

SAY SPIES OBTAINED MANY SECRETS

Soviet Fifth Column In Canada, Report Reveals

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 not 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, daily maintenance men and company officials were at work in the big Doscos mills and the steel furnaces were banked for the first time in more than three years.

DAGGER POINT

British Papers Glum Over Loan

LONDON, July 16 (CP)—Lord Beaverbrook's Evening Standard said Monday night in commenting on the United States \$3,750,000,000 loan to Britain: "This is a week of gloom and foreboding for the whole of the British Empire." "Despite (very blind hope to the contrary, a dagger is pointed to the economic heart" of the British system of empire," it said.

Isley 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. Isley, minister of finance, in an airmail letter dated July 12. The text of Mr. Isley'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



President Truman is shown here, as he signed the \$3,750,000,000 British loan agreement bill at the White House Monday. To his right is 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.

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.

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.

OTTAWA READY (Continued on Page 4, Column 3)

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.

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

First, a satisfactory financial arrangement with the provinces.

Second, co-operation between government, management and labor to keep on working and increase production; and

Third, the establishment of conditions abroad in which trade can be restored and expanded on a two-way basis.

Since the budget had been brought down, he said, the Canadian dollar had been put at par with the American, for the first time since 1940 and Canada was managing to retain her price controls in the United States. Prices had advanced 22 per cent since. Price controls were removed, an amount almost equivalent to the total amount by which the Canadian price level had advanced since price control was established in 1941.

Mr. Claxton enumerated some of Canada's advances:

CLAXTON (Continued on Page 4, Column 3)

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

OTTAWA, July 16 (CP)—The Communist party in Canada was the main source of recruits for Russian-directed espionage work in the dominion, the royal commission on espionage said Monday in its final report.

"The report said: "It became manifest at an early stage on this inquiry, and has been overwhelmingly established by the evidence throughout, that the Communist movement was the principal base within which the espionage network was recruited; and that it not only supplied personnel with adequately 'developed' motivation, but provided the organizational framework wherein recruiting could be and was carried out safely and efficiently."

In every instance but one, Canadian espionage agents of Col. Nicolai Zabolin, Russian military attaché were shown to be members of or sympathizers with the Communist party, said the report. The exception was Emma Weikin, former Canadian external affairs department cipher clerk, who provided information because she sympathized with the Soviet regime as a result of "what I have read."

The report recalled how Igor Gouzenko, the Russian cipher clerk who disclosed the operation of the spy ring, had testified that the Comintern, scheduled to have been disbanded in 1943, had been abolished in name only. He said it was still directing the activities of Communist parties throughout the world.

One reference was made to the fact that the Communist party in Canada now is known as the Labor Progressive party.

A senior member of the Canadian Communist party, such as Sam Carr, the national organizer of the party, or Fred Ross, the Quebec organizer, would propose certain Communists to one of Zabolin's Russian colleagues as potential espionage agents. Col. Zabolin would get details about the candidate, including his place of work and the kind of information to which he had access, and would send this to Moscow. Moscow would then telegraph Zabolin permission or refusal to use this particular candidate."

Gouzenko testified that Moscow made a check through espionage systems that paralleled the one headed by Col. Zabolin.

"Sometimes Moscow would take the initiative in suggesting to Zabolin some Communist in Canada to be enlisted for espionage work," said the report. "The evidence is that Moscow made this suggestion on the basis of lists of non-Russian Communists whose names and dossiers, perhaps unknown to themselves, were kept up in Moscow."

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."

"If they had been left free to do this it would have hampered the work of this commission. Ascertaining the scope and determining the organization of the fifth column and the various spy rings and identifying the Canadians who were already at work as agents, or who were being drawn into the net would enable an immediate stop to be put to the subversive activities."

"In fact even under the procedure adopted it will be seen that the agents were able to arrange for the destruction of material evidence, to prevent the return to Canada of at least one material

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 Zabolin'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 contact.

NINE NAMED (Continued on Page 12 Column 4)

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 (Continued on Page 4, Column 5)

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 sometime 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 contact 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 southern 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.