

# ROYAL COMMISSION

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## REPORT OF THE COMMISSIONER

CONCERNING

# PURCHASE OF SUBMARINES

COMMISSIONER:

The Honourable Sir CHARLES DAVIDSON, Knight



OTTAWA

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

1917

13917—1A



**THE ROYAL COMMISSION APPOINTED TO INQUIRE INTO THE PURCHASE  
BY AND ON BEHALF OF THE GOVERNMENT OF THE DOMINION  
OF CANADA, OF ARMS, MUNITIONS, IMPLEMENTS, MATERIALS,  
HORSES, SUPPLIES, AND OTHER THINGS FOR THE PURPOSES OF  
THE PRESENT WAR, AND AS TO THE EXPENDITURES AND PAY-  
MENTS MADE OR AGREED TO BE MADE THEREFOR.**

**REPORT OF THE COMMISSIONER.**

To the Honourable CHARLES J. DOHERTY, M.P., P.C.,  
Minister of Justice.

SIR,—I have the honour to transmit through you to His Excellency the Governor General in Council, this the first of several reports, which it is my duty to submit pursuant to the direction of the Commission approved by His Royal Highness the Duke of Connaught, on the recommendation of an Order in Council, bearing date the second of June, 1915.

I have been fully conscious of the desirability of reporting without delay on the results of my extensive investigations.

Vicissitudes of health have caused regretful interruptions in the completion of my duties.

The Commission was issued in consonance with the provisions of "The Inquiries Act," R.S.S. (1906), chapter 104, as amended by 2 George V (1912), chapter 28.

It directed an investigation:—

" . . . concerning the purchase by and on behalf of the Government of Canada through whatever agency the purchase may have been effected, of arms and munitions, implements, materials, horses, supplies, and other things for the purposes of the present war and as to the expenditures and payments made or agreed to be made therefor."

As well the statute, as the specific terms of the Commission gave authority to:—

" . . . engage the services of such accountants, engineers, technical advisers, or other experts, reporters, and assistants, as he may deem necessary and advisable, and also the services of Counsel to aid and assist such Commissioner."

Of vital importance was the choice of counsel.

It was to my great satisfaction that Mr. John Thompson, K.C., of the Ontario Bar, accepted the position. He resigned on the 16th of May, 1916, and thereafter devoted himself to his military duties, which have called him to Overseas service.

Apart from the notable fact that he refused professional compensation for his services, his entire devotion, throughout many months, to the strenuous work of the Commission involved material self-sacrifices in other directions. He discharged his duties fearlessly and with marked ability.

I sought the acceptance by Mr. Thomas P. Owens of the position of Clerk of the Commission, and of Official Reporter. His long experience in work of this kind proved of substantial value. Zeal and efficiency marked the performance of the important duties assigned to him.

There arose necessity for assistance in the direction of securing investigations of charges made, serving subpoenas, and in other respects making advance arrange-

ments for the holding of meetings in different localities. To these ends I appointed Mr. John McKinley. His energy was unceasing; what he accomplished receives sincere commendation.

Deserved observation should be made of the fact that he served without remuneration, save as to travelling expenses.

From the outset it became the policy of the Commission to treat the sources of all information as confidential. Territorially widespread and voluminous accusations of wrongdoing in connection with matters relevant to the scope of the inquiry were communicated to us. These had to do with incidents which occurred, or which were alleged to have occurred, in all the provinces of the Dominion.

Furthermore, prolific information, not based on specific accusations, reached us. Many of the incriminations were of far-reaching public importance.

An epidemic of belief as to the almost universal prevalence of corrupt conduct on the part of public officials and public contractors existed.

It was of material importance to the State that the truth or falseness of these Dominion-wide indictments should be determined.

By the *Inquiries Act*, as amended, section 12:—

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

On several occasions I gave effect to these provisions.

At Victoria, Mr. S. S. Taylor, K.C., made application that the Provincial Liberal Association of British Columbia might be heard by counsel, and that such counsel be allowed the usual privileges of examination and cross-examination of all witnesses.

In support of his application Mr. Taylor mentioned that the Liberal party had communicated with Ottawa and that the reply was as follows:—

OTTAWA, ONT., August 31, 1915.

“C. B. PATTERSON, Esq.,

“Northwest Trust Building,

“Vancouver, B.C.

“Letter received. Sir Charles Davidson arranges sittings of Commission, may be reached at Halifax now or Ottawa next Monday. No authority necessary for appearance of counsel.

“P. PELLETIER,

“Acting Under Secretary of State.”

I quote from the evidence Vol. 2, p. 1525:—

“Sir Charles Davidson: You are right, Mr. Taylor, in expressing the belief that Mr. Pelletier, Acting Under Secretary of State, passed beyond his authority when he expressed an opinion of that kind. This Commission stands indifferent to all parties; I am proud to believe it is above parties. There is no department of the Government, no, not even the Government itself, which can control the acts of this Commission. It is possible that my position as Commissioner might be cancelled, but, otherwise, I will not permit any interference, any official interference, with the manner in which the business of this Commission is to be conducted. I had the good fortune at the outset—for the appointment was a purely personal one—to secure the consent of Mr. Thompson, K.C., to act as counsel to the Commission. His is not a political appointment. I have faith in his independence of character, and his conduct throughout all the examinations—and there have been many—and in all the hearings of witnesses, and there have been almost a multitude—has been that of a fearless, alert, and effective advocate, whose only desire was to serve public interest.

As regards this application, my serious belief is that it would be an invasion of the position of Mr. Thompson. He represents all parties, he represents the whole people of Canada, and I am firmly convinced that he will fulfil his duty in that to the uttermost. He will welcome any information which may be given to him from any source, and if it be desired that the source of that information should be held in confidence, that confidence will be observed, as it has been in the past.

I have to regret that I am unable to grant this application. I might say, further, that the parent source of the Commission is, as you are well aware, the Inquiries Act. That Act, in its second section, the amendment produced by 2 George V, Chapter 28, makes this provision as to counsel:—

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

In various cases I have permitted that; in fact, divers counsel have at different times, representing different personal interests, appeared before me.

I do not know that there is any further observation I can make, further than to express the hope, Mr. Taylor, that you, in the direction which I have mentioned, will afford every possible assistance to Mr. Thompson.

I need hardly add that I am quite sure that had another course or another decision on my part been possible, the manner in which you, Mr. Taylor, would have conducted your professional duties, would have been worthy of your position at the Bar.

MR. TAYLOR, K.C.: Thanks, Your Lordship. I will ask Your Lordship's consent to retire.

SIR CHARLES DAVIDSON: I hope we will not lose your presence here, Mr. Taylor.

MR. TAYLOR, K.C.: I may say, My Lord, if you will permit me, just one word, that cross-examination through another counsel, as Your Lordship knows from your very long experience at the Bar, would be so innocuous that it would not have effect, so far as our clients are concerned. I thank you very much for the kind remarks you have made concerning me.

SIR CHARLES DAVIDSON: It would have been proper for me to add, Mr. Taylor, that were your appearance permitted, that the Conservative party, if there be such a party, would have had to be granted counsel.

Mr Taylor stated that he would be glad to consent to a lawyer being present to represent the Conservative party, and Sir Richard McBride, then premier of the province, said he had no objection to the appearance of Mr. Taylor. This did not induce any change in my decision.

Mr. Thompson, before calling witnesses, welcomed information from Mr. Taylor or from any source whatever.

To forestall possible belief that there contradiction lies between this decision, and my having later on acquiesced in the appearance at Ottawa of Mr. Dewart, K.C., to represent the Liberal party in the "Small Arms Ammunition Inquiry," I put, at once, an explanation of record.

An extended discussion took place in Parliament on the subject of certain sales of Small Arms Ammunition, to Vickers, Limited, of England.

The Prime Minister announced that the matter would be referred to this Commission for investigation. It was further notified to the House, both by the Prime Minister and by the Minister of Justice, that the appointment of counsel by "The Opposition" would be suggested and even recommended to me. As a consequence, it became in this respect my inevitable duty, to permit of the appearance of Mr. Hartley Dewart, K.C.

As to the thoroughness of the investigation held, I feel it a valued privilege to be able to quote what was said by the Auditor General, at a sitting held in Ottawa on the 19th of February, 1916. (*Evidence, vol. 3, p. 2233*):—

"Mr. FRASER: So far as the knowledge I have of the inquiry made by your Commission, it has been a very full and thorough one. If I am any judge of these matters, I must say that the inquiry was very satisfactory. I cannot imagine or think of anything else that could have been done. I think the matters submitted to you were very fully covered. It is true that persons who were not present at the meetings of this Commission may think now that certain things should have been done which were not done, but it is impossible for them to judge, unless they have been present, as I was."

With the exception of a sitting held *in camera* at Victoria, the reasons for which I shall speak of in dealing with the purchase of two submarines, all the meetings of the Commission were held in public.

I desire to express my appreciation of the valuable services rendered by newspapers in publishing full and impartial reports of the evidence; and by their reporters in furnishing information, which might not, otherwise, have been available.

An advertisement of the following tenor was inserted in the newspapers at different localities:—

"ROYAL COMMISSION."

"Public notice is hereby given that The Honourable Sir Charles Davidson, appointed by His Royal Highness The Governor General, by and with the advice of His Privy Council, under the 'Inquiries Act' (R.S.C., chapter 104 and 2 George V, chapter 28), to make an investigation concerning the purchase by and on behalf of the Government of Canada, of Arms, Munitions, Implements, Materials, Horses, Supplies, and other things for the purpose of the present war, and as to the expenditure made or agreed to be made therefor, will sit for the pursuance of such investigation, at the City of Victoria, in the buildings of the Provincial Legislature, on the first day of October, 1915, at the hour of 11 o'clock in the forenoon and on succeeding days, and that he will thereupon hear applications and evidence relevant to the Commission.

"By order,

"THOMAS P. OWENS,

"Clerk of the Commission."

I needed, at the outset, to settle a question of substantive procedure. Should each subject of accusation be wholly completed as to evidence and, ere other investigations were taken up, reported upon, or should the accusations of malfeasance and wrongdoing rife throughout the Dominion be forthwith, either substantiated or quieted? I adopted the latter policy, because of several dominant reasons.

Not unfrequently necessity arose for the further investigation by witnesses of details concerning which they were not, at the moment, prepared to speak; a number of officers, whose evidence was desirable, were on Overseas services, and there was possibility of the return to Canada of one or more of them. Hence resulted delays in the completion of evidence essential to several matters.

Above all it was, in my belief, of initial importance that the public should, by open, widely held and searching oath-supported inquiries, know of, without delay, the truth or falsehood of the multitude of charges and rumours which had widely spread existence.

Perusal of the evidence taken in the different provinces, will emphasize the then existent need to sit at: Summerside, Charlottetown, Kentville, Wolferville, Halifax, Moncton, Dorchester, Quebec, Montreal, Ottawa, Peterborough, Toronto, Brampton, Winnipeg, Regina, Calgary, Vancouver, Seattle, New York, and Boston.

The sittings at New York and at a sanitarium in the vicinity of Boston became necessary, because, in the one case of officers of the Electric Boat Company who could not come to Canada, and in the other because Dr. Chipman, a veterinary, who had to do with the purchase of horses in King's county, Nova Scotia, was too ill to attend elsewhere.

Seven hundred and sixty-nine witnesses were heard. Their evidence covers 5,780 pages. Hundreds of papers, letters, and accounts are of record. Many and varied matters, some of them intricate, were investigated.

A sentiment of considerable proportions, and which might, not unfitly, be designated as popular clamour, would have it, that our public services are intensely tainted, with grievous malfeasances. It is cause of great pride to me, as a Canadian and as Commissioner, to be able to assert that the results of my labours lead me, as regards the scope of my Commission, to a strongly contrary belief.

I feel assured that all worthy public opinion will share in this gratification.

Of isolated cases of positive wrong-doing there is proof. As well are there some examples of official neglect. With these I shall deal in no uncertain fashion.

But my cumulating impression as the work of the Commission progressed, and the final convictions, which result from an essential analytical reperusal of the thousands of pages of evidence of record, lead me to applaud the faithful work and day-by-day overwork of the military officers; the zealous performance of their duties by public officials; and, more important than all, the honesty of their performances.

It needs to be remembered that the accusations, brought confidentially to myself and to Mr. Thompson, covered hundreds of pages. These were publicly probed. Save at Victoria, both political parties honoured the Commission with a confidence, in the way of putting information at our disposal, which I and my staff appreciated, and which was of public advantage. Furthermore, we made independent search for corrupt acts.

Of the thoroughness with which Mr. Thompson pursued his duties, I give two examples: We sat for a lengthy period at Kentville; and thence went to Halifax. Forthwith there was telegraphed to a local journal the statement of a prominent resident that we had failed to call essential witnesses and that a number of matters had not been investigated.

While sitting at Halifax, information was brought to Mr. Thompson that a person had asserted the everywhere existence of graft.

Both parties were instantly summoned to appear. Each admitted that his statements were without foundation.

Other cases of somewhat like kind arose. They were investigated.

The war cast upon the Department of Militia duties, vast as to volume and unusual as to character.

Of this fact impressive description is given in the reports of Surgeon-General Fiset, Deputy Minister of Militia; Major-General D. A. Macdonald, Quartermaster General; Major-General Gwatkin, Chief of the General Staff; J. W. Borden, Accountant and Paymaster General; H. W. Brown, Director of Contracts.

The evidence is being printed at the Government Printing Bureau.

I proceed to a consideration, in distribute form, of the matters which engaged the attention of the Commission.

## SUBMARINES.

### *As to the purchase of two submarines.*

In 1911, the Electric Boat Company of New Jersey contracted with the Chilean Government to build two submarines. The company sub-contracted with the Seattle Construction and Dry Dock Company for the doing of part of the work. Disputes arose between Chile and its contractors. For alleged nonfulfilment of the specifications, as regarded buoyancy when the vessels were loaded for a two-months' cruise, the Chilean Government suspended payments. The Electric Company, in turn, stopped its remittances to the sub-contractors.

At the outbreak of the war the vessels lay in completed condition at the docks of the Seattle company.

Sir Richard McBride, then Premier of British Columbia, and his Government, bought them for the sum of one million one hundred and fifty thousand dollars. Canada took over the purchase and repaid the province.

It was considered that the acquisition of the vessels vitally helped the protection of our Pacific coast, and especially of Victoria and Vancouver.

Out of the transaction there came many rumours. Repetition added to their definiteness and intensity. Charges of recklessness as to methods and of dishonest trafficking in public moneys were in circulation.

Sir Richard McBride paid a brief visit to Ottawa in June, 1915. The Commission was in session. He asked permission to give evidence on the subject of the submarines; assumed full responsibility for the initial purchase; defended it; asserted that there had been no corrupt feature of any kind; and asked for an investigation. This request was renewed by subsequent insistent applications.

At the opening of my sittings at Victoria, Mr. Taylor, K.C., applied for permission to appear on behalf of the Liberal Association of British Columbia. My decision in the negative has been dealt with on the opening pages of this report.

During the investigation, Sir Richard McBride sought to have Mr. Thompson, of counsel to the Commission, call the president of the Liberal Association; the chairman and members of its executive; and the editors and managers of the Liberal papers of Vancouver and Victoria.

Effort was also made by him to have the Auditor General asked if he had received from members of the Liberal party any data with reference to the submarines.

I refused the applications. This decision was in harmony with my holdings on Mr. Taylor's application and on other previous occasions as to the keeping of sources of information confidential, and the excluding of everything which might bring political features into the proceedings. My supreme desire was to hold an exhaustive and judicial investigation.

It is possible that my remarks on this subject of submarines may come to be of extended length. The greatness of the transaction; the public interests involved; and the seriousness of the accusations made; justify a close analysis of all that happened.

It should be mentioned that I had before me for examination the following officials of the Electric Boat Company:—

H. B. Carse, president.

E. B. Frost, vice-president.

H. A. G. Taylor, vice-president and auditor.

G. C. Davison, vice-president and engineer.

At the request of Mr. Thompson, the Auditor General preceded the arrival of the Commission in British Columbia for the purpose of securing all available information.

He attended the sittings throughout, gave valued help, and at the close had no suggestions to make as to witnesses or information available.

Some evidence was taken *in camera*. In this I followed the desire of the naval officers. I specially requested the presence of the Auditor General and of the mayor of Victoria.

There is some information in the *in camera*, evidence, which I utilize. This can now be, without detriment to the public interest. Indeed, to my lay mind, secrecy as to any part of it is no longer needed.

#### *As to the Date of the British Columbia Cheque.*

This cheque is dated the 1st of August, 1914. Why so, seeing that the negotiations had only been concluded on August 4?

The seeming discrepancy was investigated.

W. J. Goepel, Provincial Deputy Minister of Finance explains. According to the provincial system of book-keeping all cheques issued between the 1st and 5th of any



month are dated the 1st. He is positive that the actual date for the making out and issue of this cheque was the 4th.

The consecutive numbering of the cheques; the production of a number of others of like kind; the date of the Order in Council; that also of the Lieutenant-Governor's assent; the corroborative testimony of W. Allison, Provincial Auditor General, who asserts that he signed the cheque about ten minutes to five of the afternoon of August 4; all give cumulative weight to the conviction that the actual writing out, signing, and issue of the cheque were truly of that date.

*As to the error in decoding telegram from Sir Richard McBride to the Rt. Hon. Sir Robert Borden; and title.*

The following correspondence is pertinent:—

“Auditor General to Deputy Minister of Naval Service.

OTTAWA, August 29, 1914.

“SIR,—I have to acknowledge receipt of your application No. 700 of 26th August, for the payment of \$1,150,000 to the Canadian Bank of Commerce, being amount advanced to the Provincial Government of British Columbia for the purchase of two submarines for your department.

“Before dealing with this application it will be necessary for you to furnish me with the report of the technical officers of your department, mentioned in the Order in Council of 7th August, and also the bill of sale or other documents vesting the ownership in the Dominion Government. You will observe that the amount authorized in the above Order in Council is only \$1,050,000, and this amount corresponds with the amount said have been advanced by the Provincial Government of British Columbia, as stated in the telegram of Sir Richard McBride, the Prime Minister, dated 4th August, 1914.

“I should be furnished with an explanation as to what purpose the additional sum of \$100,000 is to be applied, and also with an Order in Council authorizing the payment of this sum for such purpose.

“I am, sir, your obedient servant,

“J. FRASER,  
“Auditor General.”

Letter from the Deputy Minister of Naval Affairs to the Auditor General:—

OTTAWA, October 10, 1914.

“SIR,—I have the honour to acknowledge receipt of your letter of August 29, last with reference to our application No. 700 for the payment of \$1,150,000 to the Canadian Bank of Commerce, being amount advanced to the Provincial Government of British Columbia, for the purchase of two submarines for this department.

“Owing to a clerical error the purchase price mentioned in the copy of the telegram attached to our application was shown as \$1,050,000, whereas the actual price is \$1,150,000.

“I enclose herewith, a certified copy of the telegram received by the premier, which I would ask you to substitute for the copy forwarded with our application.

“I have the honour to be, sir,

“Your obedient servant,

“G. J. DESBARATS,  
“Deputy Minister.”

Two points are raised by the Auditor General:—

1. A discrepancy of \$100,000 between the amount mentioned by Sir Richard McBride, the Premier of British Columbia, in his telegram of August 4, and that now sought to be paid.

2. The absence of a title or other documents vesting the ownership of the submarines in the Dominion Government.

It is a fact, as asserted by the Deputy Minister of Naval Affairs, that an office mistake of clerical kind had occurred in the decodification of Sir Richard McBride's telegram. The first copy furnished put the amount of the provincial cheque at \$1,050,000. The original of the telegram fixed it, and correctly, at \$1,150,000.

There was no formal bill of sale of the vessels. Paterson received his money; evidenced it with a receipt and gave over possession of the vessels to Commander Jones. The ownership was in the Electric Boat Company of New Jersey. Its assent had been obtained. Neither time nor circumstances permitted the delays which would have been needed for the execution of legal documents.

Indubitable title lies in His Majesty, in the right of Canada.

*As to the sum of \$10,000 and Captain Logan's account.*

Captain W. H. Logan was Lloyds agent on the Pacific coast. He was detached from that service to give what help he could in relation to the submarines. Cabled approval of his detachment for this special service came from London.

He went to Seattle on the 4th of August, completed arrangements for the delivery on the high seas, and accompanied them on the voyage.

In the turmoil of efforts to get the boats to Canada, there had been no opportunity to arm the vessels. Logan was instructed to seek armament at Seattle.

For the outlay incidental to the purchase of armament, Sir Richard McBride telegraphed Ottawa to place \$10,000 to Captain Logan's credit. This was done with the concurrence of the Naval authorities at Esquimalt dockyard. Possibly the telegram was sent by the Naval authorities with the concurrence of Sir Richard McBride.

Circumstances developed, which made Captain Logan's mission unsuccessful; he returned to Victoria, and the money was never transmitted.

The armament was sent from Halifax by special train.

Captain Logan's account is as follows:—

VICTORIA, B.C., Oct. 5, 1914.

To the Commanding Officer,  
of the Dockyard, Esquimalt, B.C.

To WILLIAM H. LOGAN:

To personnel fees, 15 days at \$25 per day.....	\$	375
hotel expenses, 15 days at \$10 per day.....		150
transportation from Seattle and Tacoma, five trips at \$22.....		110
wires, long distance phones, and other expenses. . .		50
expenses in connection with men from Beeverton, and gratuities . . . . .		5
	\$	690

The account was paid by the Naval authorities. The fees charged were those ordinarily received by Logan; his account was in all respects reasonable.

*As to necessity and incidents of purchase.*

For days, and even weeks previous to the 4th of August, 1914, war with Germany was believed to be probable, even inevitable.

Apart from the *Rainbow*, a warship of minor rank, and some guns mounted at Esquimalt harbour, our Pacific coasts were entirely without defensive protection.

Throughout Victoria, Vancouver, and their vicinities, alarm, in intensive form, existed.

It was known that the German warships, *Leipsic* and *Nuremberg* were on American coasts; and believed that they were even in adjacent waters.

During these days of anticipation the banks removed their specie and securities to inland points; families made preparations to fly; bombardment insurances in large sums were effected; women and children had orders to leave their quarters in the Naval Yard; hospital ships were prepared; the *in camera* evidence contains details of official instructions received by the Naval authorities to expect an immediate attack.

Of the acuteness of the alarm, even panic, which existed, realistic proof was made before me by: G. H. Barnard, M.P.; Alfred Flummerfelt, Director of the Canadian Bank of Commerce; F. L. Crawford, Manager, Canadian Bank of Commerce; Douglas R. Clark, Superintendent of the Bank of Montreal; William Hogg, Inspector of the Canadian Bank of Commerce; John Arbuthnot, Merchant; W. H. Logan, Lloyds Agent; Col. E. Gawlor Prior, Ex. C. O. 5th Artillery, then President of the Board of Trade; Alexander Stewart, Mayor of Victoria; Henry B. Thompson, M.L.A., British Columbia; J. J. Shallcross, Merchant; Sir Richard McBride; and Naval officers.

These responsible leading citizens believed that there was serious cause for anxiety. I give their names in detail for the reason that their opinions and safeguarding conduct have had material influence on the conclusions I have come to.

On the 29th of July, 1914, there chanced to be assembled at the Union Club, Captain Logan, Lloyds' agent on the Pacific, H. B. Thompson, Bullman F. Barnard, now Lieutenant Governor of the province, and two or three others.

There was also present J. V. Paterson, President of the Seattle Constructions and Drydock Company, whose business affairs had brought him to Victoria.

War possibilities were under discussion. The acquisition of a Chilean warship was suggested and put aside as impossible. Paterson stated that his company had, at Seattle, two submarines which might be obtained. Of their existence Logan was aware. This was the first intimation, however, that there was chance of their acquirement.

His company were sub-contractors, as already stated, for the Electric Boat Company of New Jersey, the Seattle agent of which was T. S. Bailey.

Of the principal contract between the Electric Boat Company and the Chilean Government, fuller reference will be made later on.

The comparatively narrow sea approaches to Victoria and Vancouver made submarines highly desirable for defensive purposes.

Paterson and Bailey sought authority to sell from the Electric Boat Company. It was given. Paterson asserts that the company demanded \$600,000. On July 30, Paterson, in response to a telephone inquiry from Victoria, mentioned \$550,000 or \$555,000 each, as an approximate price.

At the office of Sir Richard McBride; at the Naval Yard, and elsewhere, conferences of leading men were taking place. Their importance and effectiveness were enhanced by the presence of the Honourable Martin Burrell, Minister of Agriculture, member for Yale-Cariboo.

So exigent did the situation become, that a summons was issued to meet at the Naval Yards on Monday morning the 3rd of August at 3 o'clock. Later in the day other meetings took place. Logan got into telephonic communication with Paterson, and asked for a definite price. The answer was \$575,000 each. Logan expressed surprise at the figure, and handed the receiver to Mr. Burrell, who found it confirmed. To an attempt at bargaining Paterson answered brusquely: "This is no time to indulge in talk of that kind and that I would not listen to it, and that if they did not care to get the boats they did not need to take them."

On the next day Logan, at Seattle, again brought up the question of price. Paterson replied that the price was not open to discussion at all. The price included the cost of delivering the vessels at the border of Canadian territorial waters.

Naval opinion supported the belief that the purchase ought to be made, and Sir Richard McBride assumed the responsibility of completing arrangements.

The Naval Commander at Esquimalt telegraphed as follows to naval headquarters at Ottawa:—

ESQUIMALT, B.C., Aug. 3, 1914.

NAVAL, Ottawa, Ont.

Two submarines actually completed for Chilean Government, Seattle, estimated cost £115,000 each. Could probably purchase. Ready for action, torpedoes on board. Chilean Government cannot take possession. I consider it most important to acquire immediately. Burrell concurs. Provincial Government will advance money pending remittance.

ESQUIMALT.

The statement as to torpedoes was erroneous.

Mr. Burrell stood in personal support of the movement; but did not feel authorized to speak for the Government.

Logan and Sub-Lieutenant Brown, R.C.N., were sent to Seattle to complete the arrangements. Intercourse with Victoria by telegraph and telephone continued throughout the day of the 4th.

Finally Paterson accepted the assurance of Sir Richard McBride that payment would be made in accordance with negotiations.

Belief existed that a declaration of war was imminent. In fact, if not in local knowledge, it had issued. There was reasonable fear that any attempt to take the submarines out of Seattle harbour would be stopped.

A crew of eighteen men were assembled, and other preparations for the journey secretly made. Brown went on board the *Iquique*, Paterson and Logan on the *Autofagasta*. Subsequently the vessels were designated on the Canadian naval list as C.C. 1 and C.C. 2.

At about 10 o'clock of the evening of the 4th, the vessels cast off. For the sake of silence, battery power was used up to the harbour light, or entrance, then the Deissel engines took up the work. A heavy fog helped the adventure. It might be styled an escape rather than a clearance, for clearance papers were not obtained.

Vice-President Davison says (Evidence vol. 3, p. 2274) that a delay of two hours would have blocked the adventure: "As it was, when the report got out, the United States Government sent out boats from Puget sound to find these boats and bring them back, but they had already been delivered."

Early the next morning the steamer *Salvor*, a Canadian patrol boat, was sighted, lying off our territorial waters, in wait for the submarines.

How this meeting and its accompanying incidents came about makes a recital necessary of what took place on August 4, at Victoria, concurrently with movement of Logan and Brown at Seattle.

An Order in Council was passed asking the Lieutenant Governor to pass the special warrant attached.

On his assent being received, a cheque on the Canadian Bank of Commerce was made to the order of the Premier for the sum of one million one hundred and fifty thousand dollars; signed by the Minister of Finance, and countersigned by the Auditor General of the province. A copy is exhibit No. 280. This cheque was endorsed over to Lieutenant Pilcher, R.N., Chief Officer at Esquimalt, and delivered to him by Chief Messenger Ryan, in the presence of the premier. Pilcher, in turn, endorsed and handed the cheque to Lieut.-Commander Jones, R.N. (who had had five years' submarine service), with written orders to proceed on the *Salvor* to a position five miles south of Trial island, where two submarines would be met; to inspect them; to verify if they were effective and worth the stipulated price; and if satisfied in these respects to pay over the cheque to the representative of the Seattle Construction and Dry Dock Company, and bring the boats to Esquimalt.

Engineer-Lieutenant Wood, R.N., and R.C.N., the Chief Engineer of the Dockyard, was to and did accompany him. So also did Smallwood, Chief Armourer; a naval reserve of blue jackets; and several naval artificers.

These two officers boarded the submarines, and subjected them to a rigid inspection—so rigid, indeed, that it excited the impatience of Paterson.

Satisfied with the results, Jones handed the cheque to Paterson; obtained his receipt in writing; took over command; hoisted the British flag; and made for Victoria.

The arrival of the vessels created enthusiasm and a sense of protection.

Paterson, on landing, proceeded to the bank; obtained drafts on New York and Seattle for his cheque; and disposed of the proceeds in the manner to be presently stated.

Meanwhile Sir Richard McBride wired the Premier of Canada to the following effect:—

VICTORIA, B.C., August 4, 1914.

Right Hon. Sir ROBERT BORDEN,  
Prime Minister,  
Ottawa.

After consultation with Burrell and Naval Officers have advanced to-night one million one hundred and fifty thousand dollars to Lieutenant Pilcher, Senior Naval Officer in command, for purchase two modern submarines lying Seattle harbour and built for Chile. All arrangements complete for their arrival Esquimalt to-morrow morning unless untoward incident occurs. Congratulate Canada if this operation successful on acquisition of such useful adjunct defence of country.

RICHARD MCBRIDE.

The reply was as follows:—

OTTAWA, August 5, 1914.

Sir RICHARD MCBRIDE,  
Victoria, B.C.

Yesterday morning we communicated with Admiralty as to advisability of securing two submarines mentioned and as to feasibility of manning them, as without crews they would be useless. They advise purchase provided crews could be secured. As this has been accomplished we appreciate most warmly your action which will greatly tend to increase security on the Pacific coast, and send hearty thanks. Please advise me of their arrival.

R. L. BORDEN.

In support of this view, I quote, from others of record, the following influential opinions (Evidence, vol. 3, p. 2129):—

ADMIRAL KINGSMILL: As a matter of expediency, I consider that the British Columbia Government, who made the purchase, acted promptly and rightly. The fact of these submarines being there, I am perfectly certain in my own mind, saved the city of Victoria, if not the city of Vancouver, from serious damage.

Mr. THOMPSON: That is, on the part of the German navy.

ADMIRAL KINGSMILL: On the part of the German Eastern Squadron, which had left Kow Chow almost on the outbreak of war, and which we knew were cruising in the Western Pacific at the time.

Rear-Admiral Story, who was in charge of the Dockyard and of naval affairs on the Pacific coast, testifies (Evidence, vol. 2, p. 1578):—

Mr. THOMPSON: Considering the state of the coast defences of British Columbia, at the time of the declaration of war, what do you say as to the propriety of the purchase of the submarines, or otherwise?

Rear-Admiral STORY: I consider it was most judicious.

J. J. Shallcross, Merchant of Victoria (Evidence, vol. 2, p. 1582):—

Mr. THOMPSON: You think the anxiety was greater then on the part of those who were informed?

J. J. SHALLCROSS: I should think so; they had the responsibility. I would like to make one comment about the question of commission.

"I believe that in August of last year, if it had been known that any public man or any citizen of Victoria had in any way blocked the purchase of these submarines, for the protection of this city, on the question of a commission, he would be absolutely outlawed for all time. I do not believe there was a single man in Victoria at that time who would accept any commission in connection with such a matter as that. The feeling of the people was intensely patriotic and very intense, and I think the whole conception of a public man taking a commission, or of any man taking a commission, when the whole country was in jeopardy, is so abhorrent that it never could have occurred."

Vice-President Davison (Evidence, vol. 3, p. 2273):—

"Sir CHARLES DAVIDSON: What is your opinion as to the value or efficiency of these two vessels with respect to the protection of Vancouver and Victoria and the adjacent waters?

"The WITNESS: In my opinion, they were the greatest defence that those waters had. From all accounts, it is quite possible that they saved Vancouver and Victoria from destruction. The moral effect of those two vessels being armed, and being in the possession of the Canadian Government, in the opinion of many naval officers with whom I have talked, kept the German cruisers, which were then on the Pacific coast, from entering those waters, and, moreover, if the cruisers had the hardihood to go in and bombard Vancouver or Victoria, it is more than probable that those submarines, in the condition in which they were, would have probably sunk the cruisers."

It can be asserted, and without reserve, that the securement of the two submarines was highly desirable—indeed a very pressing necessity.

*As to the efficiency of the submarines.*

As already stated, the Electric Boat Company of New Jersey, in August 1911, contracted with Chile to build the two submarines for the total sum of \$818,000, payable on progress estimates.

A sub-contract for some of the work was made with the Seattle Construction and Drydock Company.

Payments to the sub-contractor were to be made as the work progressed, but only so long as the Chilean Government continued its payments.

At the date of the sale the Chilean Government had been long in arrears. Its excuse was non-fulfilment of one of the conditions of the contract, which required that the vessels should be capable, without loss of efficiency, of carrying stores for two months.

At the trials, in July, 1914, a load had been put on to represent what Chile represented to be needed for a cruise covering this time.

The representative of Chile took the ground that when so loaded there was want of buoyancy in rising.

Davison, a Vice-President of the Electric Boat Company, and its engineer, explains that during construction, several additions were made to the boats, at the request of Chile, which, although beneficial, increased their weights, and of necessity decreased their rising buoyancy. He thought the objections were an excuse.

While so protesting, the boats were never officially refused, and in the end, the Chileans sought to prevent the sale. They still conducted themselves as if entitled to and desirous of possession.

Popular criticisms were based on two grounds:—

1. That extensive repairs had to be made.
2. That the submarines and especially CC-2 were not effective.

On these points quite a number of witnesses spoke.

The vendors had a high belief in the offensive power and general efficiency of the submarines.

This appears by the unqualified testimony of Paterson, in the West, and of President Carse, Vice-President Frost, and Engineer Vice-President Davison in the East. They claim that construction was of the best. I was impressed with the sincerity of their utterances and the frankness with which they spoke.

Earlier mention might have been made of the fact that Auditor Taylor attended voluntarily at Vancouver at his own expense.

Builders are apt to speak in strongly approving terms of their own work. To their testimony the principle of *caveat emptor* is fairly applicable.

It does not, however, stand alone. Witnesses, beyond reproach as to standing and impartiality, have testified as to the merits of the submarines. Quotations from their evidence will make for brevity.

(Evidence, vol. 3, p. 2130):—

Admiral KINGSMILL: When I arrived in Victoria, some time afterwards, he (Lieutenant Commander Keyes) informed me that the CC-1, that is the first one, was in excellent condition and quite serviceable. He said he would not like to say the same about the other one without having her docked, as there was some leak somewhere that he could not detect. So the vessel was docked, and it was found that she had struck something and there was a slight leak which prevented her from maintaining her buoyancy, but otherwise the vessel was in excellent condition, and both of them were efficient. I may say that from that day they have continued ordinary work, out for practice, firing torpedoes, submerged and on the surface. With the exception of minor defects and one or two accidents they have had, there has been nothing to complain of in the vessels at all."

(Evidence, vol. 3, p. 2130):—

"Mr. THOMPSON: I understand from the evidence of Commander Keyes that the defect which existed in one of the vessels that was brought across from Seattle, was in one of the valves not being properly seated; would that be caused by an accident, such as you spoke of, before they were acquired?

"Admiral KINGSMILL: It might have been caused by the vessel striking some submerged object.

"Mr. THOMPSON: I understood from Commander Jones that that was a very minor defect.

"Admiral KINGSMILL: All the defects have been minor; there was no serious defect at all.

"Mr. THOMPSON: After these defects were remedied, was submarine No. 2 as efficient as submarine No. 1?

"Admiral KINGSMILL: Yes, quite."

(Evidence, vol. 3, p. 2131):—

"Mr. THOMPSON: What do you say as to the efficiency of these vessels, as compared with vessels of a similar class in the British Navy at the present time?

"Admiral KINGSMILL: From all the information we can get, and from Keyes' own report, he says they are quite on par with anything they have.

"Sir CHARLES DAVIDSON: What as to buoyancy?

"Admiral KINGSMILL: That I could not remember without the file; that is a technical question that I did not know I was going to be asked.

"Sir CHARLES DAVIDSON: The Chileans made that a ground of resiliating the contract; the Boat Company rather pretends that the Chileans did not want to continue the bargain for another reason, and I would like, if possible, to know what your official opinion is.

"Admiral KINGSMILL: As to their buoyancy?

"Sir CHARLES DAVIDSON: Yes.

"Admiral KINGSMILL: The submarines are efficient in every way. They are continually out and diving and firing their torpedoes. That statement that there was anything wrong with their buoyancy or anything wrong with them in any other way is absolutely false, because from the very day that Keyes got hold of them he went out. In my presence in Victoria these submarines have gone out and submerged and done their work and come back again.

"Mr. THOMPSON: Were ever any complaints made in any way that there was a lack of buoyancy in these vessels?

"Admiral KINGSMILL: No, except in CC-2 which, as I have mentioned, had struck something.

"Mr. THOMPSON: That, I understand, was before the defect was remedied?

"Admiral KINGSMILL: That was before the defect was remedied."

Rear-Admiral Story, in charge of the dockyard and of naval affairs on the Pacific coast (Evidence, vol. 2, p. 1577):—

"Mr. THOMPSON: When did you take charge?

"Admiral STORY: I took charge at Esquimalt on the 20th of October last year.

"Mr. THOMPSON: I would like you to make a statement as to the efficiency or otherwise of the two submarines purchased by Canada?

"Admiral STORY: I consider these two boats as very efficient boats in their way. Since I have been here, I have been in touch with the officers in command, and they have always expressed themselves as satisfied with the behaviour of the boats. They have been continually at work.

"Mr. THOMPSON: Do you know whether or not the cost of repairs has been normal or abnormal, in the case of these vessels, comparing the cost of repairs with that of similar vessels in the Royal Navy?

"Admiral STORY: The amount of repairs has been normal, what would have been expected. They are new boats. They had their annual overhauling and, as new boats, a certain amount of work would be expected, especially when they were built by people not used to that class of work. There was nothing but what might be expected.

"Mr. THOMPSON: It was reported that a portion of the side of one of the vessels had been removed for some purpose or other, and Lieutenant Jones stated that no part of the hull had been removed, but that a part of the superstructure had been removed in order to have the hull painted?

"Admiral STORY: Yes, that is quite correct. When they were having their annual refit it was found that some of the rivets in the stern tube had to be attended to, replaced, and the only way to get at it was to remove these plates belonging to the superstructure. That is, the part above the cigar-shaped hull, but the same plates were put back; you could not get at it without removing them.

"Mr. THOMPSON: Had No. 2 submarine been at sea as much as No. 1?

"Admiral STORY: Oh, quite.



"Mr. THOMPSON: And used in the same way in practice, and so on?

"Admiral STORY: Yes, exactly.

"Mr. THOMPSON: And no distinction is made between these two vessels?

"Admiral STORY: No distinction whatever between the two.

"Mr. THOMPSON: It has been said that the crews were afraid to go to sea in No. 2 submarine on account of the danger attending cruising or diving in that vessel; what do you say as to that, have you heard anything about it?

"Admiral STORY: I never heard one single word of any sort or description about it.

"Mr. THOMPSON: Has any complaint been made to you by any of the crews?

"Admiral STORY: No.

"Mr. THOMPSON: Or any representation?

"Admiral STORY: None. Certainly, I should have heard it, if it were true.

"Mr. THOMPSON: You would be the person to whom such reports would be made?

"Admiral STORY: Certainly.

"Sir CHARLES DAVIDSON: Are these twin ships?

"Admiral STORY: To all intents and purposes, yes. One is a little longer than the other; one has two more tubes than the other.

"Sir CHARLES DAVIDSON: As to efficiency, have you observed any distinction between the two?

"Admiral STORY: None."

The Vice-Admiral further states that the vessels are under the immediate command of the Admiralty, and that he does not profess to be an expert.

It will be remembered that Lieutenant-Commander Jones took over the vessels from Paterson and made the inspection precedent. He succeeded Lieutenant-Commander Keyes as Commander of the submarines. His experience covered five years of antecedent submarine service at home. His judgment, on the merits of the vessels is, as a consequence, of special value.

I quote (Evidence, vol. 2, p. 1537):—

"Mr. THOMPSON: Can you tell me whether at any time those vessels, or either of them, was out of commission through defective construction?

"Lieut.-Commander JONES: Not defective construction—it is rather difficult to know quite what you mean by the word 'construction.'

"Mr. THOMPSON: I mean something radically wrong with the way in which they were constructed?

"Mr. JONES: No.

"Mr. THOMPSON: So that it would be dangerous to operate them?

"Mr. JONES: No.

"Mr. THOMPSON: On the other hand, either might have been out of commission through some break of machinery which would be in another class and might be designated as an accident?

"Mr. JONES: Yes, I understand you, they were never out of commission due to defective design or construction.

(Vol. 2, p. 1538):—

"Mr. THOMPSON: Did you have any difficulty after they arrived with them through faulty design?

"Mr. JONES: Not through faulty design, no.

"Mr. THOMPSON: Would you say the nature of the difficulties you had?

"Mr. JONES: We had slight difficulties with one boat due, we thought afterwards, to certain valves which admit water, or through which water is pumped out of tanks, not seating accurately. The valve has to rest accurately, and if it does not it is liable to allow water or fuel oil to get from one part to another, and we had slight trouble due to some of the valves not being in good condition, which was very easily remedied.

"Mr. THOMPSON: Was there anything else the matter with them?

"Mr. JONES: It was discovered when I docked, some time later, that she had grounded, but we found that this grounding was not the cause of this at all.

"Mr. THOMPSON: It had not caused the injury?

"Mr. JONES: No.

"Mr. THOMPSON: Was it an injury?

"Mr. JONES: The result of the grounding was very slight; it was simply the scraping of the plates at the bottom, there was no real injury.

"Sir CHARLES DAVIDSON: What caused the want of proper and exact seating?

"Mr. JONES: I put it down to careless over-sealing when the boats were built.

(Evidence, vol. 2, p. 1538):—

Mr. THOMPSON: For instance, Admiral King-mill, in writing a memo. to the Deputy Minister on the 23rd of September, 1914, says:—

"\* Memorandum for Deputy Minister:

"\* On my arrival at Esquimalt, Lieutenant Keyes, in charge of the submarine, reported to me that the behaviour of No. 2 submarine was not satisfactory, and that there was quite a loss of buoyancy when trimming for diving; he could give me no definite information as to what was the matter, but said he thought the ship must have taken the ground or touched some obstruction in diving, and requested that I should give authority for her to be docked, which I did.

The examination of the vessel showed that she had struck something quite heavily, in consequence of which some of the valves from the fuel to ballast tanks were leaking, and as the fuel was expended and pressure became less inside the fuel tank the water leaked in.'

Mr. JONES: Yes, the loss of buoyancy was due to the valves. It was thought at the time it was due to the grounding but it was found afterwards, on docking her, that it was not due to the grounding."

(Evidence, vol. 2, p. 1538):—

"Mr. THOMPSON: What do you say as to these vessels being efficient?

"Mr. JONES: I consider them both very efficient indeed.

"Mr. THOMPSON: Has the cost of repairs to these vessels been excessive?

"Mr. JONES: No, certainly not."

Mr. Thompson read into the evidence from page 27 of the blue book relating to submarines, an "Epitome of reports received concerning submarines", prepared by the Naval Department. It deserves repetition.

The officer referred to as in charge of the submarines was Lieutenant-Commander Keyes. Of his qualifications, Jones says (vol. 2, p. 1541): "He was one of the oldest submarines officers at home. He is an exceptionally clever man, and I suppose knows as much about submarines as any man in the world."

*" Epitome of reports received concerning submarines.*

" Supplemental to the reports herewith attached it may be stated generally that correspondence has taken place with the Officer in charge at Esquimalt of the following nature:—

" On the 2nd October last, confidential written instructions, which it is undesirable to publish, were prepared and forwarded to Esquimalt Officers relating to the care, management, preservation and operation of these vessels for the guidance of the officers in command, also calling for special reports as to any defects observed and instructing the officers concerned that no alterations whatever were to be made without Headquarters approval.

" On the 4th December a confidential report was received from the Officer in charge of the submarines, regarding their construction and operation, stating that the vessels were well-constructed, seaworthy, steer well, can be kept under excellent control when submerged, and can be very easily manipulated.

" Having regard to his previous experience in the British Submarine Service, he submitted what he considered to be a number of improvements in details for the consideration of the department. A number of these have been carefully considered and approved and are being carried out as opportunity offers, so that the running of the boats is not interfered with. Some of the proposals were deferred pending consultation with the Admiralty, in view of some similar boats being under construction.

" In the interests of the Submarine service, it is not considered desirable to publish these details, particularly in view of the reported general efficiency of the boats.

" It might be added that owing to the hazardous nature of the service in which these boats are employed, which is inherent to the character of all submarine boats, the carrying out of periodical examinations and tests of the various appliances with which they are fitted is the most important. There are a number of daily, weekly, monthly, semi-annual, and annual tests, all of which have to be conscientiously carried out, and which necessitates the boats being in harbour more than the ordinary surface vessel, if their efficiency is to be maintained."

Both Keyes and Pilcher were called by the Imperial authorities to Overseas service.

The opinions of other naval officers at or in immediate touch with Esquimalt Dockyard were secured.

Commander Hose, R. N., in command of our warship *Rainbow* (Evidence, vol. 2, p. 1587):—

" Mr. THOMPSON: What do you say as to their efficiency or otherwise?

" WALTER HOSE, R.N.: I should say they were entirely efficient. I went into the matter, and they were then so considered efficient by the then commanding officer of submarines, Lieutenant-Commander Keyes, and he applied to accompany me to a point over 700 miles away from Esquimalt, with his submarines, in order to act offensively against the enemy. I went into the matter and it appeared to me that his suggestion was feasible.

" Sir CHARLES DAVIDSON: What as to the respective efficiency of these two submarines, No. 1 and No. 2?

" The WITNESS: I think they are highly efficient, both."

Engineer-Lieutenant Wood, who shared in the initial inspection on the taking over of the vessels (Evidence, vol. 2, p. 1588):—

" Mr. THOMPSON: Did you examine both vessels?

" Lieut. WOOD: Both vessels.

" Mr. THOMPSON: Were you satisfied as to their efficiency?

"Lieut. Wood: As far as could be ascertained in the time. I thought that they were perfect.

"Mr. THOMPSON: What conclusion did you come to after further experience with them.

"Lieut. Wood: Do you mean since they have been delivered?

"Mr. THOMPSON: Yes.

"Lieut. Wood: Well, I think, so far as submarines go, they are in every way efficient.

"Mr. THOMPSON: Is one more efficient than the other or are they both upon a level?

"Lieut. Wood: So far as I am aware, there is no difference in them. There is a slight structural difference, but their efficiency is about the same."

Needless to say, the work done by vessels of this kind involves special and ever present dangers. In no other department of naval life is incessant watchfulness more thoroughly the price of safety, of the confidence of crews, and of offensive powers. Concealment of defects would involve criminal responsibility.

The evidence of record is high as to quality, and unanimous in conclusions. It justifies the conviction that the two submarines are effective fighting machines.

#### *As to the price of the submarines.*

Between the British Columbia cheque for \$1,150,000 and the original contract price with Chile for \$818,000, the difference is \$332,000 in favour of the Electric Company.

There were offsets, however. Not only did the Electric Boat Company return \$714,000 to the Chileans; it added interest (the amount does not appear).

The like occurred as to the Seattle Company; its total of \$131,282.64 includes \$4,804.99 for interest.

The sum of \$40,000 paid Paterson has also to be considered.

While original price is not necessarily a true test of the three-year-later value of an article, it provides an element of comparison, and invites inquiry as to the cause of difference between the one and the other.

It is the assertion of the officers of the Electric Company that the contract price was strikingly low. Auditor Taylor thinks the loss might have been up to \$100,000. This resulted from the hope that future orders from Chile for war vessels might be, thereby, more readily secured.

That the price of labour and material advanced greatly is, of course, true.

Admiral Kingsmill was of the belief that (Evidence, vol. 3, p. 2129), "under the conditions of war it was not an excessive price to pay." From official records he is able to say that in August, 1914, Vickers asked the Canadian Government \$572,000, with a heavy premium in addition if a time-limit was required. Six months later their price rose to \$600,000.

Notwithstanding these qualifying factors, the sale brought material advantage to the company.

It changed a certain loss, respecting which I shall make further remarks in a moment, into a profit; the boats were got rid of for cash, and the entanglements with Chile brought to an end. So also was the suspended account of the Seattle Company.

Paterson claims credit for not having asked more. If he had he would have got it.

The dangers of the moment made price—a ruling factor in ordinary business transactions—of subordinate importance.

To have refused the two submarines, because their cost was high would have meant more than a mistake of judgment. It would have been indefensible.



*Thirdly.*—What as to the \$40,000 which Paterson charged the Boat Company by way of commission?

It was his belief that he acted in respect of his bargaining, as the agent, not of his own company but of the Eastern Company, and so was entitled to personal compensation. Both companies acquiesced.

We have seen that, apart from his subsequently allowed commission of \$40,000, he kept hold of \$30,000. His explanation is that he stood in danger of serious and expensive proceedings being taken against him by the United States Government. German authorities had made complaint about the escape of the submarines; governmental inquiries were afoot; a public official had been sent to Victoria. To him matters looked quite threatening. When they were quieted he remitted the amount held in suspense and obtained his final acquittance of date the 13th of October.

It would appear, from the evidence of the Eastern Company's officers that another feature, not mentioned by Paterson, had existence at this stage of events.

They state that his outset demand was for \$70,000; they objected and refused. Finally, \$40,000 was settled upon. They considered this a reasonable figure, and in consonance with business usage.

Their western agent, Bailey, also put forward a claim for commission—it was refused.

The part played by Paterson involved risk. He evaded through port regulations; and, possibly, in other ways, broke strict letters of law. There was much public discussion about the escape of the submarines. The incidental expenses incurred were considerable. He says they amounted to \$5,000. His strong belief is that what he did was worth more than what he got. On this point the Electric Boat Company, and it alone, had right of decision.

I have already decided that out of what the New Jersey Company and the Seattle Company, respectively, received, there was not a vestige of proof, or even of suspicion, that any improper payment had been made. What they got they held, at the moment and throughout the future.

I have still to deal with what became of the amount received by Paterson.

Graft, or a rake-off, or a political contribution results, as a rule, from some favour received; or influence exerted; or difficulty of sale; or hoped-for future assistance.

Not one of these temptative elements existed.

Paterson, shrewd man that he is, thoroughly knew of the exigencies of the moment, and of how urgently submarines were needed on the coast of British Columbia.

These facts are not without importance. The entire cheque was paid in drafts on Seattle and New York. Of cash he took none; and left for Seattle at once.

He emphatically denies that any payment, preceded, accompanied, or followed the sale, by way of inducement or in recognition of its accomplishment.

Of course this denial did not conclude the investigation.

We called to the box all who supported the purchase, saving Lieut. Pilcher and Lieut. Keyes, who had been called to Overseas service.

The negotiations were by telephone conversations or wire messages alone. Of the one evidence exists, of the other copies are of record.

Lloyds' agent, Logan, was the only one who had personal negotiations with Paterson. How indignant is his denial of having received anything from the transaction, save his fees and expenses, as set forth in his official account already spoken of, may be best told by a quotation from his evidence (Evidence, vol. 2, p. 1570):—

“MR. THOMPSON: Did you ask him over the telephone whether he would pay a commission?”

“MR. LOGAN: No, sir, I did not, I never mentioned a commission.

“MR. THOMPSON: When you saw him in Seattle did you ask him if he would pay you a commission?”

“MR. LOGAN: No, all I mentioned then was the boats.”

"Mr. THOMPSON: Did you ask him whether his company would pay you a commission?

"Mr. LOGAN: No.

"Mr. THOMPSON: Or whether the Electric Boat Company would pay you a commission?

"Mr. LOGAN: I never mentioned a commission of any kind.

"Mr. THOMPSON: Neither on behalf of yourself or any other person?

"Mr. LOGAN: Neither on behalf of myself or any other person.

"Mr. THOMPSON: Nor did you suggest it in any way?

"Mr. LOGAN: Nor did I suggest it in any way. I did not get any commission. The only thing I got was a lot of abuse since that time. I have heard nothing but dishonourable insinuations and innuendo since the last twelve months, and I have, in a small way, shared in the heap of abuse piled on the premier of this province. I feel indignant and disgusted over the whole thing; I think it is enough to make a man who is inclined to do anything for his country, stand aside."

Sir Richard McBride was in the forefront as regarded responsibility for the purchase. He asserts pride in the fact. I again quote from the evidence (Evidence, vol. 2, p. 1604):—

"Mr. THOMPSON (to Sir Richard McBride): Before we concluded taking your evidence in Ottawa, I asked you on the subject of a commission, and I put to you the questions that have been put to the other witnesses. I ask you now: do you know whether Paterson, or the Seattle Drydock Company, or the Electric Boat Company, paid any commission to anybody, either official or unofficial?

"Sir RICHARD MCBRIDE: I recollect that you asked me that question and my answer was: no.

"Mr. THOMPSON: Or whether they made any contributions of any money, or whether they made any promise of money, to party funds, or anything of that kind, of an indirect or direct nature?

"Sir RICHARD MCBRIDE: No, sir, neither directly nor indirectly, did any person or persons, or the agent of any person or persons, in any capacity whatsoever, mention the subject of commission to me, or to anyone whom I know.

"Mr. THOMPSON: Or paid any?

"Sir RICHARD MCBRIDE: Or paid any.

"Mr. THOMPSON: Or promised to pay?

"Sir RICHARD MCBRIDE: Or promised to pay anything or paid anything or undertook to promise anything. On Labour Day, 1914, a Mr. Norman Johnson, who is general counsel for the Electric Boat Company—

"Sir CHARLES DAVIDSON: Let me see this first.

"Sir CHARLES DAVIDSON (having seen the letter): Who is this man who signs this letter?

"Sir RICHARD MCBRIDE: He is general counsel for the Electric Company. He called on me with regard to the transaction, and he said there was a difference between the Seattle Company and the New York Company, and he questioned me, and I knew nothing about it, and he wrote me this letter of apology. It turned out it was a dispute between Mr. Paterson and the others. That is all I ever heard with respect to a commission or anything else. The following is the letter:—

"Sir RICHARD MCBRIDE,

"Victoria, B.C.

"September 14, 1914.

"MY DEAR SIR RICHARD,—You may remember the writer as the recipient of your hospitality on Labour Day morning, and you may also recollect the matter

' then discussed by us. I have been in Seattle during the past week and gone over the situation here very thoroughly, and it gives me pleasure to report that the only reason why our company did not receive the whole purchase price of the boats was due to the necessity of reimbursing the Seattle Company for some expenditures made on the boats, and a difference of opinion between Mr. Paterson and ourselves as to the fair and reasonable commission to be paid him for services rendered for us as a broker. These differences of opinion are to be adjusted amicably, inasmuch as both sides only desire what is fair.

" 'Thanking you again for your kindness and courtesy, I am.

" 'Most sincerely yours,

" 'NORMAN JOHNSON.'

" Mr. THOMPSON: Did you receive that letter within a day or two of the 14th of September?

" Sir RICHARD MCBRIDE: Yes, sir.

" Mr. THOMPSON: Was it on the 4th or the following day?

" Sir RICHARD MCBRIDE: I think I got that letter the next day. That was the only time that the question or a commission or anything else was ever mentioned to me. He called on me and asked me about the transaction and how much money was paid, and I told him. He asked him why he was inquiring about it, and he said there was a question of differences between the New York and the Seattle offices, and he wanted to have it adjusted.

" Mr. THOMPSON: That is about a month and a half after the submarines were purchased

" Sir RICHARD MCBRIDE: Yes.

" Mr. THOMPSON: Had any question arisen here about a commission being paid on the submarines?

" Sir RICHARD MCBRIDE: I never heard a word about it before or since, with the exception of receiving that letter of apology.

" Sir CHARLES DAVIDSON: There has been something said in the press, one way or the other, that there may have been a commission paid on these vessels, or there were rumours to that effect; had any such rumour reached your ears by the 14th of September?

" Sir RICHARD MCBRIDE: Well, I had heard about three weeks or a month after the submarines were purchased—it was through Mr. Shallcross who met me one night on the street, and he said he had been told that I made half a million dollars out of the purchase of these submarines. I said that the thing was ridiculous, and he said it was reported to him. Then I heard that repeated again two or three times later. I was also told that certain people in Victoria were securing the services of a detective agency to trace the whole operation."

All other witnesses were challenged in like manner and with like result.

My earnest desire, and as well was it that of Mr. Thompson and of Mr. Auditor General Fraser to investigate this transaction to the dregs. Mr. McKinley, of our staff, was incessantly at work in this direction. It was announced more than once during our sittings that we welcomed and would utilize any information communicated to us.

I again quote from the evidence (Evidence, vol. 2, p. 1609):—

" Mr. THOMPSON: I asked you, Mr. Auditor General, to come to Victoria in advance of the sittings of the Commission to ascertain, if possible, any further information with regard to the purchase of these submarines, have you been able to obtain any evidence or any source of information which would lead you to the opinion that anything has not been disclosed in evidence that should have been disclosed?



"Mr. FRASER: No, I have not.

"Mr. THOMPSON: Generally speaking, have you anything to suggest that I may further inquire into, with regard to the purchase of the submarines?

"Mr. FRASER: Nothing, unless it may be advisable to examine officials of the Electric Boat Company, if they are willing to be examined.

"Mr. THOMPSON: I think that is the intention of the Commissioner.

"Sir CHARLES DAVIDSON: You mean the officials of the Electric Boat Company in New York?

"Mr. FRASER: Yes.

"Sir CHARLES DAVIDSON: That is our immediate purpose, so far as the Commission is concerned. The moment we return east we will seek at Montreal or at their homes to secure their evidence, and we hope they will facilitate our inquiry.

"Mr. THOMPSON (to Mr. Fraser): With regard to the subjects of the Commission generally, are there any other matters in British Columbia which you suggest that this Commission should inquire into?

"Mr. FRASER: I am not aware of anything else.

"Mr. THOMPSON: You have not discovered anything that would call for investigation?

"Mr. FRASER: No."

It is cause for congratulation to all Canadians that this much-discussed and criticised enterprise was, throughout, of blameless character. The acquisition of these submarines probably saved, as it is believed by many, including high naval authorities, the cities of Victoria and Vancouver, or one or the other of them from attack and enormous tribute.

What Sir Richard McBride did in those days of great anxiety, even distress, and what he accomplished deserves the commendation of his fellow countrymen. For his motives were those of patriotism; and his conduct that of an honourable man.

C. P. DAVIDSON, Kt.,  
*Commissioner.*