

SAY SPIES OBTAINED MANY SECRETS

Steel Strike In Second Day

OTTAWA, July 16 (CP)—The strike of the United Steel Workers of America at Canada's three great basic steel plants entered its second day this morning, with the shut down apparently complete at Sydney, N.S., and Sault Ste. Marie, Ont., but with production continuing at a reduced rate at Hamilton, Ont.

The strike called at 7 a. m. Monday in the C. I. O. union's demands for a 40-hour work week and a minimum weekly wage of \$33.60 had resulted in only maintenance men and company officials being on the job in the plants of the Algoma Steel and Coal corporation at Sydney, and of Algoma Steel corporation at Sault Ste. Marie.

But at Hamilton, where the big Steel Company of Canada plant normally employs 4,800 workers, the company said that upwards of 2,000 men were still on the job. These were men who had remained in the plant since before the strike dead line, and for whom food and bedding arrangements had been made during the week-end.

Steel ingot production at Stelco was about two-thirds of the normal rate which is roughly 3,000 tons a day. The company said more men reported for work Monday swelling the number of more than 2,000 housed within the plant property.

The production figures, given in a telegram from Stelco president H. C. Hilton to F. B. Kilbourn, government appointed controller of the three plants, said the 2,000 tons of ingots were all rolled in the giant blooming mill. It said also that coke production was 85 per cent of capacity, that the one operating blast furnace produced 600 tons and that production in plate, rod and bar mills was "satisfactory."

The union at Hamilton said that more than 1,200 men were inside the plant. Newspapers were allowed past the picket lines Monday night and from their own observations estimated the plant was working at a rate of about two-thirds of normal production. Indication of the extent of the shut-down at Sault Ste. Marie was a union statement that picket lines may be reduced on Tuesday.

Steel Furnaces Banked

At Sydney, nearly maintenance men and company officials were at work in the big Descoz mills and the steel furnaces were banked for the first time in more than three years.

PROTEST MEAT COSTS

Winnipeg Housewives Plan Beefless Week

Thousands of Winnipeg families will go without beef for one whole week starting Saturday, as Winnipeg housewives get their second major step in their campaign against high prices underway, according to an announcement Tuesday by the Manitoba housewives' consumers' association. Protesting high meat prices, the association, at a special meeting in the Hugh John Macdonald school, Monday, laid plans for a Buy-No-Beef week, July 20 to July 27.

The association plans to mobilize support through its distribution of 30,000 public circulars, press appeals, and special telephoned appeals. Indications are that wide support will meet this move by the association.

"We are confident that the women of this city will make Buy-No-Beef week a strong register of protest against steadily increasing prices or meat lines," Mrs. Martin, president, told the meeting. "This action is directed against the beef trusts and government price policy, who are combined in a conspiracy against the housewives' dollar."

In a special letter to the meat retailers of the city, Mrs. G. Steinman, secretary, told the butchers that "throughout the planning of this protest action, we have made it clear that the fight is not against the meat retailer. In her appeal for the co-operation of meat retailers, Mrs. Steinman stated that "you, too, have an important stake in the fight against inflation. The ruination of the consumer is your ruin as well."

The public appeal, headed "Mrs. Housewife: It's Downright Robbery!" will carry six protest tokens, one for each day of the boycott, which are to be detached by the housewife and handed to the butcher every time a meat purchase other than beef is made. The token carries the words I Bought No Beef Today and is addressed to the prices and trade board.

MATTER OF FINANCE, PRODUCTION, TRADE

Claxton Has Three-Point Formula For Making Canada Prosperous

OTTAWA, July 16 (Special)—Hon. Brooke Claxton minister of health and welfare, painted an optimistic picture of Canada's recovery from her war effort in the house of commons, Monday night, and predicted prosperity for the future based on three conditions:

Claxton Flays Bracken Export Loan Statement

BY CHESTER BLOOM  
OTTAWA, July 16 (Special)—Hon. Brooke Claxton, minister of national health and welfare, took John Bracken, Progressive Conservative leader, severely to task in the house of commons Monday night for a statement made by Mr. Bracken over the CBC network July 10 attacking export loans.

Mr. Claxton recalled Mr. Bracken had said that "we (the house) are being asked by the government to go into debt another thousand million dollars—what for? Not to buy things for ourselves but to think of it to pay for our own exports to ship away to other countries."



President Truman is shown here, as he signed the \$3,750,000,000 British loan agreement bill at the White House Monday as (left to right) U.S. Chief Justice Fred M. Vinson, Secretary of State James F. Byrnes, Lord Inverchapel, the British ambassador to the U.S., and speaker of the House Sam Rayburn (D-Tex) look on.

Ilisley Asks Garson To Tax Parley July 29

Manitoba has been invited to begin discussions with the federal government at Ottawa, July 29, concerning the budget proposals for dominion-provincial tax agreements. It was learned through the office of Premier Stuart Garson, Tuesday.

The invitation to Premier Garson was extended by Rt. Hon. J. L. Ilisley, minister of finance, in an airmail letter dated July 12.

The text of Mr. Ilisley's letter to Premier Garson follows: Dear Mr. Garson: I refer to your telegram of July 10 concerning the budget proposals for dominion-provincial tax agreements.

We are prepared to begin discussions as soon as possible and are now trying to arrange mutually convenient dates with each of the provinces that have expressed a desire to start negotiations immediately. I have suggested July 22 to Saskatchewan, and July 24 to New Brunswick. Would July 29 be convenient for you? If so we could begin the talks with the representatives of your government in my office on the morning of that day.

At these initial discussions we would wish to take up both the tax agreement proposals and the question of your outstanding treasury bills to the dominion. While the discussions at this stage, which might last for two or three days, will be in the nature of a preliminary consideration of proposals, I hope substantial progress toward agreement can be achieved at that time.

Yours Sincerely,  
(Signed) J. L. Ilisley

PROVINCIAL PROPOSALS

Ottawa Is Ready To Begin Talks

OTTAWA, July 16 (CP)—The federal government is prepared to begin discussion "at once" with those provinces which wish to enter into the interim dominion-provincial agreement proposed in the budget, Prime Minister Mackenzie King said Monday in a telegram to Premier T. C. Douglas of Saskatchewan.

Mr. King was replying to a telegram in which Mr. Douglas expressed concern about the absence of public investment and social security proposals in the budget offer and urged the reconvening of the dominion-provincial conference to "work out social security plans on a national basis."

The prime minister said he shared Mr. Douglas' regret that it was not possible to include those proposals in the budget offer but added they still remained as "an essential part" of the dominion's programme.

BY CHESTER BLOOM  
OTTAWA, July 16 (Special)—The Prime Minister made public Monday the following exchange of telegrams with the Premier of Saskatchewan:

Hon. T. C. Douglas, M.L.A., Premier of Saskatchewan, Regina, Saskatchewan.  
Your telegram July 12 regarding dominion-provincial relations received.

OTTAWA READY  
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Crown Firm For Housing Is Urged

BY CHESTER BLOOM  
OTTAWA, July 16 (Special)—Ronald Moore, (CCF Churchill), argued in the budget debate in the house of commons Monday night that the government should set up a crown company to build houses for Canadians just as it built plants during the war to manufacture weapons and explosives. He quoted taxation statistics issued by the department of National Revenue that about 1,340,000 wage earners in Canada received about \$1,800 per year on less.

According to statistics issued by various civic bodies, he asserted, it requires approximately \$150 per month for a family of five to live under decent conditions, or \$1,800 a year. They were thus not able to save sufficient money to build homes. Many people had told him that because their income was about \$1,600 they were not considered a safe risk on which to lend money to build homes.

The only solution was for the government to build the homes by means of a crown company which would take over large forested areas and great saw mills to cut the lumber. He admitted it would be difficult to get plumbing equipment, but the government should make a start, he felt.

Soviet Fifth Column In Canada, Report Reveals

OTTAWA, July 16 (CP)—The royal commission on espionage said in its fourth and final report Monday that Russia had obtained "a very great deal of secret information from a number of departments and agencies of government" through one of several parallel networks of Soviet espionage constituting "a Fifth Column" in Canada.

Five months to the day from Feb. 15 when he announced the commission's existence and purpose to a startled Canada, Prime Minister Mackenzie King placed before the commons a 733-page, 25,000-word document which contended that Russian agents were

Recruits Largely Communist

Its two supreme court justices, R. L. Kellock and Robert Taschereau, bared the pivotal position of the Labor-Progressive party and charged "it has been overwhelmingly established that the Communist movement was the principal base within which the espionage network was recruited."

Disclosing the names of nine additional persons—14 have already been charged and one of those freed—the two judges said they had only been able to probe fully the activities of one of the several Russian networks—that on military intelligence headed, until his recall to Moscow, by Col. Nicolai Zabolot, former military attaché at the Russian embassy.

Only on that network did the embassy documents available to the commission—they were taken by Igor Gouzenko, Zabolot's former cipher clerk—throw a penetrating light. But its judges were able to report that:

1. The N.K.V.D., Russia's political police, "have a powerful organization in Canada."

2. There is an organization designed to procure false Canadian passports and other citizenship documents for the use of agents in Canada.

3. There was a second military network about which Zabolot only learned by accident, although it also operated through the embassy.

4. A "secret political system" under Goussarov, ostensibly second secretary, reported directly to Communist party headquarters in Moscow.

5. Evidence bears out Gouzenko's statement that the Comintern still

SPY RING  
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Soviet Asked Gouzenko Be Handed Over

OTTAWA, July 16 (CP)—The Soviet embassy asked that Igor Gouzenko, former embassy cipher clerk and key witness in the espionage probe, be handed over to them for deportation it has been disclosed.

The royal commission on espionage revealed the embassy's request in its final report made public Monday. The embassy had previously issued a statement alleging Gouzenko had stolen embassy funds.

A request that he be handed over "without trial" for deportation followed an episode at Gouzenko's Ottawa apartment. When he failed to report for work, V. G. Pavlov of the embassy staff, with two other Russians went to Gouzenko's apartment.

They were unable to find Gouzenko because he was hiding in an apartment across the hall. Neighbors called the police and the embassy in its note to the external affairs department complained of the "rude" treatment of the Soviet officials when city police found them in Gouzenko's apartment.

Receiving no reply, the embassy sent another request a week later. There was no indication of a reply to that either.

Gouzenko's reference to "Gouzenko as a capital criminal" may be noted," the commission said. "We are satisfied that the suggestion that there was a theft of money was an afterthought. Gouzenko, whose evidence we accepted, denied it."

ROYAL COMMISSION EXPLAINS

Suspects Incommunicado To Prevent Contacts

OTTAWA, July 16 (CP)—The royal commission on espionage Monday explained suspected espionage agents had been held incommunicado for a time to prevent further communication by them and to facilitate the discovery of as many agents as possible.

Apparently referring to criticism over the holding of suspects incommunicado, the report said if the suspects had been allowed their freedom they would have had the "fullest opportunity, once one of them had been called to testify before us, to collaborate with each other and to receive instructions from those directing their organization as to what they should or should not reveal."

Highlights Of Report

OTTAWA, July 16 (CP)—Following are highlights of the final report of the royal commission on espionage: The Soviet operated several spy rings in Canada along fifth column lines.

Extensive secret information was disclosed to the Soviet.

Recruits for spying were obtained chiefly from Communist party ranks.

Successful efforts were made to obtain false passports. Preparations for a third Great War were a common topic in the Soviet embassy.

The Comintern still directs Communist activities throughout the world.

Nine Canadians not previously named in reports were linked with spy activities.

Large scale expansion of Col. Nicolai Zabolot's network was planned.

Soviet ambassador Georges Zaroubin was absolved of any part in spy activities.

Activities of the Soviet secret police in Canada date back to 1924.

Bulk of technical information sought was on post-war defences.

Data on a highly secret VT fuse may have been disclosed.

Samples of stolen uranium were flown to Moscow.

More Soviet agents were to be brought into Canada with possibilities of sabotage.

Nine Additional Persons Named

OTTAWA, July 16 (CP)—The royal commission on espionage in its final report Monday listed nine additional names of persons who were alleged to be actively engaged in Soviet espionage, organized "cells", assisted in procuring false passports or were prepared to assist.

The commission divided them into three groups: organizers of "cells" from which agents were recruited for media for the communication of information.

Agatha Chapman, 39, Bank of Canada employee, Ottawa; Freda Linton, former secretary to John Grierson of the National Film Board, Her present whereabouts unknown; Samuel Sol Burman, Montreal insurance agent; Henry Harris, Toronto optometrist.

Active in procuring a false Canadian passport—Sam Carr, Toronto, organizer for the Labor Progressive party linked with the espionage scheme in a previous report and since disappeared; Henry Harris; Dr. John Soboleff, Toronto doctor; W. M. Pappin, Ottawa, passport officer.

Not active in subversive activities but "would have done so if required"—A. Norman Veall, Montreal, R.A.F.

Names Not Mentioned  
The commission commented:—"The names of a number of persons, in government service and otherwise, who were members of secret Communist cells have been disclosed by this inquiry. These names appear in the volume of evidence (not made public). As there is no evidence that these persons were implicated in, or aware of, the espionage networks, we do not consider it necessary to mention these names in this report."

Evidence given before the commission indicated Miss Chapman was active in organizing meetings of Labor-Progressive party sympathizers.

The commission listed 12 persons linked with espionage activities with whom Miss Chapman had

NINE NAMED  
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Says New War Talked By Soviet

OTTAWA, July 16 (CP)—Igor Gouzenko, the Russian cipher clerk who exposed the Soviet spy ring in Canada told the royal commission on espionage that the fact the Soviet Union was "preparing" for a Third Great War was "freely talked about" in the Russian embassy here.

The report quoted him as saying there were two schools of thought in the embassy. There were those who were "not really tied in" with the Communist party and feared another great war, and those who were ardent party members.

"This latter group wished for another war because they thought that to be part of the process leading toward a general upheaval throughout the world which would

WAR TALK  
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Forged Passport Sensational Item

OTTAWA, Ont., July 16 (Special)—Discovery by the Royal Commission probing the Russian spy network that a forged passport had been substituted in 1945 in the external affairs files for an original issued to one Ignacy Witczak in 1937 is a sensational item in the final commission report tabled in the House Monday.

This passport came into the possession of a man and woman giving their names as Ignacy Witczak and Bunia Witczak.

Ignor Gouzenko, the Russian embassy clerk who has been giving evidence to the commission, testified that this second false Witczak was regarded as a very important Russian spy agent.

Samuel Carr, says the commission report, acted as the go-between in obtaining the passport for the spurious Witczaks for which at least \$3,000 was paid.

Gouzenko further testified to the commission that "it was obvious" that some time before 1944, the Soviet government had been getting false passports out of the Canadian passport office.

The original Witczak got the first passport to go to Spain to fight in the international brigade. The passport was taken away from him there and he was later informed it had been destroyed in a bombing.

The only new names mentioned definitely as Canadian spy contacts suspects in the final report are Samuel Sol Burman, reputedly a former Canadian army officer; Agatha Chapman, a former employee of the Bank of Canada; Freda Linton, a former employee of the National Film Board who has disappeared; W. M. Pappin, a clerk in the external affairs office, is mentioned as having possibly handled the false passport issued to the spurious Witczaks but the evidence

PASSPORT  
(Continued on Page 12, Column 1)



Maximum temperatures rose to 80 over most regions yesterday, with Estevan in Saskatchewan reporting a high of 91.

There was considerable thunder-shower activity over Saskatchewan and western Manitoba last night. Regina reported 1 6/10 inches of rain.

Temperatures will be quite high again today. Slightly cooler air is flowing across northern Alberta today and somewhat lower temperatures can be expected over western regions on Wednesday.

Winnipeg—Cloudy and warm, becoming clear and slightly cooler Wednesday evening. Scattered thundershowers tonight. South winds at 20 mph shifting to north-west 15 Wednesday afternoon. Low tonight 60. High Wednesday 85.

Regina—Clear, except cloudy this afternoon and again Wednesday afternoon. West winds at 15 mph will shift to north west at 15 on Wednesday. Low tonight 50. High Wednesday 75.

Saskatoon—Cloudy this afternoon otherwise clear. Widely scattered thundershowers late this afternoon. Continuing warm. Westerly winds 15 mph except light at night. Low tonight 45. High Wednesday 85.

CLAXTON  
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