

# Excerpts From Report On Fishermen's Loans Inquiry

Following are excerpts from the report of the public inquiry into fishermen's loans in this Province, conducted by Judge J.S. DesRoches as a Commissioner under the Public Inquiries Act. A summary of the report, which was tabled in the Legislature this week, appeared in yesterday's Guardian.

"The first public hearing was held at Charlottetown on July 4, 1950, at ten o'clock in the forenoon, after notice had appeared in the Charlottetown newspapers. Four witnesses were subpoenaed for this hearing and were heard during the day.

"Before adjourning it was decided to notify the public interested by inserting notices of times and places where the Commission would sit. Mr. J.O.C. Campbell, K.C., Commission Counsel, also outlined the itinerary the Commission would follow, the purpose of the Commission, and invited anyone who could give evidence to come forward with the same, from a sense of public duty. The Charlottetown Guardian reported the proceedings of every hearing and also a notice of all adjournments with times and places. I feel that the public was well informed of all hearings.

"From Charlottetown I proceeded to the following centres where public hearings were held: North Rustico, Mont Carmel, Morell, Miminigash, South Rustico, Murray Harbour, Grand Tracadie, Cunniff Cove, Egmont Bay, Tignish, Souris, Alberton, Georgetown, Summerside and Montague, making a total of sixteen centres, making a visit and about equally distributed in the three counties.

"The hearings were very poorly attended. Thirty-six witnesses, of whom ten were subpoenaed, appeared and gave evidence. I also made informal inquiries from fishermen, merchants and acquaintances as to any information or something leading to information on the matters referred to me for investigation, but I was unable to obtain any other help, formally or informally, except what follows later on in this report.

### Old Board

"The Fishermen's Loan Board was established in this Province in 1936 as the result of an agreement between the Dominion Government and the Provincial Government, wherein the Dominion would contribute two-thirds and the Province one-third of the funds required for this agreement. The original agreement appears to have been renewed from year to year with very slight changes. The Dominion Government contributed during a four year period beginning in 1936 the total sum of \$185,901.61. This amount represents the total paid over by the Dominion Government to the Province from 1936 to 1949 with the exception of \$30,000.00 paid as direct relief to the Province in 1938 and not included within my terms of reference."

"This fund was intended to be used as a revolving fund to assist fishermen. Although the Act refers to needy farmers and fishermen, no money was loaned to farmers as such. Up to March 31, 1949, when the New Board set up under the Act began to function, total loans made by the Province including Dominion assistance (not including \$30,000.00 referred to above) totalled \$551,728.98. Payments received for the same period were \$278,768.35, leaving a balance outstanding in loans as of that date of \$272,957.63.

### New Board

"On the 15th day of January 1949, regulations were enacted regulating a new system of making loans. This latest board began to function on April 1, 1949. The operations of the New Board do not come within the terms of my reference and I make mention of it here only as a matter of record and history.

### Organization Of Board

"The first Fishermen's Loan Board appointed by the Provincial Government was named in 1936 and consisted of three members of whom one was chairman. The first chairman was Hon. B. W. LePage who was the first witness to give evidence in this inquiry.

"The staff consisted of one clerk-stenographer employed in Board's office in Charlottetown. From time to time members of the Board resigned and the vacancy created was filled by the government so that from 1936 to 1949, the personnel of the Board had changed several times but at no time did it exceed three members."

"The report then cited the form of application and the conditions under which loans were granted. The questions and other information asked for in this application form were completed and

the evidence taken in the Watterworth case together with his Lordship's Charge to the Jury. This was made available to me through the Attorney-General's Department. I cannot, therefore, plead ignorance as to what this inquiry is about and what gave rise to it. The unfortunate part, however, about this inquiry is that part of the evidence given in the Supreme Court where the rules of cross-examination are almost boundless and the other part given before this public inquiry where the rules of cross-examination are rather limited. This makes the weighing of the evidence read and heard difficult to appreciate and to judge.

"The substance of the Watterworth allegations in his defence of the conspiracy charge was that he was acting as Dr. Grant's agent in obtaining loans from the Fishermen's Loan Board and that the money obtained through these loans was used for political purposes at the provincial election held December 11, 1947.

"Some of the extracts taken from the Watterworth's evidence in the Supreme Court are as follows: — "Then the application form would be made out and in the general rule, it went to Dr. Grant to be recommended. I was very much interested in politics, and anybody that wanted to make application for the Fishermen's Loan, I could pretty well assure them that it would be passed provided Dr. Grant's signature was on a recommendation. . . . At one time, I took as many as thirteen applications at one time. . . . Dr. Grant signed the thirteen applications. . . . He (Dr. Grant) says, 'You are doing fine. This is great; get as much for the boys as you can and get it out.' . . . It was very close to the election, and I put it out as I was instructed to do. It was customary to take them to Mr. Saville; he was the representative of the Board. Once I got Mr. Saville's signature on it, I would present it to Mrs. Higson for payment. In some cases I would get them inside of an hour, and if they were prepared, I would have them signed by Mr. Saville and I would have them right off the bat; and sometimes they would be turned down or held over for some reason or other. I could not tell you. But in general, I took in the application and I got the cheque right away. She (Mrs. Higson) had a cheque for \$1,000.00 made out. I said 'which one does this cover?' and she wrote five names on a piece of paper. That is the only document I ever got from Mrs. Higson when a cheque was for. . . . It was in December, close before the election, because I promised the boys I would have the cheques out for them before the election. . . . I passed it (Fishermen's Loan cheque) cut; I passed out liquor, nets and money. . . . The sole purpose was to lick Clark and Campbell. Dr. Grant is the Dominion Member of the House of Commons for King's County or was at this time. He is now Senator. . . . I don't think he was interested in the Government (of Prince Edward Island) any more than I know he wanted Keir Clark and Joseph Campbell elected. I saw Dr. Grant very often, sometimes go up to his place; on several occasions particularly before the election he was in my office.

"The question now arises, 'Did the Fishermen's Loan Board know of these fraudulent applications?' Watterworth states that Keir Clark and Joseph Campbell were above board. Keir Clark states that after he investigated some of these loans in Montague, he notified Mr. Saville, a member of the Board, particularly about loans involving Watterworth as agent. This would be about three weeks before the election of December 11, 1947. He (Keir Clark) also warned Dr. Grant at the same time about recommending loans, told him what he had heard around Montague and that he was suspicious of those loans. Keir Clark states further that Mr. Saville as a result of the information given him, had turned down several applications for loans, but that some had already been passed.

"The question now arises, 'Should the Board have been suspicious? Watterworth operated a fish plant in Montague and had dealings with fishermen. He had been a candidate in the 1943 election. He had recommended several applications for loans before the fall of 1947 which appeared to be regular. There was, however, a conviction in 1944 of breaking and entering the vendor's store at Cardigan against Watterworth. Was this information available to the Board? And, if so, was that alone sufficient to turn down applications where Watterworth was concerned? With reference to Dr. Grant, much of the evidence against him is contradictory, particularly as to time. There is no doubt that at one time Dr. Grant and Watterworth were good friends, to say the least. Dr. Grant says this association ceased with the by-election of 1946. Watterworth says that Dr. Grant signed applications in the fall of 1947. My terms of reference do not require me to express an opinion and for this reason, I will not quote or comment further on all the evidence submitted.

"How? A. I told him I had. . . I told him the day before the election I had \$250.00 left and Dr. Grant said 'Get it out.' I said 'write me some doctor's prescriptions for liquor' they had. . . . He wrote me ten tickets and went out. As I stated, I gave out nets for part of it (\$500.00 cheque) and cash for part of it, and liquor for no reason but election purposes. . . . any commission that I made on nets that fishermen took, I put out double or treble that to the fishermen and received nothing from them, which are bills outstanding today. In no case did I ask any money to take the loan. They all knew what they were signing. It was nothing to me. . . . It was the talk of the town and community—the fishermen's loan and how it was being handled. . . . that he (Mr. Saville) knew of no cases where it was demanded to be repaid. But the only way of making collections was through the gasoline rebate from the fishermen when they used the gas for their boats. The last I saw Dr. Grant was the morning about eleven o'clock on December 11th. He came to see me. Cross-examined by the Attorney-General, Watterworth says: 'All the loans up to the fall of 1947 were legitimate.' Q. 'Were you engaged in heavy drinking during the fall of 1947?' A. 'Yes, a few days before the election. I certainly was.' Q. 'When did you first get into financial difficulties?' A. 'August 17, 1948.' Q. 'And the purpose of the cheque was to reimburse you for the fishing equipment?' (\$200.00 cheque to Nat. Campbell). A. 'He never got fishing equipment. He got the money.' Watterworth appeared in person before me at two hearings of the Commission held in Montague. He repeated in substance his evidence given in the Supreme Court and asked that subpoenas be issued by

me and served on certain persons in and around Montague. This was done. Some of the persons Watterworth named were absent from the Province at the time and had been absent before this inquiry commenced. The object of having these witnesses subpoenaed, I gathered, was to corroborate Watterworth's statements. Watterworth also stated that he and Dr. Grant had worked together on a voters' list for the 1947 election.

Dr. Grant's Evidence  
Dr. Grant appeared before me at a public hearing in Murray River on July 31, 1950, to deny the Watterworth accusations above referred to. He stated that he was interested in politics and had assisted Watterworth with his campaign in the 1943 provincial election where Watterworth was a candidate, and had continued to work with him until 1946 when disagreement broke out in a provincial by-election. From 1946 on he (Dr. Grant) had nothing further to do with Watterworth. Dr. Grant also stated that when the rumor got around that Watterworth was keeping money out of loans, or part of it, he refused to sign any more applications.

Misuse of Funds  
There is no doubt that Fishermen's Loan Board funds were obtained fraudulently by Watterworth and some of his associates. This appears in the evidence given in the Supreme Court and before me. Watterworth states that all the loans to the fall of 1947 were legitimate implying that those loans made after the fall of 1947 were not legally obtained. Dr. Grant states that when the rumor got around that Watterworth was keeping money out of loans, or part of it, he refused to sign more applications. Keir Clark, M.L.A., Montague, states that he was a bit suspicious about the loans in general, made some enquiries about the loans around Montague and what he learned was not very reassuring. The question now arises, 'Did the Fishermen's Loan Board know of these fraudulent applications?' Watterworth states that Keir Clark and Joseph Campbell were above board. Keir Clark states that after he investigated some of these loans in Montague, he notified Mr. Saville, a member of the Board, particularly about loans involving Watterworth as agent. This would be about three weeks before the election of December 11, 1947. He (Keir Clark) also warned Dr. Grant at the same time about recommending loans, told him what he had heard around Montague and that he was suspicious of those loans. Keir Clark states further that Mr. Saville as a result of the information given him, had turned down several applications for loans, but that some had already been passed.

Other Evidence  
I have found no other evidence of irregularities elsewhere than in and around Montague. It is true in some places money was used to buy food and for purposes not intended in the Act. But in some cases an impression existed that the money was intended for relief. It is not quite clear to me really how the money was to be spent except to assist fishermen. I found very few fishermen who understood the loan was intended as relief and not to be repaid to the government. Some members of the Board understood the money was intended for relief, although a promissory note was taken in all cases. The Board explained this by saying that it was to comply with a requirement of the Dominion Government and the note was not intended to be acted upon. There were no regulations made under the Act governing fishermen's loans during the period under review by me. It is really difficult to say for what purpose the loans were to be made except to assist fishermen and that is a fairly broad expression.

Recommendations  
The new board, I am informed, now employs a full time investigator. Loan cheques are now payable to both merchants and fishermen. It is evident from the Watterworth case, that had this practice been adopted prior to December 11, 1947, much of the scandal created by this case would have been avoided.

(1) I recommend that the practice of careful investigation and proper payees be continued and that the regulations now in force under the Act be carefully studied, enforced and amended as times and circumstances change.

(2) I recommend that a more serious effort be made to collect all loans now due or that some arrangement be made to have them brought up to date by collateral security or otherwise deal with these loans in a more business like manner. I believe that this is the only policy that will be fair to all those fishermen who have paid their loans. In cases, however, where there was a genuine belief that the loan was intended as re-

# Questions And Answers Re "Eskimo" Operations

Answers to some of the following questions with respect to the operations of the M. V. "Eskimo" were tabled in the Legislature this week by the Hon. Eugene Cullen, Minister of Industry and Natural Resources. The answers, given below, correspond to the questions as numbered:

- 1. Referring to the statement tabled at the 1950 Session of the Legislature that the M. V. "Eskimo" was purchased by the P. E. Industrial Corporation from the Hudson Bay Company: (a) Who authorized the purchase of the M. V. "Eskimo"? (b) Table any such authorization, direction or request.
- 2. Who negotiated the purchase of the M. V. "Eskimo"?
- 3. If the Industrial Corporation negotiated the purchase, what role, officer, employee or agent was carried out the negotiations?
- 4. Table all correspondence or communications which passed between the Industrial Corporation or any of its directors, officers, agent or employees and the Hudson Bay Company and/or any other person or company, as to the purchase or proposed purchase of the M. V. "Eskimo".
- 5. Who is now the owner of the M. V. "Eskimo"?
- 6. (a) Has the said vessel been sold or agreed to be sold? (b) If the answer is "yes" to whom has it been sold or agreed to be sold giving full particulars of date of sale, purchase price and terms of agreement.
- 7. (a) Has the said vessel been chartered or leased, or has the possession thereof been surrendered or agreed to be surrendered under any written or verbal agreement? (b) If the answer is "yes" to whom has it been disposed of or agreed to be disposed of, giving full particulars of date of charter or other disposition, the price and terms of agreement.
- 8. Table all correspondence and communications which have passed between the Industrial Corporation or any director, officers, agent or employee thereof, or any representative of the Provincial Government and any present or proposed purchaser, charterer, lessee or possessor of the said vessel from May 31st, 1950 to the 2nd March, 1951?
- 9. Referring to Section 9 of the Industrial Corporation Act, 1949, Chapter 21: (a) Has the Minister specified for the rendering to him of detailed statements of receipts and expenditures as directed by the said Section? (b) Having received a detailed statement for the year ending March 31st, 1950, has the Minister specified for a detailed statement for any period subsequent to that date? (c) In conformity with the statements rendered to February 28th, 1950, and submitted to the Legislature in March 1950: 1. Table a detailed statement of receipts and expenditures for the period ending February 28th, 1950. 2. Table Reports of the Shipping Manager for the period from January 31st, 1950. 3. Table reports of the Director of Trade for the period from March 31st, 1950. 4. (a) Who now are Directors of the Corporation? (b) Who have been Directors since December 31st, 1949? (c) Have they received any salaries or fees, and if so, how much for each? 5. (a) Is there now a General Manager of the Corporation? (b) Is there now a Shipping Manager of the Corporation? (c) Name the General Manager and/or Shipping Managers of the Corporation since December 31st, 1949. 6. Have they received salaries or fees, and if so, how much each?

12. Give names of all shore staff employed by the Corporation for the operation of the M. V. "Eskimo", and the amount paid to each during the calendar year 1950.

13. Give names of all crew members employed on "Eskimo" during 1950 and home addresses.

14. (a) How many of a shore staff have been employed during January, February and March of 1951 and give their names. (b) What work, if any, was done during said periods? (c) During said period, were said employees on full salary? (d) Where is the M. V. "Eskimo" at present time, and how long has said ship been so stationed? (e) Has she been refitted for the 1951 season, or partially so? 15. What is the total cost to the Province to date of the "Eskimo" venture, including cost of boat and all repairs and administration expenses.

Answers as tabled by Hon. Eugene Cullen, Minister of Industry and Natural Resources: 5. P.E.I. Industrial Corporation. 6. (a) No. (b) Answered by (a) 7. (a) No. 8. (a) Answered by (a) 8. No correspondence or communications. 9. (a) Yes. (b) Monthly. (c) (1) Attached herewith (2) Not available—being compiled 10. (a) Attached herewith. 11. (a) W. E. Massey; L. W. Shaw; R. G. White; J. W. Macculloch; P. A. Murnaghan. (b) Above and J.O.C. Campbell (c) No. 12. (a) No. (b) Yes. (c) Shipping Manager—C. P. Reddall. (d) Salary and \$4,000.00 per annum. 13. C. P. Reddall, \$4,050.00; R. J. McCarville, \$2,099.92; J. A. Gormley, \$1,550.00; A. T. Seaman, \$650.00. 14. E. T. Terry, Pictou, N.S.; R. A. Trenholme, Pictou; G. C. Dickinson, Charlottetown; W. A. Trenholm, Pictou; S. P. White, Murray Harbour; L. G. White, Tracadie; L. E. Herring, Murray River; F. M. Shaw, Dartmouth, N.S.; A. J. Boudreau, Halifax; P. J. Brake, Marystown, Nfld.; C. C. Bush, West Dublin, Nfld.; F. McCue, Corner Brook; William Cluett, Coombs Cove, Nfld.; R. Coady, Marystown; G. J. Conrad, Riverport, N.S.; William Dover, Spanish Room, Nfld.; D. C. McDonald, Mt. Stewart; F. A. Douglas, Grand Bank; C. W. Dunn, Charlottetown; Ign. Fleming, L. Matine, Nfld.; R. T. Hardman, Grand Bank, Nfld.; L. Hardy, Halifax; J. L. Heustis, Charlottetown; G. C. Hyde, Digby, N. S.; P. S. Gilgar, Halifax, N. S.; N. B. Melanson, Gilbert's Cove, N.S.; Saul Mosher, Fortune, Nfld.; E. J. Pardy, Grand Bank; E. J. Parsons, Corner Brook; Donald Pitley, Curling, Nfld.; R. Prosper, Corner Brook; E. A. Rice, Charlottetown; J. R. M. Sharp, Halifax; M. J. Sharp, Halifax; E. Sweeney, Corner Brook; C. J. Swift, Burgeo; T. B. Tjert, Central Grove, N. S.; James Warren, Grand Bank; G. E. White, Charlottetown; Frank Wilneff, Halifax; M. C. Witherall, Fortune, Nfld. 14. (a) C. P. Reddall; R. J. McCarville; J. A. Gormley; A. T. Seaman. (b) All normal duties while ship in operation. Preparing reports, statistics, etc., after year's operations. Overhauling loading gear, etc. (c) Yes. (d) Dartmouth, N. S., 2 months. (e) Yes.

OTHER QUESTIONS  
Clifton Bridge  
Mr. J. Philip Matheson: 1. What was the total cost of Clifton Bridge? 2. Was the bridge built by contract or day labor? 3. If by contract, what was the amount of same? 4. If by day labor gives names of all persons employed and the amount received by each person. 5. How many miles of the Campbellton Road were graded and gravelled in 1950? 6. What was the total cost of road? 7. What distance of the road between New Glasgow and Clifton Bridge was graded and gravelled in 1950? 8. What was the total cost of this road?

Answers  
1. \$50,005.82. 2. By contract. 3. Driving piles 65 cents per ft. All remaining lumber in places at \$60.00 per FMB. 4. Not done by day labor. 5. 3.6 miles. 6. \$7,409.97. 7. 1.35 miles. 8. \$8,967.39.

Summary of Evidence  
"I believe I can summarize the evidence in this inquiry in the words of Mrs. Kathleen Higson who was the last witness heard: 'I have never had any other trouble since I came into the Fishermen's Loan Board office. The only trouble I have had with fishermen's loans was around the area of Montague with Watterworth. I have had individuals come in any say that they had never made the loan but when we traced it back and showed them the applications, notes and the bills of goods that the notes covered and their signatures on the applications, they generally admitted that it was theirs.'"

"I believe Mrs. Higson told the whole truth in this statement and I agree with her. She worked hard in her office under trying circumstances. I would have expected her to say hard and harsh things about her work. To me these facts give added weight to her evidence. "I have tried to report on all the matters referred to me in the terms of my reference in a manner fair and impartial to all parties concerned and to all the citizens of Prince Edward Island. It was a task which I undertook only from a sense of public duty, i.e. to help preserve one of our democratic institutions at home while younger men and women are fighting on far-away battle fields today to safeguard and protect these same institutions. We will succeed only in preserving them when we have faith and trust in each other and in our way of life."

Public Works  
Mr. J. Philip Matheson: 1. What was the total amount spent by the Department of Public Works for November and December 1949 in the second district of King's? 2. What was the total amount spent by the Department of Public Works for November and December 1950 in the second district of King's?

Answers  
1. \$21,525.30. 2. \$28,445.53. Buses cut in 1950 for some 1951 projects, 1950 had one more project than 1949. Started during summer. (Details of expenditure for Falconwood Hospital and Beach Grove for the period April 1, 1950 to Feb. 28, 1951, were also tabled.)

PARKDALE W. I.  
The monthly meeting of Parkdale Women's Institute was held in the hall on Monday evening, March 15th, with an attendance of thirty-eight members. In the absence of the president, the vice-president, Mrs. Ross, occupied the chair. Reports were given by the different committees. The sick committee reported that six sympathy cards, twelve convalescent cards and one bouquet of flowers had been sent. The school committee reported that they visited the school and that the instruments for the rhythm band had been received. The Scouts and Cubs are to collect old papers and magazines. The Brownies are to hold a rally at Hertz Hall on April 5th. All mothers of Brownies are invited to attend. Mrs. Cook, convener of the concert committee, gave a very encouraging report of the variety concert held in the Hall. This concert had been a great success both socially and financially. A social evening was planned to be held in the hall for all who in any way so kindly assisted to make this concert a success. The prize list of the 1951 Exhibition may be obtained at the Women's Institute office and hopes were expressed that entries would be received from all members. The lunch committee for next meeting will be Mrs. Burns, Mrs. Coles, Mrs. Cook and Mrs. Cummins.

LONDON, March 30 (Reuters)—The Institute of London Underwriters today cut their rates for war risks insurance for voyages to Communist China from £5 (\$15) to £3 per £100.



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Evidence Before Commission  
"Before I started on my inquiry I had the advantage of reading all