BASSICK,
"E. B. CADWELL & COMPANY, INC.,

By E. B. CADWELL, *President*.

[Seal of Company.]

E. B. CADWELL & COMPANY, INC., AS TRUSTEE,

By E. B. CADWELL, *President*.

[Seal of Company.]

"We agree to pay or cause to be paid to E. B. Cadwell & Company, Inc., at least forty cents a fuse in accordance with the provisions of paragraph sixth of the foregoing agreement if the contract for 2,500,000 fuses in such agreement mentioned is granted to us in acceptable form by Canadian authorities.

"Dated June 10, 1915.

"AMERICAN AMMUNITION COMPANY, Incorporated.
E. B. CADWELL, *President*."

[Seal of American Ammunition Company, Incorporated.]

(Marked as Exhibit 281.)

Q. Was that clause at the end signed by the American Ammunition Company put on at that time?—A. I have no doubt.

Q. The effect of that (I want to see if you understood it) was that the American Ammunition Company, of which the incorporators, the real incorporators were Messrs. Yoakum, Bassick and yourself, agreed as a company, the American Ammunition Company agreed that if they got that contract for 2,500,000 fuses to pay you three as they were paid forty cents per fuse?—A. Correct.

Q. Or one million dollars?—A. Or one million dollars. That is correct.

Q. I mean if the whole contract was carried out?—A. Forty cents per fuse as and when delivered.

Q. So that if the entire contract was carried out and the American Ammunition Company lost money, they still would have been bound to pay you three the forty cents?—A. Well, I would not want to put a legal construction upon that document.

Hon. Mr. DUFF: The 40 cents was payable when the fuses were delivered and paid for, I understood from Mr. Cadwell.

Mr. HELLMUTH: Yes, sir.

Q. Your 40 cents per fuse was not based on what the profits might be, or on what the losses might be?—A. No.

Q. May I put it this way; you three, having control of the situation concluded that if a company was formed that company would have to pay tribute to you three for the contract?

Mr. JOHNSTON: That is not what he says at all.

WITNESS: I think that probably is a proper construction of the contract.

Mr. HELLMUTH: Was anybody else interested at that time in the contract?—A. Nobody else was interested.

Q. Just three men interested?—A. Just three men interested.

Q. The three of them proposed—two of them proposed if you like to form a company?—A. Yes.

Q. And they said that before the company could get the contract, before the American Ammunition Company could get that contract it must undertake to pay them for securing it?—A. Correct.

Q. Is that the position?—A. That is the position.

Q. Was there anybody (and if so who) outside of you three, so far as you know, that knew of that arrangement; did you communicate it to any one?—A. No.

Q. Was there anybody as you know, outside of E. B. Cadwell & Company interested in your proportion of that commission?—A. No.

Q. Was there, so far as you know, anybody, and if so whom, outside of Bassick interested in his proportion?—A. No.

Q. Was there anybody, and if so whom, outside of Yoakum interested in his proportion—so far as you know?—A. Not at the time the contract was signed.

Q. That is what I am asking you. So that at the time the contract was signed you had received no knowledge from Yoakum or from Bassick (of course you had your own knowledge) of anybody else interested?—A. Correct.

Q. Was the company incorporated on the 10th of June?—A. I have no doubt that it was, because I do not think our counsel would have permitted anything unless it was.

Q. Who were the shareholders of the company at that time?—A. E. B. Cadwell & Company subscribed for 80 per cent of the stock, and Flint & Company subscribed for 20 per cent of the stock.

Q. Who are Flint & Company?—A. A New York concern, Charles R. Flint, just at that time, while I think the Articles of Incorporation and the subscription list shows the subscriptions in that proportion, Mr. Yoakum indicated his desire for a participation, that is, he wanted to know how much he was going to get.

Q. Do you mean, how much stock he was going to get?—A. How much of a participation in the stock subscription. I informed him that he would have to take a very small participation.

Q. Why, because you had taken so large a participation?—A. No. As I have said before, we have a great many people interested in our company. They had faith in my judgment as to the merits of this contract and the fuse business generally, and they wanted as large a participation for Cadwell & Company as we could get. I thought the contract was a good one at that time, because I commenced to get myself covered on material and machinery, etc., and I felt that Mr. Yoakum was getting about all that he was entitled to in the way of commissions without a participation in the stock, so I cut him down on his stock.

Q. Did he get any stock?—A. Yes, he got a participation.

Hon. Mr. DUFF: That is, from Cadwell & Company?—A. Yes, sir.

Sir WILLIAM MEREDITH: And out of Flint?—A. Yes, I took his share out of him too. I thought it was a good contract.

Mr. HELLMUTH: You say you thought it was a good contract. How much stock had you—I am speaking of you and your associates E. B. Cadwell & Company?—A. We organized with a capital of \$500,000 common and \$500,000 preferred stock, under the laws of Virginia. We subscribed for preferred with an equal amount of common stock, which is permissible under the laws of Virginia.

Hon. Mr. DUFF: You subscribed at par?—A. Yes, sir.

Mr. HELLMUTH: That would be \$500,000?—A. Yes.

Q. You and your associates had 80 per cent. We will have Mr. Yoakum here to tell us how much he had.

Hon. Mr. DUFF: What about Bassick?—A. He had no participation.

[Edwin B. Cadwell.]

Q. Does that mean that Bassick furnished no capital?—A. He furnished no capital.

Q. He got his \$475,000?—A. No, he got \$275,000.

Sir WILLIAM MEREDITH: Have we got the division of the 20 per cent, the Flint part?—A. Mr. Flint had no participation except in the stock of the company.

Q. But the 20 per cent, what was done with that?—A. Flint & Company got about 19 per cent of the stock.

Q. I do not see yet where the Yoakum stock came from?—A. He only got a very small participation. I think his participation was \$20,000, which would be 4 per cent.

Hon. Mr. DUFF: You got 80 and Flint 20 per cent?—A. And between us we allotted I think 20,000 dollars to Mr. Yoakum, in proportion to our holdings.

Q. So Bassick furnished no capital?—A. No capital.

Q. What did Yoakum furnish?—A. I think it was \$20,000. I have not taken the trouble to look it up definitely.

Q. And their commissions came to \$750,000?—A. \$750,000.

Mr. HELLMUTH: And you who got \$250,000 practically furnished the whole capital, with your associates?—A. We furnished 80 per cent.

Hon. Mr. DUFF: You took the risk of the contract. That is what it amounted to?—A. Yes.

Mr. HELLMUTH: You wanted to be in that position?—A. Yes. I thought we had a good contract.

Q. You thought the big money, if there was to be any big money, was in the contract?—A. I was willing to back my judgment.

Sir WILLIAM MEREDITH: Yoakum's financing did not materialize?—A. He wanted more, but he got such a big commission that I would not let him have it.

Mr. HELLMUTH: Who are Flint & Company?—A. Flint & Company are a firm of international merchants that I have been doing business with for a great many years.

Q. May I suggest that they were not in any way associates with yourself?—A. I may say that when the War started, knowing that Flint & Company had been engaged for forty years in the business of handling munitions of war, I went to them and suggested to them that we had extensive facilities for producing something which would be required by the Allies, I did not know what, but I wanted to find out and damn quick because we wanted some business. We had 70 per cent of our equipment idle. We got busy and got figures at once. The first contract that was made by Great Britain for fuses we got.

Q. Flint & Company were well known to you?—A. Yes, sir.

Q. Did Flint & Co. know about your commission?—A. I think so. They may have participated in it, for all I know. You asked me if any one participated in our commission. I think some part of the 20 per cent was in our participation.

Q. That is, Cadwell & Company?—A. Yes.

Q. But not in Yoakum's and Bassick's?—A. I don't know anything about that.

Q. Then is it a fact that you and your associates, E. B. Cadwell & Company and Flint & Company who were subscribers and Yoakum were practically the American Ammunition Company?—A. Yes.

Q. Do you say that all those parties knew of the commission?—A. Yes. I would like to say right here that our arrangements with Flint & Company made in the early stages of the War were that Cadwell & Company were to handle all matters pertaining to fuses and gages, and that we were to have a participation of 80 per cent and Flint & Company 20 per cent in any such contracts.

Hon. Mr. DUFF: So that you were partners really?—A. We were partners to that extent.

Mr. HELLMUTH: So I was not wrong when I said that the American Ammunition Company composed of E. B. Cadwell and associates, Yoakum, not Bassick because he was not in it, agreed to pay to Yoakum, Bassick and E. B. Cadwell & Company one million dollars for securing the contract?—A. That is right.

Sir WILLIAM MEREDITH: It practically means that your company and the Flint Company were to pay that \$750,000; that is what it means, isn't it?—A. Yes, sir.

Mr. HELLMUTH: That is, you having 80 per cent agreed to give to Yoakum and Bassick this very enormous commission—at least enormous from our point of view?—A. Yes. A good commission in dollars, but in percentages it is not so big.

Q. But when it comes to dollars, it is very big?—A. That is right. This business runs into very large money.

Q. And you were content to do that?—A. Yes.

Q. Or you would not have signed it?—A. No.

Q. I want to find out now, outside of the arguments that were advanced by Yoakum and Bassick for a share in that commission, what other influence or inducement was brought to bear upon you to pay that commission to those men?—A. There was no inducement at all, except what I have related.

Q. That is the story of that commission and of that commission agreement?—A. Yes.

Q. I want to know if you have told it to me entirely, or all its essential particulars?—A. You have all the essential particulars.

Q. Did you tell the Shell Committee that you were going to pay any commission?—A. No. I did not see that it interested the Shell Committee.

Q. At that time, the 10th of June, when the American Ammunition Company signed that endorsement agreeing to pay it, did you know from Mr. Yoakum particularly, and from Mr. Bassick if at all, or anybody else that Colonel Allison was interested in the commission?—A. I never heard of Colonel Allison in connection with it.

Q. After you had executed this agreement, which appears to have been on the 10th of June, what was the next thing in connection with this contract?—A. I returned to Ottawa with my counsel Mr. Callahan, for the purpose of endeavouring to work out the details of a formal agreement.

Q. Would that be about the 16th of June?—A. I think we arrived here on the 15th.

Q. Was anybody with you, was Yoakum with you?—A. I am quite sure Mr. Yoakum was not with us.

Q. Was Bassick with you?—A. No.

Q. By that time, after this agreement was signed, you had pretty well decided that you would take charge of it?—A. Yes. I concluded that it was our business.

Q. So you came here with Callahan?—A. Yes, sir.

Q. Who did you see first?—A. I saw the Shell Committee first I think.

Q. Did you see the Shell Committee in session, or just a couple of the members of it?—A. Just a couple of the members at first.

Q. Were those members General Bertram and Colonel Carnegie?—A. What I saw at first, but during the three or four days we were here was at least two sessions as I recall of the whole Board, or the full Committee.

Q. There could not have been very much discussion about price?—A. I don't think there was any discussion about price.

Q. You had practically, as you have told us, between the first and the fifth of June or thereabouts agreed about prices?—A. I had stated emphatically that we would not take the contract at a lower price.

Q. You say there was not very much discussion then about prices?—A. No, I think not.

Q. What was the discussion about—because I assume you were not here for four days, mere lawyers could be a little quicker than that if the terms were not up for

[Edwin B. Cadwell.]

discussion?—A. A contract involving something like \$12,000,000 is not going to be entered into very lightly, I think you will agree. We scrutinized every line and paragraph of that contract, and we fought as hard as we could for the most favourable contract so far as its terms were concerned that we could obtain.

Q. We will take the various salient features (if I may call them that) of that contract. First of all, from the purchaser's point of view the question of the time within which you would comply with the contract to make deliveries was important, was it not?—A. Yes.

Q. And it must have been very important to you?—A. It was very important.

Q. What discussion took place in regard to that?—A. I fought for all the time I could get, and they insisted that five months was the limit of time, and they said Yes, to begin.

Q. Did you think you could—I am going to take your contract as it is, a dual contract—did you think you could deliver the 100 graze fuses in the quantities named within the five months?—A. Assuming that we had no serious interference because of strikes, fires, acts of God and other things beyond our control we would have had no difficulty in meeting our terms of the contract.

Q. For the graze fuses?—A. Yes.

Q. You would have had none?—A. No.

Q. And your view at that time I take it was that you would have none?—A. We would have had no difficulties in producing the fuses within the contract period. But we had no knowledge of how much difficulty we would have in getting them by that period.

Q. But so far as the unloaded graze fuse was concerned, you had at that time no doubt that you could produce it within the given time?—A. No doubt whatever.

Q. Now as to the 833,334 of time fuses, what was your view in regard to those? A. Well, I am forced to the admission that my views were not correct.

Q. What were your views?—A. My views were that we could meet the requirements of the contract, but I did not realize the full significance of the specifications.

Q. I will take that up with you now or I may forget about it. What do you mean by that?—A. In my experience, we had handled aluminum, or aluminium as you Britishers call it, but I never had handled aluminium which had been subjected to a 400 ton gross pressure. We discovered first that aluminum subjected to that pressure took on not only physical changes but also chemical changes. We found that aluminum subjected to that pressure was actually absorbing the steel dies in which it was pressed, that is, in most minute quantity, that is, each impress of an aluminum part subjected to that pressure will gradually eat away dies, and much more rapidly than in the case of brass. In the case of brass it will wear away a die, but in the case of aluminum it seems to have that faculty, and therefore we had great difficulty in maintaining dies for the production of the body forgings. Furthermore, we found it was impossible to manufacture a tool that would machine the aluminum body. It would eat tools up made of steel that cost us \$3 a pound.

Q. It would what?—A. It would wear away the cutting surface of a tool which cost us \$3 a pound, a steel tool, to the extent that we could not machine sometimes more than ten bodies with one set of tools, and frequently one body would destroy a set of tools. Every tool cost us several dollars. I think I can say without hesitation that we spent \$100,000 in our efforts to machine bodies pressed and produced under the specifications, and failed.

Q. You mean the \$100,000 was thrown away?—A. Absolutely.

Q. That feature you had not appreciated at the time that you signed the contract?—A. No.

Q. Were there any other difficulties that cropped up that you had not foreseen at the time you signed the contract?—A. Innumerable difficulties; we had difficulty in producing various parts in accordance with the specifications.

Q. I am speaking now of the time fuse?—A. We are discussing time fuses; we had

very great difficulty in securing, for instance the stirrup springs which you heard so much discussion about.

Q. Why?—A. It seemed impossible for the manufacturer to produce a stirrup spring within the specifications; I would not undertake to go into the details.

Q. But you had difficulty in getting them; had you to discard any of those?—A. Large quantities of them; we had difficulties in securing proper felt and proper paper.

Q. Just stop; I understand the paper is a simple matter?—A. Our experience has demonstrated it is a most difficult matter to secure suitable paper.

Q. You get your paper in the continent, don't you?—A. We have bought paper from every market that pretended to make suitable paper.

Q. Have you got suitable paper now?—A. We are still having difficulties.

Q. It is suggested that I inquire what you pay for the paper now?—A. I could not undertake to say, there are so many details in connection with the business that I could not possibly hope to carry it all in my mind.

Q. At all events you have given me some indication of difficulties that you did not foresee at the time you took the contract in regard to this time fuse?—A. Exactly.

Q. What about passing the fire proof test of the time fuse, have you found any difficulties there?—A. Very great difficulties.

Q. As I understand it, you pardon me saying so, you have entirely fallen down almost to-day on the time fuse delivery?—A. We have not yet succeeded in getting anything like a fair percentage of our fuses pass the firing proof.

Q. May I ask whether that has been caused by want of effort or difficulties?—A. There has been no want of effort; we have had all of the most prominent experts in the United States on the job with the exception of those of the International Fuse and Arms; we have spent inordinate sums of money to accomplish the purpose we have done everything within human power.

Q. Can you tell me whether there are outside of the International Arms and Fuse, any companies in the United States at the present time producing loaded 80 time fuses?—A. I know of no other companies.

Q. This has arisen out of the discussion in regard to some of the prominent feature of that contract, we have had about the deliveries, and I will have to afterwards go into the deliveries that took place; another feature of that contract that occurs to me, a prominent and important feature in the contract, is the advance you were to get advances according to that contract; had anything been said about advances prior to the time when you came here about the 15th June and during those days when you were here before?—A. We always insisted upon a substantial advance whenever I discussed the matter with either Mr. Yoakum or Mr. Bassick; the question of the amount of the advance never came up between the Shell Committee and myself until the visit here about the 1st of June.

Q. May I ask you whether you fought mildly or strongly for advances?—A. I would not have taken the contract without advances.

Q. Was it your suggestion 15 per cent total advances, or was it the suggestion of the Shell Committee?—A. It certainly was not mine.

Q. What did you want?—A. Not less than 25 per cent.

Q. Did you ask for it?—A. I have no doubt that I did, I cannot just recall, but I never had anything else in mind, I know.

Q. Can you tell how you came to fifteen?—A. Colonel Carnegie and General Bertram informed me that that was the limit.

Q. May I say you either had to take it or leave it as far as the 15 per cent was concerned?—A. I rather gained that impression; they were emphatic on the subject of the advances.

Q. You were to get 10 per cent of that 15 on giving a bond?—A. Yes.

Q. You understood you were to give a bond?—A. Oh, yes.

[Edwin B. Cadwell.]

Q. And the other 5 per cent you understood was spread over the four monthly payments?—A. Exactly.

Q. Why did you require an advance?—A. Well, I might say to you that one of the things was that I never was able to determine just what authority the Shell Committee did possess. The contract was not a contract with his Britannic Majesty as I understood it, although I was ready to believe that it was a duly constituted body, but I never was able to get at the exact facts; I did not press the question very much, I insisted upon an advance, and also insisted upon the Minister of Militia, General Sir Sam Hughes, executing the contract.

Q. You were the gentleman who insisted on that part?—A. Yes, sir, as far as our contract was concerned I insisted upon it.

Q. Then you did obtain the advance according to the terms of the contract?—A. Yes.

Q. Had you any discussion in regard to your contract with the International crowd—I will use your own expression—the International crowd who were here?—A. No, we never had any discussion with the Tobacco people.

Q. That is Dr. Harris and Mr. Patterson?—A. I understood at the time that Dr. Harris represented what we know in New York as the Tobacco people.

Q. You had no discussion with them?—A. None whatever.

Q. You had your own lawyer here, hadn't you?—A. I met Dr. Harris while we were here arranging the final details of the contract, and at that time we discussed the contract, and never before that I recall.

Q. Did you know how the advances in his contract differed in some respects at least from the advances in your contracts?—A. No, we never discussed it except in the most casual manner.

Q. Did you know they were getting 15 per cent, the same as you in that respect at all events?—A. I was not interested sufficiently in what they were getting to even discuss it in detail.

Q. Did you know that you had better terms in some respects in the contract as to repayments than the International?—A. It was my impression that finally the contracts were very similar in form.

Q. You did not go into their contract at all?—A. Mr. Callahan probably knows more about it than I do, but I do not think we were deeply concerned in the exact terms of their contract.

Q. Then having got the contract signed and endorsed by General Sir Sam Hughes what was the next thing you did?—A. I made a mad rush for the train and started to build fuses.

Q. Did you commence at once?—A. Oh, yes.

Q. Had you the plans and specifications?—A. Of the fuses?

Q. Yes?—A. Of course we knew exactly what the No. 100 graze fuse was; the plans and specifications for the 80 over 44 fuse were not submitted to us in their final form until two or three days later.

Q. But you had been manufacturing the 100 fuse and you did not want any further plans and specifications?—A. We did not need any assistance on that.

Q. Just tell me then when was it that the change in regard to No. 100 graze fuse from loaded to unloaded fuse came?—A. Negotiations started within I should say 60 days after the execution of the contract; that is it was intimated that they might want them unloaded, and it was a considerable time before the thing was definitely decided.

Q. I suppose you were pretty well pleased to get rid of the loading of the graze fuses?—A. Of course we had had time to study the situation, learn more or less about the way fuses that were delivered on our other contracts were passing the firing proof.

Q. You were not loading them yourselves?—A. We were not loading them, but of course learned that fuses we were delivering were being loaded in Great Britain

and were being passed in the firing proof, in other words the only point is would the fuse function properly. We knew that the fuses we were producing must be functioning properly otherwise they would not be of any service to Great Britain; therefore our fears were lessening as time went on.

Q. That is you were not as fearful of the difficulty of loading the graze fuse in the 60 days after you had got the contract as you had been before?—A. No, because we were getting reports as to the way our fuses were passing firing proof after being loaded in England.

Q. Did those negotiations continue for some time in regard to your making the unloaded fuse?—A. Yes.

Q. And about when was it finally settled that your graze fuses should be unloaded?—A. I think in October it was finally settled.

Q. And was there any discussion as to the change in price?—A. Oh, yes.

Q. And eventually was it not 27½ cents?—A. We agreed upon a reduction of 27½ cents.

Q. How would 27½ cents have occurred to you as a fair price for the difference at the time when you took the contract?—A. Well, I would have not considered it anything like an adequate price at the time.

Q. Why?—A. Because of the uncertainty.

Q. That is to say the 27½ cents was after you had learned of the fuse functioning properly?—A. Yes.

Hon. Mr. DUFF: The difference was the difference in the severity of the test, I gathered?—A. If the fuses were severely tested we might have large quantities of fuses rejected, and of course we were under the impression and we are to this day that the British authorities are very rigid in their inspection.

Mr. HELLMUTH: Could you tell me at all what you would have considered a fair price at that time for the loading if you had been offered your choice between loaded and unloaded?—A. My attitude was this at that time that this whole business was a risky business; at the same time it was a business that one could afford to take the risk because it was cash, and I considered that the prices were fair under the circumstances. Just what price we would have demanded for taking risk I would not be able to say.

Q. Your mind was not directed to it at the time?—A. Oh, no, as I heard a witness say here on the stand the other day, we took a sporting chance.

Hon. Mr. DUFF: Was Mr. Gladeck consulted about the loading and the firing proof?—A. Oh, yes; Mr. Gladeck's opinion was this that that type of fuse had never before been used so far as he was aware.

Mr. HELLMUTH: Which type?—A. The No. 100 graze fuse, he knew nothing about what experience Great Britain had had with the fuse and knew we had no experience in this country; therefore he was loath to give a very decided opinion regarding it.

Q. I think I did not understand that; while you had already manufactured the graze fuse, the 100 was a new fuse?—A. It is a new fuse in Great Britain even—

Hon. Mr. DUFF: Do you mean by that, Mr. Cadwell, that the method of functioning was so different from anything with which an expert like Mr. Gladeck would be familiar that he was not really in a position to form a definite business judgment as to what sum ought to be allowed for the risk?—A. He never had seen that type of fuse produced.

Q. That is hardly an answer to my question; what I mean to say is this, Mr. Gladeck was an expert of considerable experience?—A. Yes.

Q. And he had been making direct action fuses?—A. Yes.

Q. He had been making impact fuses?—A. Yes.

[Edwin B. Cadwell.]

Q. The question I asked was this, was the method of functioning, the construction of the 100 fuse so different in principle from anything that he was familiar with that he was unable to give anything like a definite business judgment of the value of the risk of the fire test?—A. Very different in construction.

Q. That was the position?—A. Oh, yes.

Mr. HELLMUTH: That is it was, as you understand it from Mr. Gladeck, a fuse in principle—A. It was a fuse in embryo, to be frank about it, they have not completed the modification of that fuse probably to that time; it has been changed and modified, and the latest design of that fuse is quite different from the old design.

Q. Now?—A. Yes.

Q. I got you on the train in a hurry to make fuses, and we went back on the track a little; now, to go if I may, you started to make fuses, that is graze fuses?—A. Yes, and time fuses too.

Q. You had not made any time fuses?—A. No.

Q. Let us take the two classes again, keeping them, as far as one can, distinct; I am going to take first of all the time fuses, what did you do in order to bring about the manufacture of time fuses?—A. Before we executed the contract we had bought an old factory formerly occupied by the American Can Co. at Paulsboro, New Jersey, and commenced to remodel same and put it in shape to receive machinery suitable for the assembling and loading of time fuses. We had all of our plans ready, and a large amount of the machinery bought for that factory long before the execution of this contract; as a matter of fact, I might say to you that we had options upon 20 loading presses, and they were being manufactured for us, and we paid large sums of money upon them before we secured this contract.

Q. Had you got these presses irrespective of this contract, expecting to get time fuse contracts?—A. Absolutely.

Q. So that you really had got under way so far as time fuses was concerned?—A. Yes.

Q. Or the commencement of manufacturing, before you got this contract at all?—A. Yes, I might say to you that our loading factory was complete, ready to assemble and load time fuse thirty days before we were under contract to deliver any time fuses.

Q. It was ready to load and assemble thirty days before you were under contract to deliver the first lot of time fuses?—A. Yes.

Q. You told me you had ordered these presses?—A. Yes.

Q. And you had got this land and this old factory that you were going to remodel?—A. We had large quantities of machinery bought for that purpose and our plans all completed and were at work before we executed this contract.

Q. At work getting the factory into shape?—A. Yes.

Q. At Paulsboro?—A. Yes.

Q. Did you continue that work?—A. We did, and completed the factory, as I stated, well before our contract period of delivery.

Q. With all machinery in it, I mean the machinery for loading?—A. Machinery sufficient to take care of our minimum quantities or perhaps considerable excess of that.

Q. What about the manufacture of the fuse so far as its component parts are concerned—what did you do about that?—A. Before the contract was executed we entered into an arrangement with the R. B. Phillips Manufacturing Co., Massachusetts, whereby they were to acquire the Crickley Machine and Screw Co., which was one of the well known concerns in New England manufacturing screw machine products, and this agreement contemplated the giving of a contract for component parts to the R. B. Phillips Manufacturing Company whenever we received an order for completed fuses; therefore the minute the order was executed we were ready to execute a contract with the R. B. Phillips Manufacturing Co. for the component parts.

Q. Would they manufacture all the component parts?—A. That was the contract.

Q. I am speaking of course of time fuse?—A. Time fuse. We also had a definite arrangement with the Harley Co. of Springfield, Mass., for manufacturing the forgings, aluminium forgings for the 80 over 44 fuse; we had our plans all completed before the contract was executed.

Q. When the contract was executed did you sign up or conclude the contracts where you had options?—A. Within a very few days they were all executed.

Q. Those two concerns between them were to manufacture the component parts including the forgings?—A. Yes.

Q. And the the factory at Paulsboro was to assemble and load; is that the position?—A. Correct.

Q. Did those two concerns live up to or fulfil your expectations?—A. They did not; we advanced them three hundred and fifty-two thousand dollars out of the advance payments received. Mr. Phillips took the money and spent it for equipment and for additions to his plant, and the first 90 days carried on the work in connection with his obligation under his contract in an apparently very satisfactory manner; during that period he conceived the idea of manufacturing all the war material that Great Britain required I think, and the result was that he signed contracts for a million Russian detonating fuse or percussion fuses, he signed contracts for twenty-two million dollars worth of shells to be made for the French, and he took a contract through Morgans, which however we negotiated for him, for one million nine hundred thousand graze fuse, No. 100, and borrowed all the money he could borrow from his banks, and ultimately blew up.

Q. Did your three hundred thousand dollars go in the blow-up?—A. Yes, our three hundred thousand dollars went in the blow-up.

Q. Was there any result of it?—A. The result was we made a contract—

Q. I mean did anything come back of that?—A. About ten days ago we succeeded in getting back one hundred and fifty thousand dollars of the three hundred and fifty-two thousand dollars.

Q. And that you got back not in fuses but in cash?—A. In cash. We negotiated for weeks, we did everything in our power to bring a settlement with the R. B. Phillips Manufacturing Co. They were out of funds, nobody would ship them any machinery, there was \$150,000 worth of material and machinery in the freight house in Worcester, drafts against bill of lading, that they could not take out. We exerted and brought to bear all the pressure possible to induce the R. B. Phillips Manufacturing Co., which at that time was in the hands of a banker's committee in Boston, to turn things over to us and let us go ahead and execute the contract. We finally made an agreement whereby we were to furnish all the money necessary to carry out the contract and turn over all the profits to R. B. Phillips Manufacturing Co.

Q. Do you mean on the parts they were to make?—A. Yes.

Q. You were to manufacture them?—A. We were to take over the responsibility of manufacture, furnish all the money necessary and give them all the profit.

Q. They were under contract with you to manufacture these component parts they had undertaken at a certain price?—A. Yes.

Q. It was assumed that they would. I suppose you assumed when you made the contract, and they assumed that they would make a profit on their contract with you?—A. Yes.

Q. And you were to go in under this banker's receiving committee or whatever you call it, you were to find out what the cost was of manufacturing those parts, that cost you were to be actually allowed, and the profit over it to go into the banker's committee?—A. Correct.

Hon. Mr. DUFF: Had they an organization at that time?—A. They had a semblance of an organization but it was of no value to us.

Q. You were not making use of that?—A. No, we could not utilize their organization.

[Edwin B. Cadwell.]

Mr. HELLMUTH: Did you go in and do that?—A. Yes.

Q. Did you manufacture any large quantity then?—A. We found that every tool and every gauge and at least 50 per cent of the equipment which they had bought for this contract was unsuitable for the work, and we had to do the whole job over again.

Q. Did you take charge of that yourself?—A. Our production engineer, S. M. Green, had that in charge.

Q. That is one of your companies?—A. Yes.

Q. What about the other company, what was it to manufacture—was that the forging company?—A. The forging company was to produce forgings.

Q. How did they come out?—A. They succeeded in producing a very wonderful forging so far as physical properties were concerned, but we found it utterly impossible to machine that forging.

Q. Why?—A. We found that apparently chemical changes were created in producing the forging, and we had to secure modification of the specifications from the British War Office, which I might say took something over two months.

Q. You did get it?—A. We got the modification.

Sir WILLIAM MEREDITH: Directly from the War Office?

Mr. HELLMUTH: Did you get it direct?—A. We got it through the Imperial Munitions Board.

Q. With those two companies, one of which fell down, and you went on doing the work yourself, and with the other company that did turn out forgings in such shape that eventually they were accepted—is that right?—A. Yes.

Q. You were in a position then to have the component parts of the fuse sent to your Paulsboro factory to be assembled and loaded?—A. I might say that we had built a factory at Bordentown, New Jersey, for the manufacture of component parts of 85 fuse; that factory was tooled up and ready to commence the production of the component parts for 85 fuse when we succeeded in getting the R. B. Phillips Manufacturing Co. to turn over the contract to us to let us execute it; therefore we immediately bought a factory in Long Island City for the production of the 85 fuses and shipped all the tools for the 85 fuse to the factory at Long Island City, and tooled up at Bordentown to make 80 Mark V fuse as well as at Worcester.

Q. Making component parts?—A. Making component parts.

Q. So that you really had the two places at which you were making the component parts?—A. We now have two factories at work and a thousand employees at least producing component parts for 80 Mark V fuse.

Q. Could you tell me what percentage of those would be women or girls?—A. I think our percentage runs about 50 per cent each.

Q. With those three sources I may say you had then the fuse unloaded or the component parts, or the component parts of the fuse unloaded manufactured, or in course of manufacture?—A. Yes, sir.

Q. And they would be brought all to your Paulsboro plant?—A. I would like to say here that we also caused the organization of another company known as the Gathman Ammunition Co., located at Texas, Maryland, for the purpose of loading two hundred thousand of these 80 Mark V fuses.

Q. Is that a subsidiary company of yours?—A. It is not a subsidiary company, it was a company caused to be created by us, but by an independent group of stockholders.

Q. And they were to load two hundred thousand; what is the name again?—A. Gathman Ammunition Company.

Q. Were your component parts brought from the other factories you have mentioned, the component parts of the time fuse, to the Paulsboro assembling and loading factory?—A. We ship all of the component parts from Bordentown by auto-express to Paulsboro and to Gathman daily.

Q. Some go to Gathman that are loading, 200,000, the other 600,000 when they are manufactured are to be done at Paulsboro?—A. We ship all the component parts from the Worcester factory by express to those factories.

Q. And the forgings?—A. The forgings, every one of them have been shipped by express. I might say that all of our material for 80 Mark V fuse has been shipped by express.

Q. No freight about it?—A. No freight.

Q. I suppose it goes without saying that adds very considerably to the cost?—A. Yes, several hundred per cent.

Q. What sort of a loading and assembling plant have you got at Paulsboro, what kind of a building, for instance?—A. We have brick buildings with all modern appliances, sprinkler systems, fire department, fire walls—as good as any loading plant in the world.

Q. You would not take a back seat apparently to the International, if I may put it?—A. No loading plant could be any better.

Mr. JOHNSTON: Only theirs was the best.

Mr. HELLMUTH: Have you seen the International plant?—A. Yes.

Q. It is a good plant is it not?—A. Nothing could be built better.

Q. And you consider you have put up——?—A. Absolutely; money could not produce anything better on our scale.

Q. What have you got, because I want you to face the situation which I am sure you will do, and of course I am dealing merely with the time fuse; what have you got? You have told us you got Mr. Gladeck and his six foremen; what is the reason that they have been——

Sir WILLIAM MEREDITH: And the naval officer.

Mr. HELLMUTH: Is the naval officer with you still?—A. Yes.

Q. Is he still at the loading plant?—A. He spends a considerable part of his time at the proving ground at Quebec.

Q. But Mr. Gladeck is at the loading plant?—A. Yes.

Q. And his six foremen?—A. Yes.

Q. Have you kept them all since?—A. Oh, yes.

Q. Will you tell me with a plant of the very best, as you put it, with an expert such as Mr. Gladeck (as you have spoken of him, the civilian member) and with these skilled foremen—where do you get the workers in the loading plant?—A. We located at Paulsboro for the express purpose of being very close to the Frankford Arsenal in order that we might draw from some three thousand employees there at the arsenal.

Q. Were you able to draw from them?—A. We have something over one hundred of the employees of the fuse departments of the Frankford Arsenal in our employ at this time.

Q. I have got you up to a pretty high pitch and I want to know why the fall; you have Gladeck, the six foremen, no better equipped factory of that kind in the world, 100 fuse-making employees from Frankford Arsenal, why no fuses, or so few?

Mr. CARVELL: Twenty loading machines.

Mr. HELLMUTH: Yes.—A. Of course if I knew why I would solve the problem probably quickly, but I do not know why, and we do not, any of us, know why.

Q. You will frankly admit, I am sure, there has been a failure to live up in any way to that contract in regard to time fuse, the supply—A. The first lot we submitted passed the firing proof successfully; since then we have had one lot pass.

Q. Out of how many?—A. Out of twenty-one.

Q. The first lot passes the firing test, then you have twenty lots, and only one of the twenty passes?—A. Two of the twenty; well, one of the subsequent.

Q. The first lot passed, and out of the next twenty one——?—A. The next twenty; we had twenty-one lots altogether.

[Edwin B. Cadwell.]

Q. Out of the next twenty, one lot passes?—A. Yes.

Sir WILLIAM MEREDITH: What does that mean in volume of rejection?—A. It means 42,000 fuses.

Mr. HELLMUTH: Rejected?—A. Assuming 4,000 passed or two lots passed, it would be 38,000 rejected.

Q. I assume that as a business man and as a man who probably does not want to lose money but wants to make it, you must have made some efforts at all events to ascertain why they have not passed?—A. Well, we have appealed to every one in the confidence of the British War Office so far as we are familiar with them, from General Minchen, who is in command of the Woolwich Arsenal, to the man in charge in Canada, and the British inspectors, and fuse men in the United States for assistance and they have all been to our factory, and when I say they have all been there, I mean the expert fuse men except General Minchen, but he has been in consultation several times over the matter, and we have adopted every suggestion they have made, and are producing fuses in exactly the manner that they prescribed, or at least we are doing everything that they suggest, and so far as we are aware we have their approval of everything that we are doing, and nevertheless we don't seem to be able to produce fuses that will pass.

Q. I thought it was a very simple matter, this fuse production, any intelligent man could produce fuses that would stand the test?—A. It is easy enough to find people that are willing to tackle any job you know.

Q. I understand there is a very instructive article in an encyclopedia, have you read it?—A. No, I have not read it.

Q. Have you made, so far as you are concerned, every effort to produce time fuses and failed so far in any business success?—A. We have maintained a force of from 300 to 500 employees at this factory for months, many of them receiving from \$8 to \$20 a day in an effort to produce these fuses, and we have had experts from several of the fuses loading plants in the United States, and all of the British experts that we could get, and we have not been able to produce fuses except as I have related.

Mr. JOHNSTON: That does not apply to the graze fuse.

Mr. HELLMUTH: No.—A. This is time fuses we are talking about.

Q. And loaded.

Sir WILLIAM MEREDITH: Is it in the loading?

Mr. HELLMUTH: Can you tell whether it is in the loading or in the making of the mechanical parts, the component parts?—A. We have made everything in the best possible manner, and everything to gauge and drawing, and everything as I stated in accordance with the best judgment of these experts.

Hon. Mr. DUFF: There are certain shop tests, are there not?—A. Yes.

Q. You have had no difficulty with them?—A. No.

Mr. HELLMUTH: Passed all the shop tests?—A. Yes.

Hon. Mr. DUFF: What was called the rest test?—A. Rest tests have all been very good.

Q. In fact the fuse has appeared, as I understand, as it was manufactured and assembled and loaded and tested with a rest test in your factory, perfect?—A. Yes.

Q. And then it has gone down to the gun fire proof and has failed?—A. I would not want to say perfect; you understand 100 per cent perfect is not known in the production of fuses.

Q. It has been a good fuse?—A. Within all the tolerances provided for in the specification.

Sir WILLIAM MEREDITH: Can there be anything wrong at the fire proof testing?

Mr. HELLMUTH: Have you ascertained whether there has been anything wrong at the fire test?—A. Of course our fuses under the contract are tested at Quebec, and

they do not use the same methods that we would adopt if we were equipping a proving ground, but I am not prepared to say, and our experts are not prepared to say, that fuses cannot be tested successfully at that proving ground.

Q. And do you not know—I suppose it is a matter of knowledge that must have come to you—that while such a large proportion of your time fuses have failed at that test, quite a considerable proportion of my learned friend, Mr. Atwater's clients, the International, have gone through all right?—A. I think the goods must be with them and not with us.

Q. Have you attempted to check the gun proof, is it?—A. Gun proof.

Q. The gun proof at any place in the States?—A. Yes.

Q. With what result?—A. We have had very successful results at Cape May.

Q. You have?—A. Yes.

Mr. JOHNSTON: Does he know what the defect is?

Mr. HELLMUTH: These same lots that have failed at the gun proof test at Quebec have passed at Cape May?

A. I would not say that the same lots have for the reason, that is with one exception, that a lot of fuses when an average is taken and put into a bonded or a sealed room under the charge of the British inspector, he selects from that lot 20 proof fuses, and those 20 proof fuses are sent to Quebec for test, and they have all failed except as related in my previous testimony; but fuses produced under exactly the same conditions are being sent to Cape May at very frequent intervals, and we have had, I think, only two lots fail at Cape May, and they were very close.

Q. Out of how many?—A. I received a telegram last night saying that 60 fuse out of lot 19 were tested at Cape May, all of which passed, and 20 fuses out of that same lot at Quebec did not pass.

Q. There we do get the same lot tested?—A. That is one instance where we have had the same lot tested.

Q. Have you made any suggestion that the Imperial Munitions Board should make test elsewhere than at Quebec?—A. It has been discussed, and as I understand the matter it is now under consideration by the Munitions Board and General Minchen, and various others in authority.

Hon. Mr. DUFF: These tests at Cape May, are they under the authority of the British Government?—A. Oh, yes, certainly.

Mr. HELLMUTH: They are under British officers?—A. Oh, yes, certainly.

Q. They are not tests made by your inspectors?—A. No, they are made at the regular proving ground in the United States.

Q. And you have been very successful there on the whole?—A. The only ones we have failed on were fuses taken from lots that failed at Quebec; we have had I think two failures out of I should say ten tests at Cape May.

Mr. JOHNSTON: I might suggest just at this point you might ascertain what is the defect, not the defect in the construction of a fuse, but what defect does the testing show?

Sir WILLIAM MEREDITH: He says he would be very much obliged to you if you will tell.

Mr. HELLMUTH: I think I know what Mr. Johnston means.

Q. Can you tell me whether it is that the fuse explodes too soon or too late in the failures?—A. In most cases our failure is because of what is known as short burning, I think—no, too quick burning I think—I am not a fuse expert, therefore I would not undertake to enter into the details.

Q. I do not know anything about it, but I would assume that that implies the fuse goes off too soon?—A. I might say there is a report just arrived evidently to the Imperial Munitions Board, which if you want to find out whether it is short burning or long burning or premature, you can get that from another witness.

[Edwin B. Cadwell.]

Q. All right; at all events under the test that these fuses have to undergo according to the contract, and under the contract the proof is at Quebec, you have apparently fallen down, and I am not going over it again, but you say you have spared no effort to make it a success?—A. We have spared neither effort nor money nor anything else, we have done everything humanly possible.

Hon. Mr. DUFF: Mr. Gladeck, I understand you spoke of him this morning as a practical man, that is to say stronger on the practical side?—A. I consider that he understands the science of it equally as well as any other expert.

Q. I thought you rather emphasized that, but I simply wanted to put this question to you: something you said a moment ago has given me the impression that you had consulted other technical ballistic engineers—is that the proper term?—A. Yes.

Q. For the purpose of trying to find out what the cause of the failure was, is that so?—A. Yes.

Q. I mean persons who are not in your own employ?—A. Yes.

Q. And you failed to get any information?—A. Yes, we have really got more help from a British expert than we did from anybody else, I am willing to concede that, because he was familiar with the manufacture of this type of fuse in Great Britain.

Mr. HELLMUTH: So far as you are concerned the delay in producing the time fuse might be fairly summed up by saying it is not a delay by reason of not having a factory, by reason of not being able to get the parts to assemble, but by reason of your being unable when you do get all the parts together and put in your powder pressed into your fuse absolutely in shape, to pass fire test gun proof, is that it?—A. That is the point.

Q. I mean so far as you were concerned you had started so much sooner than anybody else to prepare for this by securing these options, the ground, factory and that if you had had what you call decent luck you would have had your fuse?—A. Unquestionably.

Sir WILLIAM MEREDITH: Does that mean within the time?

Mr. HELLMUTH: I mean within the time?—A. Oh, yes; for instance if R. B. Phillips Manufacturing Company had not failed to deliver parts we would have been delivering fuses the latter part of October, that is we would have been assembling or loading fuses, I don't know whether we would have gotten away with the gun proof or not.

Q. But the gun proof has been your fall down?—A. Our first fall down was on mechanical parts, but I would like to say this, that we submitted our first lot of fuses at approximately the same time as the International did theirs in spite of all our difficulty.

Q. Of course R. B. Phillips kept you back undoubtedly?—A. Yes.

Q. You do not look upon—probably it was because you were so much further advanced—but you do not look upon the situation in quite the same way as Mr. Patterson looked upon it, that is to say you do not consider it was absolutely silly of you to accept that order in June under ordinary conditions?—A. Well, we had been preparing for months.

Q. You had not machinery running for this at that time?—A. No. For instance, we had machinery delivered to us inside of six weeks after we received this contract.

Q. You had intended, if you had not got this Shell Committee order, to get a British order direct or through Morgans?—A. I have taken orders for millions of fuses besides this contract.

Q. Not time fuses?—A. Yes, time fuses.

Q. Not loaded?—A. Yes.

Q. 85 fuse?—A. 85, 80 mark 7.

Q. Is 80 mark 7 much easier?—A. No, it is the same fuse, except that it is made of brass instead of aluminium.

Q. Are you loading those?—A. We have not commenced loading yet. We have a contract. But we are loading the 85 and delivering them.

Q. And you are having no trouble with the 85?—A. None whatever.

Q. And you looked upon that contract at that time, as you told me, as one that you might reasonably expect to fulfil within the time?—A. We expected to, because, as I say, we had been preparing for months.

Q. In regard to the time fuse—leave out anything else for the moment—you were not in regard to the time fuse unreasonably delayed except for the R. B. Phillips Company and the gun proof?—A. No.

Q. You were not troubled with strikes in regard to these, were you?—A. Yes, we were troubled with strikes, but in spite of that our loading factory was well ahead in contract delivery, sir.

Q. I am going to ask you, of course, about your investment. But before that I think I will take up the graze fuse. Now in regard to the 1,666,000 graze fuses what did you do after the contract was signed, did you go on manufacturing them? This is the aluminium graze fuse?—A. In order to make the matter plain we will say that after the Standard Screw Company had secured contracts for fuses sufficient to keep them busy until the end of 1916 I resigned and started in the fuse business independently, and prior to the time of taking the Shell Committee contract I had made contracts with several large concerns for the control of their facilities for producing fuses. Prior to my taking the fuse contract we had taken three contracts, and after I left the Standard Screw Company we had taken in the interests of these manufacturing concerns that I said we had contracts with three contracts, aggregating 1,900,000 fuses. I also had taken contracts for a million gaines.

Q. A million gaines?—A. Yes. These same factories were able to produce the same number 100 fuse, and it was these factories which had secured options on the heavy machinery necessary to produce the 100 fuse from steel. Therefore immediately upon signing the Shell Committee contract I closed my contracts with these factories for the production of the No. 100 fuse, and two of those factories were very successful and completed their contracts before the first day of May.

Q. Of this year, do you mean?—A. Yes. Before our contract expired there was 700,000 of these fuses let to a concern controlled by the R. B. Phillips Manufacturing Company, and, as I say, that concern did not make good. Those fuses were cancelled and replaced with the concerns that had made good, and the net result is that we have delivered of those graze fuses approximately one million, and are delivering every day at the contract rate.

Q. Under this contract with the extension clause?—A. Yes, under the modified contract.

Q. You are within that contract?—A. Yes.

Q. But you have actually delivered by this time in the neighbourhood of a million graze fuses?—A. Correct.

Hon. Mr. DUFF: Those are unloaded and without gaine?—A. Yes.

Q. And in what respect does the fuse differ from the fuse you are supplying to the Shell Committee?—A. That is the number 100, the graze fuse.

Q. It is the same?—A. That is the contract I am speaking of.

Mr. HELLMUTH: He is speaking of our contract.

Hon. Mr. DUFF: I did not understand you. I thought you were speaking of the 1,900,000?—A. No, that has been filled long ago.

Q. It was rather in regard to the other that I wanted to ask him.—A. Those were filled long ago and they were manufacturing something like nine million.

Q. In regard to the 1,900,000 that you spoke of, was the fuse the same as the fuse you are now making?—A. The same fuse, except that it is made of brass instead of steel.

[Edwin B. Cadwell.]

Q. And the fuse you are now making you are making of steel?—A. We are producing for the Shell Committee that fuse in steel.

Mr. HELLMUTH: Those were made of brass?—A. The 1,900,000 were made of brass.

Q. How many concerns had you engaged in turning out those graze fuses?—A. Aside from the five factories in the Standard Screw Company, in which I am still interested—

Q. The five factories in the Screw Company had part of these graze fuses?—A. Not part—

Q. I am talking of our contract?—A. On your contract there were four factories all told.

Q. Two making good and two falling down?—A. No. Two made good, one fell down, and the other one is just making delivery.

Q. Did they make the entire fuse, these factories?—A. The entire fuse.

Q. That is, the American Ammunition Company that had the contract farmed this contract out to them first, sub-let it?—A. Correct.

Q. Sub-let it to these various companies. Did you do any assembling or did they do the assembling?—A. In our original contract it was provided that we were to have the right to erect upon the property of these various manufacturing companies buildings for the purpose of assembling and loading; but when the loading was eliminated why, of course, we then made arrangements for these factories to assemble and deliver an unloaded assembled fuse.

Q. So as a matter of fact the American Ammunition Company found companies, some of which you were affiliated with—I am speaking now of the graze fuse—that would make the Graze fuse, and some that you were not affiliated with that would make the graze fuse?—A. We had affiliations with every factory before the Shell Committee contract, we had control of these various facilities.

Q. But as a matter of fact they were not in a sense entirely independent of you, that is, you and your associates practically controlled them. Is that right?—A. We controlled their manufacturing facilities; we did not own the manufacturing stock.

Q. Quite so. But you controlled their manufacturing facilities?—A. Correct.

Q. You had the right to go in and say to them "Make this".—A. I would not put it as strong as that. We controlled their facilities with respect to fuses and gaines; they had no right to manufacture for any one else.

Q. They could not manufacture for any one else?—A. No.

Q. Were you under obligation to give them fuses?—A. Yes, we were, and we had to give them contracts previously.

Q. So the position was this, I want to get it fairly definite, you and they were in a sort of mutual bond?—A. Yes.

Q. "You cannot manufacture fuses for anybody else," you said to the factories, and the factories said, "You must give us fuses to manufacture"?—A. Yes.

Q. You did not give it to any one of these companies?—A. No.

Q. You divided it?—A. Because of my efforts to secure manufacturing facilities for producing fuses I was at all times in a position to take contracts and execute them.

Sir WILLIAM MEREDITH: But you were bound to supply them with work to do?—A. Yes.

Mr. HELLMUTH: Mr. Johnston suggests, were you under obligation when you got a contract, such as the contract you got for the graze fuses from the Shell Committee, to give that contract out to these four companies, or were there other companies, or was there any arrangement in regard to it?—A. The arrangement with respect to these various factories was in each instance somewhat different. Some of our arrangements provided that they were to have their pro rata share of any contract we took; others were that they were to have a contract for a specified quantity of fuses within a specified time or a certain amount of material. We guaranteed the material and contracts

and guaranteed them against loss upon material and contracts and various forms of the guarantee.

Q. Take this particular contract, was that let in that way?—A. Yes.

Q. Was any one of these people entitled to the whole of it? I assume not?—
A. No.

Q. Were some of them entitled to a pro rata share?—A. Yes.

Q. Were those the people who fell down?—A. Yes.

Q. Then were there others who got a portion of it because you had to supply a certain number of fuses to them?—A. You do not want to go into our private arrangements?

Q. No, I do not intend to do so. I am not asking you about your private arrangements, only about fuses.—A. I would like to say right here that the R. B. Phillips Manufacturing Company had such a standing that it was able to borrow three-quarters of a million dollars from its bank without security. That is how good they were, and I assumed they were all right. They simply lost their heads, that is all.

Sir WILLIAM MEREDITH: Entirely, you being a part?—A. That is quite true.

Mr. JOHNSTON: I am sorry to say that some of our banks have loaned more money than that to plants.

Mr. HELLMUTH: Mr. Stewart suggests that what Mr. Johnston wants to get at—

Mr. JOHNSTON: I only want to get at it in this connection—

Mr. HELLMUTH: I know you do. I want to clear it up if I can.

Mr. JOHNSTON: Quite so.

Mr. HELLMUTH: This arrangement you had with these various factories was not an arrangement based upon this contract, but was a general arrangement, is that right?—A. This contract had nothing whatever to do with my general fuse plans.

Q. This contract came in incidentally?—A. Simply incidentally to our general fuse business.

Q. It came under the general arrangement in a sense.

Mr. JOHNSTON: That is how I understand it.

WITNESS: Right there I would like to say, because I have the figures before me, that at the present moment we are interested in concerns which either have executed or are in process of executing, contracts aggregating 13,850,000 fuses and 4,600,000 gaines.

Sir WILLIAM MEREDITH: What would that represent in money approximately?—A. A great many million dollars.

Mr. JOHNSTON: Yes, sixty or seventy.

Mr. HELLMUTH: I want to ask you what you did, first of all, with all the money you received on these advances. You got a million and a half of advances?—A. We deposited the money in the Guaranty Trust Company in the first instance.

Sir WILLIAM MEREDITH: Gentlemen, counsel in this case, in order to meet the convenience of some of the witnesses it is suggested that instead of sitting at half past two on Monday we sit at ten.

Mr. HELLMUTH: Eleven.

Sir WILLIAM MEREDITH: I thought it was ten.

Mr. HELLMUTH: We could get a witness away then. It would give us an extra couple of hours or more.

Sir WILLIAM MEREDITH: The only ones inconvenienced would be the Montreal gentlemen and Mr. Carvell.

Mr. CARVELL: I will be here, Mr. Commissioner.

Sir WILLIAM MEREDITH: Will you gentlemen from Montreal be here?

Mr. LAFLEUR: We will come up on Sunday night, Mr. Commissioner.

[Edwin B. Cadwell.]

Mr. HELLMUTH: It was only this. Mr. Yoakum, as I understand it, if his examination was not finished until to-morrow would have to stay over, in which event it would be no use for him to go down to New York on Saturday and return again on Monday. He could stay over until Monday, and I felt that if he did that he ought to be able to get away by the Monday 4.45 train at latest. Therefore if we sit at eleven o'clock on Monday morning no doubt we could finish him with the time we will get to-morrow, but if we did not meet until 2.30 he might not be able to get away on Monday afternoon.

Hon. Mr. NESBITT: I think you will finish with him to-morrow probably.

Mr. HELLMUTH: I never think anything, I am afraid to. I promised Mr. Cadwell that he would get away this afternoon by the 4.45 train. However, having him in the box he cannot reproach me just at present.

Q. Now, Mr. Cadwell, I was going to ask you if you would tell me, having got this money, you placed this one million that came in the first place, and then subsequently \$500,000, I am speaking now in round figures, these sums that came as advances you placed on deposit with the Guaranty Trust Company?—A. Yes.

The company that had signed the bond?—A. Yes.

Q. Then how much of that did you pay out on the contract?—A. We paid out to sub-contractors \$1,053,084.63.

Q. You got altogether \$1,500,000?—A. \$1,560,000.

Q. And you paid out that. Did you before you received any pay for completed fuses put out or spend any more money?—A. In addition to the amount stated we paid out approximately \$2,000,000.

Q. That is to say, in addition to the \$1,053,000 that you told us you paid to contractors paid out about two million more, is that right?—A. We paid out \$1,550,000, and we have obligations which are maturing from day to day of \$445,000, making two million dollars.

Q. That is not including, as I understand, the million that you paid out?—A. That is in addition to the million we paid out.

Q. But you had \$560,000 more than that million. Where is that?—A. That is on deposit in the Guaranty Trust.

Q. You have not used that?—A. I might say that we never called upon the Guaranty Trust to advance any money in connection with the assembling and loading of fuses. We never intended to. That company was financed from the beginning independently of any advances.

Q. So that really of the advances you have received from the Shell Committee the only difference you made was to pay what advances you had contracted to pay to your sub-contractors?—A. Correct.

Q. Is that right?—A. That is correct.

Q. And the rest of that money remained on deposit, \$560,000, or \$500,000 now, and is on deposit there?—A. That is right.

Q. And you and your associates (and practically as far as I can make out when it comes down to many of these transactions it is you) put up about one and a half million dollars more of money?—A. Yes.

Q. And have obligated yourself for some \$450,000 and odd?—A. We have other obligations than that. That is a direct obligation, which is maturing from day to day.

Q. I don't know that I quite understand that. Is that prior to receiving any pay for completed fuses; is that independent of the amounts received?—A. That is independent of the amounts received.

Q. I do not want to go into details at all, but what do you say as to the profit, as to the contract; you told me you thought when you took it that it was a very profitable contract. What do you say now as to the contract, is that still your opinion, that it is a very profitable contract?—A. It is absolutely impossible for us to predict whether it will be profitable or whether the loss will be heavy.

Q. You got a modified contract, you got an extra 600,000. Supposing the contract had been carried out without any of that modification, that you had to take the time fuse and the graze fuse as they were, one contract, although two different lots, on the whole as it turned out, was it under those circumstances or would it have been under those circumstances a profitable, or a largely profitable contract?—A. Until we have completed the contract we cannot tell.

Q. In the time contract, what is the result of the lots that are rejected?—A. Of course they are not a total loss unless we absolutely fail to get any of them passed.

Q. I quite understand that. But is it true that you have to refill those rings?—A. Certainly.

Q. Is that a work of any moment, from a monetary point of view?—A. It certainly is. It is just as expensive to disassemble and fill the rings, or more expensive than it would be to start afresh with the component parts.

Q. So that that has to be done under the time contract. I do not understand that there were any great difficulties except what you have mentioned, in regard to graze fuses?—A. We have been very successful with the graze fuses, and have made some money.

Q. And you did take a subsequent modified contract reducing the price of the graze fuses from \$4—

Mr. EWART: \$3.72½.

Mr. HELLMUTH: Quite right. From \$3.72½ from the first of January?—A. The first of April.

Q. Anyway, whatever date it was, and after that you were only to get what?—A. I believe it was \$2.34 and a fraction.

Q. That was a pretty considerable drop?—A. Very considerable.

Q. And at the same time you got 600,000 more of the time fuses?—A. Yes.

Q. At what rate, \$4.50?—A. \$4.30.

Q. But that was the 80 mark 7?—A. That was the 80 mark 7.

Q. I understand that there is a difference in cost of the mark 7 fuse?—A. It is cheaper than the other.

Q. I think it was put at 20 cents or 30 cents, but I forget what the figure was. What do you say as to that?—A. I think it is cheaper to produce, in fact I know it is.

Q. Would you put it at 20 cents or 30 cents cheaper?—A. Just at the moment—I do not want to appear ridiculous—but we have not produced the 80 mark 5. Every fuse we have produced has cost us \$50,000 probably.

Q. Every fuse you have produced and have had accepted?—A. Yes.

Q. Have you produced any of the 80 mark 7 fuse?—A. No. We have just got the contract.

Q. But in its appearance, so far as its mechanical parts are concerned, in the making of those, the component parts, is it a cheaper fuse to manufacture than the other?—A. Yes.

Q. Was it any inducement, or was it a detriment to have the 600,000 time fuses at \$4.50 at the same time as you reduced the price of the other to \$2.34?—A. Well, at the time we acceded to the modified contract we had reason to suppose that our 80 mark fuses were going to pass the firing proof. If that were up for discussion to-day we would sit tight and not go into the contract.

Q. But at that time you thought you would?—A. We had our lots number one passed and thought they would be all right.

Q. So that you did at that time consider it an inducement?—A. Sure.

Q. To-day you would consider it a detriment?—A. I would, because we do not know where we are at.

Q. I want your attitude at the time. In the first place, did you understand the legal situation, that the whole contract for the graze fuses and for the time fuses [Edwin B. Cadwell.]

could be absolutely cancelled by the Imperial Munitions Board?—A. I took the view that it was a debatable question, and that in view of the fact that we were equipped to manufacture fuses in large quantities it was a matter of good policy for us to meet the views of the Imperial Munitions Board.

Q. Well then, at the time you made that contract may I ask you this, were you prepared at that time if you had had no contract with them and no possibility of cancellation, or would you have been prepared to take the graze fuse contract at \$2.34?—A. Yes.

Q. Why?—A. Because we had learned all about manufacturing graze fuses. There was no mystery in connection with them. We were having 50,000 of them passed every day in our various factories and in our various companies.

Q. You could make them then?—A. Certainly. The conditions were very different from the time we took our first contract.

Q. How was that?—A. All the mystery and the uncertainty had been eliminated.

Q. Of the graze fuse?—A. Certainly.

Q. You told me when you took that contract in the first place you had been manufacturing graze fuses but they had not passed?—A. They were unloaded. We had nothing to do with firing them.

Hon. Mr. DUFF: The suggestion was I think that at that time no loaded No. 100 fuses had been manufactured in the States, I mean in a business way; do you know of that?—A. Yes, certainly. It is a matter of common knowledge that no No. 100 fuses have ever been loaded upon this continent.

Mr. HELLMUTH: To put it fairly, your view was that the loading was going to be a very serious problem?—A. The loading and the firing test. It was an unknown quantity.

Q. Outside of that may I ask what price you would have considered fair at the time you went to the Shell Committee and got \$4. I want to get that. If you had then been asked for an unloaded graze fuse—you are not a vendor now but an arbitrator for this purpose—what would you have said was a fair price?—A. Of course I was interested in it. I have just taken contracts at \$2.75 and \$2.40.

Q. Unloaded?—A. Unloaded.

Q. Let me ask you this. Did you tell Colonel Carnegie that because you were interested, and had taken unloaded graze fuses at \$2.75 and \$2.40?—A. I cannot conceive of my having told him that.

Q. That is very frank. I do not suppose you did.

Hon. Mr. DUFF: Do you think he knew it?—A. Of course he did not know it.

Q. If he had known it, what do you think the result would have been?—A. He would have notified me that my price was too high and that it ought to come down.

Mr. HELLMUTH: But there was a price of \$4. I hope you do not think I am wasting time?

Hon. Mr. DUFF: I do not think so.

Mr. HELLMUTH: I want to get your attitude at that time. You knew perfectly well when you came to Ottawa at that date in June that if you had been asked by the Shell Committee to tender we will say on unloaded graze fuses, your tender would have been (may I put it) somewhere between \$2.40 and \$2.75?—A. It probably would. I will give my reason for asking even such a high price as that. They were to be made of steel, and that had required \$1,250,000 of special equipment to do it. The organization charge therefore was a very large amount on that number of fuses.

Q. If you were to bid—I want you to throw your mind back—on a loaded graze fuse at that date in the same way, tell me about where your tender would have been?—A. I must say that Colonel Carnegie's statement of what he thought was a fair

price impressed me as being a fair and reasonable price, at the time. The best evidence of that is the fact that one of our associates endeavoured to induce me to demand a higher price, and I refused to do it. On the other hand, I do not believe I would have taken the contract at one penny below four dollars at that time.

Q. In that case you were frightened at a bugbear that did not exist?—A. I don't think it exists, because I do not know what the outcome is.

Q. And in the other case you were frightened in a matter in which your judgment apparently was not quite sound?—A. Certainly.

Q. You accepted Colonel Carnegie's view that as between purchaser and vendor \$4 at that time was a fair price for a loaded fuse?—A. I think it was fair.

Mr. NESBITT: They were made of steel.

Mr. HELLMUTH: Mr. Cadwell has been perfectly fair about it; he has said that even if he had known that it was made of steel and that it had not been loaded he would have been prepared to tender at between \$2.40 and \$2.75 and take his chances.

WITNESS: Yes.

Mr. HELLMUTH: You did not know what you were going to get in the load with the gun proof?—A. No. I would like to say this, that that was the moment at which we were having the greatest agitation in the States regarding the depredations of German agents, you might say, or influence in all the organizations which were producing munitions. I also might say in that connection that it is a fair possibility that some of our troubles at the moment are raised by German agents. We have discharged a great many men, and have had a great many serious difficulties traceable to men of pro-German tendencies. It has cost us tens of thousands of dollars.

Mr. HELLMUTH: I cannot finish with this witness to-night, Messrs. Commissioners. I will go on with some other matters in the morning. It is now half past five.

The Commission adjourned at 5.30 p.m. until 10 a.m. to-morrow.



ROYAL COMMISSION.

FOURTEENTH DAY.

MORNING SESSION.

OTTAWA, Friday, May 12, 1916, 10 a.m.

Examination of E. B. CADWELL, continued.

Mr. HELLMUTH: Do you remember, Mr. Cadwell, what we were discussing at the time of the adjournment last evening?—A. I do not remember exactly what it was.

Q. We were speaking I think of the extensions and modifications. There was one more question I wanted to ask you about that matter. When did the negotiations for an extension begin, can you tell me that, or about when?—A. Either late in December or early in January.

Q. And the change in price of the additional order?—A. There was talk about a change of price, and several discussions regarding an extension of time. The Imperial Munitions Board were very insistent that some adjustment would have to be made of the contract.

Q. But you do not remember when that first started?—A. Well, it started around the first of the year.

Q. Were you in default in November?—A. Yes.

Q. Had you any discussion then with the Shell Committee in regard to that?—A. Strictly speaking we were in default, but we maintained that we were entitled to extensions because of delays beyond our control, because of delays on the part of the Imperial Munitions Board or the War Office, and because of various other reasons.

Q. Can you tell me what amount to date you have paid E. B. Cadwell & Company as trustee under the commission agreement with Yoakum and Bassick; perhaps first of all, how much have you paid Yoakum?—A. I cannot give you those figures exactly, but approximately \$50,000.

Q. To Yoakum, you say?—A. Yes.

Hon. Mr. DUFF: There was no modification of the commission contract consequent upon the changes in the principal contract?—A. There has been no modification up to date.

Mr. HENDERSON: It has been up for consideration.

Mr. HELLMUTH: Has it been under consideration?—A. I proposed modifications, but my proposal has not been acceded to.

Q. You said yesterday in answer to a question that at the time of the commission agreement you knew nothing in reference to Mr. Allison, or Colonel Allison rather?—A. Absolutely nothing except—

Q. When did you first hear in regard to Colonel Allison, if at all, having anything to do with the Commission agreement or any interest in it, or any of the moneys coming from it, or anything at all?—A. It was reported to me that it had been charged that he was interested, here in Canada I mean.

Q. You did not hear it until you came here?—A. No.

Q. So that you did not hear from Yoakum that Colonel Allison had any interest?—A. No. It was reported to me in New York that the charge was in Canada.

Q. But until the charges were made in Canada, you knew nothing about Colonel Allison having any interest in it?—A. No, nothing whatever.

Q. About when was that reported to you in New York? Do you know whether it was before or after the charges were made in the House of Commons here?—A. It was after the charges were made.

Q. So that until then you did not know that Colonel Allison had any connection with it?—A. No.

Q. Is that right?—A. Quite right.

Q. Were you here on January 4, 1916, before the Imperial Munitions Board, or about that time?—A. I was.

Q. I have just now been handed a memorandum. I will read it, and you can say whether it is right or not. It is dated January 4, 1915. Obviously it should be 1916:—
“Memo. covering an understanding reached in conference between the chairman, Mr. Gordon.”

Mr. Gordon is one of the Imperial Munitions Board?—A. He is.

Q. “And Mr. Orde, representing the Board, and Mr. Cadwell and Mr. Callahan, representing the American Ammunition Company, covering their contract for the delivery of No. 100 and No. 80 fuses as per contract dated 19th June, 1915.

“As a result of the general discussion of the matters connected with the above contract, it was mutually agreed, subject to confirmation by the Board of Directors of the American Steam Gauge Corporation and their bankers and Surety Company, and subject to the consent of the Guarantee Trust Company of New York to the change suggested.” I stop there. What was the American Steam Gauge Corporation?—A. The American Steam Gauge Corporation had a sub-contract for the production of No. 100 graze fuses from us.

Q. And therefore they had to be brought into these negotiations, their consent had to be obtained?—A. I would like to explain that R. B. Phillips was the manager and treasurer and dominant factor in the American Steam Gauge Company up to the time he got into financial difficulties and the bankers took over the Steam Gauge Company and that other company.

Q. And that accounts for there being the bankers?—A. Yes.

Q. I continue:—

“1. That 100,000 of the No. 100 fuses shall be cancelled and the complete contract shall be for 1,566,666, with delivery as follows.”

Is that correct?—A. That is correct.

Q. “By the 31st of January, 143,166 fuses are to be shipped, including those shipped prior to the date of this memo. That beginning with February 1 and continuing to the completion of the contract, there shall be shipped a minimum of 13,333 each working day, with the option to the contractor to ship more rapidly if he can speed up his deliveries to that end.” If there is any dissent you will voice it, otherwise this is a fair memorandum?—A. That is it.

Hon. Mr. DUFF: What are these No. 100 fuses?

Mr. HELLMUTH: This deals with both the No. 100 and the No. 80 fuses, but this is all in regard to the No. 100 fuse, that is, in clause 1.

“2. No. 80 mark V fuses.

“That the delivery of these fuses shall commence on the first of February on the basis of 1,666 each working day during February. Beginning with March, 4,000 each [Edwin B. Cadwell.]

working day up to the 15th of March, and thereafter at the rate of 6,666 each working day until the completion of the contract; the contractor to have the liberty of speeding up his deliveries to a greater extent if he is able to do so.

"3. This understanding presumes that the consent of the American Steam Gauge Company and their bankers and Surety Company will be secured for the cancellation of 100,000 of a sub-contract which they have from the American Ammunition Company, and it has been agreed that in the event of that cancellation taking place, the \$60,000 which has been advanced by the Board to the contractors, and which they in turn advanced to the sub-contractor—the American Steam Gauge Company—shall be repaid to the Board at the rate of 10 cents per fuse on the delivery of 600,000 fuses made by the American Steam Gauge Company."—A. Ten cents per fuse, yes.

Q. That is right, is it?—A. Correct.

Q. "It is mutually agreed that in the event of the failure to secure the consent of the parties referred to above to this understanding, that the whole situation between the Board and the contractor is not prejudiced by this memo. but the situation shall be reconsidered on its merits.

"It is further understood that the subject of this understanding is to be referred to the board of directors of the American Ammunition Company for their consent." (Memo. marked as Exhibit No. 282.)

At that time then, Mr. Cadwell, the negotiations were in that shape?—A. Yes, sir.

Q. Subsequently there seems to have been, as far as I can remember now, some change in the actual agreement that was come to?—A. There were negotiations on continuously from that date.

Q. Until they materialized in these contracts or documents which have gone in?—A. Yes, sir.

Q. There is nothing there about a fresh order?—A. No, sir.

Q. Or about a reduction in the price?—A. That was all a matter of negotiation extending from that period down to the time we actually executed the new contract.

Sir WILLIAM MEREDITH: Mr. Hellmuth, will you ask him who initiated the proceedings that led to the modification?

Mr. HELLMUTH: Who initiated those negotiations that led to this modification?—A. Colonel Carnegie originally initiated them and they were subsequently taken up by Mr. Gordon, Mr. Flavelle, and we had meetings at which they were all present at one time and another. It was a very long-winded matter.

Sir WILLIAM MEREDITH: What I want to get at is whether the Munitions Board took the position that these people had forfeited their contract.

Mr. HELLMUTH: Did the Munitions Board take the position that you had rendered yourselves liable to have the contract cancelled?—A. Absolutely, and we denied it. We claimed that we were entitled to extensions.

Q. You say Colonel Carnegie was in these negotiations?—A. I had one or two conferences with Colonel Carnegie and Mr. Gordon in regard to them.

Q. Colonel Carnegie being, not merely a member of the Shell Committee, but a member also of the Imperial Munitions Board?—A. Exactly.

Q. Colonel Carnegie knowing more about the original contract than the other members of the Imperial Munitions Board?—A. Yes.

Q. Is that right?—A. That is the view I had of it.

Q. You spoke of the meeting of June 15. I understand you to say that you and Mr. Callahan alone were here?—A. I said according to my recollection of it we came up together, but upon reflection I recall that Mr. Yoakum was here also.

Q. That is on that date, June 15?—A. Yes.

Q. Is there anything in regard to what you have told me that you want to amend or correct, at the present time, that you can think of?—A. I think not.

Q. Are there any other—it is hard to put it exactly—circumstances striking you at all events as material in connection with this matter that I have overlooked in asking you questions?—A. I think we have covered the case very thoroughly.

Hon. Mr. DUFF: You have not gone over the history of what occurred in the summer of 1915, August, September and October, or August and September or whenever it was, leading to the change from loaded to unloaded fuses, Mr. Hellmuth.

Mr. HELLMUTH: Perhaps I did not, sir.

Q. When was it that the change was made from loaded to unloaded graze fuses?—A. The negotiations for that change commenced I should say within 45 days after the original contract was executed.

Q. That would be August?—A. Along in the first of August I would say it was intimated that there would be a change.

Hon. Mr. DUFF: Forty-five days would bring you to about August?—A. Along about the first of August.

Mr. HELLMUTH: Some where about the first of August?—A. Yes, sir.

Q. How long did that continue before it was definitely arranged?—A. I should say it was 60 days before it was definitely arranged.

Q. Sixty days from the 45, 60 days from August?—A. It was a long time. I cannot tell you definitely, but the negotiations were long.

Hon. Mr. DUFF: We have it in Exhibit No. 74, dated the 3rd of September, which will be just about a month after that cable came from England.

WITNESS: But I am talking about when we finally agreed that we were not to load, and made the reduction.

Mr. HELLMUTH: Was there a discussion about the amount of reduction?—A. A lengthy discussion.

Q. And it was eventually fixed at 27½?—A. Yes.

Hon. Mr. DUFF: I see it was as late as October 16.

Sir WILLIAM MEREDITH: It took up 60 days. What were the discussions about, generally?—A. Well, it was first intimated that they would like to have the fuses delivered unloaded.

Hon. Mr. DUFF: The intimation came from here, then?—A. Yes. Subsequently it was decided that they would take them loaded, and there were various changes. As a matter of fact the War Office undoubtedly caused enormous delays in connection with this by not making prompt decisions. This whole fuse has undergone a most remarkable change from the beginning, and they are still changing it. I would like to say right here that it is no exaggeration to say we have discarded in our various factories \$200,000 worth of tools, jigs and gauges because of changes in the type of the fuse.

Q. You say there were discussions some time about a month which was to be deducted by reason of the fuse being delivered unloaded instead of loaded, the graze fuse?—A. Yes.

By Mr. Johnston:

Q. Would you be good enough to give me some little information with reference to the company itself; you were the president I understand?—A. You refer to the American Ammunition Company?

Q. Yes?—A. I am the president.

Q. And that is the company referred to in the contracts that have been entered into?—A. Yes.

Q. Then you have two vice-presidents I see, a treasurer and a secretary?—A. Yes.

Q. When were these gentlemen appointed?—A. At the organization of the company or within a few days thereafter.

Q. You have a financial statement I understand of date 26th January, 1916, at an [Edwin B. Cadwell.]

annual meeting I assume?—A. I don't think I have any such statement with me; I will look and see.

Q. When would your annual statement be, if at all?—A. It certainly would not be till after June, because we were organized in June.

Q. You did not have any annual meeting or general meeting of your shareholders you think, in the winter?—A. No.

Q. Very well; you need not trouble; have you a balance sheet of the 31st December?—A. I have not a balance sheet, I simply brought with me the amount of money that had been put into the contract.

Q. That does not give me much information as to what I want; you have several directors; Sherburn Prescott, where does he live?—A. In New York.

Q. You have a man named George Patterson Murphy, where does he live?—A. In New York.

Q. What is he?—A. We call him G. M. P. Murphy; he is first vice-president of the Guaranty Trust Company.

Q. Charles A. Corliss?—A. Corliss is a member of the firm of Lamont, Corliss and Company, of New York.

Q. And Flint we have heard about?—A. Yes; Flint is not a director.

Q. Bisbie is he a director?—A. Yes.

Q. Is he a New York financial man too?—A. He is a New York lawyer and represents large financial interests.

Q. More or less engaged in finance?—A. Yes.

Q. What assets did this company have in its own name, or does it have in its own name apart from the contract?—A. The assets consist of subscriptions to its capital stock.

Q. Will you tell me how much of that capital stock has been paid up?—A. Not a dollar except the initial amount necessary to comply with the law.

Q. That was only a nominal amount, a thousand dollars?—A. A nominal amount.

Q. Then the receipt of moneys and so on, they would not go to this company direct, they would go to the Trust Company?—A. No, they came to this company direct.

Q. And the account was kept in the Trust Company?—A. The company has three bank accounts.

Q. Your assets consist of the money which had been or has been advanced by the Government of Canada or by the Shell Committee, whatever it may be, and you had some furniture and fixtures that did not amount to very much?—A. I do not think so.

Q. What other assets did you have in the company?—A. We had credit.

Q. That is a big asset?—A. I think so.

Q. If properly used; but I am asking you—

Hon M. DUFF: Had not he subscriptions?

Mr. JOHNSTON: Yes.—A. The capital was all subscribed.

Q. You had subscriptions not paid up; how much were they?—A. \$500,000.

Q. The common stock was to go as bonus with the preferred?—A. Yes.

Q. \$500,000 subscribed for but unpaid, as you have told us already, as I understood you?—A. Yes.

Q. What else did you have?—A. We had credit.

Q. What else?—A. Nothing else except credit.

Q. The whole thing was largely a matter of credit in a large contract of that kind?—A. That is all we need down in New York is credit.

Q. Have you called upon the stockholders to pay anything as yet?—A. Never a dollar.

Q. How much stock does Mr. Yoakum hold, for instance?—A. I cannot say definitely, but a small amount.

Sir WILLIAM MEREDITH: I think he said yesterday \$20,000.

Mr. HELLMUTH: \$20,000 or \$25,000?—A. I think it is \$20,000.

Mr. JOHNSTON: You do not know exactly how much he got?—A. A small amount.

Q. And Bassick, how much did he hold?—A. Not a dollar.

Q. So that the company itself as it stands today with the exception of Mr. Yoakum has none of its stockholders of those who were interested in the negotiations of the contract?—A. That is all.

Mr. HELLMUTH: And Mr. Cadwell.

Mr. JOHNSTON: You are really the company, the substantial man and owner of the whole company?—A. I have many associates; E. B. Cadwell & Co. are the owners of the company.

Q. Substantially the owners of the company?—A. Yes.

Q. This company having entered into a contract did it start to manufacture on its own account at all?—A. This company?

Q. I am speaking now of the American Ammunition Co.?—A. This company was formed particularly to assemble and load the time fuses.

Q. But not to manufacture?—A. Not originally.

Q. Then you got rid of the loading business later on, you are not liable to do any loading?—A. We organized another company known as the Standard Fuse Corporation.

Q. So you told us?—A. No, I have not told you that before. I did not state before that we organized that, but the same interests organized the Standard Fuse Corporation and paid in \$500,000 capital into that corporation.

Q. That has nothing to do with this particular company as a company?—A. No.

Q. You have the American Ammunition Co.?—A. Yes.

Q. The company which entered into a contract with the Shell Committee?—A.

Yes.

Q. You have that company?—A. Yes.

Q. I want to know what that company as a company has done?—A. That company as a company has taken over the R. B. Phillips Fuse Co. and has carried on that contract, and in addition to the original advance made from the funds advanced to the American Ammunition Co. by the Shell Committee, has invested \$613,478.55 up to May 1, and has direct obligations amounting to \$445,000.

Q. That is in connection with the Phillips break-down?—A. Yes.

Q. In which you were largely interested personally, or your company was interested?—A. No, we had no interest in the Phillips Co.

Q. I thought you took it over?—A. We had an interest after we took it over.

Q. You became interested?—A. Yes.

Q. I think you realized \$150,000?—A. The other day we got back \$150,000 of \$352,000.

Q. That was a mere matter of liquidation as far as that company is concerned?—A. No, not liquidation; what we did was to take over a lease extending during the war and agreed to finance the company and turn over the profits to the Phillips Co.

Q. Who do you say took over the lease and financed the company?—A. The American Ammunition Co.

Q. Anything else that this company did as a company, any other work, construction or otherwise?—A. No, that is the only thing they are doing.

Q. And that was a contract for parts, was it?—A. That was a plant for manufacturing parts.

Q. How many other companies did you give the work to or sub-let, or whatever you choose to call it, besides this one you have spoken about?—A. You are speaking of both types of fuses?

Q. I am speaking about everything connected with the American Ammunition Co.?—A. The American Ammunition Co. gave sub-contracts to four or five other companies besides the R. B. Phillips Manufacturing Co.

[Edwin B. Cadwell.]

Q. Then did you sub-let a portion of this contract at a sum for the complete article to any company?—A. Not originally.

Q. Later in the day did you do it?—A. After the contract had been modified, yes.

Q. Take, for instance, the No. 100?—A. Yes.

Q. The graze fuse, did you sub-let any of those to any company to build the article as required by your contract, that is the American Ammunition Co.?—A. Yes.

Q. Tell us what they were sub-let for, that is the individual fuse?—A. It would not be possible to treat our relations with our various sub-contractors, that is, the full story could not be told by saying what we are paying our sub-contractors for these particular fuses, because they are making other fuses, amortization charges all enter into the whole business.

Q. I daresay, including the American Ammunition Co.; do you include the organization expenses and the overhead charges and so on in that?—A. Oh no.

Q. You can tell me, perhaps, I do not want to go into details, excepting the bare fact, what is the lowest price at which these No. 100 fuses are being supplied to you to enable you to fill the contract with the Shell Committee?—A. I think that I prefer not to answer that unless I am particularly requested to by the Commission.

Q. Of course it is here and within the scope of the Commission—?—A. I think it is a matter of our private business; I don't see why that interests you.

Q. I think we are entitled to inquire into the profits under this very fuse contract if we desire, and I am letting you down as easy as I can, because I know how difficult it is to get behind businesses of that character?—A. Well, unless I am particularly requested to by the Commission I wont state.

Q. Well, the Commission has the decision.

Mr. HELLMUTH: I do not know how that would be; I suppose if the price at which a particular fuse is being manufactured owing to certain relationships between this man and his company comes out it may be a question as to whether it will affect the question generally; we know now that that fuse was taken for \$2.34 under the amended contract for certain reasons; I do not wish to raise it as an objection, but I do not know whether it is politic to give out at what this particular gentleman can get, under his relations with some of these affiliated companies, fuses; because it may be a question affecting the price in the market, and also rendering a great deal of difficulty in getting these fuses again. I don't know how that will be. He has thirteen million fuses outside of this under contract, and whether (it is a matter of public policy) the prices he can get whether it will affect him in his business relations—

Mr. JOHNSTON: I do not desire to ask him the details of the companies.

Mr. HELLMUTH: If he says I can get it at such and such a price will he be able to get it again from other companies?—A. Pardon me; the Imperial Munitions Board is entirely familiar with the details of all our sub-contracts, and if you want that information you can get it better from them than you can from me.

By Mr. Johnston:

Q. Perhaps you do not quite apprehend the question, perhaps it will simplify it if I repeat; I am not asking you as to any particular company, nor do I propose to inquire into your relations with other companies, I am asking you as to what is the lowest price, and I will take the highest if you will, what is the lowest price at which the completed article is supplied under your contract or under this particular contract to you?—A. I would not care to answer it.

Mr. EWART: May I suggest to the Commission, by the Commission there is included in the inquiry "The profits or prospective profits arising" under this contract. We have either to take the one position or the other, I think, either ask the witness, if it chooses to answer, get the answer as to whether he will make profits, and if so how much, either just ask that general question and general answer, or else—

and I think there is no other alternative—go into all the details of all his transactions with reference to all that he has done in connection with the fulfilment of this contract. I submit that to the Commission.

Sir WILLIAM MEREDITH: Why were these questions not asked of the gentlemen connected with the International?

Mr. JOHNSTON: It may have been my fault.

Sir WILLIAM MEREDITH: Of course if it is within the scope of the inquiry we must enter upon it, but I think it is most unfortunate, assuming that everything is honest with regard to the transactions of this gentleman and his company, that any such inquiry should be entered upon. I cannot help but think it will be most disastrous for getting munitions from American Companies if their private affairs are to be investigated in this manner; I should think they would not care to deal at all. However, I only mention that.

Mr. JOHNSTON: The Commission is wide enough to cover it.

Mr. HELLMUTH: I agree entirely with what Mr. Ewart has said, and if this is gone into I propose to show the particular business relations, the agreements he had in regard to profits with these companies out of which he would so share, that is, if Mr. Cadwell will tell us, because, as I am instructed, Mr. Cadwell had special relationships with some of these companies by which he could get fuses at terms at which nobody else could.

Mr. JOHNSTON: That is all explainable.

Mr. HELLMUTH: If my learned friend enters into this it will take—and I am going as far as in my power to protect the manufacturers—I am not going to let Mr. Cadwell simply say I got these fuses at two dollars or a dollar and a half, whatever it may be, but how I got it, what my relations were with them, and I intend to investigate that question to the very last, if I have to call fifty witnesses. Then the question is that business that is going to bring to the Allies of Great Britain the fuses and the American munitions—I have already been advised and I have letters from American manufacturers to say that another investigation of this kind and they decline to make supplies here—

Mr. CARVELL: Might I say a word; so far as my client is concerned we want Mr. Hellmuth to take the very course he has adopted, that is what we are after, and nothing more will satisfy us excepting that.

Mr. HENDERSON: To injure the Empire.

Mr. HELLMUTH: Is it a question with this important matter that ten men should be condemned rather than that the Allies should be free to get that—

Mr. CARVELL: Oh—

Mr. HELLMUTH: I do not indulge in bunkum, I am not built on those lines in any way, but I think that we have received such assistance, and I know whereof I speak, from the American manufacturers, that that assistance has been of the greatest advantage to the Allies. If their business is to be entirely investigated, if their profits, I am speaking now not of commissions, I am speaking of men who are in the business and actually doing work for the Allies, with large plants and millions invested, if it is to be ascertained just how many cents is made on each fuse by them, what amount of money they pay to sub-contractors, if all that is to be gone into we cannot get very certainly a large number—and Mr. Cadwell is one of the biggest so far as fuses is concerned in the world, and the supply of fuses—we cannot get that further supply if we are going to rake over their entire business. I do not think any one is going to accuse me as counsel for the Government with a desire to hide a single thing. I propose to bring out every fact that is within my knowledge; but to go into the business of these men in regard to their private arrangements with sub-contractors, which cannot be of any avail, as far as I can see, to show whether there was any fraud, whether there was any wrong-doing—if there is I want to expose it to the utmost of my ability—but what Mr. Cadwell paid to sub-contractors I submit is not proper here.

[Edwin B. Cadwell.]

Mr. JOHNSTON: All that might have been good argument before the House of Commons; the House of Commons in its own judgment has issued an order to make this very inquiry amongst other things; the responsibility must rest upon the gentlemen who were instrumental in—

Hon. Mr. DUFF: It is not the House of Commons.

Mr. JOHNSTON: It is the Government then; put it whichever way one likes; all that might be argument against the issuing of the order in the shape in which it was issued.

Hon. Mr. DUFF: Let me make a suggestion: in so far as I can see at present the question of price with regard to the graze fuses is a question that cannot be passed over; but what you are asking for here really is not price, it is a question of cost of production, and so far as the question of the investigating the profits of these contracts is concerned, I have been very much impressed with the idea that it might be a proper thing to postpone that altogether; I mean to say the sort of investigation you are now proceeding with. If there is any line of inquiry that will bear directly upon the question of the influences that are said to have brought about this contract then that is a different matter, I do not see how we can escape pursuing any line of inquiry of that kind, but I could not accede at all to the idea that you can call it an investigation simply to ask this gentleman what profits he has made; there is nothing in the nature of investigation in that; but, on the other hand, as Mr. Hellmuth and Mr. Carvell and Mr. Ewart have said, if you are going to investigate at all it means the examination of all these things. The difficulties of pursuing that line of investigation at the present time are obviously so great as at points to be almost insurmountable; and I do not know, for my part it is a grave question, assuming that to be the meaning of the Commission as it reads, whether it is a subject we should go on with.

Sir WILLIAM MEREDITH: Perhaps the Commission is not framed in as good terms as it might have been; I thought it was framed upon the idea that the charge was that Allison and his associates were interested in the profits of this company, and that is the reason why I would surmise that the inquiry is directed to ascertain what the profits were. If it be a fact, as Mr. Cadwell has deposed, that there was no such thing, no such agreement, then the very basis upon which as I understood the inquiry was intended to be directed is gone.

Mr. JOHNSTON: Let me suggest this: I do not want to appear antagonistic to the Commissioners for a moment, and I think I am quite within my rights, at any rate to present the case to them and to take the ruling.

Hon. Mr. DUFF: Yes, certainly.

Mr. JOHNSTON: This is what operated in my mind in framing the question, and is a very simple proposition. A company which is referred to a Royal Commission amongst other matters to ascertain the facts in connection with it, whether they are honest or dishonest is not the question, but in pursuance of certain charges which imputed some improper motives, I say a company that has a contract under those circumstances and can afford out of a contract with this Government to pay a million dollars commission surely at once raises the question: Well, what are they making out of this thing? Was there something wrong about the very beginning? Is the \$4 they were they charging an exorbitant amount? Was that improperly put on for the purpose of making this commission?

Hon. Mr. DUFF: Is not your point with regard to that substantially covered by what it seems to me we must go into, is it not substantially covered by getting the price at which these fuses were being made at the time this contract was let, and afterwards during the currency of the contract?

Mr. JOHNSTON: Does not that come to the same result?

Hon. Mr. DUFF: Not necessarily. It is a different matter altogether, because the price at which they were being made would cover the ordinary business profit

that a man might expect to get out of it; anything additional above that, anything between that and the \$4 is of course a different matter altogether, perhaps subject to comment; but are we concerned really with this question, for instance, suppose we were told that fuses were being made at \$2.40, that these fuses were being supplied at \$2.40, are we interested in the question of what profits are made under such a contract as that?

Mr. JOHNSTON: Let me withdraw the word profit, because that is only a term, deduced from the transaction; suppose I get from this witness the price at which these fuses are supplied to them, without referring to profits at all—

Hon. Mr. DUFF: If you were getting from him the price at which these fuses were supplied to them in the open market by a concern with which they have no relation excepting the relation of vendor and purchaser I quite agree with that, that that is a thing I have no doubt Mr. Cadwell can tell us about, and it is a thing that must be known, must be known to such a degree that there cannot be any secret about that kind of thing at all, but once we get beyond that are we really interested in it?

Mr. JOHNSTON: I should have thought so, because it is a matter of argument what weight should be given to evidence of that kind where these outside circumstances are concerned.

Hon. Mr. DUFF: I would suppose there would be no difficulty in getting from the British agents in New York what the prices were that were being paid for these articles; once you get that can there be anything—

Mr. JOHNSTON: The Commissioners are not asked to determine the question of profits in the world's markets; what they are asked to determine is this: here is a contract, it was taken at a price—let me put the matter as concretely as I can—it was taken at a certain price; that price included a commission of one million dollars—I am not speaking about the effect of it one way or the other. In order to ascertain whether that was really an honest contract in the sense of business principles, not personally dishonest, we find first of all that they pay a million dollars, or agreed to pay it; secondly, we find that they have let out the contract for the making of the complete article, we find that they set a price say at \$1 or \$1.50, and then we take all these facts, and they get originally \$4 from the Government—we have got two decimal something—and they are getting that, and then you are asked upon the whole of that evidence to say whether that was a transaction that should be upheld or not.

Hon. Mr. DUFF: That may very well be that that is literally the meaning of the Commission, it may be that that is the meaning of the words of the Commission, but when the basis of the thing is considered are we getting anything that really is germane to the matter once we have got what the British Government would have had to pay for those fuses if they bought them in the market in the United States generally.

Mr. JOHNSTON: There was no market.

Hon. Mr. DUFF: There must have been some line of prices.

Mr. JOHNSTON: It was a contract.

Hon. Mr. DUFF: I am using the word "market" in a modified sense. Are you suggesting that your line of inquiry leads to anything other than an investigation of profits as profits? Are you suggesting that this line of inquiry is likely to lead to any specific thing in any way aiding us in considering the question of what happened at the time this contract was let? I gather you are not from what you said.

Mr. JOHNSTON: I do not know what the facts are. Of course the first time I have heard this story is here, and I thought it was my duty to inquire along that line; I may be quite wrong about it, but that is what I thought at the moment. I should

[Edwin B. Cadwell.]

have thought that there was no necessity whatever for disclosing any particular matter or any particular company, or to interfere with the relations between the United States and the Allies, or production of fuses for that matter; it cannot affect that in any way, because it is an open competition, there is a competitive tender market.

Hon. Mr. DUFF: Yes, but everybody must realize how vexatious a thing of that kind must be, and the question is whether the thing is so peremptory we are under obligation to go into it.

Mr. LAFLEUR: May I draw the attention of the Commission to its own decision when this came up?

Hon. Mr. DUFF: When was that?

Mr. LAFLEUR: About a week ago.

Hon. Mr. DUFF: Outlawed, I am afraid.

Mr. LAFLEUR: This very question was put to Mr. Patterson by Mr. Atwater, and the Commissioners on that occasion said—

Hon. Mr. DUFF: I do not think we gave any decision, Mr. Lafleur, because I think the question was answered while we were consulting.

Mr. LAFLEUR: You clearly intimated your opinion on that point, I think. Sir William Meredith used these observations, and this quotation is interesting because you were just now asking Mr. Johnston why he had not put that question to Mr. Patterson. This will be found at page 551:—

“SIR WILLIAM MEREDITH: Mr. Johnston, I noticed, said he was not going to inquire as to profits. The terms of this Commission are very wide—‘acts and proceedings of the Shell Committee, whether by themselves or by any other person or persons directly or indirectly, and of the Minister of Militia and Defence, whether by himself or by any other person or persons directly or indirectly in relation thereto or in connection therewith,’ that is, these four alleged contracts, ‘and into the negotiations therefor the profits or prospective profits arising thereunder, the disposition, division or allotment of such profits or prospective profits, or of any commission or award,’ and so on.

“That would seem to indicate that this Commission requires us to ascertain what the profits or the prospective profits on these contracts were.

“Mr. HELLMUTH: That would mean dealing with the prospective profits of the International Arms and Fuse Company in their contract with the Shell Committee?

“SIR WILLIAM MEREDITH: With the Shell Committee.

“Mr. HELLMUTH: And the profits or the prospective profits of the American Ammunition Company in respect of their contract?

“Hon. Mr. DUFF: I am not quite sure that it does not go beyond that, but it would certainly include it. I mean if you give it the broadest construction.

“Mr. HELLMUTH: What I wanted to ascertain from the Commission is, does it in the opinion of the Commissioners not merely cover that, but does it not cover the profits that might be made by any sub-contractor to whom the contractor might let the component parts?

“SIR WILLIAM MEREDITH: It does not seem wide enough to cover that.

“Hon. Mr. DUFF: I should think that that could easily be excluded from it. The question is, whether or not it is controlled by what follows, which refers to the disposition of profits, and is it contemplated that we are to inquire into the profits to this company arising out of this contract, so long as there is no suggestion of any description that there was any sort of corrupt distribution of them at all.”

Hon. Mr. DUFF: I do not think, Mr. Lafleur, that that really bears on Mr. Johnston's question, because Mr. Johnston is seeking to get the profits of the American Ammunition Company, he is not seeking to get the profits of the sub-contracting company.

Mr. LAFLEUR: But the two questions are so closely related that it is impossible to separate them. If you investigate one category you must investigate the other.

Hon. Mr. DUFF: It is very difficult to draw a line anywhere.

Mr. LAFLEUR: Then may I draw attention to this? It appears to me that the construction of these broad words in the Commission must be restricted by the associated words. If you read the accompanying documents which specify the charges and which give the reasons for the investigation, you will find that the whole reason of this is to be found in the words contained in the memorandum of the Prime Minister which immediately follows. The allegation which is referred to is "that Mr. Allison had a very large interest in those profits or commissions, and it is suggested that through his influence with the Minister of Militia, the Shell Committee were induced to make the contracts in question."

The Prime Minister goes on to say:—

"Having regard to the considerations, I think it desirable that an inquiry should be made into the fuse contracts made by the Shell Committee."

Now, the whole object is to ascertain what interest Mr. Allison and his associates may have had either in the profits or in the commissions. It is clear now that he had no interest in the profits of this company, and what purpose can be served by pursuing this investigation now that we have it clearly proved beyond all contradiction that his only interest, if any, was in the commission which was stipulated—

Hon. Mr. DUFF: I do not know that you can say, Mr. Lafleur, that it is clear now that he had no interest in the profits of the company.

Mr. LAFLEUR: Up to now there is not a suggestion that he was interested.

Hon. Mr. DUFF: I do not know that there is not a suggestion, but I am bound to say that I am not prepared to accept your statement that it is clear now. Mr. Cadwell says that a great many people were associated, but so far as he knows Mr. Allison was not interested.

Mr. LAFLEUR: I have not the slightest objection to the inquiry being pursued upon those lines. I take it that Mr. Cadwell intended to convey that none of these associates included Mr. Allison, they are business associates of his own.

Hon. Mr. DUFF: I understood Mr. Cadwell to say that so far as he knows Colonel Allison has nothing to do with this.

Mr. LAFLEUR: I thought that was conclusively established.

Mr. HELLMUTH: What I understand Mr. Cadwell to say is that Mr. Allison had no interest so far as he knew in the commission—in the commission.

Hon. Mr. DUFF: Quite so.

Mr. HELLMUTH: I may say now that I propose to show that Mr. Allison had some interest in that commission.

Mr. HENDERSON: Under Mr. Yoakum.

Mr. HELLMUTH: Under Mr. Yoakum. Never mind how. I am not attempting to say that. Mr. Cadwell's statement I accept unreservedly that he knew nothing.

Hon. Mr. DUFF: Quite so.

Mr. HELLMUTH: But this is the point, Mr. Commissioner. Mr. Cadwell says that nobody, save himself and his associates, had any interest in the profits.

Hon. Mr. DUFF: Yes; but I did not understand Mr. Cadwell to say that he would be able to speak for every shareholder in the company besides himself, and to say that none of those shareholders were holding anything for Colonel Allison. I did not understand you to say that, Mr. Cadwell.

WITNESS: Well, Mr. Commissioner, I cannot speak for Mr. Yoakum, but my other associates are all intimately associated with me in my own companies.

Hon. Mr. DUFF: And you can speak for them?

[Edwin B. Cadwell.]

WITNESS: I know Colonel Allison has no interest in anything.

Hon. Mr. DUFF: And you can speak for your partners also you think?

WITNESS: Colonel Allison has no interest in anything.

Mr. HELMUTH: I submit that outside of what interest Mr. Yoakum had in the matter, what interest Mr. Allison may have through Mr. Yoakum in the profits of that business are of no moment in this investigation.

Hon. Mr. DUFF: Of course, so long as Mr. Johnston does not suggest—and I understand he does not suggest that—that he is pursuing this with the expectation or intention of connecting Allison and his associates with the profits of the company, then I quite concur in that; but I do not think we can say at this stage—I am sure Mr. Cadwell will not misunderstand me when I say this—that it is finally and conclusively established.

Mr. HELMUTH: No, I have not put it that way. All that I submit is this, that if Mr. Johnston says that Mr. Allison is going to be interested in regard to the profits to be made by this company, then it would be a very proper thing to show what profits he was going to get. But I do not know even then that it might be a proper thing to show what relationship Mr. Cadwell had with his sub-contractors, unless it was an improper relationship inducing him to get special prices on anything. But I do not understand that at all. I propose to show as fully as I can from Mr. Yoakum, and I have not yet seen Mr. Allison, what they got out of that commission, how it was divided, and how it has been paid. I would be entirely neglecting the duty imposed upon me if I did not do that; but I do not propose to investigate the private matters of Mr. Cadwell in connection with the sub-contractors with whom he had affiliations.

Mr. LAFLEUR: I simply want to complete the citation which I made from page 551 by pointing out that you evidently thought that it would be “an unjust thing to honourable contractors”—to put it in the words of Sir William Meredith—“if their business should be inquired into in that way, and that it would have a very serious effect in getting contracts entered into by the British authorities with the American companies, if their business could be so inquisitorially investigated.”

Now, those observations which applied to the case of Mr. Patterson surely apply with just as much force to the present witness, and it would seem to be a most unfair thing that the inquiry should not have been pursued any further into Mr. Patterson's business and that Mr. Cadwell's private affairs should be inquisitorially investigated without any apparent necessity.

If my learned friend, Mr. Johnston, as suggested by Mr. Hellmuth, will undertake to say that he expects to prove Allison's interest in the profits of this company, or of any of these subsidiary companies, then the question would have some relevancy, but if the inquiry is going to be restricted to showing his interest in this commission, we have got all the facts and there can be no possible interest, and there may be a great deal of harm done by investigating on the lines now proposed.

Mr. JOHNSTON: I was about to say, in answer to Sir William Meredith's question as to why Mr. Patterson was not interrogated along this line, that it is due to a very simple fact: Because the International had no whole contracts, they only had sub-contract for various parts. It would be impossible to get the information from him that I can get from this witness, that is, if he consents to tell what the facts are. I am asking him as to the completed fuse.

Sir WILLIAM MEREDITH: Well, Mr. Johnston, any more?

Mr. JOHNSTON: It is all I have to say upon this matter, except this, that I would not like the ruling to prevent an inquiry, if necessary, after other evidence has been put in. I would not like anything done now to prejudice my right to examine this gentleman at some future time during the sitting of the Commission if the facts

elicited from other witnesses should warrant that application. That may perhaps relieve the situation.

Sir WILLIAM MEREDITH: Are you then taking that position, withdrawing the question for the present?

Mr. JOHNSTON: For the present. I am just suggesting that, I am not withdrawing it. I understand, Messieurs Commissioners, that you are more or less of the opinion, without perhaps an express ruling, that this is not the form of investigation which I ought to pursue for the moment, and if I am right in that statement then I shall go on with other matters.

Sir WILLIAM MEREDITH: We think, Mr. Johnston, that you have correctly interpreted the view of the Commission as to the admissibility of this evidence at this stage of the inquiry. If it should turn out during the progress of the inquiry that Allison is interested in the profits of the contract through his connection with Yoakum and Yoakum's interest with the company, then the question will have to be reconsidered.

Mr. JOHNSTON: Or any one else. I mean any of the parties concerned.

Sir WILLIAM MEREDITH: Yes.

Mr. JOHNSTON: Quite so.

Hon. Mr. DUFF: I think perhaps this ought to be said. I mean it is the point of view from which I am inclined to look at this, and I understand that it is also Sir William Meredith's point of view. That the course of this inquiry must more or less be affected by what appears to be the public necessity, and the possibility of drawing the line a little too strictly and perhaps conceivably impairing to some extent the efficiency of the investigation is a possibility which must give way to the paramount public necessity of not interfering with what is going on in the United States in regard to munitions. I entirely agree with what Sir William Meredith has said, and the importance of that impresses me at this moment, because one can see that business men engaged in this business would feel that an inquiry of this kind would be very harassing and they would be deterred from undertaking further contracts. You will understand, Mr. Johnston, that I am just stating that to indicate my point of view.

Mr. JOHNSTON: Yes. I thought that when we got a little more information it might come perhaps more gracefully on my part to say, that in view of all these facts I do not think I ought to press this, and perhaps that may be the result.

Sir WILLIAM MEREDITH: My observations at the outset were addressed to you in that view. There is just one observation I would like to make. I do not usually pay much attention to what is said in the newspapers. There is an article in one of the newspapers this morning which takes the ground that the Commission is unnecessarily excluding evidence for fear of its coming to the knowledge of German agents. The article is written under an entire misapprehension of the facts. It appears to be the opinion of the writer that what has been excluded is the manner of making shells and that kind of thing. That has been investigated here in the minutest way. All that the Commission has said, and counsel on both sides have very properly concurred in the view of the Commission, is that there should not be given information that would enable German spies to do injury to plants in which component parts of the ammunition are being constructed. That is the extent to which the Commission has kept these matters secret.

Mr. JOHNSTON: Now, I do not wish to transgress, but it is pretty hard to frame a question that might not infringe upon this truce, as I might call it, on this point between my learned friends and myself, but I would like to put a question so that my mind may be directed hereafter as to the course to pursue.

Hon. Mr. DUFF: Mr. Cadwell will understand that there is no desire to harrass him unnecessarily with regard to his private affairs.

[Edwin B. Cadwell.]

Mr. JOHNSTON: Oh no.

Hon. Mr. DUFF: And perhaps in view of that he will do what he feels he reasonably can to answer your questions.

WITNESS: I might say this, that I volunteered to place all of the high officials of the British Government in this country, I refer to the Imperial Munitions Board, Mr. Moyer, who is a very important official, and Morgan & Co., in a position to know exactly what our relations are and what we are paying to the various companies we are associated with, and cables were transmitted to the War Office in respect of that, so it is all known to the British authorities.

Mr. JOHNSTON: What I am going to ask you, and perhaps you will not answer it just for the moment, is this: The price that you are getting now from the Imperial Munitions Board is what?—A. It is \$2.34 and a fraction.

Q. That is, \$2.34 and a fraction per fuse?—A. Yes.

Q. That includes just what—what does it leave out?—A. It leaves out the loading and firing proof.

Q. That is all it does leave out?—A. Yes.

Q. Otherwise it is complete. Now then, do not answer this please, because I know I am pretty near the border with this question: Does the price that you are at present obtaining from the Munitions Committee yield you a profit?—A. On the No. 100 fuse, yes.

Q. Does it yield you a substantial profit? I do not want cents and so on?—A. It does not yield a profit that could be considered—

Q. Exorbitant?—A. Exorbitant.

Q. I do not suppose it does, because the sum total is not very large, \$2.34.

Mr. HELLMUTH: I do not see what the sum total would have to do with the exorbitant profit.

Mr. JOHNSTON: It could not be a very big profit.

Mr. HELLMUTH: Why not? If millions of dollars and the profit is fifty per cent, it would be exorbitant.

Mr. JOHNSTON: My learned friend has just expressed what was in my own mind. For the one fuse a few cents would be scarcely any profit at all, but for the millions you are manufacturing a few cents might be a large profit.

A. It might be large in dollars, but the percentage of the profit might be very low for the very great investment.

Q. Yes, I appreciate that the percentage of profit would be low.—A. You will be surprised to learn that men are drawing \$50,000 a year and a percentage just for superintending factories.

Q. Oh, yes, I know. But you are all high-priced gentlemen on the other side. There are no such salaries here, you know—excepting one. Now, I ask you again, and you may perhaps hesitate answering, would your contract such as it is now—you follow me?—A. Yes.

Q. Such as it is now as to quantity and price, would that contract have warranted a commission of one million dollars in getting it as a business proposition?—A. No.

Q. Half that amount?—A. Well, the commission was less than ten per cent.

Q. I will make it five per cent.—A. I would not pay five per cent on our present price.

Q. Your present price would not warrant the payment of a commission at all, perhaps, would it?—A. I would not say that. In business you always have to pay for selling your product.

Q. Yes; not so much here as you have to in the States?—A. The selling expense is one of our greatest expenses always.

Q. But I suppose Mr. Yoakum and these gentlemen did not sell any of your products in that sense?—A. I give them credit in a great degree for selling nearly \$12,000,000 worth of fuses.

Q. You gave them credit for getting a contract for you as well?—A. No, they acted as our selling agents. It turned out that way. We started as associates, but it turned out that we were vendors.

Q. Yes, that is the way it turned out, and that is the way it was always intended to turn out, was it?—A. No.

Q. Was it intended that Yoakum should take a substantial interest in this company?—A. That was the original understanding.

Q. And was there any agreement to that effect?—A. A verbal agreement is just as good as a written agreement.

Q. Quite so; I am not quarrelling with that. Was there any agreement, verbal or otherwise, and, if so, where was it made?—A. It was agreed that we were to jointly organize a company and finance that company.

Q. And get a contract if you could?—A. Yes.

Q. But it was not agreed that Yoakum and this other gentleman should be associated with you in the practical working out of that contract, was it?—A. Originally we were to organize a company to do the work of assembling and loading, and E. B. Cadwell & Company were to have a minimum of two million mechanical and component parts to manufacture in their various factories.

Q. But was it ever intended—perhaps you will carry it in your mind if I put it this way—was it ever intended that Yoakum and Bassick should be the men engaged in carrying out the practical operation of the contract?—A. Not the assembling and loading, because they had no organization.

Q. The manufacturing?—A. Mr. Bassick expected to manufacture component parts.

Q. But that was under arrangement between you and the company, or him and you?—A. The general arrangement.

Q. How could that be if Bassick had no money to go into the company?—A. Mr. Bassick is a man of large means.

Q. He did not go in for some reason.—A. He had his reasons, which he did not disclose to me.

Q. I am not asking for those reasons. As a fact he did not go in?—A. He did not.

Q. And although he was spoken to about it he always, not neglected but apparently decided he would not go in.—A. Yes. He had his own reasons I suppose.

Q. Now, as a matter of fact you did not need any fuse contracts at that time for your purpose of manufacturing, you had all that you could use at that time?—A. Oh, no, our facilities were very extensive for producing fuses. We had not yet taken a contract for a completed time fuse.

Q. If I understood you correctly yesterday, you rather indicated that you were not hankering after this contract, or any contract, as you had pretty much all you could do?—A. No, you have a mistaken view.

Q. The evidence speaks for itself. Perhaps I am wrong.—A. We knew the Allies used large quantities of fuses, and we concluded that if we did not get this contract we would get another one. We took a contract shortly after we took this one through Messrs. Morgan & Company.

Q. So you told me. But from what you said yesterday, correct me if I am wrong, it appeared to me that you were not then anxious personally to take this contract, because there were lots of contracts to be had.—A. There were plenty of contracts to be had, and, furthermore, I did not care enough for the contract to have a very serious row regarding the matter of commission. I said that if we could not agree over the division of the commission, why, we would chuck the contract.

Q. So I am not very far astray when I say that this was not a very burning question with you, the getting or the not getting of this contract, according to your theory.—A. Certainly, all business is serious with me. I would not pursue the negotiations to the extent I did this one if I had not wanted the contract.

Q. What did you do yourself in regard to getting the contract?—A. I have related everything I did.

[Edwin B. Cadwell.]

Q. Just tell me in brief generally what you did. I do not want all the details.
—A. I considered that both Mr. Bassick and Mr. Yoakum were highly trained and skilled business men and negotiators, they are both exceptionally capable men. I was very busy producing fuses upon other contracts and completing my manufacturing arrangements, my organization, the purchase of material and all that; therefore I was very content to leave the question of working out the general plan of this contract with the Shell Committee to those gentlemen. When it came down to the actual details of agreeing upon the terms on which we would produce these fuses I took a hand, but generally speaking I was willing to leave it to them.

Q. Generally speaking you did leave it to them?—A. I did.

Q. Had you known Yoakum previously to this?—A. Never, until I was informed he had got this contract.

Q. Had you known Bassick previously to this?—A. Yes.

Q. For how long had you known Bassick?—A. For a few months.

Q. Had you any business transactions with Bassick?—A. Yes, we had been negotiating upon other fuse contracts.

Q. Had he done any work as a matter of fact, or were you only negotiating with his firm?—A. Never with his firm. Our relations with Mr. Bassick were always—

Q. Personal?—A. As I related, we worked together to get business.

Q. Did you have any other transaction with Mr. Bassick except this? I do not care about the details of it, but I merely want to know your relations. Or was this the first and only relation with Mr. Bassick.—A. This is the only one that actually culminated in business. We had a great many negotiations prior and subsequent to this.

Q. About fuses?—A. About fuses principally, my particular business.

Q. Then the first meeting that you had with Mr. Bassick, or Mr. Yoakum was it, was through the introduction of a man named Craven?—A. No.

Q. What had Craven to do with it?—A. Craven came into my office and said that he was in a position to secure a large fuse contract.

Q. Canada?—A. Upon questioning him I said that he would have to bring the principal into the office. He said, very well, if I would protect him and properly compensate him for doing it he would bring Colonel Carnegie of the Shell Committee into my office.

Q. Did you know Craven at that time?—A. I never heard of him before.

Q. He introduced himself, I suppose, as somebody?—A. No, he did not introduce himself, he came in with a man who did know me.

Q. Who was the man?—A. His name was Lawrence.

Q. You knew Lawrence, and he came in with Craven. What stand did you take then with Craven, because Craven seems to have dropped out of it later on?—A. I said "Bring Colonel Carnegie and I will talk."

Q. That is all that took place?—A. That is all.

Q. Nothing about prices or quantities or any thing else?—A. No.

Q. That was the last of April, I think, or the beginning of May?—A. When you asked if there was nothing about prices, I think he did ask me what prices we would produce fuses for. I said it depended upon the type of fuse.

Q. There was nothing done with reference to prices, not even an amount named?—A. No.

Q. Then what was the next event in its order?—A. Did he introduce or bring Colonel Carnegie to your office?—A. No.

Q. Then how did you come to meet Colonel Carnegie?—A. Mr. Bassick had just at that time had me on the telephone and informed me that he was negotiating for a fuse contract.

Q. It was the same contract apparently?—A. So it turned out.

Q. So it turned out. I mean we are not dealing with two contracts, but the same one?—A. Yes. Bassick wanted to know if I would join him in securing the contract and executing it.

Mr. HELLMUTH: Will we have to go all over this again?

Sir WILLIAM MEREDITH: It depends on Mr. Johnston.

Mr. HELLMUTH: A lot of this is repetition.

Mr. JOHNSTON: Surely I am not open to that objection of my learned friend.

Mr. HELLMUTH: I was reading the evidence the other day and noticed repetition after repetition.

Sir WILLIAM MEREDITH: I suppose that is unavoidable. Mr. Johnston has got his plan mapped out and it is pretty hard to depart from it.

Mr. JOHNSTON: I am shortening this because I want to get to the point, and there is a question I want to ask you then. I was asking if you were taken up to the Manhattan Hotel by Craven or by Bassick, or how did you come to go?—A. Mr. Bassick telephoned me. He said I would like to have meet me at the Manhattan—not the Manhattan,—the Belmont.”

Q. It was Bassick?—A. Yes.

Q. Craven had no part in that?—A. None whatever.

Q. Then when you got up there you went to whose room? You got to the Manhattan eventually. Whose room were you in at the Manhattan?—A. We were right in the lobby.

Q. Not in anybody else's room?—A. No.

Q. You did not meet on that occasion in Allison's room for instance?—A. No.

Q. Or on any occasion?—A. No.

Q. Then you met Colonel Carnegie. Now, I must, even at the risk of offending my learned friend, ask you about that.

Mr. HELLMUTH: I do not mind, because I am leaving for England on the 17th of June. I do not care how long you are.

Sir WILLIAM MEREDITH: You are very optimistic.

Hon. Mr. DUFF: We are just at this moment at the critical issue.

Mr. HELLMUTH: I am not taking any issue with my learned friend, I think it is perfectly proper that everything should be brought out, but the mere going back—

Hon. Mr. DUFF: Cross-examination you know.

Mr. JOHNSTON: Surely I cannot introduce a question disconnected from everything else.

Sir WILLIAM MEREDITH: Well, nobody is stopping you, Mr. Johnston.

Mr. JOHNSTON: No, I quite agree. If you put it a little stronger, that nobody can stop me in this cross-examination, I would be better satisfied.

Q. Now, if you will just leave out the details and answer as nearly as you can, so as to make it concise; you met Colonel Carnegie, and you had with you Bassick—did you have Craven?—A. No.

Q. Did you have anybody else?—A. As I recall, there was Mr. Bassick, Mr. Yoakum, a representative of the Michigan Stamping Company, myself, and the attorney for the representative of the Michigan Stamping Company.

Q. Was your attorney there?—A. No, sir.

Q. Was any examination made by Colonel Carnegie of any of you gentlemen who were present at the meeting?—A. Colonel Carnegie started in by questioning me. I was introduced as a man that was already producing fuses.

Q. And in a large way of business, I suppose?—A. They said I was a business man.

Q. I do not quite mean that; you were not only producing fuses but that you were in a large way of business—you were not a small tuppence-ha'penny man around the corner, a big man on fuses?—A. I was introduced as a former Vice-president of the Standard Screw Company which was known to be a large concern, and doing a large business for the Allies.

[Edwin B. Cadwell.]

Q. In fuses and other matters?—A. Yes, sir.

Q. Having got that far he began to cross-question you, you say?—A. Yes.

Q. Along what line?—A. As to what facilities I already had and was prepared to create for the production of fuses.

Q. Did you give him those facilities?—A. In great detail. I told him all about them.

Q. And they showed a very large capacity and a very big concern, would you say?

—A. It showed that we were allied with the manufacturers capable of filling their contract.

Q. Did he examine anybody else?—A. Yes. He talked with the representative of the Michigan Stamping Company.

Q. Where is their office or place of business?—A. As I understand it, they have a factory both in Detroit and a small place over in Windsor, I think.

Q. But it is west of New York?—A. Yes.

Q. Did he ask you with reference to experts, etc?—A. Yes.

Q. Were you able to satisfy him upon that point?—A. I offered to bring our chief ballistic engineer and also our production engineer to see him, which I did.

Q. You did that later on, I suppose?—A. Later in the day.

Q. About what time was it you went over, do you remember; was it early in the morning?—A. Right after breakfast.

Q. Early on the job, both of you?—A. Yes.

Q. Did he express any satisfaction or dissatisfaction with your business?—A. No. He said he would investigate.

Q. Was Bassick's capacity investigated at all?—A. Yes.

Q. He was examined?—A. Yes.

Q. Who else was examined?—A. There was no one else there but Mr. Yoakum.

Q. He is not a practical manufacturer, is he?—A. I do not think he is a practical manufacturer, in this line of goods. He is more in the railway line.

Q. Did you understand about the Bridgeport trip?—A. Yes.

Q. Were you with him?—A. Yes.

Q. That Bridgeport trip was whose?—A. General Bertram's, Colonel Carnegie's. Mr. Yoakum, Mr. Bassick and myself were in the party.

Q. You went to see what place?—A. We went first to see the factory of Burns & Bassick.

Q. Is that a large factory?—A. A good sized factory.

Q. Just one?—A. No, several buildings.

Q. You went over that?—A. We went through that.

Q. Did anybody go to see your factory upon that occasion?—A. Not just at that time. Later Colonel Carnegie and General Pease did, and innumerable people.

Q. When was that, would you say, as compared with this period of the Bridgeport visit; how long after?—A. I do not think that any of these gentlemen visited our factories prior to the execution of the contract, because our factories were so prominent.

Q. There was no necessity for that?—A. I don't think they felt the necessity of examining our factories.

Q. Was the order talked about at that time, the quantity, the volume?—A. Not particularly.

Q. Was there anything said about a five million order at that time; was it indicated, I mean?—A. Well, I don't think I said anything about it, and I do not recall that it was mentioned by anybody else.

Q. There are one or two other matters I would like to ask you about. I think you made a statement, or this document says that all other agreements were superseded by the commission agreement. That is what it states. What other agreements were there?—A. As I related, Mr. Bassick and I first agreed to negotiate for this contract and to execute it jointly, organize and assemble the loading plant jointly. When I met Mr. Yoakum I asked him if he wished to participate in the

matter in a financial way, and he said he did wish to participate, so we went ahead with our negotiations verbally simply with the understanding that when it reached something like a definite point we could agree upon the division of the capital.

Q. What I want to get at is this. Was that just put in as a matter of form, or as a matter of protection on account of the verbal agreements you had had, or discussions with all of these men, were they all to be superseded by what took place in the writing itself?—A. Yes. In other word we aimed to cover any verbal understanding then. I think that is largely lawyers' phraseology.

Q. Did you know anything at any time up to the day the agreement was signed of any others being interested beyond Yoakum, Bassick and yourself?—A. Absolutely nothing. I had no idea that there was any one else into it.

Q. Into what, the company?—A. The negotiations.

Q. Did you know anybody that was interested, directly or indirectly, in regard to the commission?—A. No.

Q. Will you tell me when that commission was first talked about, as near as you can recollect?—A. I don't think there was anything more than the barest mention of a commission.

Q. We will take it in all its nakedness; let us have it.—A. As I recall it, Mr. Bassick may have suggested coming up on the train that perhaps the best thing to do if we got the contract was to first set aside a commission.

Q. You think that came from Bassick?—A. Absolutely.

Q. If you were the main man, there would be no object in your paying a commission?—A. There would be no object in my paying it.

Q. If you got it without paying a commission, so much the better for you?—A. Yes, sir.

Q. And so much better for the price you could offer on the fuses?—A. Yes.

Q. That is, taking it as it stands now, if there had been no commission you could have made the same profits at forty cents a fuse less?—A. Yes, but in one way or another you always pay commissions, in business.

Q. But isn't the fact that as things stood, if you had not been in with these gentlemen and had conducted the thing yourself, you would have had your own share and you would have been able to make the fuses at 35 cents less, if there was no commission?—A. Not 35 cents.

Q. But you had your own \$250,000, say 30 cents?—A. I was not seeking to take this contract cheap, you know.

Q. But isn't it so, that you could have reduced the price of the fuses 30 cents if you could have had no commission to pay, and still make the same profit; is that so, or not?—A. Unquestionably it is so.

Q. I am not going into further details of that; your own commission that is spoken of, have you received from the Company on account of your own commission the \$250,000?—A. The American Ammunition Company turned over to us as trustee the commission, and we distributed it as trustee. We turned it over to E. B. Cadwell & Company.

Q. Your share?—A. Yes.

Q. That is quite right. Do you know how much in the whole—I do not care about the division—but do you know how much money in the whole has been paid on that commission?—A. Approximately \$100,000.

Q. Did you know of another gentleman having to be satisfied, who may appear, with a foreign name?—A. No.

Q. Did you ever hear of a Mr. Lignanti?—A. I have heard of Mr. Lignanti.

Q. In what connection did you hear of him?—A. I never heard of him in connection with this matter until it was brought out in Parliament.

Q. In the papers?—A. In the papers.

Q. You have nothing to recall to your mind the appearance of Mr. Lignanti on any occasion?—A. No.

[Edwin B. Cadwell.]

Q. Or any discussion?—A. No.

Q. Bassick having mentioned this commission business and it being a customary thing on the other side, what was the next talk you had with regard to the commission; leaving all the fuse business out and telling me about the commission itself?—A. In order to make this perfectly plain, we had not talked about dividing a commission or profits in the early stages of the negotiation. That is a very rare thing for us to do. When I came up along in the early part of June with Mr. Bassick and Mr. Yoakum we arrived at something like a definite understanding.

Q. When you came up to Ottawa?—A. Yes, and had left the Shell Committee's offices and gone back to the hotel. Mr. Bassick said "Well now, let us arrange how we will divide this matter up and what our respective relations will be, definitely."

Q. Was that the talk in the heated discussion?—A. During that discussion, which went on for some time, Mr. Bassick intimated that he was not willing to participate financially or to put up any money. Of course we anticipated that we would have to put up a large amount. I wanted to know what Bassick thought was a proper commission and he thought ten per cent was a proper commission.

Q. Was that the first time that ten per cent was mentioned?—A. I cannot recall that it was ever mentioned before.

Q. The million, was that mentioned before?—A. No.

Q. Bassick thought a million dollars would be about right?—A. No, ten per cent. I said I would agree to a round million commission.

Q. There was no difference between you in the calculation as it came to be figured out?—A. No.

Sir WILLIAM MEREDITH: The witness says ten per cent would be more than a million dollars.

WITNESS: Yes, sir, ten per cent would be more than a million dollars.

Mr. JOHNSTON: How much were you getting for your fuses?—A. We were getting something over 11 million dollars, as I remember it.

Mr. HELLMUTH: \$11,800,000.

WITNESS: \$11,800,000, and ten per cent would have been \$1,180,000.

Mr. JOHNSTON: That is a little more, of course.

Mr. HELLMUTH: Quite a substantial amount more.

Mr. JOHNSTON: The million mark was what was in the minds of these people?—A. I agreed to a million dollars.

Q. Did they agree to that?—A. Yes, they agreed to the million dollars.

Q. When you came to divide up, what was said, who proposed the first division?—A. I said "I will agree to a million dollars, Cadwell & Company will take 25 per cent of it, and you gentlemen can divide the balance and we will take the big financial end of it."

Q. Did you intervene at all in their arrangements in regard to the dividing up of the balance?—A. Well, by intervening, during the course of the discussion as to how they would divide it I simply gave them to understand that rather than row about the matter I was willing to go back to New York and forget it.

Q. And throw up the whole thing—is that what you mean?—A. Yes. Bassick said if we could not agree he would return to the Shell Committee, return their letter, and we would abandon it.

Q. You had the letter, which was eventually put in the shape of a contract?—A. There was no written agreement, just a verbal understanding.

Q. But there was a letter?—A. There was a letter.

Q. Did Bassick have it with him at the time?—A. Yes.

Q. And these statements were made. What attitude was Yoakum taking?—A. Mr. Yoakum took the attitude that through the work he had more to do than anybody else, and was entitled to a larger commission.

Q. Did you agree to that, that he had had more to do than Bassick or yourself?
—A. Mr. Yoakum was a very much more important and prominent man than Bassick, a man of very much larger means, I am informed, and he was ready to take a financial interest.

Q. Never mind that. Had Yoakum as a matter of fact done more than Bassick or yourself?—A. I don't know. As a matter of fact I don't know what either of them did. I know they came to Ottawa and Montreal and advised me the things were progressing, and finally advised me to come up to Ottawa.

Q. And you came up here to close it?—A. I came up here to work out the details of it.

Q. Could they have worked out the details of it, as far as you know?—A. I cannot tell what Colonel Carnegie and General Bertram might say about that.

Q. But from the situation, were you the turning point; if you went out and they could not settle this commission Bassick said he would return the letter and that would be the end of it; you could have ended it by saying that you would not go on?—A. I could. But I wanted the business. I am not denying that I wanted the business.

Q. Tell me, what was said by Bassick or by Yoakum, that you can remember, about the ground upon which they put their respective claims?—A. I think Mr. Yoakum pointed out that he initiated the business. He said that he was the first to start the negotiations for this contract, and on the strength of his having initiated it I think he claimed he was entitled to at least fifty per cent.

Q. Did he say that at least he had gone to expense in the matter, with other people?—A. Well, I don't think there was any question of expense. Time was the only expense worth mentioning.

Q. Did he say that he was under obligation to others?—A. No, he never told me that he was under any obligation to others.

Q. Did he give that, as one of the reasons why he should have a larger share? He gets a very large share, nearly one-half of it?—A. I think he said that he might be under obligations to others.

Q. He did not at all mention any names to you?—A. No.

Q. That is not usual in dividing up commissions, to mention names?—A. Men are not very apt to mention names.

Q. But you think he took that as one of the reasons why he should have a larger share?—A. I cannot remember everything he said.

Q. I know you can't, but do all you can to help me?—A. I will do all I can.

Q. A little done now will save further questioning, so keep it in your mind. He said that he was the man who initiated these things?—A. Yes.

Q. That was one of his arguments?—A. Yes.

Q. And did he not say at that time that he was under obligations, without disclosing anything further; was that your impression, give us your best recollection?—A. I will say this, that I met an associate of Mr. Yoakum in New York in connection with this business, and as you press me now I recall that I did have in mind that a New York gentleman was interested with him in it.

Q. Did you know the name of the New York gentleman?—A. Yes, because I say I met him.

Q. Who was it?—A. A Mr. Shantz.

Q. You had it in mind by reason of that fact?—A. Yes. I recall that Mr. Shantz was a very prominent man, and I recall now also that Mr. Shantz went to Bridgeport with us.

Q. His name came up here in some way or another. Now with reference to Bassick, did he say along the same lines, that he had certain obligations, without naming them?—A. Well, a man never knows what his obligations may be in connection with a thing like this, there are so many people who are likely to lay claims.

Q. Would this be a proper way to put it, that Yoakum said he had initiated this matter?—A. Yes.

[Edwin B. Cadwell.]

Q. Then he went on in the course of the argument or the heated discussion and said that as he was not getting all of this or that there were obligations on his part, or something like that, or words to that effect, and that Bassick also said he had obligations he had to look after, was that the position of the parties when they were quarrelling about the dividing up?—A. Well, of course it is true and I knew at the time that Craven had been to see Bassick.

Q. I had Craven in mind.—A. And I learned since that Mr. Craven participated in this agreement for commission.

Q. But leaving that out there were obligations, as it eventually turned out—I want your best recollection?—A. I have not the slightest doubt we all said we had associates.

Q. It was not dollar for dollar you were getting, you had certain obligations, moral or otherwise that you had to protect?—A. I know I have, and I have no doubt that it was stated. You understand I have other people to take care of.

Q. That is the usual way?—A. That is the usual way. I would not have attached any importance to it at all.

Hon. Mr. DUFF: Mr. Cadwell gave you a hint which might be worth following up, that you never know what claims people will make on you.

Q. Was it understood that those shares were to provide in some degree for such contingencies; were any specific contingencies in contemplation?—A. No, sir, I don't think so. I think each of us understood that we were to take care of our own obligations.

Mr. JOHNSTON: And you all understood that there were obligations which might have to be taken care of?—A. In my case I realized that somebody might make a claim.

Q. At any time afterwards was there any talk in reference to this division of the commission?—A. Not until we got down to New York and started to put it into the form of a written contract.

Q. Was anything said—if you will pardon me for getting it a little more detailed—by anybody either on the way from Ottawa to New York or afterwards with reference to the share of Mr. Yoakum being excessive or being too big; did you and Bassick discuss that?—A. I think the discussion regarding that was prolonged until we got the final written agreement.

Q. So that you were more or less continuously talking about it, talking about this venture; were you taking the ground that Yoakum's share was unfair or too big?—A. No, I did not take the ground that it was unfair or too big.

Q. Was Bassick taking that ground?—A. I think Bassick is a man who fights for the last penny.

Q. Particularly when the last penny is going into Yoakum's pocket, apparently; but that is not answering my question. My question is, was there a discussion or a talk of any kind, friendly or otherwise, between you and Bassick as to the magnitude of Yoakum's share?—A. No.

Q. Why he should get \$475,000?—A. No.

Q. Was Bassick complaining to you of the fact and saying that Yoakum had done no more than he had done?—A. I had a feeling that Mr. Yoakum carried more weight generally than Mr. Bassick, and I did not question his right to a larger interest.

Q. You did not question his right?—A. No.

Q. But I am asking you this, what was said or done?—A. There wasn't a thing said or done that would lead me to believe that Bassick was doing any more than fighting for the last dollar he could get.

Q. What was said on the way to New York; you said it was talked about more or less continuously until the agreement was signed?—A. Mr. Bassick laid particular stress upon the fact that the letter from General Bertram went to him—"I have the order"—that was what he meant.

Q. And apparently you were the man who had the money and you were willing

to put the money into it. So those two items were not disposed of then. Was Yoakum with you when he was talking that way?—A. We were all together on the train.

Q. What stand did Yoakum take?—A. Mr. Yoakum insisted that he initiated the business. There was no chance of an argument as far as I was concerned.

Q. You were satisfied with the humble 25 per cent?—A. I was better satisfied with having the absolute control of the situation.

Q. That is, you were getting control by reason of the company?—A. Yes.

Q. Was any other sum proposed by Bassick by way of pacifying Yoakum, or settling with him at a less amount, was any other sum talked about?—A. I think Mr. Bassick's extreme demand was for \$300,000.

Q. Was any reason given by Bassick for the \$300,000—that was \$25,000 more than he was getting?—A. I think he advanced the reason that he had the contract and was ready to go ahead with it himself.

Q. But that was the reason for getting his way. Was any reason given or any talk about why he should get the \$25,000 extra; he must have had some reason for it?—A. As I explained, I did not feel that it was my quarrel. I said I would take 25 per cent and they could divide the balance.

Q. And you stuck to that always?—A. Yes.

Q. There might not have been so much trouble if you had claimed 50 per cent?—A. I have often thought of that.

Q. I should think that was the first thought that would have occurred to you?—A. I think my mind was bent upon having control of the thing.

Q. And you got control through the company, in the stock?—A. Yes.

Q. I do not suppose for a moment that any names were mentioned at all?—A. No.

Q. I want to get at the mental attitude of those two people to each other. Take for instance on the train going down, nothing was definitely settled until the agreement was drawn on the 10th of June?—A. No, the 10th of June.

Q. Nothing was done then, nothing definitely done about it—or did these gentlemen have any meeting after the trip on the train to New York until the 10th of June?—A. We met in our office.

Q. That would be only a few days?—A. Only a few days.

Q. And was it on the day the agreement was drawn up that you met in your office?—A. I think that agreement was drafted and passed around to the attorneys of the various parties.

Q. But when was the meeting in your office, how long after you would get back from Ottawa?—A. Probably two days following.

Q. Who brought about that meeting?—A. I think Mr. Callahan probably did, because I always turned things like that over to him.

Q. That is, your lawyer?—A. Yes.

Q. Who met?—A. The three of us, Mr. Yoakum, Mr. Bassick and myself.

Q. Was the question brought up as to the division of the commission?—A. No, I think it was all agreed to then.

Q. How did you come to know that it was agreed to then, if you did know?—A. I think the agreement was definitely made before we left next morning after our arrival in New York. I think the decision was reached that the division was to be 25 per cent, 47½ per cent and 27½ per cent.

Q. Do you know where that agreement was arrived at?—A. I think it was definitely arrived at between our leaving the Shell Committee's office and our arrival in New York.

Q. That is, on the train?—A. Yes.

Q. Do you know whether or not any of this money has been paid to any other associates of these gentlemen, or has a cheque gone to Bassick himself and to Yoakum himself and to you or your company yourselves?—A. The cheques were issued by us in that manner, but what was done with the money I do not know.

Q. The only cheques given were either given to Bassick or to Mr. Yoakum?—A. Right.

[Edwin B. Cadwell.]

Q. What they divided up, you don't know?—A. I don't know. I know by hearsay.

Q. What do you know by hearsay?—A. The attorney for Mr. Craven came to see me one day and wanted to know if there wasn't some more money due, and informed me that they had an interest in Mr. Yoakum's commission, and I think I learned that some months prior to that, in some manner.

Q. Had you learned it from Yoakum after the agreement was made?—A. Yes. I think Mr. Yoakum told me.

Q. Did you know how much?—A. No.

Q. He did not state that?—A. No.

Q. Did the attorney for Craven tell you how much?—A. No.

Q. So that you had no idea what the amount was, but that was out of the Yoakum share; he was not claiming against the others?—A. I don't know. My office may know a lot about that, but I don't know.

Q. Did you hear of anybody else getting a settlement or a cheque for \$20,000 or \$30,000, in connection with the commission?—A. At one time I heard Mr. Brown's name mentioned—a Mr. Brown. He has been in my office a good many times, but I never discussed it with him.

Q. We will trace that up a little. From whom did you hear that?—A. It is too vague. I could not possibly tell you the names.

Q. Do you know his first name?—A. No. I haven't the faintest idea.

Q. Do you know where he lives?—A. No.

Q. Have you inquired about who this man is?—A. I never made any inquiry at all. I never got into any serious business with him.

Q. Do you know a man named Brown in New York or New Jersey who was interested more or less in promoting and in contracts?—A. I did not know what his business was. He came to my office as hundreds of men have in connection with War business.

Q. But there is only one Brown—there are not hundreds of them?—A. Yes, we have hundreds of them.

Q. What took place, what was the trouble with Brown and you?—A. No trouble at all.

Q. What did he come for?—A. He came to talk munitions of all kinds.

Q. Did he come to talk about commission?—A. Never to me.

Q. Did he say anything about commission in regard to the contract that had been carried out?—A. No. He never discussed commission with me.

Q. I want to see if I can locate the gentleman. Can you give me some idea what he looks like?—A. As I recall, he was rather short, of heavy set.

Q. Full complexion, reddish face rather?—A. Yes.

Q. A man of about 45?—A. I should think somewhat younger than that.

Q. Did he tell you where he lived?—A. Never.

Q. Did he give his office?—A. Never.

Q. Did he give you his card?—A. If he did I did not look at it.

Q. Perhaps you are a wise man there. One moment, there is another matter. I want to ask you with reference to a matter that appears in the evidence. On page 65 of the evidence, apparently dealing with the meeting on the 14th of May—you remember that meeting?—A. Where was it held?

Q. At the Manhattan Hotel?—A. That was the first time I met Colonel Carnegie. I think.

Q. At page 65 this appears:—

“ Sir WILLIAM MEREDITH: Whom did they meet with Bassick, any one?

“ Mr. HELMUTH: Who was with Bassick?—A. There was Mr. Yoakum. Colonel Allison was there. It was at the Manhattan Hotel. Colonel Allison, Mr. Yoakum, Mr. Bassick, Mr. Cadwell, and a Mr. Gladeck, and other manufacturing men whose names I have not got.”

You were present at that time?—A. Mr. Gladeck was brought in later.

Q. That was the 14th, as I stated, and it was at the Manhattan Hotel?—A. Yes.

Q. You met Colonel Allison there; did you have any talk with him at all?—A. Not a word.

Q. Did you have any talk there with anybody?—A. Colonel Carnegie did all the talking.

Q. He asked you all the questions?—A. He asked all the questions.

Q. And did not always give you a chance to answer fully—like the lawyers?—A. Yes, Colonel Carnegie was very good about that. He was looking for information.

Sir WILLIAM MEREDITH: Has anybody else any questions to ask. Have you, Mr. Atwater?

Mr. ATWATER: No, sir.

Sir WILLIAM MEREDITH: Have you, Mr. Ewart, or you Mr. Nesbitt?

Mr. NESBITT: Mr. Cadwell, there was a question which I don't know whether I quite understood. You used the word amortization once or twice. Apparently it was thought to mean something different to what I thought. Will you tell us what you meant by that?—A. Whenever we enter into a business transaction involving the expenditure of what we call capital in distinction to production cost, we always take into consideration the amortizing of that capital. In other words, we estimate the amount of that capital expenditure which must be written off or charged off upon the particular order in hand. I might say that in connection with our business we have had such a vast volume of fuse business that we have been able to bring our amortization charge per fuse down to a very low figure.

Q. That would follow. But let me see if this would be a fair illustration, or an extreme illustration of what you mean. War breaks out, you get an order for say a million fuses, you get no further orders, you have to provide special machinery for the filling of that order, your amortization account would wipe off the whole of that machinery, would it not—that is an extreme case?—A. Yes.

Q. So if you expected to get orders extending over two years and running into five million, you would make your calculations on each fuse for taking care of that machinery?—A. Exactly.

Q. That machinery being, I am assuming—you will tell me if I am assuming correctly—of no use?—A. The machinery might be used. But there has been such a vast amount of special machinery, or rather I do not mean machinery but jigs, tools, gauges, and all that, the machine tools have not worn out. The machines are operated under tremendous pressure, and in a great many instances they are wilfully destroyed. Therefore we aim to amortize all the equipment upon War contracts.

Q. I merely wanted to get the explanation. You were asked about the payment of 30 cents for the (as you called it) vendors or the selling agency, call it what you please, you very naturally said that if that 30 cents had not been paid, as far as you were concerned you could have afforded to take it for so much less?—A. Yes.

Q. As a matter of fact, what was your attitude towards contracting, as far as the Shell Committee were concerned; did they get it at the lowest price you were prepared to take it at?—A. When one has the courage of his convictions—and I usually have—I was in the fuse business, I believed the War would go on for a long period of time, I believed that this machinery we were buying would be utilized for manufacturing very great quantities of fuses, and I was after the best price I could get, because I did not know what the risk might be.

Q. Do you know of any less price at that time, for instance take the time fuses?—A. No. That was the bottom price.

Q. Take it in regard to the graze fuses, No. 100, what do you say now?—A. I would put \$1 a fuse on to cover that, to-day.

Q. Then your \$3.72½ you were reduced to, and you took at \$2.34 at a period in April of this year. I think it was, had the business of making No. 100 graze fuses by that time got past the experimental stage?—A. Absolutely.

[Edwin B. Cadwell.]

Q. That makes a great difference in the price, I suppose?—A. Tremendous.

Q. Is it a fact also that you were in the hands of the Munitions Committee, and unless you accepted—you were in default, as they claim?—A. Yes.

Q. And unless you accepted what price they saw fit to give you, you had a tremendous quantity of capital thrown away?—A. That is true. The Imperial Munitions Board brought everything possible to bear, all the influence possible to bear upon us to reduce our price.

Q. Mr. Orde has handed me these two notices which were served on you. They are dated the 9th of February and the 8th of March, 1916. Are those copies?—A. Yes. Those are correct. They did not overlook any opportunity to give us a scare.

Q. Those are signed by Mr. Orde as solicitor for the Munitions Board?—A. Yes.

Hon. Mr. DUFF: Is it necessary to read them, Mr. Nesbitt?

Mr. NESBITT: I should have thought not. It is customary to do so, but I will pass over the custom.

Sir WILLIAM MEREDITH: Make them one exhibit.

Mr. NESBITT: They are simply letters from the solicitor saying the company was in default and threatening to cancel the contracts:—

FEBRUARY 9, 1916.

“THE AMERICAN AMMUNITION COMPANY, INCORPORATED,
25 Broad Street, New York, N.Y.

“DEAR SIRS,—By the terms of your contract with the Shell Committee of the 19th June, 1915, you were to commence delivery by the 19th November, 1915, of fuses to be manufactured thereunder at the rate of 1,666 Number 80/44 (or time) fuses and 3,333 Number 100 (or graze) fuses per day increasing by the 19th January, 1916 to 6,666 time fuses and 13,333 graze fuses per day. Up to the present date no time fuses have been delivered and as the contract calls for delivery in the proportion of one time fuse for every two graze fuses it is obvious that you are not complying with the contract in delivering large quantities of the graze fuses without delivering the proper proportion of time fuses.

“I am now instructed by the Imperial Munitions Board who are the successors of the Shell Committee as the representatives of the British Government) to inform you that the Board will not accept the delivery of or pay for any more graze fuses unless you deliver therewith the proper proportion of time fuses.

“I am sending a duplicate of this letter to the Guaranty Trust Company of New York, your guarantors, in order that they may be aware of the action of the Board.

Yours truly,

JOHN F. ORDE.”

MARCH 8, 1916.

“THE AMERICAN AMMUNITION COMPANY, INCORPORATED,
25 Broad Street, New York, N.Y.

“DEAR SIRS,—I am instructed by the Imperial Munitions Board to give you notice on its behalf that you are in default in the delivery of Number 100 (or graze) fuses and of Number 80 Mark V (or time) fuses under the terms of your contract with the Shell Committee of the 19th June, 1915 to the extent of approximately 269,000 graze fuses and 214,500 time fuses, calculated up to the 7th instant, and that, pursuant to the provisions of the 14th paragraph of the said Agreement, the Board intends, after the expiration of ten days from the delivery to you of this notice, to cancel so much of the

said Agreement as relates to the fuses the deliveries of which are so in arrears as aforesaid, unless prior to the expiration of said ten days such arrears shall have been made good by you.

"I am sending a copy of this letter to the Guaranty Trust Company of New York, your Guarantors, in order that they may be aware of the action of the Board.

"Please acknowledge the receipt hereof.

"Yours truly,

"JOHN F. ORDE."

(Marked as Exhibit 283.)

Q. That would run into a couple of millions I should think of loss to you if they had been enforced—or is that too much, or too little?—A. It would be impossible for me to put an estimate on what the loss would have been, but it would have been enormous.

Q. So that when they talked of reducing the price to \$2.34, we have this fact standing out, that at that time you were absolutely at the mercy of the Munitions Committee?—A. They actually stopped paying for what we did ship to them.

Q. Secondly, you had had the experience in the manufacture of 100 graze of a number of months?—A. Yes.

Q. And that experience I believe always tends towards your ability to reduce cost?—A. Of course we had not at the time we signed this contract gone far enough in the production of fuses to begin to approximate 100 per cent efficiency; it was very uncertain as to what they would cost.

Q. I mean at the time that the thing was cancelled?—A. At the time of the cancellation we knew the difficulties and had overcome them.

Q. I think you have said that you know nothing personally about any other person than Yoakum himself being interested in his claim?—A. I had no knowledge of any one in particular. As I stated a few moments ago I recall now that I was impressed with the fact that Mr. Shantz was interested in Mr. Yoakum because of his trip to Bridgeport and the fact that I was invited—

Q. Who is Mr. Shantz?—A. Mr. Shantz is one of our most famous engineers and operators of railroads and big enterprises; at one time he was the chief engineer in charge of construction of the Panama Canal.

Q. Is he the head of the Interborough?—A. He is at present chief executive of the Interborough.

Q. When you speak of the Interborough what do you mean?—A. I mean of practically all the subways and surface lines in New York. I want to say I do not know that Mr. Shantz has any interest.

Q. Then in reference to this somewhat less than 10 per cent selling charge would it be fair to get at, my learned friend Mr. Johnston said to get at your mental attitude, your anxiety was to get control of the contract and the subsequent practical absorption of the contract to yourself?—A. I had very decided views as to the length or duration of this war—

Q. Would it?—A. I want to explain to you why I was very glad to be left in control of the situation. I anticipated that we would get subsequent contracts, and I was glad to be in control of the company.

Q. Because that would mean future orders to the company?—A. Yes.

Q. As well as the present order?—A. Yes.

Q. Would it be fair to put it that this sum that you were paying them, which was something under 7 per cent so far as they were concerned, was practically a purchasing out, so far as you were concerned, of their participation in the future profits?—A. I did not view it in exactly that light at the time; we got what I thought

[Edwin B. Cadwell.]

was a good price for these fuses, I thought it was a fair price, but I was satisfied with the price; they had done the work—

Q. But they were entitled if you had gone on with your arrangements to have taken part in the future carrying out of the order?—A. Yes.

Q. They were abandoning that?—A. Yes.

Q. That is the view you had?—A. It resulted in their practically abandoning it.

Q. Would it be fair to say that not only was it in the nature of commission but it was more in the nature of the purchasing of their right to participate in the profits of the contract?—A. It might be treated in that light, but at the same time we paid it as a commission.

Q. You do not know how they viewed it?—A. Well, I have made it plain to you that I was pleased to be left in control of the company and agreed perhaps to a larger commission than I would otherwise.

Q. And until Bassick mentioned commission such an idea never entered your head as payment out to anybody for the obtaining of the contract?—A. There was no talk about commission until approximately the time that we came to a definite understanding with the Shell Committee.

Q. That was the first time?—A. That is the first time we had any talk about commissions that I recall.

Q. Any suggestion at all?—A. I do not recall.

By Mr. Lafleur:

Q. That is after you came to an understanding as to price?—A. Yes; no object in talking about what you were going to do with the proceeds until we knew what we were going to get.

Q. I suppose I could take it from what you have told us that you were the person among the three who really fixed the price; you had more knowledge of fuse making?—A. I think they relied upon me, knowing that I had—

Q. You were the only one of the three associates who had practical knowledge of fuse making?—A. Yes.

By Mr. Johnston:

Q. Colonel Carnegie in his examination, page 130, made a statement in answer to Mr. Hellmuth, "What is the lowest price now in the United States"?—that is for unloaded fuse without the gaine, the graze fuse?—A. The 100 fuse.

Q. Could you answer that question?—A. No.

Q. You could not give us an approximate answer?—A. Well, of course there are a lot of manufacturers in the States, and they are dealing directly through Messrs. Morgan & Co., and I am not in the confidence of Morgan & Co.

Mr. JOHNSTON: I think he was rather talking about that. Now, Messrs. Commissioners, if you will allow me to complete the evidence as to incorporation, I should have put this in before.

Sir WILLIAM MEREDITH: Let us finish with this witness; my brother Duff wants to ask some questions.

Hon. Mr. DUFF: Following up what Mr. Johnston said: you mentioned some prices in I understood April and May, 1915?—A. Yes.

Q. At which the 100 fuse unloaded was being manufactured?—A. Yes.

Q. And I do not want an exact figure at all, but as I understood you, something about \$2.40 or \$2.75?—A. Two companies in which I was interested took contracts, one of those contracts we negotiated the contract with the War Office at \$2.40; that was before Messrs. Morgan & Co. were made agents; the other company I did not negotiate the contract, our president negotiated the contract.

Q. Did you know what the price was?—A. It was taken a little bit later at \$2.75.

Q. Were these contracts executed?—A. Oh, yes.

Q. I understood you to say yesterday that some time during the course of the summer, 1915, deliveries in which you were interested of No. 100 fuse had been made in

England and there had been such an absence of complaint in regard to them that you had come to the conclusion that your fuses were satisfactory; that was the impression what you said made on my mind; was that what you intended to convey?—A. We hear more or less complaint but not with respect to the functioning of the fuse. We hear more or less complaint as to the quality of material; I will say this, that we have manufacturers who have never had a rejection of No. 100 fuse unloaded, and they have made hundreds of thousands.

Q. I am not speaking of rejection; I rather understood you to convey that your general experience with regard to the supplies you had made under that contract was such as to give you a conviction that they had properly answered their purpose?—A. Oh, absolutely.

Q. In other words that these fuses you had supplied would have stood the firing test?—A. Undoubtedly would have.

Q. And I gathered that that was the state of your mind at the time you entered into the arrangement for a modification of the price?—A. Yes.

Q. Under your contract with the Shell Committee in October I think it was, am I right about that?—A. Not in October.

Q. I think it was in October, 1915.

Mr. HELLMUTH: Pardon me, that was the reduction from the loaded to the unloaded.

Hon. Mr. DUFF: There was a modification in the specifications, that is to say there was an elimination of the firing test.—A. Of course in October we had delivered sufficient fuses, and were having them passed by so many different experts—

Q. At that time you were satisfied that the fuses you were making would satisfy the firing test?—A. Yes.

Q. And I gathered what you meant to say was that in consequence of that you considered that 27½ cents would be a fair compensation for the elimination of the risk of a firing test; was I right in that?—A. You know there are two ways to look at that; if you have got a contract at a price, and the Government proposes to change that—

Q. You make the best bargain you can?—A. Yes. On the other hand if they were to come to me to-day and say, "Now, we want you to assume the firing proof," there is always uncertainty in regard to firing proof, there are so many things that might enter into it; I do not like the idea of firing proof, it is a difficult proposition; of course I am getting experience every day with respect to firing proof.

Q. You did not mean to convey that then; I wanted to make sure I understood your evidence?—A. Well, I will tell you even at the time we made the reduction of 27½ cents there had been a great deal of talk on the part of the members of the Shell Committee about their having paid us too much money for these fuses, and I had in contemplation utilizing our position for the purpose of modifying our contract in such a manner that we would get out without a loss and with satisfactory profit. I am perfectly free to say that I thought I was in a good treating position.

Q. Looking at it now you would not consider 27½ cents then as adequate compensation to the Government for the elimination?—A. To the Government yes, but it would not hardly pay us, because everything is in the Government's hands.

Q. The Government were eliminating firing test?—A. Yes.

Q. Perhaps I am putting my questions in such a way as seeming to imply more than I intend to imply; the Government were eliminating the firing test?—A. Yes.

Q. That was an advantage to you?—A. Yes.

Q. They evidently considered a reduction of 27½ cents as reasonably adequate compensation?—A. Yes, they should.

Q. You on the other hand would not consider it?—A. No, for this reason, that the contract says that the chief inspector is the sole arbiter, sole authority; if he rejects the fuse we have no recourse whatever. Now, that would apply upon firing proof over in England; we might ship them over there—you know very well that accidents might happen, men might be corrupted, and all that kind of business; it is entirely up to

[Edwin B. Cadwell.]

the Government whether they take our fuses or reject them; therefore I would want a very big price.

Q. And what you rather would suggest would be that while the Government buying unloaded fuses at say \$2.75, or whatever the price might be, and loading them themselves, might very properly add only 27½ cents as a proper allowance for the additional cost of loading, looking at it from your point of view 27½ cents would not be anything like adequate compensation?—A. Yes.

Q. And that you put at about \$1?—A. To-day I would not take a contract for loading 100 fuse unless I had \$1 added for loading, assuming the risk of firing proof.

Q. Do you recall just when it was that you settled with the Shell Committee orally the terms of the contract?—A. I should say about the middle of March.

Q. Not the middle of March?—A. Yes; our contract is dated 6th April, is it not?

Q. 19th June?—A. Oh, you mean our original contract; I thought you meant our modified contract.

Q. No.—A. Just give me your question again.

Q. Can you recall the time when you settled definitely orally with the Shell Committee the terms of that contract?—A. So far as I was concerned I said to the Shell Committee that we would take the contract at \$4.50 for time fuses and \$4 for graze fuses at my visit here some time between the 1st and the 5th or 6th June.

Q. I think that is what you said yesterday. Had you ever intimated to them that you were prepared to act on that letter of the 21st May?—A. No, never.

Q. I am going to put a question to you now, but I think it is right I should explain; both Colonel Carnegie and General Bertram said that when they came to deal with you after the telegram of May 28th, which changed their views as to the requirements of the War Office with regard to fuses, they felt that they were committed to you in such a way, and I think it was Colonel Carnegie used the phrase, they went to you "cap in hand"; was that your recollection of the situation at that time?—A. I think Mr. Bassick urged upon them very strongly the obligation which they had incurred in writing him the letter allowing him three million fuses.

Q. But at \$4.25?—A. Yes.

Q. Which you were not prepared to accept?—A. My testimony yesterday, I said, if I had considered that a firm contract and had bought my material and closed for my machinery—

Q. I am taking the situation as it was; however, I want to get your recollection as it—I do not want you to criticise Colonel Carnegie's evidence or General Bertram's evidence, but what is your recollection of the situation as you think of it now, was the situation such as indicated by what I have said, namely, that they felt themselves bound, and that they had not a free hand in contracting with you in regard to graze fuse?—A. Yes, that was pointed out to them that they had committed themselves and we had bought material, we had bought our factory at Paulsboro in the meantime and we were incurring obligations on the strength of it, so I felt there was some risk because I did not consider that an absolutely firm agreement, too much uncertainty regarding it.

Sir WILLIAM MEREDITH: What was the reason why \$2.75 was paid for the later contract that you entered into for fuses?—A. Instead of \$2.40?

Q. Yes?—A. Because of the difference in the standing of the concern that was taking the contract, their superior facilities, and the fact that they would not take it for less.

Q. When was it that you first learned that Bassick would not carry out what you had originally contemplated?—A. The impression was growing upon me over a period I should think of two or three weeks that I could not rely upon Mr. Bassick to furnish any money in carrying out the contract. I should think that about the middle of May or perhaps a week or so after we had our first interview with Colonel Carnegie he in response to an inquiry from me as to how large participation he would desire, said he was uncertain, he could not say, he kept putting me off.

Q. In making your price to the Shell Committee did you take into consideration that any commission would have to be provided?—A. Not except in a sense that we always take into consideration selling expenses. I knew we had to settle in some manner for the work that had been done in negotiating the contract; I have always looked upon it as a legitimate charge to pay for selling one's products.

Mr. MARKEY: In answering a question of Honourable Mr. Duff you referred to a contract being let out by the War Office through Morgans at \$2.40; what date was that contract let?—A. That was not entered into through Morgans.

Q. Direct to the War Office?—A. That was direct to the War Office.

Q. When would that be about?—A. That contract was allotted by the War Office about the 1st March but was not actually,—

Q. This year?—A. No, 1915, but was not actually signed until after Morgans had been appointed agents.

Mr. CARVELL: About what date was that?—A. About April 1st.

Mr. HELLMUTH: I only want to ask a question arising out of what Mr. Justice Duff asked. You spoke of these two contracts, one direct to the War Office for \$2.40, another with Morgans for \$2.75?—A. Yes.

Q. I understood that in both those contracts it was the brass?—A. It was the brass fuse.

Q. And this contract was a steel fuse?—A. Yes.

Q. That was the first contract for steel fuses you had entered?—A. The first and only one.

Q. So that there was a distinction between the material?—A. Yes, the principal point in connection with the steel fuse was the large investment for machinery with which to produce it.

Q. And arising out of that may I ask this question; when you speak of the amortization of the plant you have to allow for the destruction of the tools, the jigs and so on?—A. Yes.

Q. That are actually lost, even if you get hundreds more orders, in the carrying out of that contract?—A. Yes. Right in that connection I would like to make the statement that it has cost us as high as 10 cents a fuse for the gauge to test the threads on the body of the fuse, just for gauges, because 500 aluminium body fuses will wear out a gauge, and we have had thread gauges that cost us as high as \$400 apiece.

Hon. Mr. DUFF: I am afraid we are getting dangerously close to the actual cost.

Mr. HELLMUTH: Yes, but he had mentioned amortization.

Sir WILLIAM MEREDITH: You have not got into the danger zone; keep out of it.

Mr. JOHNSTON: This is pursuant to certain information I have received from New York; I would like to ask this gentleman's address, director Murphy's address, I have not got the address here, G. P. Murphy?—A. G. P. M. Murphy.

Q. His address is where?—A. I do not know where his residence is.

Q. But the office that will find him?—A. He is Vice-president of the Company Trust Co. the company that guaranteed the repayment of the money.

Q. I did not know whether he was a clerk in the office?—A. He is first Vice-president.

Mr. JOHNSTON: Then, as fixing the date, and so forth of the company, I put this in. It is dated 28th July, 1915; it is just the ordinary form:—

STATE OF NEW YORK.

TAX DEPARTMENT.

ALBANY, July 30, 1915.

THE HONOURABLE THE SECRETARY OF STATE,
Albany, N.Y.

"DEAR SIR,—Enclosed herewith please find application of American
[Edwin B. Cadwell.]

Ammunition Company of Virginia, for a certificate to do business in the State of New York.

"As the above mentioned company has not been doing business in the State of New York for a period of one year, the amount of capital upon which the license fee is based will not be determined until the expiration of the time provided by Section 181, Chapter 908, Laws of 1896, and acts amendatory thereof.

Respectfully yours,

JOHN J. MERRILL,
Deputy Tax Commissioner.

(Enclosure).

AMERICAN AMMUNITION COMPANY, INCORPORATED.

"Pursuant to the provisions of Section 16 of the General Corporation Law of the State of New York, American Ammunition Company, Incorporated, a stock corporation, organized and existing under and by virtue of the laws of the State of Virginia does hereby make a statement and designation under its corporate seal, to be filed with the annexed sworn copy of its charter or certificate of incorporation, as follows, to wit:

"FIRST: That the business or objects of the said corporation which it proposes to carry on within the State of New York, are as follows:

"To manufacture, deal in and with all kinds of war materials and supplies, including ammunition and arms of every description, and machinery, appliances, devices and merchandise used or useful in the manufacture or production of war materials and ammunition. To own and operate mines, and deal in and deal with cotton, timber and all products, compounds and derivatives of mineral and vegetable substances. To hold and deal in and deal with securities of all descriptions, and to promote and assist, financially or otherwise, companies, syndicates and associations of all kinds and descriptions, to the extent permitted by law. To promote and develop inventions, patents and trade marks; to do a general commission merchants' and selling agents' and a general engineering and contracting business, and to acquire and deal in and deal with real estate and personal property of all kinds; and to do or exercise all acts, functions, rights or privileges necessary or convenient in connection with the exercise of the above purposes and powers, to the extent permitted by law.

"SECOND: That the place within the State of New York which is to be its principal place of business is No. 25 Broad Street, Borough of Manhattan, City and County of New York.

"THIRD: That said corporation hereby designates Howard Brooke as a person upon whom a summons may be served within the State of New York, or any process or other paper, whereby a special proceeding is commenced in a court, or before an officer, except a proceeding to punish for contempt, and except where special provision for the service thereof is otherwise made by law.

"FOURTH: That said Howard Brooke, so designated, has an office or place of business at No. 25 Broad Street, in the Borough of Manhattan, City and County of New York, the place where said corporation is to have its principle place of business within the State of New York.

"FIFTH: That the written consent of said Howard Brooke to such designation, duly signed and acknowledged, is hereto annexed.

"SIXTH: That a sworn copy of the certificate of incorporation of said corporation is hereunto annexed.

"IN WITNESS WHEREOF, American Ammunition Company, Incorporated, the corporation hereinbefore mentioned described, has caused this instrument

to be executed by its President and has caused its corporation seal to be hereunto affixed this day of July, 1915.

(Corporate seal)

AMERICAN AMMUNITION COMPANY, INCORPORATED.

By E. B. CADWELL, *President.*

(Seal)

State of New York, }
County of New York, } *ss*

"On the 29th day of July, in the year 1915, before me personally came Edwin B. Cadwell, to me known, who, being duly sworn, did depose and say that he is the President of American Ammunition Company, Incorporated, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

ROBT. E. J. CORCORAN,
Notary Public, Kings Co.

(Seal) Certificate filed in New York Co., N.Y. Co. Clk. No. 82, N.Y. Reg. No. 6166."

AMERICAN AMMUNITION COMPANY, INCORPORATED.

"I, HOWARD BROOKE, the person described in the foregoing instrument as a person upon whom a summons or any process, as therein mentioned, against American Ammunition Company, Incorporated, may be served within the State of New York, do hereby consent to such designation.

"IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of July, 1915.

HOWARD BROOKE."

State of New York, }
County of New York, } *ss*

"On this 28th day of July, 1915, before me personally came Howard Brooke, to me known and known to me to be the person described in and who signed the foregoing consent, and he acknowledged to me that he signed and executed the same.

ROBT. E. J. CORCORAN,
Notary Public, Kings Co.

(Seal) Certificate filed in New York Co., N.Y. Co. Clk. No. 82, N.Y. Reg. No. 6166."

"This is to certify that we do hereby associate ourselves to establish a corporation under and by virtue of the provisions of an Act of the General Assembly of the State of Virginia, entitled "An Act Concerning Corporations", which became a law on the 21st day of May, 1903, for the purposes and under the corporate name hereinafter mentioned, and to that end we do, by this our Certificate, set forth as follows:

"FIRST: The name of the corporation shall be American Ammunition Company, Incorporated.

"SECOND: The principal office of said corporation in the State of Virginia shall be located at No. 700 East Franklin Street in the City of Richmond.

"THIRD: The purposes for which the corporation is formed are as follows if, when and to the extent lawful for a corporation organized under Chapter one of said Act, provided that none of the following powers and purposes shall

[Edwin B. Cadwell.]

be construed so, as to constitute the corporation, viz: a railroad company, a telegraph company, a telephone company, a canal company, a turnpike company or other company which shall need to possess the right of eminent domain for the purposes of taking and condemning lands within the State of Virginia within the meaning of Section 1 of Chapter one of said Act Concerning Corporations;

"1. To manufacture, produce in whole or in part, buy, import, contract for, or otherwise acquire, and to sell, exchange, export, or otherwise dispose of, deal in and deal with any and all kinds of war materials and supplies, ammunition, projectiles, shells, shrapnel, torpedoes, cartridges, bullets, gunpowder, balls, shot, of all kinds, dynamite, guncotton, cellulose, and its derivatives and compounds, and other explosives and combustibles of every kind and description, cannon, mortars, guns, revolvers and firearms of all kinds and description, fuses, percussion caps, chemicals and chemical compounds; raw and manufactured materials and all like or kindred products. And to acquire or dispose of, manufacture, treat, prepare for market, market and deal in generally, the same and any article or product in the manufacture or composition of which they or either of them are a factor, and, generally, to carry on any business incidental thereto. To manufacture, buy, or otherwise acquire, sell or otherwise dispose of, deal in and deal with apparatus, tools, machinery, appliances and other goods, wares and merchandise of every kind and description used or useful in connection with the manufacture of production of ammunition of war materials of every kind and description; and to buy, sell, treat, manufacture, refine, manipulate, import, export and deal in all substances, vegetable, chemical or otherwise, and all products used or useful in any such business as aforesaid.

"2. To manufacture, buy, sell, import, export and, generally, to deal in and deal with clock works, time devices, time regulators and mechanical arrangements and devices of all kinds and descriptions. To undertake and carry on the business of mechanical and electrical engineers and dealers in and manufacturers of plants, engines and other machinery, tool makers, brass founders, metal workers, boiler makers, millwrights, machinists, iron and steel converters, smiths, builders, metallurgists, and to buy, sell, manufacture, repair, convert, alter, let or hire and deal in machinery implements, locomotives, engines, cars, rails, switches, switch devices, railway equipment, rolling stock and hardware of all kinds; to build, construct and repair railroads, water, gas and electric works, tunnels, bridges, viaducts, canals, hotels, wharves, piers or any like work of internal improvement, public use or utility.

"3. To acquire by purchase, lease or otherwise, and to own, sell, lease, mortgage, convey and develop, improve and operate mines. To mine or otherwise extract or remove, purchase or otherwise acquire, copper, iron ore, nickel, manganese, cobalt platinum, palladium, sodium, zinc, lead, coal, and all other ores, metals and minerals, and to acquire, deal in and deal with oil and timber from any lands owned, acquired, leased or occupied by the Company or from any other lands. To manufacture or otherwise acquire steel, brass, iron, copper, nickel, zinc, manganese, cobalt platinum, sodium, palladium, celluloid, paper, aluminum, papier mache, cellulose and other materials, and all or any articles consisting or partly consisting of the aforementioned substances, ingredients or compounds. To own, acquire, construct, enlarge, improve, operate and carry on works for smelting, partings, refining or working in base or precious metals or the products thereof, and factories, for the manufacture of the products of ores and metals of all kinds and description in any and all commercial and medicinal forms and qualities; to buy, sell, trade and deal in the products of said mines, factories, works and properties in their

crude form or in any state or stage of production or manufacture, as well as the properties themselves, including base and precious metals, and oils of every kind and quality and in any form or condition, and such other substances, products and materials as are commonly or conveniently used, manufactured, bought or sold in connection with said business or businesses, or as are necessary and convenient in and about or connected directly or indirectly with the transaction of the business of the said company.

"4. To carry on the trade or business of buying, selling, ginning, baling, adapting, preparing and otherwise dealing in seed cotton and any and all other kinds of cotton, and manufacturing, refining, producing, adapting, preparing, buying, selling, and otherwise dealing in cotton oils and other oils, and buying and selling and otherwise dealing in cotton seed, and manufacturing, producing, adapting, preparing, buying and selling and otherwise dealing in any and all products derived from cotton seed and utilizing any and all products and by-products derived from the operations of the plants of the corporation in such manner as may be advantageous or profitable; and to acquire by purchase or otherwise, own, buy, sell and deal in and deal with standing timber and timber lands, and to buy, cut, haul, drive and sell timber and logs, and to saw and otherwise work the same, and to buy, manufacture and sell lumber, bark, wood, pulp and all products made therefrom; and to build, construct, maintain and operate plants and works for the development of such lands and for the handling, preparing and rendering commercially valuable of the various products thereof.

"5. To purchase, acquire, hold, sell, mortgage, pledge and dispose of the shares of the capital stock, bonds, obligations or other securities, or evidence of indebtedness, of any corporation, domestic or foreign, and to issue in exchange therefor its stock, bonds or other obligations, and while owner thereof to possess and exercise all rights, powers and privilege of ownership, including the right to vote thereon. In carrying out its corporate purpose to carry on and undertake any business, undertaking, enterprise, venture, transaction or operation commonly carried on or undertaken by contractors, merchants, concessioneries, commission men and agents, and in the course of such business to acquire and dispose of, or otherwise turn to account, to the extent lawful for a corporation organized under such Act Concerning Corporations all or any negotiable or transferable instruments and securities, including debentures, bonds, notes, certificates of indebtedness, and certificates of interest. To form, promote and assist, financially or otherwise, companies, syndicates and associations of all kinds, and to give any guarantee in connection therewith, or otherwise, for the payment of money or for the performance of any undertaking or obligation. To institute, enter into, carry on, assist, promote, or participate in, financial, commercial, mercantile, industrial and other businesses, works, contracts, undertakings, ventures, enterprises and operations.

"6. To apply for, obtain, register, purchase, lease or otherwise acquire, hold, own, use, operate under, introduce, sell, assign or otherwise dispose of, any and all trademarks, processes, trade names and distinctive marks, brands, labels and formulæ, and to purchase or otherwise acquire, hold, own, develop, or promote development of, use, introduce, sell or otherwise dispose of, any and all inventions, improvements, processes, designs, letters patent, and similar letters and rights granted by the United States or by any foreign country, Government, political or municipal authority, and all licenses, grants, concessions, or other rights or interests therein which may be deemed to be beneficial or useful for the corporation to acquire, own, develop or promote; to use, develop, manufacture under, or grant licenses in respect of, or otherwise to turn to account, any and all such trademarks, processes, inventions, patents and other rights, and to engage in the business or businesses to which such rights refer or concern, or in which it

[Edwin B. Cadwell.]

may be deemed to be useful, advisable or profitable for the corporation to engage in connection therewith.

"7. To do a general commission merchants' and selling agents' business, to buy, hold, own, produce, sell, or otherwise dispose of, either as principal or agent, and upon commission or otherwise, all kinds of personal property whatsoever, without limit as to amount, to make and enter into all manner and kinds of contracts, agreements and obligations by or with any person or persons, corporation or corporations, for the purchasing, acquiring, selling, disposing of, or turning to account, any and all articles of personal property of any kind, or nature whatsoever, and generally with full power and authority to perform any and all acts connected therewith or arising therefrom or incidental thereto, and all acts proper or necessary or advisable for the purposes of such business. To carry on and transact the business of general merchants, general brokers, general agents, buyers and sellers of, dealers and speculators in, importers and exporters of natural products, raw materials, manufactured products and marketable goods, wares and merchandise of every description, manufacturers, factory owners, mill owners, and producers of manufactured goods. To carry on and transact a general import and export business both in its own behalf and as agent for others and to act as factor, broker, and commission merchant in such connection. To carry on the trade or business of adapting, preparing for market, buying or otherwise acquiring, selling or otherwise dealing in or dealing with, goods, wares, and merchandise and personal property of all kinds and descriptions.

"8. To carry on and conduct a general engineering and contracting business including therein the designing, constructing, enlarging, repairing, removing, or otherwise engaging in, any work upon buildings, manufacturing plants, bridges, piers, docks, mines, shafts, water works, railroads, railway structures and of iron, steel, wood, masonry and earth construction, and to make, extend, or receive any contracts or assignments of contracts therefor or relating thereto, or connected therewith, and to manufacture and furnish all building materials and supplies connected therewith. To contract for and erect buildings of every description, and to sell or manufacture building materials from iron, steel, stone, brick, cement, wood or other material. To locate, construct, or otherwise acquire, all mills, factories, storehouses, docks, piers, wharves, houses for employees, and all other buildings, structures and works deemed necessary, convenient or advantageous in connection with the conduct of its business, or any part thereof, and to supply the same with all proper machinery, tools, appliances, furniture and equipment. To manufacture, purchase, or otherwise acquire, sell or otherwise dispose of, deal in and deal with, all railway and other supplies, engines, motors, rolling stock, boats, ships and vessels, equipment, all machinery, tools, supplies, apparatus and implements of every sort and description deemed necessary or convenient or useful in or in connection with any of its businesses.

"9. To purchase, or otherwise acquire, real property, leaseholds, or any other interest therein, in any state, territory, or dependency of the United States or in any foreign countries or places, and to hold, improve, sell, dispose of, and deal in the same. To purchase, lease or otherwise acquire, and to hold, or deal in and deal with all kinds of personal property which it may deem necessary or convenient for the purposes of any of its businesses. To conduct any or all of its businesses in the State of Virginia, other states, the District of Columbia, the territories and colonies and dependencies of the United States, and in foreign countries, and places, and to have one or more offices out of the State of Virginia, and to hold, purchase, or otherwise acquire, mortgage, convey, and

transfer, or otherwise dispose of, real and personal property out of the State of Virginia.

"10. To do all and everything necessary, suitable, convenient or proper for the accomplishment of any of the purposes or the attainment of any one or all of the objects hereinbefore enumerated or incidental to the powers herein named, or which shall at any time appear conducive to or expedient either as holder of or interested in, any property, or otherwise. To have all the rights, powers and privileges now or hereafter conferred by the laws of the State of Virginia upon corporations organized under said Act entitled "An Act Concerning Corporations," or under any Act amendatory thereof, supplemental thereto or substituted therefor.

"11. The foregoing clauses shall be construed both as objects and powers, and it is hereby expressly provided that the enumeration herein of specific objects and powers shall not be held to limit or restrict in any manner the general powers of the corporation. Nothing herein contained shall be deemed to authorize or permit this corporation to carry on any business or exercise any power or do any act which a corporation formed under said Act entitled "An Act Concerning Corporations," may not lawfully carry on or do.

"FOURTH: The maximum amount of the capital stock of the corporation shall be one million dollars (\$1,000,000), to be divided into shares of one hundred dollars (\$100) each, and consisting of five thousand (5,000) shares of preferred stock at one hundred dollars (\$100) per share, and five thousand (5,000) shares of common stock at one hundred dollars (\$100) per share, and the minimum amount of the capital stock of the corporation shall be one thousand dollars (\$1,000), divided into ten shares of the par value of one hundred dollars (\$100) each.

"FIFTH: The terms on which such share of preferred and of common stock are created, are as follows: The holders of the preferred stock shall be entitled to cumulative dividends thereon at the rate of seven dollars (\$7.00) per share or seven per cent. (7%) of the amount or par value for each and every fiscal year of the life of the corporation and no more, payable out of any and all surplus or net profits quarterly half yearly or yearly as and when declared by the Board of Directors before any dividend shall be declared set apart for or paid upon the common stock of the Company. Said dividends on the preferred stock shall be cumulative so that if the Company shall fail in any fiscal year to pay such dividends on all of the issued and outstanding preferred stock, such deficiency in the dividends shall be fully paid, but without interest, before any dividends shall be paid or set apart on the common stock. In no event shall the holders of the preferred stock be entitled to any greater dividends than at the rate of seven dollars (\$7.00) per share or seven per cent (7%) per annum, and the holders of the common stock shall alone be entitled to all dividends declared after the payment or setting apart of seven per centum (7%) of dividends and all accumulated unpaid dividends on the preferred stock as aforesaid. In the event of any dissolutional liquidation or winding up (whether voluntary or involuntary) of the corporation, the holders of the preferred stock shall be entitled to be paid in full the par value of their shares and the amount of any accumulated and unpaid dividends thereon before any distribution shall be made to the holders of the common stock either from surplus or profits or capital. After such payment in full to the holders of the preferred stock, the remaining assets shall be divided and distributed *pro rata* among the holders of the common stock. Upon any distribution of its capital, there shall be paid to the holders of the preferred stock, the par value thereof and the amount of all unpaid accrued dividends thereon before any sum shall be paid to the holders of the common stock. But after such payment, the remaining capital distributed shall be divided among the holders of the common stock. The Board of Directors may in their discretion

[Edwin B. Cadwell.]

declare and pay dividends on the common stock currently with dividends on the preferred stock for any dividend period of any fiscal year, provided that all accumulated dividends on the preferred stock for all previous fiscal years and all dividends on the preferred stock for previous dividend periods of that fiscal year shall have been paid in full.

"The whole of the preferred stock or any part thereof may be redeemed on any dividend day after the expiration of three years from the date of issue thereof at the option of the Board of Directors, upon thirty days' notice by mail to the holders of record of such stock as may be prescribed by the by-laws, or, in the absence of any by-law upon the subject, by resolution of its board of Directors, by paying upon each share of the preferred stock one hundred dollars (\$100) in cash, and, in addition thereto, all unpaid dividends accrued thereon at the date fixed for such redemption. Such redemption may be effected by payment out of such surplus profits arising from the business of the corporation as shall be applicable thereto, or from the proceeds of common stock that may be lawfully issued to provide funds for such redemption, or by payment in any such other manner as shall be strictly in compliance with all provisions of law. Except as herein specifically provided, the directors shall have full direction to prescribe and regulate the procedure to be followed and all the details concerning the redemption of shares of the preferred stock. From time to time, the preferred stock or the common stock or both may be increased or decreased according to law, and may be issued in such amounts and proportions as shall be determined by the Board of Directors and as may be prescribed by law.

"Until all of the preferred stock shall have been redeemed by the corporation, or shall have been called for redemption and the moneys required for such redemption shall have been actually set apart for that purpose, or until the preferred stock shall be otherwise lawfully retired, the corporation shall not have power, unless upon the affirmative vote or written consent of the holders of record of at least two-thirds in amount of the preferred stock:

"(a) To sell or otherwise dispose of by conveyance, transfer, lease, mortgage or otherwise, howsoever, the properties, franchises and business of the corporation in their entirety;

"(b) To create any mortgage upon the corporation's property and assets, or any part thereof, to secure an issue of bonds or otherwise;

"(c) To create or issue shares of stock which shall take priority over or any additional shares of stock which shall be equal to the preferred stock in this certificate provided for.

"SIXTH: The period for the duration of the corporation is unlimited and perpetual.

"SEVENTH: The names and residences of the officers and directors who, unless sooner changed by the stockholders, are for the first year to manage the affairs of the corporation, are as follows:—

Officers.

Andrew D. Christian, President, Richmond, Va.

W. G. L. McClure, Vice-president, Richmond, Va.

Ernest B. Flippen, Secretary and Treasurer, Richmond, Va.

Directors.

Andrew D. Christian, Richmond, Va.

W. G. L. McClure, Richmond, Va.

Ernest B. Flippen, Richmond, Va.

"EIGHTH: The amount of real estate to which the holdings of the corporation at any time are to be limited is one hundred thousand (100,000) acres.

"NINTH: The following provisions are inserted for the regulation and conduct of the affairs of said corporation, and it is expressly provided that

the same are intended to be in furtherance and not in limitation or exclusion of the powers conferred by statute:

"1. Except where in particular instances other notice is specifically required by statute, written notice only of any stockholders' meeting, given as provided in the by-laws of the corporation, shall be sufficient without publication or other form of notice. The meeting of the directors may be held without the State of Virginia.

"2. The by-laws of the corporation may fix and alter the number of directors and may prescribe their term of office, and, from time to time, the number of directors may be increased or decreased by amendment of the by-laws provided that in no case are the number of directors to be less than three.

"3. The Board of Directors, by a resolution passed by a majority of the whole Board, may designate two or more of their number to constitute an exclusive executive committee who, to the extent provided in said resolution or the by-laws of the corporation, shall have and exercise the powers of the Board of Directors in the management of the business and affairs of the corporation and shall have power to authorize the seal of the corporation to be affixed to all papers which may require it.

"4. The Board of Directors shall have power to make, alter or amend the by-laws of the corporation, but the by-laws so made, altered or amended by their directors may be altered or repealed by the stockholders.

"TENTH: Given under our hands and seals this 25th day of May, 1915.

ANDREW D. CHRISTIAN,	(L.S.)
W. G. L. McCLURE,	(L.S.)
ERNEST B. FLIPPEN,	(L.S.)

STATE OF VIRGINIA,

CITY OF RICHMOND, To wit:

I, O. Raymond Brown, a Notary Public in and for the City and State aforesaid, do certify that Andrew D. Christian, W. G. L. McClure and Ernest B. Flippen, whose names are signed to the foregoing writing, bearing date on the 25th day of May, 1915, have acknowledge the same before me in my City aforesaid.

"Given under my hand this 25th day of May, 1915.

My commission expires November 18th, 1917.

O. RAYMOND BROWN,
Notary Public.

VIRGINIA:

IN THE CHANCERY COURT OF THE CITY OF RICHMOND:

The foregoing certificate of incorporation of American Ammunition Company, Incorporated, was presented to me, William A. Moncure, Judge of the Said Court of the City of Richmond, in term, and having been examined by me, I now certify that the said certificate for incorporation is, in my opinion, signed and acknowledged in accordance with an Act of the General Assembly of Virginia entitled "An Act Concerning Corporations," which became a law on the 21st day of May, 1903.

"Given under my hand this 25th day of May, 1915.

WILLIAM A. MONCURE,
Judge.

(Endorsed)

[Edwin B. Cadwell.]

Certificate of Incorporation of

American Ammunition Company, Incorporated.

AMERICAN AMMUNITION COMPANY, INCORPORATED.

State of New York, }
County of New York, }^{ss}

E. B. CADWELL.

"EDWIN B. CADWELL, being duly sworn, deposes and says, that he is the President of American Ammunition Company, Incorporated, a corporation organized under the laws of the State of Virginia; that the foregoing is a true copy of the certificate of incorporation of said corporation, and of the whole thereof.

E. B. CADWELL.

"Sworn to before me this
29th day of July, 1915.

ROBT. E. J. CORCORAN,

(Seal) Notary Public, Kings Co.

Certificate filed in New York Co.

N. Y. Co. Clks. No. 82, N. Y. Reg. No. 6166.

(Endorsed.)

AMERICAN AMMUNITION COMPANY, INCORPORATED.

To qualify Company

To do business in New York State."

(Marked as Exhibit 284.)

Hon. Mr. DUFF: I think you said that the actual prices that you were paying your sub-contractor, the Gauge Co. of Boston, for the production of fuses, can be obtained from the Imperial Munition Board?—A. Yes; at least I do not know that they ever wrote it down, but I have told them all.

Q. At all events you would have no objection to communicating it to them? —A. No.

(At 12.45 p.m. the Commission adjourned until 2.15 p.m.)

AFTERNOON SESSION.

OTTAWA, Friday, May 12, 1916, 2.15 p.m.

Mr. HELLMUTH: Mr. Yoakum.

BENJAMIN F. YOAKUM, sworn and examined.

By Mr. Hellmuth:

Q. Mr. Yoakum, you reside in New York?—A. Yes, sir.

Q. And what has been your line of business? I am not speaking of since the War, but before the War what was your line of business?—A. Largely railroad construction and development work.

Q. And may I ask how many years you were engaged in that?—A. Well, practically all my business life, a life of thirty years.

Q. Was that in a small way or a large way?—A. Well, I have been rather a large builder of railroads, I presume it might be regarded in rather a large way. I

have built in my life over 5,000 miles of railroad, now earning over fifty million dollars, just to give you an idea of their character, through Western country, where railroad facilities were naturally necessary in the growth of the country. I rather confined myself to that Southwestern territory.

Q. Were you financially interested in any of those roads yourself?—A. In the construction of all these roads, I am always financially interested in all things as a rule that I engage in.

Q. Now, at the time the war broke out in the beginning of August, 1914, were you engaged in railroad construction?—A. Railroad construction has really ceased in the United States for the last seven or eight years.

Q. So that for seven or eight years prior to the war you had not been engaged in that class of work?—A. Not in a large way. In the construction, of course, of 5,000 miles of railroad, it meant very large contracts in construction, building and equipping, over \$250,000,000, that I constructed and built up in the construction of that country, and to some extent in Mexico. I only mention that to show that it is rather a large thing to go into in the way of a development standpoint.

Q. Now, had you been in any promotions or in any companies seven or eight years before the war, had you been actively engaged in any financial enterprises?—A. Yes. I have always been considered as leading rather an active life in—

Q. Business?—A. Development, yes, sir. Largely in irrigation and timber and coal, and all those things that men of rather a constructive turn naturally drift into as it were.

Q. You were not, I take it, a fuse expert?—A. Not in the least I must admit.

Q. And you were not really in the mechanical or manufacturing line?—A. I am not a mechanic in that sense. My construction has been largely, in fact, almost exclusively in transportation and equipment so far as my activities extend. I am interested, however, to some extent in different manufacturing institutions, but that is only as a—

Q. Capitalist?—A. Stockholder. That don't always mean capitalist.

Q. Well, you have some of your capital at all events invested in it?—A. I have in several institutions, yes, sir.

Q. May I ask when you first, if at all, considered the procuring or taking up of what are termed war contracts?—A. Yes, that is rather clear to me, but of course I am not very good on dates, you will observe that, for I cannot give dates very correctly, that is, from memory.

Q. We will have to take your memory with that qualification.—A. Yes. My first adventure after the war was in the line of horses and grain, but more particularly for the foreign Governments. That gave me somewhat of a line upon it, and I might say some taste for it, in the sense that it developed to be our only business practically. If I may digress a little, the United States, through our changed economic conditions, and more especially our tariff revision—I will not take up much time on this—the conditions had reduced and were causing a very noticeable depression in the business affairs of our country, especially in the manufacturing—

Sir WILLIAM MEREDITH: That will suit Mr. Carvell.

WITNESS: Therefore it was necessary in a great many instances for men to rather look around. I am speaking now more particularly about manufacturing. I remember at one point I visited, just to illustrate, there were three shifts in a very strong large manufacturing town, that is, three shifts of eight hours working every hour of the 24 in a large number of factories, all engaged in the manufacture of war material. There was one very large concern there that had not engaged in it, and when we called on them at five o'clock their people were leaving, and they told us that their capacity then was not over sixty per cent. I only show you what this war did for us in this sense, that is to say, in a manufacturing sense.

Mr. HELLMUTH: That is before the war?—A. Yes. Now then, it did make business men look actively after this new business of hundreds of millions of dollars [Benjamin F. Yoakum.]

that was thrust upon us over night as it were, and without much knowledge on the part of any of the people of that country as to what it would require in handling it. Therefore, as I say, the first time I was interested was in the shipment of horses.

Q. Did you actually carry out any contracts?—A. Yes. You know, we hear very large figures and large contracts when we get into this, but it did look at one time as if three governments needing horses would rather combine on the purchase of horses, and the number of horses that was then considered was 100,000, and I did, I think now it was foolish, pay \$265 a horse and deliver them, I made a contract for that.

Q. 100,000 horses at \$265 each?—A. \$26,500,000. But that contract did not materialize, I mean the confirmation of the purchasing agents or powers of the foreign countries did not concentrate upon the joint purchase, and therefore my contracts I was interested in were small comparatively, only a few thousand horses, I think about 5,000. I am not certain however about that, but it was several thousands.

Q. And you did not carry that contract to that extent any further?—A. I carried out all I agreed to do, but it was a pretty hard job. Just at that time the uncertainty of water transportation, that is, the uncertainty of being able to carry our goods from this side to the other side reached the point where ships were almost an impossibility, and I suppose if I had gotten the stuff on a big contract it would have been very burdensome to me. That condition was created without any knowledge and no one to foresee it.

Q. Then during the course, shall I say, of our desire to obtain these war contracts and to enter into the business of filling such a demand for war supplies, horses and grain, did you come across or meet Mr. Allison?—A. Yes, later.

Q. Well, about when?—A. I should say I had known Colonel Allison before casually, but we had not had any business relations. I think it was in February.

Q. In February of 1915?—A. Yes, sir, it was about that time.

Q. You say you had known him before casually, but had no business relations with him?—A. None whatever, sir.

Q. How long had you known him casually?—A. I really don't know, probably ten or fifteen years, but I saw very little of him, because we were not associated or in any way thrown together.

Q. Now, when you met him about February, 1915—and I will take your statement that you may be a little hazy as to dates—I do not want to tie you down, but somewhere about February, 1915, I take it, you began to have some relations with him?—A. Yes. That was soon after he had been absent or on the other side, and it was soon after his return.

Q. By the other side you mean Europe?—A. Yes. London, I presume. It was after his return.

Q. Perhaps you will tell me as nearly as you can what your recollection is of how you came in contact with him?—A. Yes. It was about that time, I mean a little previous, probably two or three or four weeks, I cannot say exactly, Colonel Mackey—

Q. Who is Colonel Mackey?—A. Colonel Mackey is a Canadian and well known here.

Q. I want to know what Colonel Mackey it was?

General Sir Sam HUGHES: H. J. Mackey.

Sir WILLIAM MEREDITH: Is he the gentleman who is at the Petawawa Camp?

Mr. HENDERSON: Yes.

Mr. HELLMUTH: Had you known Colonel Mackey?—A. Three or four or two or three years, I might say prior to that time I had met Colonel Mackey. He was at my

office with a Mr. Gibbs, of London, who was interested, or rather represented English capital in a small railroad in the south, south of New Orleans, and we were considering some operating arrangement in connection with this English owned railroad, and it was through that that Colonel Mackey first called to see me. I didn't see him, however, again, I don't think, until he returned to this country after a contract had been secured with the Russian Government for the construction of, I think, possibly three million—two million I guess it was, because I think the price rather fixes my figure—two million of shells which had been taken by the Canadian Car Company. That contract, I am sure I am around correct, of about \$30,000,000 was placed in Canada, that is, with the Canadian Car Company. When Colonel Mackey reached here he called to see me and discussed with me if I felt like becoming interested in the carrying out of that contract, either from a contractor's standpoint or looking after in some manner its financing.

Q. Yes.—A. We had several interviews, but nothing was settled except to discuss it, and I did take interest enough in it to look into it, and I talked to some financial interests with a view of feeling it out. In the meantime Senator Curry, I am sure he is president of that company, the Canadian Car Company, reached New York from Canada, I am sure he was in Canada at the time, and I had a talk with him, but nothing came from it, as Senator Curry had reached to an entirely satisfactory arrangement through the Manufacturers Association, that is an association of American manufacturers, and his own banking facilities to take care of the contract without going beyond their own people.

Q. You said that Colonel Mackey—is it Colonel or Captain Mackey?—A. Colonel Mackey.

Q. Colonel Mackey came to you. I just want to ask you here, was Colonel Allison interested in this Russian contract, do you know?—A. I understand that. I had no interest and knew nothing about it. I thought your question was to lead up to how we met, and it was through that way I met Colonel Allison in a business way.

Q. You met Colonel Allison through Colonel Mackey?—A. I knew Colonel Allison, but in this business relation it came through that connection.

Q. Just tell me how the business relation came through that connection?—A. Because we commenced to discuss business, that Colonel Allison had been on the other side looking after business.

Q. When you say business you mean war contracts?—A. Yes, I assume we are talking now practically of war business. Pardon me, I overlooked that.

Q. Yes, you are quite right. I just wanted to make it clear.—A. What was I saying?

Q. You were saying you commenced to discuss that.—A. We commenced then to discuss the question of munitions of war, that is, almost anything that might come up in the way of war supplies.

Q. When you say "we" do you mean you and Colonel Allison?—A. Colonel Allison and myself.

Q. Colonel Allison had returned from Europe and you and he commenced discussing that. May I just lead and ask you there whether Colonel Allison told you at that time that he had been looking, and in fact had been in Europe with the expectation and desire and hope of procuring war contracts?—A. That was the principal, I might say, inducement, on account of his acquaintances and knowledge of the business and the fact that the large Canadian Car Company's contract had been negotiated, it looked rather favourable to me for more business.

Q. You thought that if he had had a hand in negotiating this thirty million dollars contract he might be a useful man in negotiating other contracts?—A. That would look natural.

Q. Is that the view you took?—A. Yes, I mean that was the incentive.

Q. I understand that at this time there was no engagement or arrangement between you?—A. Leading up to one.

Q. Quite so. It was leading up to one. Now, what was the part, if I may put it, [Benjamin F. Yoakum.]

that Allison would play in the contemplated arrangement between you and him?—A. He had a large acquaintance on the other side, he had been through those countries, he had made acquaintances and familiarized himself with the method of doing this business.

Q. He told you all that?—A. All which he explained, and at that particular time there were some large pending contracts in the way of—do you want me to give the governments?

Q. No.—A. I can just as well if you want me to, I mean as far as I can remember them.

Q. Yes.—A. One of the contracts at that time that was pending, I mean being negotiated and discussed probably with others, was a large contract for rifles for the Russian Government, and it looked as if it had all the earmarks of success, and we pursued it. Now, too—

Q. Mr. Yoakum,—A. Wait a minute.

Q. Yes.—A. And for the purpose of doing that I though, as I was rather myself giving it a good deal of personal attention, it would be better probably to make such contracts as corporations rather than as individuals, if it come to a contract, that is a contract for large commitments.

Q. Yes.—A. There was organized two companies.

Q. You are just getting a little bit ahead of the story. I am sorry to interrupt you, but I think my interruption will not hurt you.—A. I thought I might finish it.

Q. We will get along all right, Mr. Yoakum, I am sure.—A. Yes.

Q. You told me what part Allison would play, but you have not told me what part you were going to play on your side in making this combination or arrangement.—A. If I go into a matter of that kind I am available for most any work that development is necessary to carry it out. One of the things in these matters that is always required is a good deal of money. In that sense I don't furnish all the money that I often get together. I have been rather able to get together some few dollars through various sources, and I would probably have done so in most of these cases if it became necessary for the successful carrying out of the project, I might be called upon to do some of that kind of work, you understand, getting together such money as was necessary.

Q. Did you understand at that time that Mr. Allison was not a moneyed man?—A. Why, Mr. Hellmuth, I have no right I don't think to express myself about other men's ability to do what they undertake.

Q. No. I mean rather you would do more or less of the financial work?—A. I presume if it came to raising some money maybe I would have been regarded as possibly available for that purpose.

Q. Would you not go so far as to say probably?—A. No. You can look ahead and kind of think out a thing, but you can never tell until you get to it what you have just to do.

Q. That is true I have no doubt. Now, I am coming back to where you were at, if I may.—A. Yes.

Q. I just want you to understand this generally, I am going to try, if I may, to get from you the account in more or less chronological order, because after all the events will be better understood if we do that. Therefore you will pardon me at times if I want to check you or bring you forward.—A. Yes.

Q. You said that having contemplated, as I understand, an arrangement, you thought the best way to carry that out was to create a corporation?—A. Yes.

Q. Or corporations, I do not know which you said.

Sir WILLIAM MEREDITH: Two corporations.

Mr. HELLMUTH: Did you have two corporations?—A. Yes.

Q. Two?—A. Yes, sir.

Q. Can you tell me about the date when the first of those corporations was creat-

ed?—A. They were created I should say sometime probably in March, 1915, or possibly the last of February or beginning of March.

Q. But anyway late in February or early in March?—A. Sometime in that season, yes.

Q. Perhaps you will tell me what the names of the companies were.—A. There was the British American Company, that was organized for the purpose of engaging in business generally. The Allison Supply Company was organized for the purpose of doing certain work which would have been confined to Russian business. Neither of these companies ever engaged in any business, and they have both been cancelled, because it was not found particularly desirable to carry them on.

Q. Neither of the companies then as a company actually went into operation?—A. Not a dollar.

Q. I have heard of another company called the J. W. Allison Company. Do you know anything about that?—A. I do not from any interest, other than my knowledge from others. That was the company, as I understand it, that entered into the Canadian Car Company contract of thirty odd million dollars.

Q. You had no interest in that?—A. I had no interest.

Mr. HENDERSON: Merely a trade name, not a corporation.

Mr. HELLMUTH: So the Allison Supply Company is something entirely different from the J. W. Allison Company?—A. Had nothing to do with it, because this was organized for the purpose for which I have explained.

Q. Now, the companies failing to perform the function for which they were created, namely, to enter into these war contracts for war supplies, did that involve or mean the dropping of arrangements between you and Allison, or did they continue?—A. The interest in those companies if they had performed or engaged in any business—I guess that is not the right way to put it. The interest in those companies would have gone fifty per cent to Colonel Allison and fifty per cent to myself. In other words, that would have been the proportional division of anything coming through those companies as companies.

Q. Profits?—A. Well, anything they would do as a corporation would be profit or loss. If a dividend it would be paid in proportion to its outstanding certificates.

Q. Quite so. Then, as we were saying, those companies did not go on. Did the arrangement with Allison go on, did that continue?—A. The understanding with Colonel Allison was reached practically upon the same basis you might say, that is to say, not as a partnership, as it were, but on any commission that might accrue from that line of business, any commission that would accrue from that line of business would be upon the same basis, fifty and fifty.

Q. You mean by that that any commissions that might be earned by Mr. Yoakum, or any commissions that might be earned by Mr. Allison, would in a sense be pooled so that both of you would share equally on each. Is that right?—A. Yes.

Q. Was that arrangement or agreement reduced to writing?—A. I don't think it was ever in writing. There might have been a letter; I don't think there was. I think it was more of an understanding, for the reason that in a matter of that kind a man wants to be naturally pretty careful what business might be undertaken. Do you understand?

Q. Yes.—A. So it was more of a general understanding as it were.

Q. It was an understanding between you two?—A. Yes, no one else.

Q. And that understanding was, as I take it, practically arrived at before you intended to get out the charters for those companies, and was continued after the charters dropped?—A. Yes, rather taking their place, as it were.

Q. Yes, taking the place of the companies. Did you pay anything in any way for the association with Allison?—A. Colonel Allison had spent a great deal of time and no doubt a lot of money in building up, or rather in his endeavours on the other side, that is in Europe, and I gave him twenty thousand or twenty-five thousand dollars.

Q. I suppose anything between twenty thousand and twenty-five thousand dollars [Benjamin F. Yoakum.]

would be too small to bother your attention?—A. No, that is not exactly putting it right. I think I gave him twenty-five thousand dollars. I don't want to be mistaken, you understand, but it is not a case as to whether \$5,000 doesn't interest me, because it does.

Q. All right, Mr. Yoakum. I thought perhaps that when we got into millions thousands would not count.—A. No, I don't do that. I know what I am doing.

Q. Now, Mr. Yoakum, would it be fair to put it this way, that whether wisely or unwisely, whether prudently or imprudently, you practically paid \$25,000 to get into such association with Mr. Allison that in that commission business you would share alike?—A. Yes. I think I ought to make that clear. Colonel Allison impressed me he had been over there and paid a lot of money, and I paid him that.

Q. You knew he had been in Europe for a long time?—A. He had been at a lot of expense. I just did it like I do anything else. It looked to me like a fair investment. That is all there is to it.

Q. But you thought he had done something in the way of, may I say, laying plans for the business which would entitle him to be remunerated for the money he was out and the expense he had been put to and something for his time?

Mr. NESBITT: Founding connections.

Mr. HELLMUTH: My learned friend, Mr. Nesbitt, suggests founding connections. Something operated at any rate on your mind?—A. No, I wouldn't have given up \$25,000 unless it operated on my mind.

Q. I don't suppose you were playing the philanthropist?—A. No, it was business pure and cold.

Mr. HENDERSON: Which he is not sorry for.

Mr. HELLMUTH: Now, when did you first hear of any war contracts of any kind that might be let from Canada?—A. Well, the woods were pretty full of contract talk at that time, and I don't think any man can say when he first commenced to hear of war contracts.

Q. Canadian I mean?—A. The first I related was the Canadian Car, in which I had no interest. As far as I can specifically remember back, the best I can, and I think I have got it pretty clearly in my mind, was a contract talked for the construction or supplying of from one to two million cartridges, I mean these small arms cartridges.

Q. Yes.—A. And I thought enough of it to come to Canada. First the feeling was that the manufacture of the cartridges should be undertaken in Canada.

Q. Yes.—A. And that was the occasion of my first visit to Ottawa in connection with the war business.

Q. Could you first of all tell me whether or not it was Colonel Allison who told you about the possibility of this contract, or whether it was anybody else?—A. Colonel Allison told me.

Q. And may I take this for granted, Mr. Yoakum, that if you had got that contract and had obtained a commission from any one to whom you might have passed it, that that would have been covered by your arrangement?—A. It would have come in under our understanding and I should have paid it.

Q. Just here let me stop you for a minute. Supposing instead of getting a commission you had undertaken a contract, for which with other financial associates—leave out Mr. Allison for the moment—you had put up the capital necessary to carry out, that you had taken stock in a company, or had carried it out as individuals, what share in the money would Mr. Allison have been entitled to under that arrangement, or would he have been entitled to anything?—A. If he had come into the company and put up his money along with the others who engaged in it he would be entitled to anything that accrued from that investment.

Q. But supposing he had not put up any money?—A. Then he would not have been entitled to anything accruing from the investment from that standpoint. Of

course, you have got a lot of ifs. We are trying to arrive at something that never happened, and I presume—

Q. No.—A. It is pretty hard always to say, but there was nothing in our understanding that would have given to Colonel Allison any claim on anything unless he had put up his dollar alongside of the balance. Is that clear?

Q. Yes, that is clear. But if you got any contract on which you secured a commission he was entitled to get his half of that commission?—A. That was my understanding, had we gotten any.

Q. When you came to Ottawa, I do not ask you for the exact date, but could you give me at all the date when you first came to Ottawa about this cartridge contract?—A. I think it was either the latter part of March or April, somewhere around the middle probably, or the first of March.

Q. From the first to the middle of March?—A. Yes. I want you to be perfectly clear that I don't fix dates very well. I cannot very well remember years if they are passed over. I am very bad on dates. It is a defect, I admit it.

Q. You think it was somewhere in March of 1915?—A. Yes, sir.

Q. And that was your first visit to Ottawa?—A. That was my first appearance.

Q. Whom did you see here in Ottawa?—A. I talked on that occasion with General Hughes in connection with the contract, I mean with the proposition that was then pending, as I understand it, I don't know the channels, with the War Department for the furnishing of these cartridges. I hadn't prepared to make a proposition, because I didn't know enough about it, but I had figured on cartridge manufacture if so and so can be done, can we find the money to do so and so, and General Hughes at the time I spoke to him in connection with it, wanted it to be done at \$34 a thousand. I could not see that was as good a profit as that kind of hazardous risk required and thought it could not be done for less than \$36 a thousand. However, that was only in talk. I mean it resulted only in a talk, because there was no contract. General Hughes, I suppose it is not out of the way for me to mention this, was always strongly in sympathy with the institutions,—and I do not know, I expressed my own views of taking advantage, as it were, of the war conditions, not only during the destructive period, but to carry it into the constructive period which must come after the war, and I had always been a strong believer, and I am not saying it here because I am on exhibition, but I have always contended very earnestly that the opportunity for the Dominion of Canada to entrench itself with industrial and development enterprises was at this period, that is, during this war. Institutions that can come in here now and build industries under a fair profit are in a better position to go ahead in building up, utilizing labour and the raw material, and there is no square mileage in the world I presume that has a greater wealth in raw material and undeveloped than the Dominion of Canada. It was upon those lines I have talked a good deal and in fact a good many times with General Hughes in connection with the development of the Dominion of Canada. Now, I mention that more particularly for this reason. That particular contract could have been filled in the States for something less than that, but there is an extra hazardous risk and it was harder to fill it here. The raw material, of course, can be brought over, if it can be had, and the machinery—and the cartridge building is not as bad as this fuse building, but it takes a lot of stuff and labour, and more particularly the technical knowledge, the expert knowledge of these things that have now become one of the biggest factors in North America on account of this war that were unknown to the general manufacturers of the country before, and it was for that reason that I and the people that I discussed it with didn't think that that contract at \$36 per thousand—but we may just as well quit that, because there was no contract.

Q. Did you discuss this thing along the lines of manufacture in Canada with General Hughes?—A. It is no use discussing because he was not ready to give the contract. If the contract had been ready and he was prepared to say "We will give you the contract for two hundred million cartridges at \$7,200,000," that is \$36 a thousand, I would have taken it.

[Benjamin F. Yoakum.]

Q. Would that have been manufactured in Canada?—A. That was the understanding. Of course, when we got down to it we might have found we could not do it here, Mr. Hellmuth. We hadn't reached that point. There are very many things to talk about before you get up to the point that you can tell, but it was his desire and my inclination.

Q. Then did you see anybody else here except General Hughes on that occasion?—A. Yes, Colonel Allison was here at the time I was here, and I am not entirely clear as to whether it was on that trip that I first met General Bertram. I don't know whether he remembered. I noticed he thought we met in New York, but I think we met here first and had lunch together, he, I and General Hughes, and I think that was the first time I had met him.

Q. Did you inform General Hughes or General Bertram of the arrangement you had with Allison?—A. No, sir, that was our business.

Q. You think on that occasion you did meet General Bertram at lunch?—A. Yes, I am sure we had a little talk and acquaintance at that time.

Q. Did you discuss anything with him about this possible order, or do you know? A. The cartridges?

Q. Yes.—A. No, sir, I don't think we did, because I only mentioned the matter, and I found there was no order, so I didn't pursue it any further. I didn't even discuss the details with any one. There was no order. I am only giving to you what I was willing to do.

Q. Then you went back to New York?—A. Yes, sir.

Q. Now, what was the next thing you heard in reference to a possible Canadian contract?—A. A fuse contract. I am a little hazy on that. I think that on that occasion—I have just stated that the fuse contract was mentioned at that time, but not discussed further than in a general way, it was referred to at the time I met General Bertram.

Q. You were not talking of bidding on it?—A. Well, I tell you it was the commencement, as it were, of the negotiations along about that time—I don't know whether it was just at that time or not, but it led up to it, it got to be rather active along the first of May. I know from the evidence I have heard. You are also familiar with that.

Q. Then when was it that you heard anything more definitely about the fuse contract, about what time?—A. The first knowledge of the contract to me was through Colonel Allison at a time when the contract was in its infancy, that is its being discussed, and Colonel Allison in mentioning it to me did so, I presume, with a view of having me take it up, which I was perfectly willing to do. The price at which I first got it, I heard several prices running from \$5.10, but the price really I felt at that time that we would have to figure against was \$4.90. That was more definitely fixed in my mind, that was for the time fuse.

Q. That is when Colonel Allison was with you. Can you tell me at all, if you can I would like to have it, about what time that was, whether in April or May, or what time?—A. I should say that would have been in April or probably in March, March or April, I really don't know.

Q. If you cannot fix the dates I do not want you to try.—A. I should say that spring, in the spring of 1915.

Q. It was after this visit you had to Ottawa?—A. I think it was, but I am not sure.

Q. Was it before or after the cartridge business?—A. I stated in the beginning I don't know while I was here on the cartridge business whether this matter was discussed or not, I am not clear on that. You know there were a lot of contracts then being considered around the country. I know the circumstances but not the dates just when they occurred.

Q. At all events, Colonel Allison told you about it, and I take it from what you have told me that Colonel Allison gave you some idea of the price you would have to

figure on if you went into this fuse contract?—A. \$4.90 was the figure that was impressed upon my mind as the figure we would have to figure against, and would have to do better than that, because I remember on one occasion, I don't know when it was, that General Bertram told me that that contract would have to be let for much less than \$4.90. He talked around \$4.50, or ever better than \$4.50 at that time, but just what the dates are I don't remember.

Q. I do not want you to guess, to me at all events, at any date. If you know a date I want to have it. If you do not know a date, unless you will give me an approximation, I do not want it.—A. It was around from March up to that time.

Q. Just listen to me for a moment. I do not want any guessing about dates. We think we can fix the dates—A. Yes.

Q. Fairly definitely, and if you cannot give me a date do not try to guess, because you think it will—I am not saying this in any way derogatory to your evidence—but because you may think it may fit in. Do not give me any date unless you have some knowledge of it?—A. Yes.

Q. At all events, Colonel Allison let you know that you would have to figure on somewhere around \$4.90?

Mr. EWART: No, to figure against \$4.90.

Mr. HELLMUTH: Quite right, to figure against \$4.90. That is, you had to do something better than \$4.90. Can you tell me whether it was after or before that, if you remember, that you had some talk with General Bertram in regard to that?—A. When I talked with General Bertram I am sure I had an idea, but I also think, without General Bertram saying so, and I am not clear as to where I first got the \$4.90 in my mind, and I am sure that General Bertram didn't give to me the figures of others, but the impression at that time in talking to the different people was such that I managed to get around to where I was sure \$4.90 was the figure I had to work against.

Q. Now, up to this time had you met Colonel Carnegie?—A. I think I had met Colonel Carnegie, but—

Q. Did you meet him in New York?—A. I met him in New York first, I am sure of that.

Q. Were you taken or escorted by Colonel Allison to Colonel Carnegie at the Manhattan Hotel?—A. I met Colonel Carnegie through Colonel Allison.

Q. And did Colonel Carnegie ask you when you met him whether you were a fuse man or knew anything about fuses?—A. No, I don't think he would have to say that to me; he would find that out at the beginning.

Q. Did he suggest that you should bring some one who knew something?—A. As I remember, having this contract in mind, I would naturally say I would be very glad to go along and see what could be done and join in some way to procure and carry on the contract, and at that interview of course I followed out the lines of least resistance.

Q. Were Mr. Cadwell and Mr. Bassick the lines of least resistance?—A. Colonel Allison said to me that he—I don't know just whether we discussed or mentioned this fuse contract to Mr. Craven.

Q. Who was Mr. Craven?—A. Mr. J. P. Craven.

Q. Who is Mr. J. P. Craven?—A. Mr. Craven is a gentleman who lives in New York as I understand it, that is, he has offices there and he is of the firm of McVeity & Sons of St. John, a large contracting firm as I understand.

Q. Do you mean St. John, New Brunswick?—A. Yes, sir.

Q. What did Craven say?—A. Mr. Craven called to see me, and we had a general talk over the prospective order. Mr. Craven had in view contractors whom he thought would be available for taking such a contract. I do not quite remember the names, but he brought me in contact with one or two.

Q. Who were they?—A. One of the gentlemen I think was a Mr. Dowler, or some such name. I don't remember it exactly, but something like that. We talked the matter over briefly, but there was nothing came of it. The next talk as far as [Benjamin F. Yoakum.]

I can recite it, was with Mr. Bassick. Mr. Bassick had also discussed it with Mr. Craven, that is, Mr. Craven had seen Mr. Bassick.

Q. In connection with the same contract?—A. I had not known Mr. Bassick. I had known of him as a Bridgeport man and a manufacturer. I am not clear whether Mr. Craven introduced us or not. I would not like to say definitely about that.

Q. But you got in touch with them?—A. I got in touch with them and we discussed the matter in a general way. Mr. Bassick suggested, and Mr. Cadwell—

Q. Did you know Mr. Cadwell then?—A. I had not up to that time known him. I knew of Mr. Cadwell. I happened to have a good many friends once in connection with the American Screw Company (I was not interested in that Company) and in that way I knew of him, but did not know him personally. We met at the suggestion of Mr. Bassick.

Q. That is, you three?—A. We three met at the hotel.

Q. Which hotel?—A. The Belmont Hotel, and we had our first brush, as it were, to see what could be done, and that resulted in a conference later, either that day or the next, I don't know which. At any rate, we three met General Bertram and Colonel Carnegie.

Q. Where did you meet them?—A. We met them at the Manhattan Hotel.

Q. Was Colonel Allison there?—A. Colonel Allison was there. I don't know whether it was in his rooms, or whose rooms, but we were all present. In a general way, as I remember it, we had a general talk. Colonel Carnegie wanted to be convinced, or rather both he and General Bertram, of the ability of the manufacturers to successfully carry out contracts of this size. At that time the whole thought was upon a five million fuse contract. I don't know whether any of us quite appreciated just what that meant, but we found later on that an order for two and a half million was a pretty good one. The result of the conference, as I remember it, was that after General Bertram and Colonel Carnegie had looked at some further matters, or into other matters, they were to give Mr. Bassick and Mr. Cadwell and particularly Mr. Cadwell time to get his expert men, men who had the technical knowledge of fuse building, the man who had that knowledge, that is, the greater technical knowledge was a Mr. Gladeck, and it was this man that Colonel Carnegie and General Bertram wanted to see to determine for themselves as to their ability to undertake a contract of this kind.

Just while I am at this, this expert business was one of the hardest things to overcome, that is, in the building up of the machinery for carrying out this contract. Through a certain party I got in touch with Colonel Birnie, who is now with the International Fuse people. It resulted in the Colonel coming from where he lived to the city of New York. He had lunch with me, and I explained to him the object of the interview or meeting him and so forth, which was to ascertain if his services would be available in the carrying out or engaging in a contract for this technical work.

Colonel Birnie said to me that he had had a talk on similar lines with Mr. Patterson and that he did not feel that he could very consistently pursue the matter further, except to say that he was very glad to have had the conversation, or to have the opportunity to come and talk fuse. I said to him at that interview that if he had dealt with Mr. Patterson, so far as I was concerned we would consider the matter dropped, that is, that we would not consider it any further. Colonel Birnie, while he had not closed fully, felt that he could not consistently talk with me on the same subject, or in connection with the same contract.

I just wanted to get that expert business off my mind. It is a hard job.

Q. But you did within a day or a day and a half from the meeting first, when you met Colonel Carnegie with Bassick and Cadwell, again meet Colonel Carnegie and General Bertram with Bassick, Cadwell and Gladeck and some of these other men?—A. Yes, sir.

Q. Was it the same afternoon?—A. I don't know whether it was the same afternoon, or not, but I know it was on that visit. That is as near as I can get to it.

Q. I am going to ask you (because I did not know of this at all before, and I want to follow it up a little) you must have known at the time that Colonel Birnie had lunch with you that you at least had competitors in the field?—A. Yes, I did not know that Colonel Birnie had ever been approached in the course of it.

Q. I am not saying that you approached Colonel Birnie to take him away from anybody?—A. No. He put it plainly to me, that he had had a talk with Mr. Patterson, and I dropped it at that.

Q. Was that the first intimation you had that Patterson and his associates were in the field against you as competitors?—A. No. Colonel Birnie told me that he had had a talk on the same general lines with Mr. Patterson, and I presume of course that the five million contract was very easily located.

Q. But was that the first you had heard of the five million contract? You had heard of the \$4.90?—A. You cannot keep these things hidden, no matter what you do. When there is a \$25,000,000 contract around it goes, and you hear of it at every corner. You can't keep it. It gets in the air, and you might as well publish it, you can't keep it.

Q. It was in the air, at all events?—A. It was in the air, but all secretly.

Q. You cannot tell me where you first heard it?—A. No. I can't tell you where I first heard it, but it was there just the same.

Q. I am not going through the whole story of your coming to town, except incidentally. You went down with Bassick, Cadwell, Colonel Carnegie, General Bertram (I don't know whether Mr. Gladeck was there) to see Shantz' factory at Bridgeport?—A. Yes. We will confine ourselves to the people directly interested in Canada, as I always prefer unless it is of importance to inject others into matters who are my associates, so I will confine myself to those.

Q. At all events, Bassick and Cadwell were with you?—A. Yes, sir, and General Bertram and Colonel Carnegie.

Q. Was Gladeck there?—A. No, he did not go. They talked of that General Bertram and Colonel Carnegie were at the hotel, where they had put them through this course.

Q. You went down to Bridgeport and saw Bassick's factory, and saw a typewriter factory; is that so?—A. Yes. We looked at several factories. But the principal object of the trip was to see Mr. Bassick's factory.

Q. Can you tell me whether there was any suggestion to go and see Mr. Cadwell's factory, the Screw Works?—A. I don't know that I can specifically state that there was any specific factory. The gentlemen were invited to look at any factories these gentlemen had for that work.

Q. You do not know why they did not go to see the American Screw Company?—A. No. That would not come just under my line of talk.

Q. Had you anything more to do in regard to the matter, or was anything more done that you knew of on that New York visit, or does that pretty well cover it?—A. I think it has been pretty well covered here. You mean the New York conference?

Q. I will come to that. At that time, after those gentlemen General Bertram and Colonel Carnegie came back here, you have heard what Cadwell said of conferences with you and Bassick in regard to this fuse contract; you have been in the room, or did you hear yesterday what Cadwell said?—A. I heard his testimony

Q. Generally speaking, is it correct to say that at that time it was assumed you were all going into the deal, to become financially interested—I think that is what he said?—A. Of course, when we say We, it only means that there are three heads, as it were, to put together an organization. It does not mean that three men themselves as individuals enter into an organization of that kind unless it is in some

[Benjamin F. Yoakum.]

cases where three men can or do undertake it. But it does not necessarily mean that there is no one else but the three men. That is what I am driving at.

Q. You had some associates of your own?—A. Yes. They are all pretty good men too.

Q. I am not saying that they are not. At all events, you had associates of your own you thought you could interest?—A. Yes.

Q. Taking yourself and your associates, was your intention expressed at that time, as I understand Cadwell as saying that you would take a substantial interest in the concern—you and your associates?—A. I said to Mr. Cadwell that in working this out he could rely upon me and that I would be very glad to join in a substantial sum—Mr. Cadwell knows this very well—if he had said to me “Now, here is a division of three, will you take your share?” I should have told him I would. But so far as our more direct talk was concerned, the sum mentioned was \$100,000 or so as Mr. Cadwell remembers it. But I did, and was prepared to take any amount up to the full proportion if it became necessary, because after all it was easier at that time to raise money on war manufacturing than it is to-day, everything was boosted upon that line of work at that particular time. It was not hard to raise money on that work at that time. Besides it was not a very large amount for men to raise, not to carry it out but to make the original organization.

Q. Is there anything you heard Cadwell say in reference to the conversations, in regard to the organization the capital that you want to vary or explain or do you agree with the way he put it—I mean you three?—A. Mr. Cadwell expressed it substantially as it happened. I was not particularly pleased, of course, with the wind-up of it, but I always take the medicine when it is given to me. I was prepared at all times, otherwise I should not have gone into the negotiations as I did, if I had not been prepared at any time to take my proportion of whatever they determined to go into based upon what was right.

Q. Leaving that for a moment, what did you do further in regard to the negotiations for the contract?—A. How is that?

What did you do, what part did you take if any in coming to Ottawa and negotiating for the contract?—A. I did about everything I could see that I could do, wherever it would be advantageous. We took a trip to Bridgeport, looked into machinery, talked with experts and did a hundred other things to bring around an organization for the purpose of taking what looked to be a profitable contract.

Q. I quite appreciate all that. I am talking about what you did in order to get your organization or your machinery so as to be able to take hold of a contract when it came, but I want to know what you did in regard to securing the contract from the Shell Committee?—A. I called on the Shell Committee I think on practically every occasion the others were here. I was here on some occasions when they were not here. I was working to get a contract, and did not have any special line of programme to carry out except to do the best I could and get it, and I did everything I could do to get it. That is the best way I can put it.

Q. May I say that you were pretty keen upon getting the contract?—A. Well, I thought it looked pretty good. It has not been bad.

Q. Did you come here somewhere between the first and the fifth of June, on the occasion when Bassick had the letter or the letters of the 21st and 25th—I am not going to go through them—you knew of the letter of the 21st, I assume?—A. I was here when it was written, so I think I know something about it. There was very little done that I was not around.

Q. You were here when the letter of the 21st was written giving you three millions?—A. Yes.

Q. Were you here when the letter of the 25th was written you giving you two and a half millions?—A. I think if I remember correctly that letter was sent to Mr. Bassick at New York. I got it immediately on Mr. Bassick's receipt of it. He advised me of it.

Hon. Mr. DUFF: That was the second letter?—A. That was the second letter, changing it from three millions to two millions and a half.

Mr. HELLMUTH: It was the letter that changed the larger order to the smaller order, from three millions to two millions and a half?—A. A reduction letter.

Q. Cadwell says that somewhere between the first and the fifth of June you three were here when after interviews with General Bertram and Colonel Carnegie it was practically agreed that you should have the contract at \$4.50 for the time fuse and \$4 for the No. 100 graze fuse. Do you remember that?—A. Yes, sir.

Q. Is it correct, that you were present at those negotiations?—A. Yes, sir.

Q. I don't remember whether Cadwell said that you had been the one who, or whether Bassick had been the one who objected in the conference which took place between you three, in another room, to the price of \$4 for the graze fuses?—A. He did not say that. He said I was neutral.

Q. Well, do you remember that conference?—A. I remember that conference very well, because it was rather important just at that time. It was the finishing touch, as it were. Mr. Bassick and Mr. Cadwell and myself before it was finally given to the Shell Committee as the final shot, walked into an adjoining room, because Mr. Bassick had rather expressed himself as not entirely satisfied with what those gentlemen were willing to pay, and he did feel, and gave some very good reasons therefor, that it should be \$4.25.

Q. The graze fuse?—A. The graze fuse. I don't know just what neutrality means in a case of that kind, but I was willing for \$4, and Mr. Cadwell felt I think that he would have my support at \$4. At any rate, Mr. Cadwell rather took the bit and said we would go in and make it \$4. It was made and agreed upon at \$4 and Mr. Bassick, not being entirely satisfied did a little bit of kicking about the reduction. But Mr. Cadwell related it just about as I remember it. I was agreeable to it. Mr. Cadwell, as I say, as he usually does, took hold of the matter and said we would make it \$4. He felt that we would have two against one.

Q. Did you have any discussion at that meeting, or was there any discussion at any time or at that meeting about the fact that the Shell Committee were to some extent bound to you by the letters of the 21st and the 25th of May, and that you were entitled to get an order?—A. Well, of course, the letter shows for itself. But the letter is not really what would be termed strictly a contract—is that what you mean?

Q. No, was there any discussion at that meeting on the lines of "Well, we are entitled to have an order because we have bought machinery"?—A. Yes, both Mr. Cadwell and Mr. Bassick, who are manufacturers in a sense felt that they had a commitment, as it were.

Q. Did they tell that to the Shell Committee?—A. Yes. They had the letter.

Q. But that won't help us?—A. Yes. They held that they were entitled to the contract, but that letter didn't fix the contract.

Q. You are getting to the business end of it?—A. I cannot keep away from it. I cannot remember, Mr. Hellmuth, just what the discussion led to, but between the time the letter was written and the time the contract was executed there had been large advances in material, and there was no price discussed. There was nothing less than \$4.50 discussed as being in any way satisfactory to Mr. Cadwell.

Q. That is, for the time fuse?—A. Yes. The other was a different fuse.

Q. I have not yet got to the 19th of June, which was the date the contract was actually signed?—A. Yes, but this is leading up to the final details of it.

Q. At all events, Cadwell said that when you left the Shell Committee between the 1st and the 5th of June, after that talk he felt that you had practically come to terms although there was a formal contract yet to be drawn?—A. I think that was the understanding. That was the feeling we had.

[Benjamin F. Yoakum.]

Q. Having that feeling apparently you went back to the hotel, and Bassick, according to Cadwell, at once began—I won't say desired—but began to discuss the position he wanted to take by getting a commission. What is your recollection of that?—A. The commission question arose—Mr. Bassick is himself a large contractor, from a manufacturing standpoint I mean, and has carried out and is carrying out some considerable contracts, in which I have no interest, and he did not feel very much inclined to make any further commitment in a financial way if it could be avoided, that is, he did not care to put up or commit himself for the amount of money that would have been necessary if he had gone along with this contract as we all had discussed it. I do not want to put the slightest bad faith to it, but, as Mr. Cadwell said this morning, he never had committed himself directly, and we all knew and felt that (I think I am safe in saying) probably the largest manufacturer of that line of munitions is Cadwell & Company, in that country.

Hon. Mr. DUFF: That was so at that time, Mr. Yoakum?—A. Yes, sir. Of course, they have all grown since then. But I think he had about the same relations as now, that is, he has grown as fast as the balance of them in his expansions. Mr. Bassick was more inclined to fix a commission which, without going into further details, was fixed at 40 cents. Is that what you were asking about?

Q. It was immediately, or practically immediately after the verbal securing (if I may put it that way) in your opinion of the contract that you had this conversation about commission—A. Yes, sir.

Q. There is no question but that Cadwell is right there?—A. He has stated substantially the facts as I remember them.

Q. And that discussion not only continued in the hotel, but it continued on your journey back to New York?—A. Well, it was practically fixed at the hotel. The journey back to New York had more or less kicking and talk in disappointments, all those things when a fellow don't get what he wants. I don't think there is very much to the train trip.

Hon. Mr. DUFF: You spoke as if you wanted the whole million?—A. I would have taken it.

Mr. HELLMUTH: At all events practically, or a few more.—A. It was practically fixed at the hotel.

Q. May I ask whether it was also correct that Mr. Cadwell, after the discussion started in regard to commission, said, "I want 25 per cent," or "I will take 25 per cent"—perhaps not in those words—"and you two can fight out the balance"?—A. Mr. Cadwell did not waste much time. He did not put it that way, but he said "That is what I want, and that is where I am going to stand," and he did stand pat. It did not take long to get his measure.

Q. May I say that while Yoakum and Bassick discussed the question of what their respective shares of the commission would be, Cadwell was a real neutral—A. He just put up a blockade.

Q. What do you say to that?—A. Nothing. I won't repeat it.

Q. Well, did Cadwell take any part between you two?—A. Well, yes, Cadwell while firm was conciliatory so far as words went. He was at least an interested spectator.

Q. Is it correct—I know it may be difficult to carry your mind back to just what he said then—but is it a fair statement to make, that you did claim that you had initiated the movement and consequently were entitled to more than Bassick?—A. Well, Mr. Hellmuth, if there is anything we did not claim, that is, in the way or argument, we did not overlook it intentionally.

Q. Well, I don't think I will press you further?—A. All right.

Hon. Mr. DUFF: Mr. Yoakum is accustomed to dealing with results.

Mr. HELLMUTH: At all events it came out in that way, that you were to have 47½ per cent, Bassick 27½ per cent and Cadwell 25 per cent, as he had stood pat on that?—A. Yes.

Q. That is the way it came out?—A. I have not figured it. It is 19-11-10. That is the way it worked out.

Q. And the document which has been put in here of the 10th of June (I do not remember the exact number of it) in which you agreed to those terms, does express the actual agreement that was made; there was no reservation?—A. Substantially: Of course I don't know where that came from.

Q. Have you the original?—A. No, I have not, Mr. Hellmuth, but feeling that this matter would probably be referred to during this investigation I had a copy made and certified to you understand by a notary.

Q. Will you just let me see?—A. I think it is the same as was read yesterday. (Document produced.)

Q. May I have this?—A. I have another.

Q. I will put it in?—A. I thought that it would be better for me to have it, so that there would be no question about its actual verbiage, and I had a notary certify to it. If the Court prefers. I will send the original copy I have, to be returned, but this is a certified copy.

Q. I do not suppose that will be necessary.—A. I do not want any question about it.

Mr. HELLMUTH: I will put it in. I need not read it:—

“THIS AGREEMENT made this 10th day of June, 1915, by and between B. F. Yoakum, of the City and State of New York, party of the first part, E. W. Bassick, of the City of Bridgeport, Connecticut, party of the second part, E. B. Cadwell & Co., Inc., a New York corporation transacting business in the City of New York, acting herein by E. B. Cadwell, its President, hereto duly authorized party of the third part, and said E. B. Cadwell & Co., Inc., as Trustee hereunder, party of the fourth part.

“WITNESSETH:

WHEREAS, The Shell Committee of Canada acting by Brigadier-General Alexander Bertram, as Chairman and agent, has agreed to purchase 2,500,000 fuses from a manufacturer to be designated by E. B. Cadwell & Co., Inc., and

“WHEREAS, said E. B. Caldwell & Co., Inc., and said Yoakum and said Bassick were together instrumental in negotiating and effecting said contract for the purchase and sale of said 2,500,000 fuses, which contract is presently to be reduced to writing and executed, and

“WHEREAS, said E. B. Cadwell & Co., Inc., and said Bassick are together entitled to receive as their total and aggregate commission for negotiating and effecting said contract the sum of One Million Dollars (\$1,000,000) in the whole, being at the rate of forty cents per fuse: and,

“WHEREAS, of the total amount of said commission of One Million Dollars (\$1,000,000) to be received said Yoakum is to be entitled to Four Hundred and Seventy-Five Thousandths $475/1000$ or eventually a total of \$475,000, being at the rate of 19 cents per fuse; and said Bassick is entitled to Two Hundred and Seventy-Five Thousandths $275/1000$, or eventually a total of \$275,000, being at the rate of 11 cents per fuse; and said E. B. Cadwell & Co., Inc., is entitled to Two Hundred and Fifty Thousandths $250/1000$ or eventually a total of \$250,000, being at the rate of ten cents per fuse; and,

[Benjamin F. Yoakum.]

"WHEREAS, said Yoakum and Bassick are willing and desirous that said E. B. Cadwell & Co., Inc., shall receive in the first instance said One Million Dollars (\$1,000,000) commission when and as it may be paid over to it, which it shall receive as *trustee*, however, and for the sole purpose of receipting for the same and forthwith disbursing all of the amounts it may from time to time so receive as such commission on said contract in the above proportions, to wit: four hundred and seventy-five thousandths to B. F. Yoakum, two hundred and seventy-five thousandths to E. W. Bassick and two hundred and fifty thousandths to E. B. Cadwell & Co., Inc.

"NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements herein, and One Dollar received each of the other, receipt of which is hereby acknowledged, the parties hereto each for himself and itself respectively and for his and its respective heirs, executors, administrators, successors and assigns agree each with each of the others as follows:

"FIRST, said commission of One Million Dollars (\$1,000,000) and each and every part of the same when and as received by E. B. Cadwell & Co., Inc., shall be received by it as Trustee, and shall belong to said parties of the first, second and third parts in the following proportions: Four hundred and seventy-five thousandths to B. F. Yoakum, two hundred and seventy-five thousandths to E. W. Bassick and two hundred and fifty thousandths to E. B. Cadwell & Co., Inc.

"SECOND, said trustee has full power and authority to receive, receipt for and good acquittance thereof to give for any and all sums so coming into its hands hereunder.

"THIRD, said Trustee agrees to deposit any and all sums constituting such commission so received by it in a special bank account, in its name, and separate from its other funds and to forthwith advise parties of the first and second parts hereto of the receipt of such sums and immediately upon such deposits being available to divide same at once in said proportions of four hundred and seventy-five thousandths to B. F. Yoakum, two hundred and seventy-five thousandths to E. W. Bassick, and two hundred and fifty thousandths to E. B. Cadwell & Co., Inc. Said trustee further agrees to act as such trustee hereunder without compensation for services.

"FOURTH, the parties of the First and Second part hereto agree to continue to use their best endeavours to bring about the execution and delivery by said Shell Committee of said contract for said 2,500,000 fuses.

"FIFTH, It is understood and agreed that E. B. Cadwell Co., Inc., as Trustee and otherwise assumes no responsibilities for the performance, by the other party to said contract with said Shell Committee of that contract, and that its responsibilities hereunder are to protect the interests of the other parties hereto in and to said commission, if requested in writing by any two of the first three parties hereto, and to do all that may be needful or proper to secure said commission when due, if so requested and to safeguard and distribute the same as provided for herein. Any expenses that may be incurred by the Trustee hereunder shall be borne by the parties of the first, second and third parts in their proper proportions, provided they have been authorized in writing by any two of the first three parties hereto. The trustee shall not be held responsible to any of the parties hereto for any action or non-action by it in accordance with any such written request except for its gross negligence or wilful malfeasance.

"SIXTH, E. B. Cadwell & Co., Inc., hereby agrees that it will enter into an agreement with the other party to said contract for two million, five hundred thousand fuses with said Shell Committee, whereby said party will agree to pay to E. B. Cadwell & Co., Inc., at least forty cents a fuse from the purchase price when and as received by said party for lots of fuses under said contract finally delivered and accepted, which forty cents per fuse said E. B. Cadwell & Co., Inc., shall receive as commission subject to the terms of this agreement. This agree-

ment, however, is conditioned upon said agreement just above described being entered into, and if the same is not entered into then this agreement is to be null and void.

"SEVENTH, All advices and notices hereunder to be sent by E. B. Cadwell & Co., Inc., as Trustee and otherwise to either of the parties of the first and second part may be sent by mailing same in the City of New York, addressed to B. F. Yoakum, 71 Broadway, New York City, until another address shall be furnished by said Yoakum, and E. W. Bassick, 60 Broadway, New York City, until a new address is furnished by said Bassick.

"All sums to be paid hereunder by the Trustee to B. F. Yoakum, shall be paid to the Bankers Trust Co., of the City of New York, for his account until other instructions are given by said Yoakum to the Trustee and thereafter according to such instructions, and all sums payable to E. W. Bassick by said Trustee shall be paid to said Bankers Trust Co., for his account, until other instructions are given by said Bassick, and thereafter according to such instructions.

"EIGHT, This Agreement supersedes all previous agreements between the parties hereto relative to said contract or proposed contract for 2,500,000 fuses.

"IN WITNESS WHEREOF the parties of the first and second parts have hereunto set their hands and seals hereto, and the party of the third part has caused these presents to be signed by its President and its corporate seal to be attached, attested by its Secretary, all in quadruplicate, the day and year first above written.

B. F. YOAKUM,
E. W. BASSICK,
E. B. CADWELL & Co., INC.
By E. B. CADWELL, *President.*

[Seal]

E. B. CADWELL & Co., INC.,
as Trustee,
By E. B. CADWELL, *President.*

[Seal]

[Benjamin F. Yoakum.]

"We hereby agree to pay or cause to be paid to E. B. Cadwell & Co., Inc., at least forty cents a fuse in accordance with the provision of paragraph Sixth of the foregoing agreement, if the contract for 2,500,000 fuses in such agreement mentioned is granted to us in acceptable form by the Canadian authorities.

"Dated June 10, 1915.

"AMERICAN AMMUNITION CO., INCORPORATED,

"E. B. CADWELL, *President.*

[Seal]

State of New York, }
County of New York, }^{ss}

I, OLIN A. FOSTER, a Notary Public of the State of New York, do hereby certify that I have compared the foregoing copy of an agreement bearing date the 10th day of June, 1915, made by and between B. F. YOAKUM, of the City and State of New York, party of the first part; E. W. BASSICK, of the City of Bridgeport, Connecticut, party of the second part; E. B. CADWELL & Co., INC., of the City of New York, party of the third part and E. B. CADWELL & Co., INC., as Trustee, party of the fourth part, with the original submitted to me, and that the same is a correct copy thereof and of the whole of said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Notary seal this eighth day of May, in the year One Thousand Nine Hundred and Sixteen.

OLIN A. FOSTER,

Notary Public, Queens County.

Certificate filed in New York County No. 221.

(Marked Exhibit 285.)

[Seal]

Mr. JOHNSTON: Is there anything else attached to the original he has?

Mr. HELLMUTH: Is there anything attached to the original?—A. That is an absolute copy of everything connected with that contract, I mean so far as the document says.

Q. I am asking you whether that document had, at the time it was executed, any strings to it, that is, was there anybody else at that time apart from you and your associates, entitled to anything under it?—A. Well, that contract as it reads specifically states all the facts so far as the parties named therein are concerned, that is Cadwell, Bassick and myself. Just what do you want to get at?

Q. What I meant was, you had certain people you were going to look after?—A. Yes. That is, certain people who were associated with me personally.

Q. You did not know (or did you know) that Cadwell might have some associate he was going to look after?—A. He never disclosed any of his business to me.

Q. Did Bassick say that he had some associates he was going to look after?—A. He never disclosed any of his business to me either.

Q. Did you disclose any of your business to Cadwell or to Bassick?—A. I did not.

Q. So far as you knew, apart from what you may have thought in regard to it, Cadwell and Bassick were entitled to their respective shares, and you knew nobody else in their deals?—A. Absolutely, not so far as a document goes. That is all I know. I had no knowledge of anyone else.

Q. But outside of the document, did you have any knowledge of who Cadwell's associates might be?—A. I did not. He never told me, and I never asked him.

Q. Nor did Bassick?—A. No.

Q. I take it that you know your own?—A. I have an idea.

Q. Just here, what persons, if any, outside of the parties you were interested with had anything to do with your securing that contract—so far as you know?—A. So far as my interests went, I did the work myself, in this way, that when I go into a matter of this kind I generally try to follow it out on my own lines, and not say anything about it until it is a finished job or a given up job. Therefore, all this, so far as I am concerned, was handled only by myself.

Q. I am going to ask you this question. Who did you (if anybody) pay anything for the purpose of paying that contract?—A. No one. For the purpose of paying the contract?

Q. Yes.—A. Not a dollar. I did pay the lawyer.

Q. Who did you tell, if anybody?—A. Of course, I did consult on the contract itself, but that is another phase of it. I wanted to be clear upon that.

Q. You paid your lawyers for the work they had to do?—A. Usually.

Q. I am glad to know that you did. That is a proper course to follow?—A. They are entitled to it.

Q. Did you pay, or offer to pay, to any one in Canada, of the Shell Committee or connected in any way with the Militia Department, any money for the securing of that contract?—A. Not a dollar, and nothing of that kind was ever intimated or suggested by anyone, to me or to anyone else, to my knowledge.

Q. What inducement, if any, was held out to you by anybody if you could get that contract; was there any inducement?—A. No, sir.

Q. Remember I am not at the present moment dealing with what you arranged with your associates—I am coming to that and am leaving out for the moment Colonel Allison's part in the matter—outside of Colonel Allison and outside of any part he may have had, or any share he might have been entitled to in your commissions, what did you, outside of your arrangement with Colonel Allison made in Canada in regard to commissions, have to say to Colonel Allison about the procuring of this contract?—A. As I have related, the contract was first called to my attention, and so forth, by Craven, as I stated, and there was never any discussion or understanding upon this contract, or any other contract, as to commissions. Is that what you mean?

Q. Yes?—A. In working out this contract and the necessary work for getting it, it was done, so far as the interest I represented, by myself without consultation or discussion in any manner with Colonel Allison. Is that what you want?

Q. Yes, that is what I want, or, rather, I want to know?—A. Colonel Allison, of course, knew I was working on the contract, and all that. I want you to understand that.

Q. You were not keeping it secret?—A. I was then working it out from a manufacturing standpoint, and did not discuss with anyone as to the details, or anything like that.

Q. Did you consult with Colonel Allison in regard to prices that you would ask, or anything like that?—A. Not after the start, which was as I have said, the best figure I could get. The best figure I had at that time was about \$4.90. That was the figure I had mentioned. But Colonel Allison had always expressed a desire to have as low figures made as could be made. But it is not a question of what a man desires to do, or whether it can always be done. While I was willing to go as low as anyone else, I was not willing to go to the expense of losing thousands, and when we came around to the settling of the matter I felt that it was a fair and reasonable contract, all things considered, with the knowledge the manufacturers had at that time in the production of these articles.

Hon. Mr. DUFF: Mr. Yoakum, did you say that your figure for the graze fuse, the No. 100, was \$4.25, your own personal figure, or did I misunderstand you?—A. No. I was willing for \$4.

[Benjamin F. Yoakum.]

Q. You did not support Bassick's contention for \$4.25?—A. I was rather quiet. Those gentlemen were better posted. I felt it was going Cadwell's way, and I let him have his own way. I felt that was the easiest way out of it.

Mr. HELLMUTH: Q. When this document was signed up of June 10, signed up in New York, was anything said by you then as to the share in the enterprise, that is, the capital or stock share you were to have?—A. That got to be a little bit of a sore spot just about that time. I expected a large share in the manufacturing end of it, that is, from the manufacturing standpoint, which was, of course, represented by stock. But I could appreciate Mr. Cadwell's position, to be very fair and frank, that this was a company being organized for at that time a specific contract, you might say. But Mr. Cadwell being a large contractor and having his machinery throughout the country and his organization, that this would not be all the work he would do, and if he gave to me or to anyone else 20 per cent, 25 per cent or 30 per cent, which would really have been my proportion if I had stuck for it, although I might not have gotten it, it would have carried that proportion say 25 or 30 per cent profit on contracts which he has to-day, and as he showed you to-day of forty millions or fifty millions of dollars, thirteen millions of these fuses alone. I could see that it was only fair, and while I was not standing off and trying to be too fair, I did see that he had a position which was reasonable. While I would like to have had the stock, and expected the stock I did not get it. I presume that if there had been really a long and strong argument Mr. Cadwell and I would have compromised by my taking what he offered me. That was all he could spare.

Hon. Mr. DUFF: Was Cadwell in a position to dictate because he was a manufacturer?—A. Well, sir, it was about this way. I had learned enough up to that time to kind of make up my mind that there were very few institutions in this country that could do what he was undertaking, and I would rather have had \$25,000 in an institution like that than to have had \$100,000 in one that probably would not have been as successful. I cannot say that Mr. Cadwell was unfair, although it was disappointing at that time to me. Of course we were looking at things then from a prospective view, while we are rather looking at things now from a retrospective view, and things have changed. I think the trade has not turned out so badly.

Mr. HELLMUTH: You mean from your standpoint?—A. Yes. It did look like a fair and reasonably profitable contract. It does not look quite so good to-day, on account of things that Mr. Cadwell and probably no human agency might have been able to overcome. There have been these continuous troubles in hundreds of ways that he has not told you of, but that I know he has been up against in trying to carry through this contract. It was not a question of labour or money, or anything like that, so far as his ability to furnish them was concerned. But he has encountered a very great deal of trouble in getting through his tests, as he has explained to you. I only mention that because I know something of his troubles.

Q. May I put it this way, that at the time you settled, you got \$25,000 of stock?—A. \$25,000. He said \$20,000, but it is \$25,000. I do not like to dispute a fellow's word.

Q. You got \$25,000 of stock?—A. Yes.

Q. Which I understand you did not pay up?—A. It is subject to call. If he wrote me for a cheque to-night he would get it to-morrow if he wanted it.

Q. What I wanted to get at is this; at the time you got that very small amount of stock—because it was very small?—A. It was less than I expected.

Q. It was one-quarter less than \$100,000?—A. I really had hoped to get \$100,000 at the time. When a man takes \$150,000, or \$200,000 or \$500,000, it is not him that takes it, it is his associates, otherwise he would soon run out of funds. But when a fellow takes \$100,000 he will probably wind up with \$25,000. They have to always distribute these things. A man does not keep it himself. It may be in his name, but he does not keep it all.

Q. I take you and your associates as one?—A. I understand.

Q. At the time would it be a fair statement to say that while you recognized the justice, or part of the justice of Cadwell's claim to 80 per cent of the stock which he was taking, and your being cut down, you thought then that Cadwell had what is termed sometimes the big end of the stick?—A. I certainly did.

Q. Looking at it prospectively, that was your view?—A. Yes. It looked good.

Q. Looking at it retrospectively, looking at it with hind-sight, you do not think Mr. Yoakum did quite so badly, now?—A. It is not quite so cheerful, from his standpoint.

Q. That is, from Cadwell's standpoint?—A. Yes, sir.

Q. But it is from Mr. Yoakum's standpoint?—A. I made up my mind to be content.

Q. You have to be?—A. I have to be. I am forced into it.

Q. Well, now, I am not going all through the meeting that took place from the 15th or 16th of June to the 19th June when the contract was signed, but I understand you were here then?—A. Yes, sir.

Q. Mr. Cadwell seemed to think he had come alone at first, but I think he said afterwards he thought you might have been here, that is my recollection of what he said, but you know, were you here at this time?—A. I was here.

Q. When that contract was actually signed and closed and General Hughes' signature with memorandum below, the memorandum attached, you knew then the contract was closed?—A. That was the final touch.

Q. What I want to ask you is at that time or previous to that time to what, if any, member of the Shell Committee or to General Hughes had you disclosed the fact that there was a Commission?—A. To no one, not to any of them; it was not necessary; it was not part of the negotiations.

Q. Then how soon or did you realize when that contract was signed that Mr. Allison had a right to share in that commission?—A. Assuming that the contract would be signed, which it was, I knew that Colonel Allison under our understanding would be entitled to his pro rata of that commission.

Q. You recognized that yourself all the time?—A. I certainly did, if it was commission I certainly did.

Q. And I suppose you must have advised Colonel Allison after the contract was signed that he was entitled to a commission, not payable at the moment but payable in the future as the contract was carried out and deliveries made?—A. Colonel Allison, I did not discuss and he could not have known anything about that contract as made between Mr. Bassick, Mr. Cadwell and myself, which I believe you say is dated on the 10th.

Q. Yes?—A. Yes, and he did not know of it until I told him, which was a few days after, I do not know, but certainly within three or four days after I returned to New York after the 19th.

Q. After you returned to New York after the 19th you saw Colonel Allison?—A. Yes, I do not think he was in New York at the time I reached there, but at any rate within as soon as I got around to it, I know it was not but a few days afterwards.

Q. What did you tell Colonel Allison?—A. I told him the facts in connection with it that there was 19 cents commission to me.

Q. On each fuse as delivered?—A. On each fuse as delivered.

Q. And paid for?—A. Well, that goes without saying; that is right.

Q. You told Allison that?—A. The contract itself shows that, you understand.

Q. And you told him the terms of it?—A. Yes, there was no money paid out of the million dollars, as has been indicated through the press; is that what you are trying to get?

Q. No, that has come out abundantly from Mr. Cadwell, and I did not propose to go over it again?—A. I believe, I did want to say, I would like to re-state that myself;

[Benjamin F. Yoakum.]

I think it is rather important in this connection; the inference given to the people of Canada was that myself and Cadwell and Mr. Bassick collected for our account one million dollars which was paid to us when this contract was entered into when as a matter of fact we never received nor never expected to receive a single dollar upon that contract until the contract was put into execution through the delivery of fuses, which has just recently, that is within the last three or four months, commenced to accumulate; and I was anxious, if you will pardon me, to give the public the business public and the masses generally, the people of this country as well as our own country the facts as related to the distribution of this Commission. It was stated in a way that gave the wrong impression, I am not charging, but it gave the wrong impression as every one knows, because it was rather headlined over the country as dividing the pot before any work was done, but that is not true. There is a lot back of this. It required some work, and we earned probably some of it, I don't know, at any rate we did not get it, and I really wanted to put the matter properly before the people, I rather think it is due us in a way; that is all.

Q. I got to the stage where you said you told Mr. Allison that you had made this contract, and furthermore that he was in a position I have no doubt to judge that if the contract was carried out there was a half of \$475,000 coming to him, was not it?—A. Under our understanding that is true, but Col. Allison nor myself before we get to any other participation, because there were some expenses, but they were not particularly heavy, I don't know just what there were, but there were other interests that were entitled to receive some of this commission; what I want is to point out that \$475,000 is the gross figure, but it was not all coming to Allison and myself; there were other interests, I mean other interests out of the gross.

Q. I think I must ask you what these other interests were, I do not think I can pass that by, I must know what these other interests were—just one minute, I do not want at the moment to deal with what I know you can tell me, and that is what orders were given upon the account by Mr. Allison for his share, because that is part of his share, and I will have to come to that when we do come to it?—A. What do you want?

Q. What I want is, who besides yourself and Allison had any right to any share in that commission, whether by way of legitimate expenses or not, whatever it was?—A. Well, there are no expenses except legitimate expenses that naturally would come in in a contract of that kind, legal and other, they do not amount to so very much, but there were other interests. Getting back to the first talk, Mr. Craven—

Q. That is what I want?—A. Received \$30,000.

Q. Do you mean received, or was entitled to?—A. I am asking about what he is entitled to; I would like to make that very clear that nobody receives anything till I get it—\$30,000.

Q. We are dealing on the basis of \$475,000 less expense?—A. This is not an expense, this is a commission, it is part of the commission.

Q. It is to be paid to Mr. Craven?—A. The arrangement was made with Mr. Craven as I have explained of—I cannot remember the name any more than McVeity and Sons.

Mr. CARVELL: Arrangement made with McVeity?

Sir WILLIAM MEREDITH: No, Craven, of the firm of McVeity?—A. Yes, of the firm of McVeity, and that arrangement for that \$30,000, while I settled it, that is there was no fixed amount, you understand this commission business rather sprung a little bit fast on us; I don't know whether I make myself clear or not.

Mr. HELLMUTH: I think you do?—A. Col. Allison informed me after the 19th that Mr. Craven and he had had a talk and that he was engaged, or rather in negotiations with Mr. Craven's firm in St. John's, and he would be very glad to have this matter adjusted with Mr. Craven, and that is all he could say about it, he had nothing

else to say; but Mr. Craven came to see me, which resulted in this settlement, that is in the payment, as paid, of \$30,000 for account of that interest. That was from a total of \$475,000. I am trying to make that clear, because you will see that there are other transactions that are a little bit different to it; so that came from the total.

Q. But I do not take it that Mr. Yoakum is a gentleman who gives \$30,000 out of a total of \$475,000 without being satisfied that there is some proper claim or rightful demand for it?—A. Well, I think you have got that sized up right, but in this way, there was at that time, Mr. Hellmuth, a very large prospective business, shell and other business; I understand the McVeity's are very large contractors or rather manufacturers, and Col. Allison had certain negotiations on with him and he felt and expressed a desire to have a settlement made with Mr. Craven that would be satisfactory to him, based upon future business or his business relations with Mr. Craven's firm.

Q. I would hardly understand why Mr. Yoakum would be willing to accede to what Mr. Allison wanted for Mr. Craven unless it was that Mr. Yoakum saw the future commissions in the business that Mr. Allison was going to put through this firm?—A. You have called a turn, I did think there was something to it; I regarded it in the nature of a good investment, prospective.

Q. So that the thirty thousand did not, I want to make this clear, come out of Col. Allison's share of the commission, but came out of both your shares?—A. Came out of the total.

Q. Outside of shall I say the modest legal expenses, that reduced the commission, you still had \$445,000?—A. I will tell you, I don't know what those expenses were, but they were not very much.

Q. Did they amount to \$5,000?—A. I do not think over \$5,000 or \$10,000, I really cannot tell you.

Sir WILLIAM MEREDITH: I think that ought to be suppressed; it will enable the lawyers here to be tuning up.

A. The lawyers did not get it all, Judge, I will tell you that.

Mr. HELLMUTH: Was the business that it was proposed might be brought through Mr. Craven or the people he represented, supposed to be Canadian, or European business?—A. It was foreign business.

Q. But that would come under your arrangement for commissions with Allison?—A. If it had developed into anything that there was any commission on it would have come under our business.

Q. Did anything besides the legal expenses and this \$30,000 come out of the grand total of \$475,000, or yet to come out?—A. I want to be eminently fair in all this, and I have already stated that Mr. Craven was in these negotiations, that is to say that he had come to see me you understand, and others in the beginning; you understand what I mean?

Q. Yes?—A. I want to have it so that it is entirely clear.

Q. Mr. Craven had some claim?—A. I say I want to make it clear so as not to leave a wrong impression.

Sir WILLIAM MEREDITHS: As I understand it, Mr. Craven was claiming something in respect of this fuse contract?—A. Yes, for his services; I think that is only fair to Mr. Craven.

Mr. HELLMUTH: Having settled upon the \$30,000 and having undoubtedly to use part of the \$475,000 when it does come to pay the expenses, small though they may be comparatively, five or ten thousand dollars, the balance was left in the position of an equal division between you and any associates you may have had and Allison's and any friends he might have had?—A. As and when paid.

Q. That is the position?—A. Yes.

Q. And did anything occur before the first payment was made to you, because we know that some payments from Mr. Cadwell we are told have been made on that?—A. Yes, sir, I mean there have been payments made, yes.

[Benjamin F. Yoakum.]

Q. Perhaps you can tell me about what payments had been made to you, the total of the payments made to you to date?—A. As I have it there are \$61,757.60.

Q. And would Craven get his *pro rata* share on that?—A. Craven did get his *pro rata*—wait a minute, so as to keep the records entirely straight, the \$30,000 due Mr. Craven as and when paid was transferred by him to others, to another party.

Q. Who is that?—A. Austin B. Fletcher, I presume through some business negotiations; I have no way of knowing; at any rate the assignment of Mr. Craven's claim is in the name or to Austin B. Fletcher, and upon this payment of \$61,000 as I have called it, for that interest, there has been paid \$3,899.99.

Q. So that the Craven interests at all events have got their share?—A. They got their *pro rata* of the payments.

Q. They have got their *pro rata* share?—A. Yes.

Q. When was the first payment made on this commission—Mr. Cadwell would be the gentleman who would send you the cheque, because E. B. Cadwell & Company were the trustee under that 10th June agreement?—A. That was paid in March of this year.

Q. Was it paid in one sum, the \$61,000?—A. That was one settlement Mr. Cadwell accumulates.

Q. Mr. Cadwell accumulates, quite properly?—A. Yes, that is right—don't want to spend it all on bookkeeping.

Q. Then he sends you a cheque and you are a distributing centre too, I believe?—A. I am in the nature of a trustee for that fund as paid to me, and through my office that fund is distributed *pro rata*.

Q. Before March, before you got, may I put it, the first dividend on the commissions had you had any request to make any division of Mr. Allison's part?—A. Colonel Allison gave orders on me to others for moneys due him under the contract as they would become paid under the contract.

Q. Who was the first of those present to whom he gave orders?—A. I do not know just how they came in dates, you understood, because they are all in—you said in order; I cannot give them.

Q. I will take them out of order?—A. To G. W. Stevens \$10,000 I believe, Col. Stevens or Major, I don't know what it is, Stevens, either in London or Montreal, I do not know his home address; on which was paid on the first distribution which I have hitherto referred to, \$1,299.99.

Q. Is that all that this gentleman has received?—A. You mean Mr. Stevens?

Q. Yes?—A. That is all that is due him.

Q. That is all he has received to date?—A. That is all that is due him. Then there is an order for \$30,000 to William McBain, upon which the *pro rata* was \$3,899.99; and then there was an order on file to Eugene E. Lignanti for \$50,000, upon which has been paid in the *pro rata* \$6,500.80—just as a side line, as it were, without any knowledge whatever upon, so far as my knowledge goes, that I think with Mr. Stevens, and Mr. McBain, and these gentlemen it was more on a settlement of matters between them, you understand more than specifically probably, that is so with Col. McBain anyway, he told me so—you understand what I mean, it does not as much apply on this specific fuse—well, I don't know, I guess I had better not talk about a thing I don't know. There is an order to M. G. Edwards for I think about \$105,000. That would make up, I may be wrong about that, at any rate it is around \$100,000, would make up practically the Allison interest upon which has been paid its usual *pro rata*.

Mr. CARVELL: How much?—A. \$16,809.02; that covers the distribution that Col. Allison is entitled to on this \$61,000 odd which would of course figure out around to that *pro rata* of his interest; the balance *pro rata* of his interest, that is all there is to it—

Mr. GRANT: What is the balance Col. Allison is entitled to?

Mr. HELLMUTH: There is no balance left?—A. No, I meant the balance of that goes to me.

Sir WILLIAM MEREDITH: These orders cover the whole of his?—A. Cover the whole, I meant the balance of the \$61,000 which is—

Hon. Mr. DUFF: Do they total up \$220,000?—A. \$61,000.

Sir WILLIAM MEREDITH: The total orders?—A. The last, I know I am right around it, I think it is \$105,000, I may call it about; \$30,000, \$50,000 \$10,000, \$30,000 and \$105,000, as I remember it, it is close to it; what does that figure out to Judge?

Hon. Mr. DUFF: That would make \$225,000?—A. That is about it.

Mr. CARVELL: That includes Craven.

Mr. HELLMUTH: No, Craven was taken out of the total?—A. Craven was taken out of the total.

Hon. Mr. DUFF: That makes a total of \$225,000, which leaves \$50,000; of that, Craven gets \$30,000?—A. Yes.

Mr. JOHNSON: Have you the original orders here?—A. No, they would be in my office. I will be glad, if you want them, to furnish you with a certified copy; I don't think I can send the originals themselves out.

Q. You can send them to the Secretary of the Commission; I think it is very important we should see these original orders?—A. I can have photographs made if you prefer.

Sir WILLIAM MEREDITH: What is the importance of originals?—A. I will give them in any way to prove they are correct.

Mr. JOHNSON: Are there any signatures on those orders in any way excepting Colonel Allison?—A. No.

Q. No signatures?—A. No.

Q. Are the parties described in any way?—A. What do you mean?

Q. Described, whether they are manufacturers or agents or?—A. Not at all.

Q. Men or women?—A. Just straight orders for so much money.

Q. Perhaps you can tell us whether they are men or women in all these orders, you would give the cheques for them—I don't want to put you to extra trouble?—A. I am willing to go to any trouble in the world to establish facts.

Sir WILLIAM MEREDITH: It is suggested by my colleague that perhaps the best plan would be to have Mr. Hellmuth or some reliable representative attend in New York and see them, and see that copies are sent here exactly?—A. I will tell you what I will do, if it suits the Court I will send them here to Mr. Hellmuth and he can show them to you or any counsel if they want to see them.

Mr. JOHNSON: Who is the last person named?—A. M. G. Edwards.

Q. Is that a lady or a gentleman?—A. As I understand it is a member of Colonel Allison's family.

Q. Is it a man or woman?—A. A woman, but I do not know, you understand.

Mr. JOHNSON: Perhaps that will do—

Mr. HELLMUTH: I think my friend Mr. Johnston and everybody else will be perfectly satisfied if you will have that Notary Public who made a copy of your other documents make certified copies of these; can you do that?—A. I can, and I will do this farther, that anything on any paper or anything that I have pertaining to this you can have the originals if you prefer them; or I will send you certified copies if it is satisfactory.

Mr. JOHNSON: I am satisfied with the suggestion of Commissioner Sir William Meredith.—A. I want you to get it as you want it.

Mr. JOHNSON: I want to know something of the personnel of the party, for this reason, expense may be incurred and time taken up pursuing fruitless inquiries; if we

[Benjamin F. Yoakum.]

know the people then we might be able to call them here and give evidence one way or the other and see what they know about it?—A. I will give it to you.

Q. And the addresses if you can give them?—A. Anything I have as to where the money is to be paid, if you prefer that.

Mr. JOHNSTON: I am satisfied, perfectly satisfied.

Mr. HELLMUTH: You got, as you have told us, these orders from Colonel Allison?—A. Yes, sir.

Q. Did you see yourself any of the parties whose names you have given as possessing orders from Colonel Allison—let me just have the names, I will run over them.

Sir WILLIAM MEREDITH: He can tell that without going over them?—A. I know all of these parties personally; I know Colonel Stevens.

Mr. HELLMUTH: Did you see him about the order?—A. Not at all until he presented it.

Q. Did he present it himself?—A. I don't know whether personally or not, but it came to me through Col. Stevens.

Q. With what explanation, if any?—A. I am willing to give you anything I know, but whether he brought it in personally I could not state; the party handling this as well as the other business in my office would probably be the man that would see it, you understand—

Mr. EWART: Is that material:

Mr. HELLMUTH: It is material if Col. Stevens said anything to you; did he say anything to you?—A. Not at all except as to this order for this money.

Q. Did he speak to you about having an order himself, personally did you see Col. Stevens in regard to his possessing this order on this money from Col. Allison?—A. He told me he had it.

Q. Then you saw him?—A. But I do not know whether the order was presented by him personally or not.

Q. But you saw Col. Stevens?—A. Yes.

Q. Tell me just what Col. Stevens said in relation to this order?—A. Col. Stevens did not enter into any statement or detail with me; if I remember correctly Col. Stevens only referred to the order that he held from Col. Allison against this fund.

Q. That is all that he did?—A. Yes, now, I do not remember that he discussed it with me.

Q. If he did discuss it you do not remember what he said, is that right?—A. I know he did not say anything specially about it except that he had the order.

Q. What about Col. McBain, you said you saw him?—A. I did see Col. McBain, and I run across him occasionally.

Q. What did he say?—A. Col. McBain if I remember as he stated it, while he did not go into detail he did say to me that there were some unsettled matters existing between himself and Col. Allison, and that this order was a settlement of their matters. Col. McBain has spent a good deal of time on the other side in agencies; I think he represents or did represent the McVeity's over there in their foreign relations, foreign business, but that is his business.

Q. Did he tell you that?—A. He has told me so, but I don't know whether he told me in connection with this or not; I am only trying to give to you as much light as I have on this particular transaction.

Q. We may have to call some of these gentlemen to throw light upon it; I want your light as far as it goes; any one else of the gentlemen or ladies who hold orders have you seen?—A. Mr. Lignanti has explained to me that there were matters between him and Col. Allison that had not been adjusted and they were making efforts to adjust them, and this was in keeping with their arrangement to adjust their amounts or differences.

Q. Had you known Mr. Lignanti before?—A. I have known Mr. Lignanti—he was with Col. Allison, has been with him for quite a while, I do not know how long, but it was through that relationship that I knew him.

Q. Had you any business dealings with him?—A. Only just as matters would come up in connection with Col. Allison; I have no business relations with him; so far as I am concerned his interest is with Col. Allison, but I know him, and he is a very nice and dependable fellow; I am very glad to say that, for the reason I know there has been the fact that he is a man of music, and I never turn down a man because he works for his living, and I think it is only fair, if it is permissible, to say that, my business in coming in contact with him that he has always been fair and square, and that is about the best thing you can say about a man.

Q. Personally you had no business with him?—A. No, I had no business relations with him except as they came through this arrangement as I have talked about.

Q. Let me just ask you now, because that leads up to something, had you any other contracts, I think I can ask that with the Commission's permission, had you any other contracts under which Col. Allison was entitled to share?—A. None that I consummated. There was a division in which I received my proportion; it was not a large deal, and it was not with the Canadian Government. Do you want it?

Sir WILLIAM MEREDITH: I should think not; no.

Mr. HELLMUTH: Who negotiated with you or—

Mr. JOHNSTON: May I be allowed to go into all this, if you open the door for me in this way?

Mr. HELLMUTH: I am not opening the door at all; I do not propose to go into the contract, I merely wanted to know there was one, I am not going into it?—A. It did not amount to much; it is not like we are talking about.

Mr. JOHNSTON: I am not objecting to it, but I want to reserve the right, if it is opened up.

Mr. HELLMUTH: I won't open it up at all; I do not suppose the Commission covers that.

Q. Did you have any talk with Col. Allison as to the reason, or did he give you any reasons why he had given these orders upon the fund.

Sir WILLIAM MEREDITH: You have not covered the last one.

Mr. HELLMUTH: M. G. Edwards, Miss Edwards or Mrs. Edwards, whoever it may be?—A. I am acquainted with Miss Edwards, but I know nothing about this feature of it, has never even been referred to, I know nothing about it.

Q. You did not discuss it with her?—A. Not at all.

Q. Did you have any discussion with Col. Allison himself as to the reasons why he had given these orders or what was the ground of the claims which he was paying by means of these orders?—A. I do not know Col. Allison's business in connection with these orders with these different people; I have given you about all I know about it, and that is not very good, for the reason I do not know it personally except as it came to me, or you may say chats. I had no interest in anything; I am looking after the other half.

Q. Your own half?—A. Yes, I know where that goes, but I have no interest in the other.

Q. Out of your own half is there any portion which goes to any one in Canada in relation to that contract?—A. Not a single dollar that goes to any one except my American associates, and I am willing, if there is any question of that I am perfectly willing to verify that, but I do not want to make it public, but I do not want anything left that there might be some question of suspicion attached to it.

Q. You would like to clean the whole thing up?—A. I think that this is a matter that we want to develop the facts; I presume that this Commission wants to develop

[Benjamin F. Yoakum.]

the facts; now, so far as I can be helpful in developing the facts so far as I know them I am willing to do it, but I am unwilling to display or give the other interests that have no interest in the questions of Canada that has brought around this investigation; am I clear.

Mr. HELLMUTH: Quite.

Mr. JOHNSTON: Any of your gentlemen associates, residents of Canada?—A. Not a single one of them; in no way do I know that they are connected here in any business.

Mr. HELLMUTH: In your \$25,000 worth of stock has Col. Allison any interest in that?—A. No, sir, I want to just make a little explanation. I did not get all of that stock myself. In a matter of this kind the people who were willing to travel with me in a matter that they were somewhat probably following my judgment, are entitled to their pro rata of this stock, if there had been, and if it turns out to be profitable I want them to share just where I share.

Q. Those are the same people who are interested in your half?—A. If Col. Allison had wanted to take stock he would have been entitled to it through courtesy.

Q. But he did not take any?—A. No.

Q. And the people that are interested in your half of the commission are the same people or associates who are interested in your \$25,000 of stock?—A. They are the same people; I am not making anything more than the other fellows make out of the little deal.

Q. And Col. Allison has no interest in that stock and no interest in your half of the commission?—A. Absolutely not, not in any form whatever.

Mr. Hellmuth and Mr. Johnston were consulting with the Commissioners as to adjourning, Mr. Yoakum, interrupting, said:—

WITNESS: May I interrupt; you do not sit on Saturday, do you?

Mr. HELLMUTH: No.

WITNESS: I have been here about seven days, and I have an appointment in New York on Monday morning, and I cannot very well be here.

Mr. HELLMUTH: Can you be back on Tuesday?—A. I don't know whether I can be back on Tuesday or not, but I would like to fix it for your convenience, at the same time I would like my convenience considered a little because I have postponed some matters that to me are rather important and the parties had left for the West, and I telegraphed them Thursday to return to New York Monday, and I must keep that appointment. With a reasonable amount of business, I must be there on Monday, and I may have to stay Tuesday; I want you to understand where I stand, and I do not suppose you can get through with this the way it is going.

Mr. HELLMUTH: I cannot get through this evening?—A. I would like you to go as far as you could.

Q. We are not going on for more than a quarter of an hour now?—A. Very well.

Mr. HELLMUTH: I think the witness is entitled to some consideration.

Sir WILLIAM MEREDITH: Certainly.

Mr. HELLMUTH: And I can very easily arrange to go on with other witnesses?

Sir WILLIAM MEREDITH: Is Mr. Bassick here?

Mr. HELLMUTH: No. I have to call Mr. Riddell and Colonel Lafferty—

Sir WILLIAM MEREDITH: You had better tell that to Mr. Johnston after we adjourn. Will you ask him as to the ten or fifteen thousand dollars paid for legal expenses, whether that was paid in regular fees?

Mr. HELLMUTH: Well, just one question more I want to ask before adjournment. You have said, Mr. Yoakum, that so far as expenses were concerned there were five thousand or ten thousand dollars of expenses. Now, you have asked to clear up everything, and I want to clear up everything. Was there in those expenses anything outside of your legitimate legal expenses, or was there anything paid to any one here in Canada by way of some bonus or commission?—A. Not a single dollar. I want to be so eminently fair that I will give you those expenses if you want them, although they are personal and legal and don't amount to so much, but rather than have any feeling that there is anything to a postage stamp being hid in this I will display the whole thing to the court. I don't think a man can be fairer than that.

Q. If you would undertake, subject to strikes, acts of God and other things—
A. And some other things.

Q. To turn up here on Wednesday morning.

Sir WILLIAM MEREDITH: Tuesday, if possible.

WITNESS: I am going to do whatever you say, but if you could make it Wednesday it would be much more convenient.

Sir WILLIAM MEREDITH: Tuesday, if convenient to you.

WITNESS: I am sure it won't be.

Sir WILLIAM MEREDITH: Well, Wednesday morning.

Mr. HELLMUTH: All right, Wednesday morning next. You might bring those certified copies. I am not going to put them in if I can satisfy the Commission and my learned friend, Mr. Johnston, about your expenses.

Mr. JOHNSTON: I do not want the details, if he says there are \$5,000 expenses that is very cheap.

WITNESS: You will be satisfied I think.

Mr. JOHNSTON: I will be satisfied, Mr. Yoakum, if you say that the expenses are limited to \$5,000, I do not want to see the bills.

WITNESS: They might even go to \$6,000. I would rather you saw them now it is brought up.

Is the Court going to ask about the Edward Valve Company?

Sir WILLIAM MEREDITH: Not to-night.

WITNESS: I would like to get rid of the Edward Valve and two or three other things.

Mr. HELLMUTH: I am sorry we cannot. Would you mind sending me a telegram on Monday night, you know where you can get me here, to say whether you can be here on Tuesday morning, because if by any chance you can get here by Tuesday morning I will be able to arrange to continue your examination instead of taking up some other witness.

WITNESS: I will keep in close touch with you.

(At 5 p.m. Friday, May 12, adjourned to 2.30 p.m. Monday, May 15, 1916.)



ROYAL COMMISSION.

FIFTEENTH DAY.

OTTAWA, Monday, May 15, 1916, 2.30 p.m.

Sir WILLIAM MEREDITH: Well, Mr. Hellmuth.

Mr. HELLMUTH: I call General Benson.

THOMAS BENSON, sworn and examined.

By Mr. Hellmuth:

Q. General Benson, I find in the Minute Book of the Shell Committee, under date of September 8th, 1914:—

“That a meeting was held at the office of the Dominion Arsenal, Quebec, September 8th, 1914. Present: Colonel Honourable Sam Hughes, Colonel Benson, Lt.-Colonel Harston, Lt.-Colonel Lafferty, Colonel A. Bertram, Mr. Thomas Cantley, Mr. George W. Watts, and Mr. E. Carnegie.”

Do you remember being present at that meeting?—A. Yes, sir.

Q. Now, will you tell me how you first came to be associated with the Shell Committee or a member of it? Do you remember the circumstances at all?—A. Well, I was Master General of Ordnance at the time, and I think naturally I was made a member of that Committee in order that I might be conversant with what was going on, and also to give what help I could.

Q. And was it through General Sir Sam Hughes that you became a member, do you remember?—A. Yes.

Q. I may tell you that we can find nothing in the nature of a formal appointment, but merely a memorandum, and your name was not on the original memorandum. The original memorandum contained the names of Colonel Lafferty, General Bertram, Mr. Cantley and Mr. Watts, and the very next day Mr. Carnegie was added, and then almost immediately after that, it must have been only a day or two later, come the names of yourself and Colonel Harston. Do you remember that Colonel Lafferty was present at that meeting?—A. I think I do, yes.

Q. And also Colonel Harston?—A. I think so, yes.

Q. So that practically on the 8th of September, no matter how appointed, there was a Committee, which subsequently at all events, if not then, was known as the Shell Committee. You remember that?—A. Yes.

Q. And the purpose of that Committee, if I may suggest it to you, was to have shells manufactured in Canada. That is why it was called the Shell Committee?—A. Yes, that was the idea.

Q. Who had spoken to you about that?—A. Well, I think that General Hughes himself had spoken about it.

Q. Did you at that time have any knowledge, or even opinion, as to the capacity or position of the Committee, whether as trustees, agents, contractors, or what?—A. Well, as far as I can recollect, my only idea was that ammunition was badly required for the British Government, and that we gentlemen were gathered together to produce ammunition for the British Government.

Q. Then I suppose it would be fair to say that at that time you had not even considered what the exact position or what the legal position at all was of the Committee?—A. No, I fancy not.

Q. I am not going to take you at the moment through the various meetings, but I find that you wrote a letter on the 21st of September, 1914. I find it in the Minutes of the Shell Committee of that date. It is from the Master General of Ordnance—that is yourself?—A. Yes, sir.

Q. Canadian Militia, to Colonel A. Bertram, Drummond Building, Montreal:—

“SIR,—I have the honour to inform you that the War Office has cabled that they accept the conditions for the manufacture of 18 pounder and 15 pounder shrapnel shells; that is, 100,000 of each, delivery at Montreal. 18 pounder, 20,000 by the first of November, 30,000 monthly thereafter. 15 pounder, 20,000 by the 1st of December, 30,000 monthly thereafter. Subject to the usual inspection in Canada as agreed upon.

“The War Office trust that delivery be made punctually.

“A formal agreement should be drawn up by the Committee and signed by the Honourable the Minister and companies tendering as soon as possible.

“I have the honour to be, your obedient servant,

“T BENSON, Colonel.

Master-General of Ordnance.”

Q. Do you remember writing that letter at that time?—A. I suppose I did. I do not just remember the letter, but of course I presume since it is signed by me I wrote it.

Q. Can you tell me what you meant by saying that “A formal agreement should be drawn up by the Committee and signed by the Honourable the Minister and companies tendering as soon as possible.” What was in your mind at that time, if you can carry it back?—A. I am not sure whether there was anything from the War Office on the subject or who I spoke with beforehand. I probably did consult the Minister himself or somebody, but I cannot remember that. It may have been written purely on my own ideas on the subject, knowing that there should be something in writing, and therefore I probably wrote that in order that there might be something definitely settled in writing.

Q. But this is not a contract. You say, “A formal agreement should be drawn up by the Committee and signed by the Honourable the Minister and companies tendering.” That would seem to imply—I just want to see if this was in your mind—that the persons or companies who were tendering for—might I say?—the component parts of these shells should enter into a contract or agreement with the Minister in regard to the matter. Was that your idea?—A. Well, I cannot just remember, of course, what did pass through my mind at the time, but I fancy I naturally thought that some agreement should be made in writing, and in order that that might be started as soon as possible I probably put that in my letter.

Q. But an agreement between whom? You say an agreement by, apparently it should read, between the Minister and the companies tendering. The Minister would be General Sir Sam Hughes?—A. Yes.

Q. He would be the only Minister you would refer to?—A. Yes.

Q. “The companies tendering,” were not these four manufacturing members of the Committee, they were companies tendering for supplies?—A. Yes, because when we first started to get this ammunition manufactured no company would take

[Thomas Benson.]

on themselves to manufacture the whole of the ammunition, and therefore separate contracts had to be given for the different component parts.

Q. Then do I——?—A. It is probably my want of legal——

Q. I do not think it was at all, General

Mr. CARVELL: It was just the General's common business sense I should say.

Mr. HELLMUTH: Exactly. I think it was a very sound business point of view.

Mr. CARVELL: Certainly.

Mr. HELLMUTH: If the John Smith Company was tendering for certain component parts of the shell you wanted that John Smith Company to have an agreement with the General in regard to those component parts; was not that your idea?—A. That probably was my idea at the time. Of course, there was a great strain on everybody at the time to get things started, and I really cannot recall what my own special ideas were on the subject. It was to get something anyway in writing.

Q. But between whom?—A. Between whoever was making the different shells or parts of them in order that there should be special contracts made.

Q. Between him and the Minister. Then you say "Signed by the Minister and the company." That is what I would take it to be, that is, that there should be a document signed on the one hand by the Minister and on the other by these companies in regard to the component parts that were furnished—I do not say that it was done, but that was your idea at the time?—A. It was I fancy from the wording of the letter I wrote.

Sir WILLIAM MEREDITH: The whole or the component parts, as the case might be?

Mr. HELLMUTH: Yes.

Hon. Mr. DUFF: That is what you infer from the letter as you read it now, I understood you to say just this moment in answer to Mr. Hellmuth?—A. It is as far as I can remember.

Mr. HELLMUTH: What I want to get at General, is this. You were not suggesting at that time, and I understand the suggestion did not come from the General, that there should be a contract between the War Office and these four manufacturing members of the Committee, that was not your idea—A. No.

Q. That was not your suggestion. I mean it was not intended by you. Then when did you first hear of contracts, the contract for instance, of the first of October and the contract of the 20th of October by which the four manufacturing members of the Shell Committee entered into a legal contract, not with the Minister as Minister, but with the Minister as the representative of the Secretary of War, obligating themselves to deliver the completed shell, that is the empty shell, at a certain price? When did you first hear of that, or can you tell me?—A. Oh, I cannot remember the exact date.

Q. Did you learn that such a thing had been done?—A. I certainly knew afterwards because there was a legal contract drawn up.

Q. Had you anything to do with the drawing up of that?—A. No, not directly. I think it was drawn up by the Judge Advocate General. I may have known of it at the time.

Q. And was it not as a fact that the companies tendering for component parts entered themselves into contracts with the manufacturing members of the Shell Committee?—A. You mean the merchants that were making the different component parts?

Q. Yes.—A. I do not remember actually seeing the contracts, but I presume there were contracts with each one.

Mr. CARVELL: Mr. Hellmuth, I do not think the witness has really understood your question.

Mr. HELLMUTH: What I mean is this. The four manufacturing members you knew had subsequently, about the 1st of October and again on the 20th, entered into contracts drawn by the Judge Advocate General by which they bound themselves to supply these 15 and 18 pounder shrapnel shells to the Secretary of State for War, acting through or by his representative, General Sir Sam Hughes, the Minister of Militia?—A. They did, I believe.

Q. You knew of it afterwards?—A. Yes, of course.

Q. Did you know how the companies or individuals tendering for component parts of those shells were bound, and to whom they were bound?—A. No, I really had nothing to do with the business part of it.

Q. That is right. I will get that from somebody else. I just wanted to know what the facts were. Then can you tell me at all when you first heard of the possibility of getting the 5,000,000 shell order for complete ammunition?—A. I cannot remember the exact date at all.

Q. But you do remember hearing of that, I have no doubt?—A. Oh, yes.

Q. Then was it about the time you heard of that that there was any talk of the necessity in the supply of that complete ammunition to have fuses?—A. Well, it would not be complete without fuses.

Q. I know. But was there discussion about that at all, or do you remember?—A. Well, I cannot recollect exactly what took place. There were many discussions on the subject of the manufacture of this ammunition.

Q. There were?—A. It was a rather difficult proposition at the time and we talked a great deal about it.

Q. Where were the shells themselves apart from the fuses to be manufactured, in what country?—A. Here in Canada.

Q. Well, can you tell me why, if at all, the fuses were not to be manufactured in Canada?—A. Well, as I say, I had not very much to do with the business part of it, but my recollection is this, that inquiries were made all through Canada of any people who had offered in any way to make fuses what their ability to manufacture was, that was inquired into, and I do not think at that time it was considered that there was any person in Canada in a position to manufacture fuses properly.

Q. You are giving a summation of what you think was the result of the conversation? Is that it?—A. Yes, that is about it.

Q. Do you remember a meeting—I will just bring you to it—of the Shell Committee held at Montreal on May 12, 1915, at which you and a number of other gentlemen were present. This is recorded, "The Chairman reported state of negotiations regard fuse contract matter still under consideration." I don't know whether you remember that meeting or not, by the date?—A. I don't remember it.

Q. Well, do you remember any meeting at which the Chairman, who was General Bertram, reported that the fuse contract matter was still under consideration?—A. I must have heard it if the Minutes say I was there. I must have heard the report, whatever it was.

Q. Was it a fact within your knowledge that General Bertram and Colonel Carnegie were—I won't say a committee—but were the parties who were specially requested to investigate and ascertain the possibilities of having these fuses contracted for; do you know that?—A. Yes. Colonel Carnegie of course was then the adviser of the Committee in all such matters, and General Bertram was of course present and always conferred with him, and such matters were reported at the next Committee meeting.

Q. But I am asking you, do you remember as a matter of recollection that the fuse question, the looking into that was left in their hands to report about?—A. Yes.

Q. On June 4th, you were present, and in the Minutes of that meeting it is said, "The Chairman reported progress regarding negotiations for the manufacture of fuse." I do not think you have been present, General Benson, but it has developed beyond I think any possibility of doubt that by June 4th, the representative of the

[Col. Frank D. Lafferty.]

International Arms and Fuse Company, that is to say, Dr. Harris, had received a letter dated May 25th, not giving him a firm contract but offering him the manufacture of 2,500,000 time fuses at a minimum price or at a not less price than has been interpreted as \$4.25, and that the American Ammunition Company, through its representative, Mr. Bassick at that time, had received a similar quantity by letter at the same price. Do you remember at the meeting of June 4th, anything being discussed about those two companies and the letters that had been given to them at that minimum price?—A. I cannot recall any discussion on the subject at that time. I have no doubt there was.

Q. But you cannot recall any—A. No.

Q. The next meeting is a meeting of June 19th, when it is stated that you were present, and that Lieutenant-General Pease is stated to have also been present, Do you remember whether Lt.-General Pease was present at a meeting when the contracts were signed on the 19th of June?—A. I think he was. I cannot recall quite for a certainty, but I think he was.

Q. You cannot recall any conversation you had with him—A. No. I talked to General Pease quite frequently.

Q. You talked to General Pease quite frequently on the subject of fuses?—A. That, and many other subjects.

Q. But I particularly want your recollection in regard to fuses. Can you remember whether you talked with him on the subject of fuses?—A. I could not say for certain. I suppose I did.

Q. I am afraid we cannot take suppositions, if you cannot tell us definitely?—A. I cannot recall specially any conversation with him.

Q. Can you recall whether or not at that meeting there was any discussion in regard to the contracts; can you recall that the contracts were read at that meeting that is, the contract with the International Arms and Fuse Company and the contract with the American Ammunition Company? I am asking you as a matter of recollection, can you recall any meeting at which before the members present the contracts with those two companies were read?—A. I cannot just recall exactly in my own mind. I have no doubt they were read, but I cannot just recall the reading of those contracts.

Q. I do not want you to reason that they must have been read, or anything like that. I can quite understand that there was a lot of other business done, and that you may not have a recollection of it. I want to know if you have fixed in your memory anything at all in regard to the making of those fuse contracts and a discussion of them at which General Pease was present, in your own mind?—A. No.

Sir WILLIAM MEREDITH: Does he remember being present when the contracts were signed? If he does not, that is the end of it.

Mr. HELLMUTH: Do you remember being present when the contracts were signed?—A. I cannot recall the matter definitely.

Q. Then I am afraid you cannot throw very much light on it. Can you recall anything at all at that time in reference to a meeting held on July 3rd, or July 17th, when a proposal of Messrs. Harris and Russell for the manufacture of 500,000 No. 100 fuses was read?—A. I was not much concerned in a way with the business part of those meetings. I was there more really on the question of seeing that the ammunition was up to standard. Of course the inspection branch came under me at Headquarters, and I did not really bother my head much about the contracts or the details in connection with them.

Q. You left that with the business members of the Committee?—A. Absolutely.

Q. Or the other members, I should perhaps say—the other members of the Shell Committee?—A. Yes.

Q. May I put it this way, that you also cannot speak from recollection, although no doubt it may have occurred, of the meeting of July 17th when the Russell contract

was discussed and at which General Pease was present; is that right?—A. I cannot tell you the details. I know it was discussed in meetings on several occasions.

Q. You told me that fuses were discussed, but you cannot give me anything definite about it?—A. I cannot give you anything definite about it.

Q. About either, would that be fair to say?—A. About either of them.

Q. If you cannot do that, perhaps you cannot tell me whether General Pease had anything to say in the July 17th meeting about the prices of the other fuses, or whether they had come down or dropped, or anything like that?—A. No, I could not.

Q. It would be fair to say then, I take it, that you paid little or no attention to the letting of those contracts, the actual letting of them, General Benson?—A. Yes, that is so. I did not consider that I was really concerned in that part of it.

Q. All you were concerned with was in seeing that whatever ammunition of whatever nature it was that came in was up to standard?—A. Yes, sir. That is the way I looked upon it.

Q. And you found your mind and energies were sufficiently taxed in attending to that?—A. Of course I had my own affairs to attend to in my own office. As far as the Shell Committee was concerned, it was really a side show with me, as far as the business part of it was concerned.

Q. You really were the Ordnance—I won't say adviser—what is your title?

Hon. Mr. DUFF: Master General of Ordnance for Canada.

Mr. HELLMUTH: And that was the business that exercised you, and not this?—A. Yes.

Q. Is that right?—A. Yes, sir.

Q. Then I suppose it would be quite (I do not say it at all offensively) useless to ask you to give any account of what was done with these contracts later, or what was done in regard to representations with respect to deliveries?—A. I cannot recall the particulars about them.

Q. You had nothing to do, as you have said, practically with the letting of these contracts?—A. No.

Q. Did any one ever approach you in regard to it?—A. No.

By Mr. Carvell:

Q. General Benson, I take it from that that you did not consider it your business to inquire about the prices at which these different articles were obtained?—A. Well, I did not consider it my business to any great extent, because I had perfect confidence in both General Bertram and Colonel Carnegie, and was willing to take their opinion on anything of that sort.

Q. Do not think for a moment that I am trying to find fault with you; but as a matter of fact you left that part of it to the men whose business you considered it to be?—A. Exactly.

Q. You looked upon it as your business, after a contract was let, to inspect and see that the goods turned out were of the proper quality and would pass inspection and be suitable for the purpose for which they were bought?—A. Yes.

Q. And you attended to that?—A. Yes.

Q. And you devoted your energies along that line?—A. Yes.

Q. And as far as we have gone we have not found any evidence that you did not attend to it. I do not want to pursue that any further. Do you remember anything about a conversation, if such there were, or the correspondence or incidents which led up to your being appointed a member of the Shell Committee?—A. I don't think there was any correspondence about it, as far as I can remember.

Q. Were there conversations?—A. I don't remember even conversations. I was placed upon the Committee by the Minister as I was Master General of Ordnance and was interested in the production of ammunition.

Q. Do you remember exactly what the Minister said to you?—A. I do not, any

[Thomas Benson.]

more than that he said the Military Members were to help in any way possible in the production of that ammunition for the British Government.

Q. Then your impression is that you were put on there because of your official position?—A. Yes, sir.

Q. Was there ever any conversation or discussion by the members of the Committee as a whole as to the relations which they were to bear to the British Government or to the different contracting firms in Canada who supplied the goods?—A. Well, if I remember rightly, the Committee were rather at sea for a time, as to where they actually did stand.

Q. I quite understand that. Well, what happened then, in order to bring them to land, because certainly four of them got on dry land?—A. I don't know that I can exactly tell you.

Q. But surely you can give us some little light upon this question, General? You see it turning out now beyond a shadow of doubt that four members of this Committee of seven or eight, of which you were one, eventually became actual contractors with the British Government, with General Hughes as the representative of that Government. I think you must admit that at the present time. What happened, what led to the choosing of those four gentlemen out of a body of seven or eight gentlemen, to occupy that particular position?—A. I presume because they were manufacturers themselves.

Q. That is your presumption. But do you remember anything that was said or done that led to that condition of affairs? If you do not remember it, of course you cannot give any evidence about it?—A. I don't remember any of the details about that at all.

Q. I don't know that I want opinions. I just want the fact, if you know anything that was said or done. Do you remember of any discussion about the time these four gentlemen assumed that position as to what would happen to any profits or losses that might be made by the transactions?—A. I don't know that there was any discussion about it, but in my mind I always considered that that money was the money of the British Government, and that so far as the Committee were concerned they were not going to either make or lose anything on it.

Q. You considered the Committee then occupied really the position of trustees?—A. I suppose that might be said to be correct.

Q. That would be the logical conclusion from what you have stated?—A. Yes.

Q. One more question. Would you have been a member of that Committee or of any other Committee that occupied any position to the Empire except as trustees?—A. I would not, no.

Q. I quite agree with that. Then you did know about the fact of a written contract having been signed later on between General Hughes and the four gentlemen who became the contracting members of the Committee?—A. Yes. There was a contract.

Q. Did you ever read it over, I mean prior to these discussions here?—A. Yes, I read it over, without a doubt.

Q. You read it over?—A. Yes.

Q. Did it ever occur to you that those four men occupied in law a position different to that of trustee?—A. Yes, it did occur to me.

Q. That legally they occupied a different position?—A. Yes.

Q. What then did occur to you as being their legal rights under the document?—A. Well, as I understand the contract, made out and worded as it was, it would be I would consider a regular contract with the British Government, and that they were responsible for any losses and—

Q. And entitled—go on—to profits if there were any weren't they?—A. Under that contract I should think they would have been.

Q. Having got that very frank and honourable answer, I ask you this: Did you ever discuss this phase of the situation with the other colleagues of the Commission than the four contracting members?—A. No, I don't think I did.

Q. Did any of the other gentlemen on the Commission other than the four contracting members ever mention to you?—A. I cannot just recall their ever doing so.

Q. Did you ever discuss the matter with General Hughes?—A. I don't think I did.

Q. You think you never pointed out to General Hughes the somewhat peculiar position, or the anomalous position which had occurred to your mind?—A. I don't think I did. Colonel Hughes knew of the contract himself.

Q. We know that, because he signed it; but did you ever discuss the matter with Colonel Hughes?—A. I don't think I did.

Q. You never pointed out to him that as you considered it these gentlemen were entitled to profits and that you believed they should occupy the position of trustees or agents of the British Government?—A. I don't think I did. I looked upon it at that time, as far as I can recall—in fact, my idea, at all events at that time, was to get ammunition somewhere.

Q. I accept that, and I do not think there is a person present who does not accept it in its fullest entirety. But I am discussing now what you did or said to the General or to any of your colleagues as to the real position which had occurred to your mind as a result of the signing of that contract?—A. I know that at the time the four manufacturers who signed that contract were feeling a little doubtful about it themselves, because they might have let themselves in for a serious loss if the British Government had chosen to take that as a regular contract. It might have been a serious thing for them.

Q. Did you ever say that to General Hughes or to any other member of the Commission?—A. I fancy I talked about it with General Bertram and probably others.

Q. General Bertram says that very early, earlier than the last of November (I think I am referring now to the evidence correctly) he had come to the conclusion that there were going to be profits on that first contract, some time very early anyway it dawned upon his mind that there was going to be profits, and that as far as he could figure it, there was going to be about \$52,000 of profits upon that first contract with those gentlemen, and to the mind of General Bertram. Did you ever have any discussion with him about distributing the profits or losses?—A. No, I did not.

Q. All the conversation you had I take it would be early in the course of the transaction?—A. I just cannot recall. I know we had a lot of conversation at odd times about these matters, but to tell the truth I did not concern myself a great deal with the business end of it. I concluded that they knew their own business best.

Q. Well, General, did you discuss this phase of the situation with any other of the contracting members other than General Bertram?—A. I don't remember any distinct conversation, but I haven't the slightest doubt that I did speak to them about it, but I cannot recall any definite conversation.

Q. Did you ever tell them or did they tell you that they were contractors pure and simple and entitled to profits and subject to losses?—A. I cannot recall that at all.

Q. Will you tell me all you know leading up to the signing or the preparation of the first contract, because I gather from what you told my learned friend that you knew something about it before it was signed, the contract of the 1st of October—I presume it was signed somewhere about the 1st of October; it was dated the 1st of October, and is the contract for the first 200,000 shells, 100,000 of them to be 18-pounders, and 100,000 to be 15-pounders?—A. I cannot remember whether I read it before or after it was signed, but I certainly did read the contract at some time.

Q. And at about the time of its execution, did you?—A. Probably about that time.

Q. Did you have anything to do with its preparation; I do not mean to say the actual wording of it, because you say the contract was actually created by the Judge Advocate General; did you have any discussion with that gentleman as to the preparation of that contract?—A. I don't think I did. I would not be positive about it. I may have talked to General Smith about it; but I really cannot remember actually whether I did or not.

[Thomas Benson.]

Q. Your idea would be what knowledge you gained would be after the document was prepared and possibly before it was executed?—A. Presumably, yes.

Q. Did you have any personal knowledge of the preparation of another document not very long afterwards, I think it is dated 20th October, that would be a contract between General Hughes and the four contracting members of the Committee for shell boxes and I think some cartridge cases, it is a contract in practically similar terms to the one of the 1st October—do you happen to remember if you had any conversation with any of these gentlemen about that contract?—A. Oh, I cannot recall the conversation; I have not the slightest doubt that I had though.

Do you recall having had any conversation with any of those gentlemen around the 1st day of July, 1915, as to the preparation or execution of a third contract between the General and the same four gentlemen covering all the munitions which had been contracted for from the first 200,000 shells down to 1st day of July?—A. I do not remember it.

Q. It is a contract to which was attached the schedule, and the schedule figures up at somewhere around a hundred and fifty million dollars, do you remember anything about that?—A. I do not recall it definitely; I know there were a number of contracts that went through, but I cannot remember definitely when it was.

Q. When these several contracts were executed, we have all three, there is one dated 1st day of October, one the 20th October, and one 1st day of July, and possibly they may not have been signed exactly on the day of their date, but probably in the vicinity of that; were these different contracts brought up before the full Board and thoroughly discussed, so that every member of the Board present knew exactly what was going on?—A. I cannot recall that they were.

Q. Do you know whether the minutes of the Board make any reference to the signing of these three, or any one of these three contracts?—A. Very likely they do; if the matter was brought up in the Committee it was probably put in the minutes.

Q. I want to know was it brought up in the Committee?—A. I do not remember it, but it will be there in the minutes if it was.

Mr. CARVELL: Can you tell me, Mr. Hellmuth?

Mr. HELLMUTH: I don't think so at all; I will look and see.

Mr. CARVELL: I have not had an opportunity of going over these minutes and therefore I am somewhat in the dark as to their contents.

Mr. HELLMUTH: I do not think so; the only thing in the minutes that I can find at all, I am speaking subject to correction, is in a meeting held on September 23rd. There is this:—

“ War Office authorization:

“ The Chairman submitted letter received from the Master General of the Ordnance dated September 21, 1914, advising that the War Office had cabled acceptance of the conditions, cabled for the manufacture of 18- and 15-pr. shrapnel shells (see page 9 for copy of said letter).” There does not seem to be anything at all that I can find throughout these minutes about any contract.

Mr. CARVELL: That is a very satisfactory statement. Then I take it, it seems to be a natural conclusion that as there is nothing in the minutes regarding the execution of these contracts, nothing took place before the Committee?—A. Very likely not, I could not say.

Q. Then have you any recollection of the execution of these contracts or any one of them ever having been referred to in your Committee meetings?—A. I cannot recall definitely that they were, but I presume that they really must have been, but if they were, the minutes would show any discussion that took place.

Q. Mr. Hellmuth tells me that there is no reference in the minutes to the execution of any one of these three contracts?—A. Possibly that may be correct, I would not like to say whether they were brought up before the Committee meeting or not, because I really cannot recall it.

Q. Don't you think it rather looks as though they were not brought up before the Committee meeting?—A. I do not see why they should not have been, and I could not say whether they were or not.

Q. I will take Mr. Hellmuth's word for it, I know Mr. Hellmuth is telling us exactly what is not found in the book, and you can rely upon that?—A. If they are not in the minutes probably they were not brought before the Committee.

Q. That would seem to be the natural conclusion—

Mr. HELLMUTH: I find again on January 29, 1915, there is a Shell Committee report, and I am only going to read that which at all bears on this:

"On November 13 the Shell Committee received an inquiry from the War Office through the Honourable Minister of Militia and Defence regarding the manufacture of fixed ammunition."

"On November 23rd the Committee replied to the effect that they could undertake the manufacture of 200,000 rounds of fixed ammunition including propellents, but without fuse, and packed in ammunition cases by June 1, 1915. Also 400,000 15- or 18-pr. shrapnel shells packed in ammunition boxes. This offer was formally accepted by the War Office on December 10th."

You see there is nothing said about contracts. Then there is a statement of a number of 18-pr. shells empty being shipped to date, all of which passed Government inspection and proof. I will go on, and if I can find you anything I will give it to you.

Mr. CARVELL: Now, then we have arrived at the very probable conclusion that the execution of these contracts was never brought up and discussed publicly at the meetings. General, I want you to give me your very best recollection on another point, that is, was the question of the disposition of profits out of these contracts ever discussed at a meeting of the Committee?—A. No.

Q. You are sure of that?—A. Positive.

Q. There is no doubt whatever about that at all. Now, were you ever told prior to the time when D. A. Thomas came here in the month of July last, what were the supposed amount of profits in the conduct of this business when taken in comparison with the prices authorized by the War Office?—A. I knew that there were profits, because every endeavour had been made to cheapen the production of this ammunition; I know that General Bertram and Colonel Carnegie and all the business part of the Committee were doing their best to keep down the expenses.

Q. You mean you thought that?—A. I am positive that they were, to keep down every possible expense.

Q. That raises a pretty big question, you say you know that these two gentlemen were trying to keep down expense; did you know that these gentlemen were letting enormous contracts to companies in which they were interested personally?—A. I knew that certain of the gentlemen on the Committees the business that they were concerned in were also making different component parts.

Q. You knew that?—A. Yes.

Q. Did you know that this business was running into the millions?—A. I knew that it was running into large sums.

Q. Did you know the prices at which these gentlemen were supplying the 18-pr. shrapnel shells?—A. It was all there, I suppose I knew the prices.

Q. Did you know them?—A. I knew it; yes, I knew the prices, because everything was recorded there in the Committee books.

Q. You knew the prices which these gentlemen or which the company represented by these gentlemen were obtaining for these goods?—A. I cannot say that I knew it, because I never went into the exact prices that these people were getting.

Q. You say you know that General Bertram and Colonel Carnegie reduced the prices to the lowest possible point, I am asking how do you know that; do you tell me you did not look at the prices—

Sir WILLIAM MEREDITH: He did not say they were reducing, were endeavouring to reduce.

[Thomas Benson.]

Hon. Mr. DUFF: Exactly what he said was they were trying to save expense in every possible way.

Mr. CARVELL: They were reducing cost and in that way saving expenses.—A. They were reducing the cost of the ammunition to the British Government to the best of their endeavours.

Q. Do you know the price which their companies themselves were getting for this very ammunition?—A. I must have known them, because they were all in the Committee books; I could see them anyway.

Q. Let us take a concrete case, the case of Colonel Cantley; did you know that the Nova Scotia Steel Company, on the 15th May, 1915, received a contract for shells, for blanks and forgings, running around about \$300,000 at an average price of \$4.25—

Mr. HELLMUTH: Just a minute; I do not think we can go into Colonel Cantley's contract. We are getting spread upon the record here without any opportunity of any explanation the contracts that were made for shells with the Nova Scotia Steel; I do not think that comes within the purview. I do not want to block anything—I need not say that—

Hon. Mr. DUFF: What Mr. Carvell is asking is the extent to which General Benson, as one of the members of the Committee, followed the operations of these four manufacturing gentlemen with regard to prices.

Mr. CARVELL: The efforts which they made to reduce prices.

Hon. Mr. DUFF: And he is putting, as I understand it, a single instance as a test.

Mr. HELLMUTH: He might put twenty, and therefore he might put every contract.

Hon. Mr. DUFF: I do not think that follows at all.

Sir WILLIAM MEREDITH: Would not the fairer way be to put it, did he know the prices at which any of the contracting members of the Shell Committee had taken contracts.

Mr. HELLMUTH: That is very different.

Sir WILLIAM MEREDITH: Of course this is getting spread upon the record something that will be taken as a statement of a fact.

Mr. CARVELL: I may as well state my position now as at any other time; I am not going to press the point at this stage if the Commissioners rule against me; I am going to make the contention that under the ruling given by Honourable Chief Justice Meredith, which will be found at page 375, on the examination of General Bertram—a discussion had arisen between Mr. Johnston and Sir William Meredith about the manner in which the witness was being cross-examined; and here is practically what took place:—

“Sir WILLIAM MEREDITH: If you will ask your questions and they are contrary to the ruling we will deal with them.”

“Mr. JOHNSTON: Perhaps I can put it in the form of questions, that will explain what the ruling is and what my position is, that I should inquire and do inquire from this witness as to the persons to whom subcontracts were let, and the prices under the contract of the 1st October, 1914—”

“Sir WILLIAM MEREDITH: That is excluded except to these four contracts that were—”

“Mr. JOHNSTON: I am speaking now about 1st October, 1914—

“Sir WILLIAM MEREDITH: As I understand what you have said, if there is a full price \$16.50, part of it only the fuse, the ruling would not prevent you going into an inquiry as to the rest of the \$16.50, whatever it is.”

I take it under that ruling that all I have got to do is to bring these three or four hundred thousand forgings and blanks as part of the five million order, and I have a right to go into the thing to the very bottom, I have not done that at the

present time, and therefore I am not going to press this against the objection of any learned counsel present, because, as I said before, I have not yet laid the foundation of proving that these specific articles I am referring to are a part of the five million order. That will come in due course; and I think I might as well take this opportunity of giving notice to my friend of what my intention is going to be, and in due time the matter will have to come up and be decided.

Q. Now, General, have you any knowledge yourself as to the prices which are charged by any of the contracting firms for any of these different munitions?—A. No, I did not concern myself to any extent with the prices at all.

Q. Then when you say that you know that these four gentlemen were endeavouring to reduce the price you were only giving your impression gathered from ordinary conversations without any actual knowledge about it?—A. If I remember rightly from time to time I heard that the prices had been reduced here and there, but I cannot remember what prices they were.

Q. And it is from that casual information you make the statement that you know they were endeavouring to reduce the prices?—A. Yes.

Q. That I think is a very fair answer, General, I think you also stated you learned at some time during the stage of this transaction that there would be profits, did you have any knowledge as to what would be the ultimate destination of those profits?—A. I had no particular knowledge, except I knew that that money belonged to the Imperial Government.

Q. That was your impression?—A. It was the impression of all of us.

Q. Who told you that?—A. I do not know, I cannot recall any person who said so but it was thoroughly understood.

Q. Did any one of these four contracting gentlemen tell you so?—A. I do not know that they actually told me definitely that that was so, but it was the general feeling in the Committee that any profits that there might be belonged to the British Government.

Q. General, don't you mean now in the first place to say that that was your feeling, and your honest feeling, that any profits ought to go to the British Government?—A. I certainly thought so.

Q. I think so too. Don't you think you may have gotten that from certain of your colleagues?—A. Possibly, yes.

Q. Do you think you got it from all of our colleagues?—A. My impression was this, that I must have got it from the whole lot of them, that if there were any profits, that they certainly belonged to the British Government. There was no idea of the Committee making anything out of it anyway.

Q. That is fair as far as it goes. Do you think you got that impression from all of your colleagues?—A. Yes, I am convinced I got it from the whole lot of them; I do not think there was one that did not think the same thing.

Q. Was this discussed by you and every one of your colleagues?—A. I do not know that it was actually discussed, but those gentlemen went in there with a view of making ammunition for the British Government, and never expected to get one cent of profit out of it; that was understood from the first.

Q. Don't you think you are drawing conclusions rather than stating facts?—A. I don't know whether it is drawing conclusions or not, but I am convinced that is the case.

Q. There is no doubt at all that that was your opinion?—Absolutely.

Q. I don't think there is. Did you ever hear that General Bertram at one time wanted to turn this surplus, whatever it might be, over to the Patriotic Fund?—A. I do not just remember hearing about that; I have no doubt it might be so.

Q. That has been so sworn to by General Bertram?—A. It is probably the case, of course—

Q. At that time had the members of the Committee decided that this surplus, whatever it might be, should go to the War Office—that was some time in January, 1915?

[Thomas Benson.]

Mr. HELLMUTH: That was the earlier one, about the beginning of November.

Mr. CARVELL: I beg your pardon, if you will refer to it, some time in January he said he spoke to General Hughes and told him about the profits.

Mr. HENDERSON: Nothing about Patriotic Fund.

Mr. CARVELL: In January he spoke to General Hughes and told him he thought there were going to be profits——

Sir WILLIAM MEREDITH: Let us get on, please; it is not leading to much.

Mr. CARVELL: If it was understood by you and your colleagues that whatever profits there were, were to go to the War Office, was it ever explained to you why a hard and fast legal contract was drawn up between the War Office and the four contracting members of the Committee?—A. No, I never had any explanation of it at all.

Q. Did you ever ask for an explanation?—A. No.

Q. Did you ever have any discussions with your colleagues other than the contracting members, as to the reason why these contracts were signed?—A. I don't remember that I did.

Mr. STEWART: November or December—page 343.

Mr. CARVELL: I thought it was in January.

Q. I think you stated that inquiries were made of what people in Canada—you had discussed the question of making fuses and expressed the opinion that you did not then believe, I think, that any person in Canada would be able to work out this fuse question; am I correctly paraphrasing your evidence?—A. I was certainly very doubtful about it.

Q. Do you know of your own knowledge what firms or persons in Canada were approached with the object of making fuses?—A. No, I do not.

Q. Then any evidence you may have given on that point would be merely what has been told you by somebody else?—A. I left all that entirely to General Bertram and Colonel Carnegie.

Q. I appreciate that; I only want to have the evidence positively, so that we will know exactly the importance; because, as I recollect your statement to Mr. Hellmuth an hour ago you made it very positive that very many people in Canada were approached for the purpose of making the fuses, and it seemed to be the consensus of opinion that they could not have carried it out successfully. When you made that statement were you giving your own knowledge, or were you giving the information that had been imparted to you by some other person?—A. I think it was a well known thing throughout Canada that——

Q. Had you the knowledge?

Mr. LAFLEUR: Let him finish his answer.

A. As far as I know it was well known generally among manufacturers that fuses were required as part of all the rest of the ammunition, and any one was at liberty to approach the Committee with a view to manufacturing these things.

Q. That has not been denied. Tell me what manufacturers were approached to manufacture fuses?—A. I cannot remember.

Q. Then of your own knowledge you do not know what Canadian manufacturers were approached and what Canadian manufacturers refused?—A. No, I do not know anything about that.

Q. Do you happen to know anything about a proposed contract for cartridge cases with the Edward Valve Manufacturing Company?—A. No, I do not know anything about the—I have a recollection of hearing it discussed, but I do not know definitely any of the details of it.

Colonel FRANK D. LAFFERTY, sworn.

By Mr. Hellmuth:

Q. You were one of the original members of the Shell Committee, one of the first appointed, appointed with three manufacturing members—you remember that perhaps?—A. Yes.

Q. Can you recall how you came to get your appointment?—A. Do you mean to tell the whole thing?

Q. If you can do it fairly shortly?—A. It was a telegram from General Hughes to come to Valcartier at once. He showed me a telegram which spoke, I cannot remember the details of it, about the manufacture of 200,000 shells, 100,000 18-pr. and 100,000 15-pr. He said "What about getting these made in Canada? Cannot we get them in Canada? Can you get the manufacturers together?" I said, I would try. "How soon can you get them together?" I said "I can go about and try and get them to Ottawa next Saturday"—this was Saturday or Sunday morning. He said that would not do, it was too slow. I said "If I have them in Ottawa Wednesday will you see them there?" "Yes." I got there on the Wednesday. Colonel Harston came in with me. He suggested who I could get to go to Ontario to get together the manufacturers there, as I was not familiar with the Ontario districts, and Colonel Harston suggested Colonel Harcom from Richmond. I got him by wire to come to Quebec next morning. He went to Ontario as he knew the different firms. Colonel Harston thought of him because he had been a factory inspector, or something of that kind, and was familiar with the different types of work the different manufacturers did in Ontario.

Q. I do not think it will be necessary to know what everybody did in getting the Committee together; the Committee was got together?—A. No, sir, the manufacturers were got together in Ottawa.

Q. And after the manufacturers were got together in Ottawa what was the next matter—it does not matter so much what they did, I want to get when you got your appointment as a member of the Shell Committee—

Sir WILLIAM MEREDITH: Is it not important to know what they were seeing these manufacturers for?

Mr. HELLMUTH: What were you seeing the manufacturers for?—A. Getting them together to meet in Ottawa to see if it was possible to make these shells in Canada, if they would undertake it. We met, and they appointed a committee consisting of General Bertram and Colonel Watts to go down and interview General Hughes, and they asked me to go with them to interview General Hughes and tell him they thought they would like to tackle it, they were prepared to try it anyway. That is the way I came in, in the first place with General Bertram and Colonel Watts.

Q. Was Colonel Cantley there?—A. Not there, sir. The majority of the manufacturers came to the arsenal to get some idea how this ammunition was made; and I think Colonel Watts and General Bertram amongst the number, or very shortly afterwards. Then Colonel Cantley arrived on the scene; General Hughes, I imagine, that is not a fact, he had been talking to General Hughes, and as a likely man he was appointed to the Committee, and that was the first four.

Q. So that the first four were Mr. Watts, General Bertram, Mr. Cantley and yourself?—A. Yes.

Q. Then at that time and for some short time after were you aware of what the status or position of the Committee and its members was, did you know whether you were agents, contractors, trustees or what?—A. I considered we were got together to produce ammunition in this country if possible.

Q. For use of?—A. Great Britain.

Q. Was there any time when you learned of any alteration or difference in the position of the four manufacturing members, as we call them, of the Committee, and the military members of the Committee?—A. I remembers an occasion, I cannot remember the date, I think it was in Montreal, where the four, that is to say non-military members in the sense of permanent soldiers, were signing some documents, and as I understood the sense of that document they were acting practically signing this in order to overcome—this is only my impression or it that I gathered, whether you want that—

Q. Yes, I want what your impression was?—A. Signing this to cover two con-
[Col. Frank D. Lafferty.]

ditions. One was, my own impression only, that the War Office, if they were handling these contracts, as it is done, as I had learned over there how it was done, the director of contracts handles all contracts to outside manufacturers and signs the contracts for the War Office. There was no director of contracts in this country to handle War Office contracts, and I understood that they were practically becoming one in four.

Q. What was that? I do not understand?—A. One director of contracts represented in four persons.

Q. Do you mean the four persons were the director of contracts?—A. Acting in a relative position, as I understood the War Office did their work.

Q. Were you four in that position, as you thought, of the one director of contracts, you thought these four gentlemen were assuming the position that in England the Director of Contracts takes?—A. More or less, sir.

Q. Who were they making contracts with?—A. People in Canada who would manufacture shells.

Q. Oh, yes; I understand now. You thought that these four gentlemen were signing documents with people who were making shells, and that their signatures to these documents with these people who were making shells were the same as the signature of the Director of Contracts in England, who entered into contracts with companies or individuals?—A. And another condition—

Q. You have not assented to that; is that right; did you take that view?—A. That was my impression.

Q. Was that impression from any document that you saw, and if so what kind of document?—A. Only in generally talking the thing over I understood from the discussion that went on—I gathered that impression in my own mind from my knowledge of the way that matters were handled at the War Office.

Q. So that as a matter of fact it was not any particular document that you saw that gave you that impression but the conversation that was taking place?—A. And the signing of these documents.

Q. Did you see the documents?—A. I saw them signing documents, I did not see the documents themselves, I did not read the documents, I did not discuss it, it was not my business.

Q. Now, you said you had another idea?—A. The other idea I gathered—this is only an impression too in the sense that, I am afraid I will have to talk about shells and that sort of thing—one contractor was supplying a socket, another contractor was finishing the shell, turning down the body and finishing it—supposing the Shell Committee were letting contracts here for sockets, contracts there for brass tubes, contracts there for lead bullets which were assembled with this man who finished, the man who finished the shells had a fairly heavy investment in getting his tools and machines ready and getting his equipment ready. Suppose he got these ready and this Shell Committee failed to find him with sockets or failed to find him with brass tubes, then all his investment is gone. What good would it do that man to take an action against Colonel Lafferty, an official—it is only an impression, but I gathered that these gentlemen were being put in this position to have somebody that a sub-contractor could have recourse against.

Q. You thought the sub-contractors would want to have somebody they could hold?—A. That was the impression.

Q. If the contracts were not carried out?—A. That is my impression, the impression I gathered from what was being done at this meeting where these papers were being signed.

Q. So that you supposed that the sub-contractors would want to hold responsible people like Mr. Watts, Mr. Cantley, Mr. Bertram and Mr. E. Carnegie?—A. They would have no recourse against me.

Q. I would like you to answer my question; you assumed they wanted to have some responsible people, the sub-contractors, to hold in case the contracts were not

carried out by the Shell Committee, in case there was a breach?—A. I assume they wanted that, I do not know that.

Q. I am saying you assumed it?—A. Yes.

Q. Now I want to ask you when, if at all, did you hear that the War Office wanted responsible people whom they could hold that the contracts would be carried out?—A. I cannot remember that.

Q. Did you ever hear of that?—A. I do not know that I ever knew it; these were only conclusions I drew myself.

Q. Then you did not know that the War Office had asked for contracts from somebody that they could hold for the first 200,000 18-pr. and 15-pr. shells; you never knew of that?—A. I don't think so, sir; I don't think I knew it.

Q. The only contracts that you knew anything or thought they were signing are the contracts of the nature you have spoken of?—A. Yes.

Q. Did you hear any discussion about there being profits on contracts—I suppose you could not under those circumstances have heard that, could you, if you did not know there were any contracts with any one with the War Office, you could not I suppose assume there would be any profits—I mean profits on the articles that were being made—did you ever hear of any profits on the articles made?—A. By the men who were actually making them?

Q. No; did you know that prices were being quoted to the War Office at all?—A. Unquestionably.

Q. Then if you knew that prices were being quoted to the War Office, let us take a concrete instance, if you knew \$8.55 was being quoted to the War Office on 18-pr. shells what did you suppose would happen if 18-pr. shells could be produced for less than \$8.55 each?—A. I heard General Bertram state many a time that he hoped the shell would be manufactured cheaper than was quoted to the War Office in order to refund it.

Q. You heard General Bertram say that?—A. I have heard him state that on more than one occasion.

Q. Although you knew nothing about any contracts you did assume that if these shells were manufactured at cheaper prices than had been quoted to the War Office that the difference was to be refunded, that is you assumed that from what General Bertram said?—A. I have heard General Bertram state that.

Sir WILLIAM MEREDITH: Perhaps you will find out what contracts he is speaking of.

Mr. HELLMUTH: What contracts are you speaking about—

Sir WILLIAM MEREDITH: What kind of contracts?—A. I came more intimately in contact in the early stages with regard to the 15- and the 18-pr. shrapnel. After that I lost touch with contracts altogether with a few exceptions, and with regard to 15- and 18-pr. those are the contracts I am speaking particularly about.

Q. That you heard General Bertram speak in regard to that?—A. Generally speaking with regard to those.

Q. Did you learn in regard to reduction saved in price on other articles furnished at the quotation of the War Office that there was any different rule to be applied in regard to any amount that might be saved?—A. No, sir.

Q. Did you assume, as apparently Colonel Benson did, that whatever might be saved on any of the War Office quotations of price would be refunded to the War Office?—A. Yes, sir.

Q. Always assumed that?—A. Unquestionably, sir.

Q. You heard General Bertram, as you say, state that in regard to these first 18-pr. and 15-pr. contracts?—A. He may have stated it subsequently but I remember on those distinctly.

Q. Could you give me any idea about—was not there a time when they thought there might be a loss, that is to say, these 18-pr. and 15-pr. shells might cost more, the 18-pr. might cost more than \$8.55?—A. Yes.

[Col. Frank D. Lafferty.]

Q. That was at an early stage?—A. Yes.

Q. You could not have heard that then from General Bertram?—A. No, as we were coming on.

Q. And it was felt there was going to be a profit?—A. Yes.

Q. I mean as the General thought?—A. Yes.

Q. Passing from that, did you know or hear anything about contracts for fuses?—A. Yes, sir.

Q. What was the first you ever heard in regard to fuses?—A. I cannot remember any date sir, but my recollection is that the War Office would give us no more orders in this country unless we could supply fixed ammunition, which includes the fuse, and I understand efforts were then being made to see where fuses could be obtained in order to obtain more ammunition contracts in Canada.

Q. Did you yourself do anything in that respect, did you see any one?—A. I approached two concerns that I remember very well, I cannot remember just when, but I approached a Mr. Duggan and Mr. Vaughan of the Montreal Ammunition Co., and I approached Mr. Sise and Mr. Newton of the Northern Electric, I think he is their General Superintendent; and I think I spoke to Colonel Nicholls in Toronto about it.

Q. You say you cannot remember about dates; do you remember a meeting at which General Pease was present on the 19th June, and do you remember a meeting when the contracts with the International Co., International Arms and Fuse, and the American Ammunition were read to the Committee?—A. I remember a meeting where contracts were read which to my recollection were to the International Fuse and American Ammunition Co., were read over by Mr. Orde to the Committee.

Q. Do you remember whether General Pease was present at that meeting?—A. Yes,—where these contracts were read by Mr. Orde?

Q. Yes?—A. General Pease was there.

Q. Do you remember anything that General Pease said, if he did say anything, in reference to the contract or the price or anything of that kind; do you know what the prices were, do you remember that?—A. No, sir, I only remember what I said—

Q. Do you remember whether anything was said by General Pease, whether he took any part in the discussion?—A. I cannot say whether it was at that meeting or not.

Q. The meeting at which the contracts were read and at which it is said General Pease was present and the prices were set out in the contract; perhaps I might give you the meeting. Those present were General Bertram, General Benson, Col. Harston, Col. Lafferty, Col. Carnegie, Mr. E. Carnegie, Lieut.-Col. Watts, and Mr. J. W. Borden. "Lieut-General Pease representing the War Office also attended the meeting by request."

"The Chairman reported the appointment by the Minister of Militia of Mr. Alexander F. Riddell as Financial Supervisor to the Committee, the appointment having been approved by the Prime Minister. Mr. Riddell was invited to sit with the Committee.

"The Chairman reported in regard to proposed agreements with the American Ammunition Co., Incorporated and the International Arms and Fuse Co., both of New York for the manufacture of fuses, that he had looked into the standing" and so on. "He also reported that Mr. J. F. Orde, K.C., Solicitor to the Bank of Montreal, who had advised the Bank in reference to the proposed agreements for fuses, had been engaged by him to act with the Committee in preparing the agreements. Mr. Orde now attended the meeting and submitted the draft agreements.

"The draft of an agreement marked "A" with the American Ammunition Company, Incorporated, of New York, for the manufacture of 1,666,666 No.

100 loaded fuses at \$4.00 each and 833,334 No. 80/44 loaded fuses at \$4.50 each was read to the Committee, and it was resolved that the said agreement and the terms of payment and delivery therein set forth be approved, and that the Chairman be authorized to sign the same on behalf of the Committee."

"The draft of an agreement marked "B" with the International Arms and Fuse Company of New York for the manufacture of 1,666,666 No. 80 Mark V fuses and of 833,334 No. 80/44 fuses at \$4.50 each was read to the Committee, and it was resolved that the said agreement and the terms of payment and delivery therein set forth be approved and that the Chairman be authorized to sign the same on behalf of the Committee."

"The Chairman reported that negotiations were now in progress with a Canadian Company for a further quantity of fuses to be made in Canada."

Then it was moved at the end, by Col. Geo. Watts, seconded by Mr. E. Carnegie and "resolved that the Committee desires to record its sincere appreciation of having the assistance of Lt.-General Pease at this meeting, and the Committee hereby tenders him their hearty thanks."

Does that bring anything to your mind at all?—A. I cannot say whether it is the same meeting or not, but at a meeting I remember General Pease discussing prices of contracts.

Q. Fuse contracts?—A. Yes.

Q. Do you remember what his position was, what position he took in regard to them—did he know of the contracts that were proposed to be made, in your recollection?—A. Yes, sir, whether this is the same meeting or not I am not sure, but at one meeting the contracts were read over clause by clause by Mr. Orde and each clause taken up, but I do not think General Pease at that meeting brought up—was there another meeting he was at?

Hon. Mr. DUFF: There is a later meeting.

Sir WILLIAM MEREDITH: Yes, there is a meeting when the Russell—

Hon. Mr. DUFF: There is evidence of a meeting at which General Pease was present and reported on the information he got in the United States as to prices, and as a result of his report prices in a contract with the Russell were fixed, according to the evidence that has been given. That is after this meeting.

Mr. HELLMUTH: That is a July meeting; it is not when these were read?—A. I remember no discussion—

Q. Do you remember General Pease being present on two occasions; do you remember his being present on one occasion when certain prices were fixed, and do you remember him being present on another occasion when he said he had learned something else; do you remember that?—A. Yes, sir, I remember him being present at the time when the contracts were read over, and I remember him also at some other meeting, before or after, I cannot say, when prices of fuses were discussed and he entered into the discussion.

Q. Can you tell me anything he said from your recollection?—A. Only that he said he considered \$4.00 was too high.

Q. When was that?—A. At one of these meetings.

Q. Was it at the first or second?—A. I say I cannot say definitely.

Q. You know at one meeting he said he thought \$4.00 was high?—A. At one meeting he was present at he thought \$4.00 was too high.

Q. Did he say anything about \$3 or \$1?—A. He spoke something about prices in the States, but the price he quoted I cannot say.

Q. Were you really taking any interest at all in these fuse contracts?—A. Wherever I thought I was technically called upon to I did.

Q. I am not meaning technically, but about prices?—A. No, sir.

Q. At the time when General Pease said he thought \$4 was too high do you
[Col. Frank D. Lafferty.]

remember whether there was any result, was there any contract with anybody made at that time?—A. Not that I can swear to.

By Mr. Carvell:

Q. I take it for granted from what you say that you really did not take very active interest in the financial end of this transaction and the purchasing of the goods, is that right?—A. Yes, sir.

Q. What is your position in the Department at the present time?—A. I am superintendent of the Dominion Arsenal.

Q. I suppose you spend most of your time down in Quebec?—A. Except when I was at Shell Committee meetings and in the earlier stages of this work.

Q. What position did you occupy prior to that, prior to going to the arsenal?—A. I was in the artillery, the permanent force, chief instructor of gunnery.

Q. I suppose you had some artillery training in England as well as in this country?—A. I took up the technical work in the Old Country, I was over there for nearly three years.

Q. Had you any practical experience in the actual manufacture of munitions prior to going to the arsenal?—A. Not only in the sense that I spent a great deal of time in the Woolwich Arsenal learning all I could about the manufacture and inspection of different natures of ammunition.

Q. I suppose, to summarize it, you had spent time in obtaining technical knowledge but not an actual mechanic yourself, you did not understand the actual process of manufacture?—A. I could not have made any.

Q. I am not insinuating for a moment you did not have the requisite knowledge. Then being a technical man I suppose you were more interested in the production of the ammunition than you were in the manner in which the contracts were made or really the amount of money that it was costing?—A. Quality and delivery, sir.

Q. How long were the different gentlemen who were interested in the transaction in getting together, the committee of manufacturers that met I think in Ottawa first, if I recollect?—A. How long from when?

Q. From the time that you started operations. I think you stated that you and the General had a conversation?—A. On Sunday morning. I don't remember the date, but it was Sunday morning that we had the manufacturers together in the Minister's office, and, I should say, between three and four o'clock on the following Wednesday.

Q. You were practically three days. So very reasonable expedition was exercised in that?—A. General Hughes expected it.

Q. A dozen or more were there? I am not going into details?—A. More than that, 22 or 23.

Q. Representing many of the manufacturing establishments of Canada?—A. That could be got quickly together.

Q. And I think I understood you to say that these gentlemen were eager to assist to what extent they could, and readily agreed to go into the business of manufacturing munitions so far as they could?—A. Some of them were very reluctant.

Q. Some of them were?—A. Quite so.

Q. Tell me some of those who were particularly reluctant. I would just like to know how many doubting Thomases you had in that number.—A. That is rather hard.

Q. I won't press it.—A. In the sense that these men have all been very charming and nice. I am not the judge.

Q. Then, Colonel, if you do not wish me to ask the question I won't press it at all. Would you be willing to go this far, to give me practically what percentage of these manufacturers that were timid as compared with those who were bold enough to be willing to go into it.—A. I should think the ones I saw in the earlier stages—this is not a fact, just an impression.

Q. Exactly.—A. I should say about 75 per cent were willing to go in.

Q. Were willing or unwilling?—A. 75 per cent were willing to try.

Q. And of course the majority ruled and they certainly went into it. Then this Committee was formed, and do I understand that these four gentlemen who afterwards became the contracting members of the Shell Committee were elected as representatives at the general meeting of the manufacturers?—A. The first two were that took me down to General Hughes office to represent to General Hughes that the opinion of that manufacturers meeting was to tackle the thing.

Q. Who were the two?—A. General Bertram and Colonel Watts.

Q. Those two then were really the representatives of the manufacturers?—They were elected by the manufacturers.

Q. Then how did the other two manufacturing members become attached to the Committee?—A. The appointment, I presume, of General Hughes.

Q. So far as you know they came from some other authority. Then these four gentlemen became the Committee, and we have it in evidence as to the additions, and I am not going over that. In due course of time certain other members were added, including yourself as one of the military officers—

Mr. HELLMUTH: He was on at the very start.

Mr. CARVELL: You were on at the very start?—A. At the manufacturers' meeting General Benson acted as Chairman.

Q. Was General Hughes at the manufacturers' meeting?—A. Not at this meeting. We met in General Hughes office first, and General Hughes spoke to all these manufacturers about hoping they would—

Q. Made a speech I suppose?—A. He spoke conservatively about the manufacture and hoped they would tackle it again, and sent them off to talk it over.

Q. And as a result anyway the Committee was formed. I do not want to go over that again. Did you know of any manufacturers from that time forward who withdrew from the proposition of manufacturing munitions, or did they all join in and say "We will go in and do the best we can"?—A. I do not know, Mr. Carvell. I know some, or at least I think there were some who did not come in the first place and did not attend the meeting in Ottawa who were spoken to on the subject of coming there, and eventually they came in afterwards after the others had got experience.

Q. I am talking of the gentlemen who did come?—A. I could not say.

Q. You have no knowledge of any of those who were not willing to go ahead?—A. I could not say.

Q. It seems things travelled fairly rapidly, because we know cablegrams commenced to pass backwards and forwards with the War Office, and finally on the 21st of September they had reached the stage where a definite order was given from the War Office to manufacture 100,000 18-pounder shrapnel at \$8.55 and 100,000 15-pounder at \$8.30, is it not?—A. Yes.

Q. You know that?—A. Yes.

Q. Now, as a member of the Committee were you acquainted with all the different cables that passed between the Militia Department and the War Office up to, we will say, the completion of the negotiations for the first contract?—A. Was I familiar with them all?

Q. Yes, with all the cables that passed?—A. No, I would not say necessarily.

Q. You were a member of the Committee, Colonel. I can quite understand that you would be in Quebec and could not be in Ottawa at the same time, but was there nevertheless a time when all these matters were brought before you and you became acquainted with all the transactions and all the negotiations leading up to that first contract, and, if so, when?—A. I really do not know if I did see it all. I was under the impression I knew it all, but whether or not I am not able to say.

Q. That is a fair answer. Then you referred to the fact, I think, that in Montreal you recollect the four contracting members of the Committee signing some papers?—A. Yes.

[Col. Frank D. Lafferty.]

Q. Up to that time did you know of the negotiations that had been carried on between the Militia Department and the War Office?—A. I may have seen, I have read and know of a great many of the cablegrams that passed from the Shell Committee through the Militia Department to the War Office. Whether I know all the cables that passed or the contents of them I have no recollection, but I had the impression that I knew what was going on in regard to the earlier contracts.

Q. A great many of us had that impression and then woke up to find that we did not know it all. However, I suppose you did know that the first contract provided for \$8.55 for the 18-pounders?—A. About that price I know based on the Dominion Arsenal figures.

Q. That is the figures furnished by your Department?—A. It was the cost to us to manufacture each one of the components at that time.

Q. Do you mean to say it was costing you \$8.44?—A. I say based on those figures.

Q. I know. I am going to ask you, do you say it was costing you \$8.44 at that time to manufacture any 18-pounder empty shells?—A. It was costing, I cannot remember just at the moment, \$5.51 or \$5.53, one figure or the other, for the complete 18-pounder.

Q. Not the complete, you mean the empty?—A. The complete 18-pounder shrapnel empty.

Q. We have been talking about the empty shrapnel as being the shrapnel with the bullets in it and the brass tube and base and so on?—A. That is it, the shrapnel empty until you actually put in the powder.

Q. Then the Arsenal price was \$8.50. Call it that, that is near enough.—A. \$5.50.

Q. \$5.50 I mean. Then it practically meant that having received your figure of \$5.50 they added on \$3.50 to take care of overhead expenses and cost of machinery and management of the business?—A. Yes. If I remember rightly, I am speaking from memory, subject to correction, I think we took the Arsenal figure of \$5.51 and added 50 per cent, because there were no other orders in view, there was nothing else coming at that time.

Q. I appreciate that.—A. And these men had to equip themselves with tools, jigs and so on.

Q. That was included in my question, Colonel.—A. I am trying to answer you, Mr. Carvell. And a certain amount was set aside for overhead charges.

Q. That was eleven cents?—A. Overhead and administrative charges.

Q. What was that amount?—A. Speaking from memory, I think 11 cents.

Q. That is the evidence we have. There is no doubt, Colonel, that that is the amount, because it has been sworn to here by the members of the Committee.—A. I think that is so.

Q. You knew as a matter of fact that you were manufacturing these empty shrapnel shells for \$5.51 or \$5.52 whatever it was. Now, I do not want you to think that the next question I am going to ask casts any reflection on the management of the Dominion Arsenal. Do you think that any Government work, I do not care what it may be, Dominion Arsenal or Mint, or anything else belonging to the Government, is doing manufacturing any cheaper than probably individuals are doing it?—A. I know one example where the Dominion Arsenal at the present minute is making an article of war equipment much cheaper than any contractor.

Q. I am delighted to hear it, Colonel.

Hon. Mr. DUFF: That is not a fuse, Colonel Lafferty?—A. No, sir.

Q. I am just asking for my information?—A. No, we do not make the fuse at all, sir.

Q. I thought not.

Mr. CARVELL: Now, we have it in evidence that when they came to negotiate for the second contract—I have forgotten the exact date; it would be sometime in the month of October or November, it was early anyway in the winter—the Militia

Department, I presume representing the Shell Committee, cabled to the War Office wanting \$9.25 for this empty shrapnel. Do you happen to know anything about that transaction?—A. I do not remember it.

Q. Well, I want to know, were you consulted as to the sending of that cablegram?—A. I do not really know.

Q. I wish now, Colonel Lafferty, if you would tax your memory just for a moment and bear in mind that you were manufacturing shells for \$5.51—I might interject here, of course, that in that you did not make any allowances for cost of plant or overhead expenses in the Arsenal?—A. Oh, rather.

Q. You did?—A. I should say so.

Q. Then you include in your \$5.51 a proportionate amount for the cost of plant?—A. Yes.

Q. And for overhead expenses?—A. Yes.

Q. Take, for instance, your salary or whatever it might be called, a certain proportion of that and of all the other officers in connection with the business, that is all figured in, is it?—A. Yes.

Q. Then did it not occur to you that these manufacturers were not taking any very great chances of financial ruination by taking a contract at fifty per cent above what you were manufacturing for?—A. I thought they were taking a great deal of chance. That was not only my opinion, but General Pease's opinion at the time. When he first came to Canada he said he thought fifty per cent was very moderate on that size of contract.

Q. And still they were asking fifty per cent more than the real cost to the Government in manufacturing at the Arsenal?—A. Who were?

Q. The manufacturers?—A. They were not consulted in the matter. The price was set by the Shell Committee.

Q. Perhaps I am not putting my question right. I am talking about the manufacturing members of the Committee.—A. I was as much to blame as any of the manufacturing members on that first price.

Q. I am not blaming anybody, Colonel. I am only getting at the facts. I have not insinuated that there is any blame.—A. No, but I am saying—

Q. As you were responsible to a certain extent for obtaining the first price of \$8.55, were you responsible in the next case for getting \$9.25, or, taking off the cost of the boxes, \$9.00 or \$9.05?—A. I do not remember the second and the other contracts coming on, I have not the same recollection of those as of the first. I cannot really remember the facts.

Q. Were you informed of the fact that the Committee had asked the War Office \$9.25 for the second lot boxed?—A. I cannot say whether I was or not.

Q. Were you informed of the fact that the War Office came back and offered them \$6.00 and the offer was accepted?—A. I cannot say, I do not really remember.

Q. You have no recollection at all?—A. I do not really remember.

Q. Then as a fact, Colonel, were you consulted to any extent over the business or financial end of the production of these munitions after the first contract was let?—A. I don't think I was.

Q. I do not think so either. I must say from the answers you have given me it would seem that you were not. Is it not a fact that General Bertram and Colonel Carnegie took entire charge of the business or financial end of the business as far as you are aware, that is after the first month or so?—A. Yes, up until the time came when there was a sub-committee appointed for the handling of contracts.

Q. That is something new.—A. Oh no, I do not think so.

Q. A sub-committee?—A. It was a part of the Committee consisting—

Q. I say it is something new in this investigation.—A. I think not. It was General Bertram, Colonel Carnegie and Mr. Riddell as adviser.

Mr. LAFLAMME: The minute book shows it.

Mr. CARVELL: When did that happen?—A. I do not know.

[Col. Frank D. Lafferty.]

Q. I would like to have that as nearly as you can recollect, because according to my recollection this is entirely new, Colonel Lafferty. We have heard Mr. Riddell's name mentioned.—A. He acted with them as financial adviser.

Q. But you say there was a sub-committee formed to take care of these contracts. In the first place, would it be in the year 1914 or the year 1915?—A. I should think it would be in the minutes of the Committee.

Q. But don't you see, Colonel, I have not access to the minutes of the Committee and have to blunder along as best I can.

Mr. HELLMUTH: This is September 6th, 1915:—

“Moved by Colonel Cantley, seconded by Colonel Lafferty:

“That a sub-committee of the Shell Committee meet at intervals of twice a week to supervise and authorize the placing of all contracts and orders, and scrutinize and authorize payments of accounts, and report same to the Shell Committee at its regular meeting. Sub-committee to consist of the Chairman, the Financial Supervisor, the Ordnance Advisor and any other member of the Committee who may be present when such meetings are held. Two to form a quorum.

“Note. Above resolution amended at meeting of September 20th, 1915, and now reads:—

“That a sub-committee of the Shell Committee meet at intervals of twice a week to supervise and authorize the placing of all contracts and orders, and scrutinize and authorize payments of accounts and such other matters as require decision before the regular meeting of the Shell Committee, and report same to the Shell Committee at its regular meeting. Sub-committee to consist of the Chairman, the Financial Supervisor, the Ordnance Advisor, and any other member of the Committee who may be present when such meetings are held. Two to form a quorum.”

The only difference there being that they are to report to the Shell Committee. That did not take place until September 6, 1915, and would not have affected the letting of these contracts.

Hon. Mr. DUFF: I am not so sure about that.

Mr. HELLMUTH: About what?

Hon. Mr. DUFF: A great many things happened after the 5th of December.

Mr. HELLMUTH: The 6th of September, 1915.

Hon. Mr. DUFF: Quite so. Considerable changes took place, you know. However, it does not matter.

Mr. CARVELL: On the 6th of September?

Hon. Mr. DUFF: After the 6th of September.

Mr. HELLMUTH: You mean in the alteration of the contracts?

Hon. Mr. DUFF: Yes, and very important alterations, too.

Mr. HELLMUTH: In the varying of the contracts?

Hon. Mr. DUFF: Yes.

Mr. HELLMUTH: The others were the Imperial Munitions Board.

Hon. Mr. DUFF: No, the important change which took place in the fall of 1915 was the elimination of the firing proof test, and the valuation placed upon that was 27½ cents.

Mr. HELLMUTH: That would come before this Committee had to report to the other.

Hon. Mr. DUFF: I understand.

Mr. CARVELL: Well, anyway, Colonel, we thank you for giving us some light on the subject. We never knew there was a sub-committee. Up to the time of this sub-

committee, which seems to have been down to the month of September, 1915, was it not a fact that General Bertram and Colonel Carnegie practically took entire control of the business and financial end of the Shell Committee?—A. That is my impression.

Q. Were you ever consulted as to the price which should be paid for a single article or component part of ammunition from, say, the letting of the first contract down to the time the sub-committee was formed?—A. I do not know.

Q. You do not think so?—A. I do not know. I cannot say that I was or that I was not.

Q. Were you ever asked by General Bertram or by Colonel Carnegie your opinion as to the price of any article or component part thereof after the first contract was signed?—A. I do not know. I cannot say one way or the other.

Q. Colonel, as a matter of fact were you ever asked your advice on anything after Colonel Carnegie came into the position of technical adviser to that Board or that Committee. Let us have it now straight.

Mr. HELLMUTH: I do not think you should make that remark.

Mr. CARVELL: I am treating this witness fairly.

Mr. HELLMUTH: I know you are.

Mr. CARVELL: And the witness and I will get along all right.

Mr. HELLMUTH: I do not think you should make the remark about getting on straight. The witness has shown no desire to hold back anything.

Sir WILLIAM MEREDITH: Let us get on.

Mr. CARVELL: I have no fault to find with the witness at all.

Q. Were you ever asked?—A. After Colonel Carnegie joined the Committee as Ordnance Advisor?

Q. Yes.—A. Yes, I was asked some things.

Q. What were the things?—A. I have been asked in regard to the manufacture of primers. I have been asked in regard I think here and there to 18-pounder cases, details. We were manufacturing it and I would know about it. You would not necessarily expect Colonel Carnegie to know these actual small details, and so on.

Q. Was that for the purpose of obtaining the price, or was it something about their manufacture?—A. It might be both.

Q. I would like your very best recollection on it, Colonel.—A. I might give them an opinion on a primer that might be relevant to price and to manufacture.

Q. Now, was that advice that you have now referred to as to what ought to be a reasonable and fair value or cost of the article, or was it as to the advisability of letting any specific contract for the production of these articles?—A. I do not recollect having been consulted as to the contracts—

Q. I think that is right after Colonel Carnegie became connected with the Committee.—A. I do not think so as to the contracts.

Q. I think not, I think that is right. Now, just a word or two, Colonel, about the position of the Committee. Did I understand you correctly when I took it down, that so far as you were concerned you considered this Committee to be acting in the fiduciary capacity of trustees, trustees for the British Government, putting it in its broadest sense?—A. Well, I can repeat what I said before, that my impression of this change was that they should act for the War Office as a director of contracts would, and at the same time act between the sub-contractor and themselves.

Q. If you place them in the position of a director of contractors, why, of course, they would be officials whose duty it was to furnish munitions at as small a price as possible. Would not that be a fair assumption?—A. That they thought was possible.

Q. I understand. As any official who occupies that position must, if he be honest, do the best that he can for his principal, and the principal in this case would be the British War Office. That would be your assumption of the position which these four gentlemen occupied?—A. Yes.

[Col. Frank D. Lafferty.]

Q. Right. Did a time ever come, Colonel, when it appeared to you that these four gentlemen, or the Committee as a whole, occupied any different position from that which you would assume them to have occupied in the beginning?—A. I do not understand.

Q. Well, do not answer. I will make it as plain as I can. Did the time ever come when it appeared to you that these four gentlemen were occupying a different position in relation to this transaction than trustees or standing in the place of a director of contracts or in the position where they were entitled to make money themselves?—A. Where they left the stage, as you call it, of trustee?

Q. Yes, and assumed another position.—A. Assumed the position of being on their own?

Q. Yes, that is probably a fair way of putting it.—A. I never saw such a change. I never appreciated such a change.

Q. That never came to your attention?—A. I never appreciated such a change.

Q. Was that idea ever advanced to you by any of your colleagues on the Committee?—A. Not to my recollection.

Q. Then I suppose it would be a fair inference to conclude that this phase of the question was never discussed between you and any other member of the Committee?—A. I never heard any member of the Committee express a change of sentiment, in the sense that he was changing from acting in the best interests of the War Office and to a condition of working in his own interest.

Q. That is a very fair and satisfactory answer. Now then, I take it for granted also that you had never seen the contract, that is, I mean you had never read it over, you may have seen the paper, which has been referred to here as dated the first day of October.—A. Is that the contract signed by the four members?

Q. Yes.—A. I would not say I have not read it over, but there is nothing impressed on my mind as to the contents of it.

Q. While I assume you are not a lawyer, I think I can tell you that that contract was so plain that it does not take a lawyer to realize that these gentlemen became contractors with General Hughes to furnish these articles at \$8.55. If you had read a document as plain as that don't you think that you would have appreciated that it was not as you supposed it to be?—A. I am not in any sense a legal man.

Q. I appreciate that; but you can read the English language.—A. I gathered an impression from this action that was taken that it was taken for the purpose which I have expressed.

Q. Then did General Bertram ever discuss with you his ambition to hand over any savings or profits, or whatever you may call it, between the price authorized by the War Office and the price which these articles had cost, to the Patriotic Fund?—A. Never.

Q. You never heard of it until lately?—A. I never heard of it until here to-day.

Q. I may tell you that evidence of this kind was given by General Bertram some weeks ago.—A. I was not aware of it.

Mr. HELLMUTH: He did not say no.

Mr. CARVELL: I understood the witness to say that he never heard it from any person until to-day.

WITNESS: I do not think I did until to-day. If I did I do not recollect it.

Sir WILLIAM MEREDITH: Let us get on.

Mr. CARVELL: That is a perfectly fair answer. Do you have any recollection or were you present at the final meeting of the old Shell Committee, I think on the 30th day of November, 1915?—A. Yes.

Q. Did you hear any discussion there as to the distribution of the alleged or prospective profits of the business?

Hon. Mr. DUFF: First, was he there?

Mr. CARVELL: He said he was.

Hon. Mr. DUFF: I beg your pardon. I did not hear the answer.

WITNESS: Yes. I do not remember, Mr. Carvell.

Mr. CARVELL: It could not have been a very serious discussion or surely that would impress itself upon your mind.—A. There was a good deal of other discussion.

Q. We do not want to go into the funeral rites. I suppose there was some discussion along these lines. You stated you had gone to Mr. Duggan, of the Montreal Ammunition Company, also to Mr. Sise of the Northern Electric Company, and Colonel Nicholls of the General Electric?—A. I am not sure. I think I spoke to Colonel Nicholls, but I am not sure. I discussed this question with Mr. Sise and Mr. Newton of the Northern Electric and Mr. Duggan and Mr. Vaughan of the Montreal Ammunition Company.

Q. Did you get so far that you had discussed price or cost?—A. No.

Q. Had the Montreal Ammunition Company to your knowledge ever manufactured any fuses?—A. No.

Q. It is a fact that the Montreal Ammunition Company was simply a subsidiary in some way of the Dominion Bridge?—A. Yes.

Q. And, I think, well organized for the purpose of making ammunition?—A. As far as I know.

Q. But was the Montreal Ammunition Company really in a position at that time to have discussed the manufacture of fuses?—A. Not any more than anybody else, except the reason I had spoken to them was this, I had seen a good deal of their work, and they had shown a great deal of enterprise in the things they had tackled and a great deal of success, and I thought from the way they had handled other munition contracts they might be in a position to approach this.

Q. However, nothing came of that?—A. No.

Q. Are you aware as to whether or not anything came of the application to the Northern Electric?—A. No, I am not speaking of any application to the Northern Electric. I simply discussed with Mr. Newton and Mr. Sise and said they ought to and get in it.

Q. Did you discuss with Mr. Sise or Mr. Newton the manufacture of fuses?—A. No, we discussed the thing very tentatively.

Q. Did you give them any ideas as to what the hundred graze fuse should cost?—A. No, I only spoke tentatively, we talked it over tentatively.

Q. Are you aware that before the contract to the American Ammunition Company, some weeks before this contract was let, Mr. Sise did communicate with the Shell Committee about fuses?—A. I am not certain in my own memory.

Q. Then did Mr. Sise or any other representative of the Northern Electric Company ever inform you that they had attempted to discuss this matter with the Committee?—A. Not that I recollect, not that I could be sure of.

Q. Then according to that it must have been a very general and tentative conversation?—A. It was, distinctly so.

Q. Did Mr. Sise at that time express to you a willingness or anxiety to enter into the production of fuses?—A. No. I was rather disappointed that they would hardly consider it. We were talking at that time of the 80 time fuse, because, speaking from memory, I do not think the 100 fuse was on the tapis at the time that I held the conversation.

Hon. Mr. DUFF: About when were those conversation?—A. It would be sometime last spring, sir.

Q. Do you mean to say in the spring of 1915?—A. Yes, sir.

Q. You could not put it any closer?—A. No, it was only tentatively, sir.

Q. I appreciate that.

Mr. CARVELL: I think you told Mr. Justice Duff that this would be early in the spring?—A. I said sometime last spring.

[Col. Frank D. Lafferty.]

Q. We have in evidence a letter signed by Mr. Paul F. Sise, it is exhibit No. 85, and it is dated the 29th of May. I do not want to read the whole of it.

“Referring to the No. 100 Percussion Fuse, Blue-print No. 21070-A, January 7, 1915, regarding which you had some conversation with our Mr. Hathaway, we find it very difficult with only the Blue-print and Specification, to make a satisfactory quotation on 1,000,000 of these fuses.”

Q. Did you discuss, or had you discussed the graze fuses, or No. 100 fuses particularly with Mr. Sise at that time?—A. I don't think I discussed the No. 100 at all with them. It was particularly No. 80.

Q. It is quite evident that your discussion with Mr. Sise must have been somewhat earlier than that?—A. I presume so. He might not have told me it was the No. 100, and I might not have known.

Q. It might have been later on. It seems to me that the graze fuse developed, the discussion of the No. 100 or graze fuse developed, later, and this letter we have in evidence seems to have been in regard to the graze fuse. Was it your own opinion that the graze fuse was not discussed between you and Mr. Sise?—A. That is my impression.

Q. Generally, what was your discussion and when, with Colonel Nicholls?—A. That I do not remember.

Q. You could not remember that?—A. No, and I am not altogether sure that I discussed that with him. I know I discussed another thing. I am not quite sure that I discussed fuses, but I am under the impression that I did.

Q. However, if it only leaves that impression upon your memory it would only be of a very general character?—A. Exactly. All these discussions were.

Q. Did you ever tell General Bertram or Colonel Carnegie of the discussions, general as they were, with any of these three very responsible companies in Canada?—A. I really don't know. I think possibly in conversation I would mention it to General Bertram, but I am not positive even of that. I might have told that I had spoken to Mr. Duggan and Mr. Sise, and so on, but I cannot recollect that I did so.

Q. If you cannot recollect it there would not be any use asking you what the conversation was?—A. Not a bit.

Q. Did General Bertram ever talk or ask your advice about the question whether these fuses could be made in Canada or made elsewhere?—A. I don't think he asked me my advice.

Q. Did he ask your advice about making the contract with the American Ammunition Company for one and two-thirds millions graze fuses at \$4 each?—A. Not that I remember. At least I do not remember his having done so.

Q. With your knowledge—and I am not saying it at all disrespectfully to you—could you have taken the plans and specifications and figured out in money the approximate cost of the graze fuse?—A. Any one can do that. Any one who knew anything about a graze fuse, or anything else like that could make it up and add perhaps 300 per cent or 500 per cent to the price.

Q. But do you mean to say that Colonel Carnegie figured it up in that way?—A. I have nothing to do with Colonel Carnegie.

Q. I don't think that you are giving me the very best that is in you. Would it not be a fact that you, or take the officials of the arsenal, and couldn't you take a graze fuse and come pretty nearly at what it ought to cost?—A. As I say, I could arrive at a figure, but I would not be sure of it. I have never seen them manufactured, the price of material is changing every moment, and the loading conditions are extraordinarily peculiar.

Q. Of the graze fuse?—A. Of any fuse, the time fuse more so.

Q. But I am talking of the graze fuse. Let us eliminate the loading, and take the ordinary mechanical parts of the graze fuse; have you ever examined the graze fuse mechanically?—A. Not on a manufacturing basis, more on the efficiency basis.

Q. You know the operation of it, of course?—A. Of the manufacture?

Q. No, the functioning of the fuse?—A. Yes.

Q. You know practically all the parts that go to make it up?—A. Yes.

Q. Leaving out now the loading, is there anything in that graze fuse that could not be done at your arsenal?—A. It could not possibly be done at my arsenal, with our present equipment.

Q. Without additional equipment?—A. It could not possibly be done with our present equipment.

Q. Supposing you had more equipment?—A. That is going into more land and all sorts of things.

Q. In your judgment, assuming you had the other equipment, is there anything in the manufacture of graze fuses that requires more than ordinary mechanical ability?—A. Yes, more than that, as ordinary mechanical ability was known in this country before. It calls for close mechanical ability, expensive gauge tools, expensive jiggling, and expensive tooling and jiggling.

Q. That is cost. I am talking of mechanical operation?—A. I don't understand you, Mr. Carvell. The class of manufacture, or what?

Q. To manufacture a graze fuse?—A. That is what I am talking about.

Q. You say you would have to have costly gauges, jigs and tools?—A. These all make the difficulties in manufacturing tools, jigs, gauges and so on sufficiently exact make those conditions.

Q. Have you learned that the Russell Motor Car Company are getting over all these great difficulties and are manufacturing graze fuses in Canada?—A. I have heard so.

Q. Have you been at their factory?—A. I have never seen it.

Q. Were you surprised to learn that those gentlemen could overcome those difficulties in so short a time?—A. I do not know their equipment, and I don't know what operators they have.

Q. We are told that they are producing a graze fuse, and I am asking now if you are surprised that they are able to do it?—A. You are asking my opinion upon a subject on which I have no experience. I have never manufactured a No. 100 fuse.

Q. That is just what I thought?—A. And I have had no experience in it.

Q. And that is why I thought you really did not mean the answer you have given me.

Hon. Mr. DUFF: Don't you think, Mr. Carvell, that Colonel Lafferty has made it fairly plain that he has not given his mind to it? It is difficult for a man who is a professional witness and an honest witness too, and he did not really feel like answering. Do you think it is worth while pursuing it?

Mr. CARVELL: I don't think Colonel Lafferty can complain, sir.

Hon. Mr. DUFF: I am not suggesting any criticism of your manner of treating the witness at all. I am merely submitting to you that what a person may say upon a point like that is not under the circumstances of any particular value.

Mr. CARVELL: I suppose Colonel, when you want gauges you either make them or buy them?—A. We make them ourselves.

Q. Altogether?—A. With very few exceptions, unless we can accomplish some economy otherwise.

Q. Isn't it a fact that gauges are articles that can be purchased in the market, it may take some time to get them?—A. There are a very limited number of gauge makers in America who can make the gauges for very many types of ammunition work,

Q. But it is a purchasable article?—A. I don't think you could get delivery of gauges in the present condition of manufacturing in this country, from any reputable firm which would be anything like what you desire them to be at the present time.

[Col. Frank D. Lafferty.]

Q. But you could in time and on terms?—A. Terms are essential items of manufacture.

Q. Couldn't you get them in time?—A. No doubt.

Q. What were conditions like in the month of May or April of 1915?—A. For gauges?

Q. Yes.—A. Of what type, what class of ammunition?

Q. The No. 80 fuse?—A. They would be intolerably bad, I should think.

Q. Any worse than they would be at the present time?—A. I would think that perhaps the market would be easing up a great deal now.

Q. Have you any knowledge about difficulties or conditions of obtaining gauges for the graze fuse at the same time?—A. No, but I would say practically the same thing with regard to both. This is only an opinion.

Q. Are you speaking now from actual knowledge from having attempted to obtain gauges?—A. From the experience of other manufacturers. You asked me for an opinion. It is only the opinion of other manufacturers.

Q. Than your own?—A. Yes, it is the opinion of other manufacturers than my own.

Q. When it comes down to the concluding of the contract for the graze fuses, the signing of the contract on the 19th of June, I think you were present, were you asked whether or not you considered \$4 a fair price for the graze fuse?—A. I don't know. I would not have been able to give an opinion anyway.

Q. Were you consulted at all on the giving of certain letters, one to the American Ammunition Company on the 21st day of May, 1915, giving a tentative offer for three million fuses, one to the same company of the 25th of May for two and a half million fuses and one to the International Arms and Fuse Company of the 25th of May for two and a half million fuses?—A. I don't remember. You asked me, was I consulted?

Q. Yes, were you consulted?—A. I don't know.

Q. You don't know?—A. I don't know.

Q. Were you afterwards, up to the signing of the contract on the 19th of June, informed that these three letters had been given?—A. I don't know.

Q. I want to call your attention a little more particularly to the Minutes of the meeting held, I think, on the 4th of June. Mr. Hellmuth has referred to that meeting. I want you to go back to the meeting of the 4th of June. Do you have any recollection of any reference having been made to either one of the three of those letters?—A. I don't remember.

Q. Were you ever told prior to the 19th day of June that the Chairman and Colonel Carnegie were negotiating for the purchase of these fuses with two United States concerns?—A. Would you mind repeating that question?

Q. Were you ever told prior to the 19th of June that the Chairman and Colonel Carnegie were negotiating for the purchase of five million fuses with those American concerns?—A. I know of them having met some representatives of an American concern, at a meeting in Montreal.

Q. Who were those gentlemen?—A. Mr. Patterson, Dr. Harris, and a third man; I cannot remember his name.

Q. Was it Colonel Birnie?—A. I don't remember. I was just introduced to the man. I do not really know his name.

Q. Do you remember what time that would be?—A. Some time I should think in May or thereabouts.

Q. Were you ever told that the Minister had directed Colonel Carnegie to go to one John Wesley Allison for these fuse contracts?—A. No.

Q. That is absolute news to you?—A. Absolutely, until I saw it in the evidence. I never knew anything about it before.

Q. I am discussing the matter up to the time this investigation started?—A. Yes.

Mr. EWART: My recollection at all events is that there is no statement that Colonel Carnegie was directed to go.

Sir WILLIAM MEREDITH: There certainly was not any such statement, to my recollection; that he was requested to go was the statement.

Mr. CARVELL: I am not going to wrangle about the phraseology; he went, he saw, and he conquered—no doubt about that at all—Allison got the stuff?

Mr. HENDERSON: And reduced the prices.

Mr. CARVELL: Whatever it may be, you were never informed of it?—A. Not to my knowledge.

Q. You never knew that the American Ammunition Company was organized or suggested in the faintest degree by the good offices of Colonel J. Wesley Allison?—A. I did not know the name of the gentleman.

Q. Did you know anything about the negotiations leading to the Edward Valve contract, or the proposed contract for cartridge cases with the Edward Valve Company?—A. I know nothing except when the contract came on there was a good deal of discussion, because they were opposed, or some of us were to letting that contract there.

Q. Would you tell as shortly as you can what the discussions were?—A. I am not sure whether it was that, or the contract with Mr. Thomas. I cannot tell whether it was with the Edward Valve Company, or a subsequent contract. There was a discussion arose. A great many of us were in favour of inducing the men who were in case manufacturers in Canada and who had gone through the difficulties and troubles of obtaining experience, which was the chief factor of all, to put in more equipment and to make the most of their experience. That is all I remember about it.

Q. Whatever it was, were you told by Colonel Carnegie and by General Bertram or either of them, or by any other member of the Committee that this same John Wesley Allison was figuring in the contract for cases?—A. I never heard it mentioned.

Q. That never was mentioned?—A. That never was mentioned.

By Mr. Nesbitt:

Q. Colonel Lafferty, what was your office at the time of the formation of the Shell Committee, what was your official position?—A. Superintendent of the Dominion Arsenal.

Q. Did you continue in that throughout?—A. Yes.

Q. Did that require almost your undivided attention?—A. Unquestionably. Not only my work, but manufacturers were coming down there by the hundreds to learn of these different details.

Q. Did you have as part of your work of the Committee the going to factories and instructing them?—A. Unquestionably, whenever I could get the time. In the majority of cases they came to us, but in some cases we had to go to them.

Q. Can you tell me whether it is or is it not the fact that the Minister, General Hughes, was most persistent in, shall I say prodding you up to see that every manufacturer that could be got busy in Canada was got busy?—A. To get them going, to get the deliveries.

Q. And extend the patronage as far as possible, get all the factories you could at work?—A. Yes, sir. I never heard any qualification in that regard.

Q. What was your position in the Shell Committee—may I put it this way, to sum it up—do not answer unless it is the absolute fact, was the position such that where your technical advice was necessary, General Bertram and Colonel Carnegie could call you in and ask you anything that was necessary?—A. I was there to be used.

Q. Otherwise you were not taking an active part in the letting of contracts?—A. I was there to be used.

Q. And they were practically the people in charge of the business end of letting the contracts?—A. Yes.

Q. The examination of people to see whether they were proper to be let to, in the sense that they were capable of carrying out the contract which was let to them?—A.

[Col. Frank D. Lafferty.]

Yes. General Bertram sometimes could not do it, and sometimes Colonel Carnegie could not do it, and they detailed me off to do it.

Q. You went around the country with General Bertram with reference to primers?

—A. Yes.

Q. And that was something practically within your knowledge?—A. Yes.

Q. And also as to cartridge cases?—A. Yes.

Q. You visited a great many factories?—A. We went to all the primer plants. Do you want under the Shell Committee?

Q. Yes?—A. We were losing deliveries on account of delay in primers. They were storing up cases for the want of them. It was a question of borrowing Harston's standard gauges and going around to the manufacturers and standardising their gauges to the gauges required, and getting their work into the factories where they were doing the loading.

Q. Was any effort spared as far as yourself or General Bertram or Colonel Carnegie were concerned in forwarding that work with the greatest possible expedition, and to forward it in Canada?—A. We gave up two weeks going to the different places to get it levelled up, if possible.

Q. You said your advice was not asked about the making of these fuses in Canada. Had you formed an opinion of your own as to whether it was possible to get fuses made in Canada, in June, of 1915?—A. I had not gone far enough for that. I had not had time, and I was not called upon to. Colonel Carnegie was very much better posted on it than I was, and I did not go into it beyond the tentative feeling that one like General Bertram himself would like to see it started in Canada if possible.

Q. You think that was the feeling of the whole committee?—A. I think so, unquestionably.

Q. And in the only experience you had you met with an absolute rebuff from the gentlemen named?—A. They put it off, they were too busy.

Sir WILLIAM MEREDITH: Are you referring to the Montreal concerns?—A. Yes, sir.

Mr. NESBITT: And they were very prominent manufacturers—I think Mr. Carvell used that expression?—A. I think so, decidedly, distinctly, in regard to munitions contracts.

Q. The Dominion Bridge Company?—A. Yes, and the Montreal Ammunition Company.

Q. Is Mr. Vaughan of the C. P. R. shops?—A. In the earlier stages he was with the C.P.R., on munitions contracts.

Q. And was looked up to throughout the country as if any one was capable of doing it, he was capable?—A. That was my view of it.

Q. You were speaking of the Edward Valve Company. You know I suppose that Colonel Carnegie was only induced to attempt that contract because of the way the others had fallen down here?—A. Yes, sir.

Q. He was even cabling over to England to get cartridge cases sent from there?—A. To be rectified.

Q. To bridge over the difficulties of getting delivery of ammunition?—A. Yes.

Q. Have you seen or read Colonel Carnegie's evidence here?—A. Yes, I have read the newspaper account of it. That is all one gets in Quebec.

Sir WILLIAM MEREDITH: Perhaps it was the head-lines he read.

Mr. NESBITT: Then I will not express my view as to how far it might or might not be correct, as I have not seen the newspapers.

Q. I was going to ask you, how far you agreed with his views of the urgency of getting out ammunition at that time?—A. There was urgency, provided we could get the delivery.

Q. You were asked something about General Pease, and I understood the evidence to be this—see if it recalls anything to you or not, or if it brings anything back to your mind—I understood that on the first occasion, when the first price of the No. 100 fuse loaded was \$4, that General Pease was present, that the price was discussed, the terms of the contract were gone over with great particularity, as shown by the minutes. I do not understand that it is stated that General Pease gave at that time any opinion about the price, but that at a later date, the 17th of July I think it was, General Pease came back and told the Committee that he had ascertained that graze fuses unloaded were being turned out at a lower price than you had negotiated for here, and that upon that occasion the contract was let to Russell, who was seeking \$4, or one-half at \$4 and one-half at \$3, an average of \$3.50 as it is put, because of what General Pease had said about cheaper prices in the States. Does that recall whether that is the fact or not?—A. I cannot recall it sufficiently to state, but I remember a discussion arising at a meeting when General Pease was present, as to the \$4 price, whereas in the States as he said they were doing them cheaper, and he claimed we should reduce our price.

Q. Was any mention made of the Russell contract at an average price of \$3.50?—A. I cannot say that.

Q. You cannot remember?—A. No, sir.

Q. You were asked whether you were consulted about prices. Were the prices as shown by the minutes the prices at which the War Office were contracting to pay and the sub-contractors' prices that you were contracting to give, for the component parts and all that, were those reported at the meetings and made the subject of discussion, and approved of by the full committee? In other words did General Bertram and Colonel Carnegie keep you informed as to what they had been doing?—A. I am not sure that they did in every case, but the committee meetings kept getting further apart, and there was often a very short time when we were there, and we did not always go into the details, and I cannot say that we always did.

Q. The Committee meetings are shown, when they were held. What would you say as to how far General Bertram and Colonel Carnegie were busy and attending day in and day out, night in and night out, to the work, or were you at Quebec?—A. I came in touch with them. I think it is marvellous, what they have accomplished, and the amount of work they did do.

Q. You say that you never had taken any but the one view? That whatever was saved was to go back to the War Office?—A. That is it.

Q. And as far as you know, or is it a fact that so far as you know that was the view of everybody?—A. That was my impression of the view of every member of the committee.

Q. I only want your opinion. What atmosphere, so to speak, what do you say here, or do you tell the commission that in your judgment the whole Shell Committee did all that men could do to do their very best for the War Office?

Mr. CARVELL: Don't you think, Mr. Nesbitt, that this is going too far?

Hon. Mr. DUFF: I don't think you ought to object to that question, Mr. Carvell.

Mr. NESBITT: I will not ask it, if Mr. Carvell says not to.

Mr. CARVELL: I do not care.

Hon. Mr. DUFF: I don't think the question ought to be objected to. Strictly it might not be admissible. These gentlemen are undergoing a process which is altogether the reverse of that followed in trials in our country. They are being investigated at large. Nobody knows what is being charged against them until we are through with the whole thing.

Mr. NESBITT: If you can offer an opinion upon that, let us have it?—A. My understanding with the whole Committee was, to do the best we could for the War Office, and if we did save anything out of it, it would be handed back to the War Office.

[Col. Frank D. Lafferty.]

Sir WILLIAM MEREDITH: If nobody else wants to ask the witness anything, I will ask him a question or two.

Q. Were you aware that three firms with which three members of the Committee were connected were doing part of the work in connection with shells?—A. I was not.

Q. How does that fit in with your view that these gentlemen occupied the position of a director of contracts you spoke of?—A. Only in the sense that it was a coincident fact that they happened to be in a dual position, and one had to accept them as eliminating in their opinions at the Committee their views or prejudices as manufacturers.

Hon. Mr. DUFF: Their personal interests, you mean?—A. Their personal interests.

Sir WILLIAM MEREDITH: In your view they occupied a dual position, and sat as members of the Committee in their semi-judicial capacity?—A. Yes, sir.

Q. And as contractors they acted in their own interests; that is the way you understood it?—A. Yes, sir.

Hon. Mr. DUFF: Just one question.

Q. It has been said here by General Bertram and Colonel Carnegie and by Colonel Watts (although I am not sure about Colonel Watts) that their view was that strictly, if they supplied the ammunition at the prices fixed by the War Office, the complete ammunition at the prices fixed by the War Office, then their methods of getting the component parts, their placing of the contracts, and the prices at which they got the component parts together, constituted a matter with which the War Office would have nothing to do; did you ever hear it discussed from that point of view, so far as you can recollect; if you cannot recollect, do not say so?—A. No, sir, I cannot recollect.

Q. Do not misunderstand me. I am not saying that these gentlemen conveyed the impression that their ideas were that they were making profits, but that they stood in the position in which they were, free from control in dealing with the matters mentioned, so long as they complied with the stipulations of the War Office with regard to the price and the quality of the munitions supplied. Do you recollect anything of that kind?—A. No sir, I do not recall anything of that kind.

(The Commission adjourned at 5.30 p.m. until 10 a.m. to-morrow, Tuesday, May 16th, 1916.)