

MAINE STATE LEGISLATURE

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PRELIMINARY REPORT OF THE JOINT LEGISLATIVE
COMMITTEE CREATED BY THE JOINT LEGISLATIVE
ORDER PASSED IN THE SENATE AND HOUSE OF REP-
RESENTATIVES OF THE 88TH LEGISLATURE ON OCT-
OBER 28, 1937.

To the Honorable Senate and
House of Representatives of
the 88th Legislature:

We, the undersigned, members of the Joint Legislative Committee created by the Joint Order passed in the Senate and House of Representatives of the 88th Legislature on the 28th day of October, 1937, herewith submit the following preliminary report:

By the terms of the order above referred to the Committee was directed to examine into the relations between the United States of America and the State of Maine in respect to loans or grants by the Federal Government or any agency thereof which have been made or are now being made or which may be or become available to the State or to any agency or subdivision thereof, the amounts thereof, the use and usefulness thereof and the manner and expense of the administration thereof, together with such other facts as may be necessary or convenient in obtaining complete information regarding such matters.

Pursuant to the Order the Committee was organized and held its first meeting at Augusta on October 28th, 1937. Since that time the Committee has held numerous and frequent meetings; many of the department heads of the State have been called before the Committee to testify and have voluntarily appeared and given full information, in response to such requests.

Two members of the Committee have been to Washington to elicit information concerning the expenditure of Federal funds in the State of Maine.

Among other things during the course of extensive investigations of the various agencies by this Committee, the affairs

of the Maine Coast Fisheries Inc., a private corporation organized for profit, have been under investigation because of the fact that a large sum out of public funds was turned over to this private corporation in unsecured loans. From such information as has thus far been obtained the Committee has reason to believe that gross frauds have been perpetrated. To obtain facts concerning the expenditures of public funds through the Maine Coast Fisheries Inc., it was necessary to summon witnesses in accordance with the power expressly conferred on this Committee by the Legislature.

Among other things, your Committee has learned, through the Works Progress Administration at Washington, that the sum of \$210,000. paid by the ^{F.E.R.A.} ~~Works Progress Administration~~, in 1934, to the then Governor of Maine, was turned over by him to the Fishermen's Relief Corporation, a charitable organization. Of this corporation the only members and directors were John A. McDonough, Administrator for the F.E.R.A. in Maine, Rufus H. Stone and William Salter. The same persons were also members and shareholders of Maine Coast Fisheries Inc., a private corporation organized for profit by Peter A. Isaacson of Lewiston. As directors of Fishermen's Relief Corporation, they turned over at least \$50,000. of the \$210,000. to themselves as members of the Maine Coast Fisheries Inc. This was an unsecured loan of public funds. With this and other money the Maine Coast Fisheries Inc. bought fish which they canned and sold to the F.E.R.A. to the amount of \$175,599, for distribution to the poor people of Maine and elsewhere.

Your Committee was desirous of obtaining the true facts as to the manner in which this public money was expended by the Maine Coast Fisheries Inc., a private corporation. Furthermore, the Committee has interviewed witnesses and has in its possession affidavits under oath which state that the Maine

Coast Fisheries Inc. purchased fish along the coast of Maine with these public funds, which fish cost from six to thirteen cents a pound, and which was transported by truck from Eastport to Portland, a large part of which fish was haddock; that haddock was at that time selling on the market for approximately six dollars a hundred; that the haddock purchased by the Maine Coast Fisheries Inc. was delivered to parties other than the Maine Coast Fisheries Inc., and a cheaper grade of fish costing fifty cents per hundred, or less, such as pollock, cod and devil-fish, so-called, were substituted for the high grade fish purchased from the fishermen along the coast of Maine, and that said inferior grade of fish were canned and sold to the F.E.R.A. for distribution to the poor people of Maine and elsewhere, instead of the high grade fish so purchased.

Your Committee further has evidence in the way of affidavits that the fish substituted and canned by the Maine Coast Fisheries Inc. was at times stale, old and of very foul odor, and that many poor people of Maine, who were forced to use this substituted fish to prevent them from starving, were made violently sick thereby.

Your Committee further has information that much of the good fresh fish purchased from the fishermen along the coast of Maine was shipped on the train known as the Bullet and sold in the open market at New York, rather than canned for consumption by the poor people of Maine, at a profit to someone of approximately \$5.50 per hundred.

That in your Committee's efforts to gather further facts concerning the expenditures of public moneys for relief in the State of Maine, your Committee summoned Peter A. Isaacson, a lawyer from Lewiston, and clerk and attorney for the Maine Coast Fisheries Inc., and Fred H. Lancaster, who was

appointed receiver of the Maine Coast Fisheries Inc. when this corporation became financially involved, and who wound up the affairs of that corporation and distributed the assets, and who should have in his possession all records concerning the affairs of the corporation.

Your Committee further summoned George Ratcliffe of Portland, Maine, of the Portland Fish Company, who we believe has in his possession and knowledge very material facts concerning the operations of the Maine Coast Fisheries Inc. in respect to the canning of fish, and the Committee was desirous of giving Mr. Ratcliffe an opportunity to explain or deny the allegations as to the substitution of fish, an opportunity which has been denied him by the restraining order which prevents the Committee from securing evidence.

Your Committee issued a subpoena to Rufus H. Stone of Portland, Maine, one of the co-incorporators of the Maine Coast Fisheries Inc., and manager thereof, and who acted in such capacity until its affairs were wound up by Fred H. Lancaster, Receiver.

Your Committee reports that all the above summonses were duly served by deputy sheriffs, on the above named parties to appear at the room known as "House Locker Room" in the State House, at Augusta, Maine, at ten o'clock, a.m. Daylight Saving Time, July 11th, 1938; that upon the arrival of the Committee at the door they were met by a deputy sheriff who served upon each of the members of the Committee a bill in equity, brought by Rufus H. Stone, of Portland, and a restraining order, wherein the Committee was temporarily restrained from conducting any hearing and from examining any witness in connection with the affairs of the Maine Coast Fisheries Inc.

A copy of the above bill in equity which was served upon your Committee is hereunto attached.

Your Committee has in its possession affidavits and other information tending to show other and further facts of mal-administration by the Maine Coast Fisheries Inc., and by other agencies, which will be submitted in a later report.

Your Committee, not desiring to express any opinion with respect to the legality of the decree enjoining a legislative committee from holding any hearings whatsoever or from interrogating any witnesses concerning the expenditures of any relief moneys by Maine Coast Fisheries Inc., will contest the order and the bill. The Committee believes the people of Maine are entitled to know what became of funds that were supposed to go to help the poor, and who got the money. If the same were properly and honestly administered there would be no reason for the persons involved to refuse a full disclosure of all the facts.

Facts already in the possession of your Committee make it imperative that this investigation be unremittingly pursued to the end that full and complete evidence may be available for presentation to the proper prosecuting authorities, and upon which to base remedial legislation.

This is a preliminary report of your Committee, and your Committee will further report concerning this and the various other matters with the investigation of which this Committee is

charged by the Legislative Order.

Augusta, Maine.
July 11th, 1938.

Paul Langhorne
John E. Willey
Ernest E. Hill
Donald W. Philbrick
George D. Varney

Joint
Legislative
Committee.

House of
Representatives
Office of the
Clerk

Received July
11th 1938-6-30
PM

Harvey Pease
Clerk