



## DEPARTMENT OF NATIONAL DEFENCE

OFFICE OF THE MINISTER  
OTTAWA

August 5, 1937.

Private and Confidential

Dear Mr. Gray,

I have been requested by the Minister to make inquiry of you with regard to the acquisition by Japanese interests of valuable sites and natural resources of British Columbia. Mr. Mackenzie's interest is by reason of his responsibility of Minister of National Defence. Some of the facts which Mr. Mackenzie wishes to have will undoubtedly have to be obtained from other Departments than your own, but he wishes to confine his correspondence to one person in view of the highly confidential nature of the subject. Perhaps therefore you would not mind gathering together the information from the other Departments concerned without disclosing your reasons, if this can be avoided. I shall list below the subjects upon which the Minister wishes to have information:-

1. Acquisition by a Japanese Company (name unknown) of mining rights on Louise Island in the Queen Charlotte Group for exploitation of magnetite ore, estimated at 10,000,000 tons. Five miles of railway said to be under construction by Japanese engineers. Company expects to ship 2,000 tons of ore to Japan during 1937.
2. Sale of 46 square miles of forest land, bordering the inside passage in Rupert District, near Port McNeil, Vancouver Island. Estimated yield 600,000,000 board feet. Sold by F. W. Olin of St. Louis, head of Winchester Arms, to Japanese Company incorporated as H.S. McNeil Trading Company, said to be controlled by Nippon Soda Company of Japan. Directors include J.H. Lawson, Nelson Spencer, and Shoyo Fukakawa. The deal was put through by Ryan, Hibberson Company of Victoria.
3. Sale of forest land, area unknown, Louise Island, with estimated yield of 1,000,000,000 board feet. Reported that a pulp mill and celanese (rayon) factory to be erected at Port McNeil to handle the product of this and the Rupert District area. The Louise Island tract is said to contain Sitka (airplane) spruce.





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4. The sale of 250,000,000 feet of timber limits in the Cowichan District to Japanese interests.

5. Mitsui Bishi of Japan are said to have contracted for the entire output for three years of the copper concentrates from the Consolidated Smelters at Trail and Granby; also the entire nickel output of the B.C. Nickel Mines Limited.

With reference to all these transactions Mr. Mackenzie would like to know the names of the Companies concerned, the names and addresses of the directors and shareholders of such Companies, the extent of the properties acquired, the rights of all kinds which go with these properties, the legal relationship of the interests affected to the Provincial Government, and all relevant information which will enable him, and his departmental officers concerned with the defence of Canada, to decide whether such developments need to be kept under observation.

I gather that it will be necessary to acquire information from your Department, the Mines Department, and the Companies Office, in order to complete the picture. It will be appreciated if this information can be placed in Mr. Mackenzie's possession within the next few days in order that he may, if necessary, be able to discuss it with his own departmental officers and with the Provincial Government.

You will understand that I am repeating to you only representations made to the Minister, the authenticity of which he cannot vouch for.

Kind personal regards,

Yours sincerely,

C. M. Senior,  
Private Secretary.

Honourable A. Wells Gray,  
Minister of Lands,  
Victoria, B.C.



JAPANESE ACTIVITIES IN BRITISH COLUMBIA.

- (a). Sedgwick Bay & Session Cove, Queen Charlotte Islands.  
Two cargoes of hemlock and spruce logs were exported by the Canadian Lumber Co. October 1936 in Japanese freighters from J. R. Morgan's holdings. Extensive soundings of the anchorage was made by Japanese June 18th, 1936.
- (b). Lyell Island, Cumshewa Inlet, Queen Charlotte Islands.  
Iron ore mine sold by Rogers & Kelly to S. Fukukawa (Canadian Lumber Co.) December 1936 for \$26,500, plus 10 cents per ton royalty. Ore to be used as ballast for lumber cargoes.
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- (c). Louise Island.  
Iron ore deposits purchased March 1937 from Rogers & Kelly, 303 Randall Building, Vancouver, for \$15,000 cash and royalty per ton.
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- (d). Port McNeill.  
Large timber area purchased June 1937.
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- (e). Texada Island.  
Iron ore deposits purchased through U. S. interests by J. Takata and T. Furishima in February 1937.
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- (f). Tzartooos (Copper) Island, Barclay Sound.  
Inquiries of Provincial Government by J. Takata and T. Furishima, 201 Powell Street, Vancouver, in February 1937.
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- (g). Port Renfrew.  
Inquiries made April 4th 1937 re iron ore deposits on Gordon River.
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- (h). Bella Coola.  
Three Japanese, representatives of the Japanese-Canadian Export Company, Kobe, obtained options on crown granted timber, and made extensive soundings of Bella Coola Harbour in October 1936.
- Another party of three Japanese and lawyer for the Bella Coola Timber Company inspected this company's holdings at Hagensborg, April 3/4th 1937.
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(i). Terrace.

Option taken on timber limits owned by Scandinavian interests below Terrace along Fraser River June 1937.

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(j). Cowichan Lake.

200,000,000 feet timber purchased June 1937.

Note: Since the first of the year some fifteen Japanese timber and mineral experts have been in the Prince Rupert area, and have made chartered flights over the Bella Coola, Skeena and Naas Valleys. Japanese controlled timber companies operating in B. C. are: Canadian Lumber Co., Devonshire Apartments, Vancouver. B. C. Log Export Co., 207 West Hastings St., Vancouver. Team Bar Lumber Co., 2330 Wall St., Vancouver. Yamacho Company.

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