

How Britain's Wealth Went West

By Leland Stowe (1963).

At 5 p.m. on 2nd July 1940, seventeen days after Paris fell to the Nazi blitz, a special train pulled into Bonaventure station, Montreal, Quebec. Waiting to meet the train were David Mansur, Acting Secretary of the Bank of Canada, and Sidney Perkins, of the Foreign Exchange Control Board. Both men knew that the train carried secret cargo under the code name of "fish," but only Mansur knew that they were about to walk into the biggest financial gamble ever made by any nation in peace or war.

As soon as the train stopped, armed guards stepped down and surrounded it. Mansur and Perkins were led through the guards into one of the coaches. There they met Alexander Craig of the Bank of England; with him were three assistants.

"Hope you won't mind our dropping in unexpectedly like this," smiled Craig. "But we've brought along quite a large shipment of 'fish.'" The slight, spectacled bank official paused, and then nonchalantly added, "Actually, the 'fish' are a very large portion of the liquid assets of Great Britain. We're cleaning out our vaults – in case of invasion, you know. The rest will be coming over shortly."

Sidney Perkins's startled mind began translating "liquid assets" and "rest of the stuff." It could mean only that the Bank of Canada was about to take over virtually everything Britain possessed which could be turned into dollars. Quite a tidy bundle of "fish!" Just how tidy a bundle, he was soon to learn.

Two weeks earlier, when the fall of France threatened Great Britain with imminent invasion, Winston Churchill had called the Cabinet into secret session and had decided to transport over £1,800 millions-worth of securities and gold to Canada.

The shipments would first have to get through the submarine-infested North Atlantic, but once safely in Canada they would be used to pay for the war goods Britain desperately needed. (this was before Lend-Lease, and Britain could buy from the United States only on a cash-and-carry basis.) Upon the outcome of the secret "Battle for Bullion" that now began lay the ability of Britain to stand alone.

The decision held even greater import. It meant that Churchill's government was secretly determined to do far more than "fight on the beaches." If a German invasion should succeed, the British would carry on the war from Canada. The transfer of the treasure was thus part of a two-stage, last-ditch survival plan.

The prime need was for *secrecy*. Any leak to the Nazis would not only endanger the shipments but would also greatly affect the country's morale. The nation's fighting spirit was still superb. Any indication that the government recognized the possibility of a successful invasion might well undermine the will to resist. So the Battle for Bullion was fought under cover, completely screened from public knowledge, without a single official communiqué.

A farsighted move at the outset of the war made the whole gamble possible: all British citizens in the United Kingdom had been required to register with the Treasury all the foreign securities they owned. This was part of the treasure which Churchill and his Cabinet now decided to commandeer. Never before had the investments of a nation's private citizens been pre-empted for national defence without securing

consent from the owners. But in June 1940, when Paris was threatened, the government moved.

"In ten days," says a participant, "all selected securities in the banks in the United Kingdom were scooped up, packed in thousands of boxes, and delivered to regional collecting centres."

Here were all the vast profits brought to Britain by generations of world-traders and investors. Together with tons of Britain's accumulated gold, they would now be sent across the sea. In that month of June, fifty-seven Allied and neutral ships totalling 349,177 tons had been sunk in the North Atlantic alone.

The cruiser HMS *Emerald*, commanded by Captain Francis Cyril Flynn, was selected to carry the first secret shipment. She would sail from Greenock on 24th June. On Sunday, 23rd June, four of the Bank of England's "gilt-edged" specialists, with Alexander Craig as chief, entrained for Glasgow with only a suitcase apiece. Meanwhile, heavily guarded secret trains rushed final deliveries of gold and securities to the cruiser at Greenock. Late that night the destroyer *Cossock* – at thirty knots and heavy rish – sped through thick fog to join the treasure ship's escort.

By six p.m. on the 24th the *Emerald* was crammed with a load of treasure such as no one ship had ever carried before. Her magazines were heaped high with 2,229 heavy bullion boxes, each containing four bars of gold. (The tons of gold were so heavy that they bent the angle irons beneath the magazines' floors.)

Elsewhere were stored 488 boxes of securities the value of which, conservatively estimated, was more than £100 million. More than £130 million in one shipment was about to be committed to the hazards of war in the North Atlantic.

"We left the Clyde that night with reports of bad weather ahead," recalled Captain Flynn, a sturdy, ruddy-faced man with unflinching grey-blue eyes. "The reports were correct. The seas whipped up as we rounded the north coast of Ireland next morning. When we turned out into the Atlantic we were punching into a heavy sea and a rising gale."

The ship's paymaster, encountering Alexander Craig on deck, remarked: "The Old Man's just had a signal from the Admiralty. There's a couple of German subs waiting for us." Then the paymaster sauntered nonchalantly away, leaving the Bank of England's mathematical expert to compute the odds against their safe arrival.

The odds grew longer as the weather grew worse. The gale cut down the speed of the escorting destroyers. Finally Captain Vian, in command of the escort, signalled to Captain Flynn that he would hold a straight course while the *Emerald* zigzagged behind the destroyers. That way the *Emerald* could maintain a higher, and safer, speed.

But the ocean got rougher and rougher. It cut the destroyers' pace so severely that Captain Flynn decided to travel alone. "We found it wiser," he says, "for the escorts to turn back. I put *Emerald's* speed up to twenty-two knots. Those first three days the going was such that many of our crew became seasick." But on the fourth day the weather cleared, and shortly after 5 a.m. on 1st July the Nova Scotia coast showed dimly ahead. Now, in a calm sea, the *Emerald* churned straight for Halifax at twenty-eight knots. By 7.35 a.m. the treasure ship was safely docked.

Waiting at the quayside was special train with a dozen luggage coaches. On hand were officials of the Bank of Canada and the Canadian National Express. The quays were screened off under extreme precautionary measures; every box was checked off the *Emerald* and rechecked into the coaches.

At 7 p.m. the gold train rolled away. At Montreal the security-bearing coaches were cut off; the gold cargo sped on to Ottawa.

This was the train which David Mansur and Sidney Perkins met in Montreal. Now the treasure was tossed into their laps. Where could the hundreds of crates of securities be safely hidden? David Mansur had found the answer.

The Sun Life Assurance Company's twenty-four-story granite building, occupying an entire block in Montreal, was the largest commercial building in the Commonwealth. It had three subterranean levels: the lowest of these was to be the wartime home of what was now christened "The United Kingdom Security Deposit."

The big move started that night as soon as Montreal's streets grew quiet and free of traffic. Shortly after 1 a.m. city police isolated the few streets between the railway yards and the Sun Life building and the bullion vans began to move. Accompanied by armed, plain-clothes Canadian National Express guards, they shuttled steadily through the streets and down Sun Life's rear entry ramp. Once inside, Royal Canadian Mounted Police hovered hawk-like as the boxes were lowered to the "Buttress-Room" in the third basement. With the last shunted into place – and checked – Deposit Manager Craig, for the Bank of England, handed David Mansur a receipt to sign for the Bank of Canada.

But a few days later the Deposit's assets barely escaped an unscheduled liquidation. A terrific thunderstorm deluged Montreal, causing a very heavy seepage through the Buttress-Room's side walls. Fortunately the security crates had been piled on heavy planks, laid on struts two feet off the floor. When discovered at about 4 p.m. the intruding water was lapping the planks: emergency pumps were started just in time to save millions in securities from being reduced to indecipherable paper pulp.

Construction of a burglarproof vault was now begun. But a vault sixty feet square and eleven feet high required a lot of steel. Where could it be got in wartime? Fortunately, someone thought of an unused, forgotten railway. Two miles of its tracks provided 870 rails which went into the vault's three-foot-thick cement walls and ceiling. Also into the ceiling went dozens of microphonic sound-detection devices, so supersensitive that they would record even the sliding click of a filing-cabinet drawer.

To open the vault door, two different combinations were required. Two bank officials were given one combination; two more were given the other. "I never knew what the other combination was from first to last," says one. "To open the vault we had to pair up every day."

Three dozen similar trainloads of securities arrived in the next three months. To store the certificates, nearly 900 four-drawer filing cabinets were needed. Twenty-four Canadian Mounties guarded the treasure day and night, eating and sleeping in the building.

The *Emerald's* epic voyage was merely the first dash in the historic transatlantic race. On 8th July, five ships left British ports with the greatest combined load of treasure ever transported by land or sea. Out of the Clyde at midnight slipped the battleship *Revenge* and the cruiser *Bonaventure* to make a rendezvous in the North Channel off Scotland with three former liners: the *Monarch of Bermuda*, the *Sobieski* and the *Batory** (the latter two being Free Polish ships). Four destroyers served as escorts.

*After the war, the *Batory* was handed over to Communist Poland and began a chequered peacetime career. More than fifty people have jumped ship and sought political asylum when it was docked in Britain and Denmark. In 1953 the captain, Jan Cwiklinski, fled when the *Batory* was berthed in South Shields.

Under the command of Admiral Sir Ernest Archer, this convoy carried approximately £192 millions-worth of gold bullion, plus 299 boxes of securities which Sir Ernest had reason to evaluate at “about £250 million” – or a total value of about £442 million.

“We had the usual Admiralty reports of submarines active in the vicinity,” Admiral Archer recalls. (In the two previous weeks twenty-eight Allied ships totalling 139,000 tons had been destroyed by the enemy). “We managed to dodge their U-boats. Whenever we knew they were near we’d do a few jinks. Enemy raiders were also active, but none put in an appearance. Were we nervous? We knew what was on board. You took the ships and did your best.”

After some 200 miles the escorts left the treasure ships on their own. But with Admiral Archer “doing what he could” incomparably well, the convoy pushed and dodged steadily westward. It didn’t seem quite so simple to his important passengers; Sir Otto Niemeyer, then a Director of the Bank of England, and his fiscal experts. One reports: “It was absolutely marvellous how those ships kept station. They went at high speed, yet each kept its fixed position several hundred yards from the others as they twisted and turned in evasive action. With no lights at night they moved closer together, but there was never even a near-collision.”

As to Admiral Archer – “An incredible man,” said his executive officer, Commander H.L. Jenkins. “Nothing worried him. Even when lifeboats were torn off by the waves, he just plugged on.”

Three-quarters of the way across, an engine defect slowed down the *Batory*. To avoid risking the rest of his ships the Admiral diverted her to St. John, with the *Bonaventure* to see her in. As the others dashed for Halifax these two ships ran into grave trouble.

“We hit a most frightful fog, with floating ice at the same time,” said Vice Admiral (then Captain) Jack Egerton, who was in command of *Bonaventure*. “For nearly twelve hours it stopped us dead. I had to stick close to the *Batory* in the fog. Between us we carried some £60 million in bullion – and you couldn’t see an iceberg until it was practically on top of you.” Somehow Captain Egerton kept contact with the *Batory* and chaperoned her into St. John – then steamed full speed for Halifax.

All across the Atlantic the *Revenge*’s eight fifteen-inch and twelve-inch guns. Plus her four-inch anti-aircraft batteries, were ready for action. “At night they slept beside their guns. Damage-control parties kept a constant watch for leaks or fire.”

On 13th July the three ships slipped safely into Halifax harbour, shortly followed by the *Bonaventure*, then the *Batory*. In Admiral Archer’s words “The arrival was a relief.”

With the precious cargo safe from enemy submarines, there was a slight tendency to relax the tension. As unloading of the *Revenge* got under way, a gold ingot from a broken box plunged through the hatchway to the fourth deck below. A sailor, peering down, called: “Is that gold all right?” An angry sailor shouted up: “What about our bloody heads?”

Another mishap sprinkled quarts of gold sovereigns down the hatch. Jenkins dispatched midshipmen to retrieve them. When re-weighed the coins scaled exactly right.

Sidney Perkins was on hand for their arrival, as he was for most of the others. When Perkins saw the manifests’ figures for the five ships he could scarcely believe his eyes. “Seeing tens of millions in gold piled on the quay gave me a cold chill,” he admits. “Even with the whole area fenced off, some word about this enormous shipment could easily leak out in a big port like Halifax.



"I was happy to see the last box off the *Revenge*. But checking the manifests I found we were three cases short. Jenkins made sailors comb the ship from stem to stern for half an hour – without results. Completely baffled, we paused in the ward-room's bar. "Haven't you got a list showing where each box was stored?" I asked.

"We were in a bit of a rush, loading in the Clyde," Jenkins drawled. "At any moment a Junkers 88 could have dropped a *bon voyage* present down our stacks."

"The mess steward, preparing our drinks, suddenly got the point of the conversation. "Perhaps I've got what you're looking for, sir," he suggested. "There's something down here I've been tripping over since we left the Clyde." The three boxes of Britain's 'liquid assets' had been stored, appropriately, beneath several cases of Scotch whisky."

Five special trains were needed to carry the convoy's bullion from Halifax to Ottawa. The gold was so heavy that only 150 to 200 boxes could be laid on the floor of each coach. Each train had ten to fourteen loaded luggage coaches; a diner and two sleeping cars were added for about fifty railway and Canadian National Express guards. Two guards, on four-hour shifts, were locked with the bullion inside each coach.

All these gold shipments travelled without insurance. Who could or would insure hundreds of millions of pound in bullion, especially in wartime? But the *Revenge* convoy set a cost record of another kind. Transport charges of the Canadian National Express were the largest in its history – "over one million dollars."

In Ottawa the CNR juggled the arrivals of the specials so that the gold could be transported from the station at night to the Bank of Canada in Wellington Street. Who could imagine that this five-story structure, with scarcely a 140-foot frontage, was soon to be the Fort Knox's only important rival anywhere in the world?

For three days the *Revenge* convoy's golden flood poured into the Bank's 60-by-100-foot vault. Unpacking was pushed feverishly. At last tens of thousands of twenty-seven pound ingots were neatly piled like huge cakes of yellow soap inside the wired cages: row after row, tier above tier, all solid gold, up to the ceiling.

Besides the bullion, the vault at one time held over 50,000 sacks of gold coins from many countries. There were millions of world-famous French "Napoleons," countless other coins stamped with the profiles of Louis XVI, Louis XV and Louis XIV. British gold sovereigns ranged from George V and Queen Victoria through George III's rare 'spade guineas' to souvenirs of Elizabethan times. There were quantities of modern and old Dutch coins, great numbers of Maria Theresa gold thalers, thousands of Scandinavian and other European gold pieces.

Meanwhile, in Montreal, just outside the crammed securities vault, a huge, high-ceilinged room had been equipped as the Deposit's office. Now, deep in that sub-cellar the strangest, most secret stock-and-share business in the world mushroomed. Mansur had recruited some 120 Canadians – retired bankers, brokers and investment-firm secretaries – as a staff. Taking oaths of secrecy, they began to unravel what some called "our bundles from Britain."

It was an incredibly exclusive office. Only one lift operated down to the third basement. Every employee had to present a pass (changed each month), first at the lift entrance and then to Mountie guards below, signing in and out daily. Beneath the guards' table concealed trip-hammer alarms connected directly with RCMP and Montreal police headquarters, and with the Dominion Electric Protection's service. Once a Mountie accidentally tripped his alarm. Within three minutes the place swarmed with trigger-ready police.

All summer, as other arrivals pushed the total of boxes of securities up to nearly 2,000, Craig's staff worked ten-hour days, six days a week. The securities were a gigantic hotchpotch of thousands of separately owned issues; all had to be unpacked, checked and classified. In the end some 2,000 different stocks and shares were identified. Each individually owned parcel was tied (more than seventy miles of tape was required) and its contents double-checked. To correct discrepancies in cross-checked lists, more than 6,000 "query slips" were dispatched to London. All business was urgent, because none of these "negotiables" could be marketed until the lists, amounts and ownership were verified. "It looked then," a member of the staff told me, "as if everything that would fetch a dollar must be marketed." By early autumn that process began.

"Craig had a whole squad of secretaries doing nothing but cutting coupons." Says one Canadian. "I never saw so many coupons in my life. A great many owners hadn't touched their shares for a long time."

In his war memoirs Sir Winston Churchill says laconically that: "Up to November 1940, we had already sold 335 million dollars-worth of American shares, requisitioned for sterling from private owners in Britain."

After the Treasury's representative sold the securities the former owners were repaid at whatever the current market prices had been – but they were obliged to accept payment in sterling rather than dollars. In that way Britain obtained masses of additional dollars for war purchases.

By September, Deposit Manager Craig, who knew all along what he was *supposed* to have, knew that he *had* it: every certificate was accounted for and filed. "I don't believe we lost a single coupon," he said recently. "Not a certificate was missing. In view of the pressure under which they were assembled and shipped, it was quite extraordinary."

Equally extraordinary was the way the entire clandestine operation was successfully blacked-out. One day when war news was bad a Sun Life waitress, recently emigrated from Britain, remarked glumly to Perkins: "If the Germans take Southampton I hope they won't grab my two shares in Canadian Pacific." Perkins suppressed a knowing grin. At that moment she was standing almost directly over the spot where her shares were safely stored.

The Deposit remained in Canada for the duration of the war, but its liquidating (market) operations in US securities ended with the enactment of Lend-Lease in March 1941. By then a substantial proportion of the negotiables had been sold. Thereafter the Deposit served merely as a place for safekeeping.

How much had all the securities been worth? Three highly-placed authorities, closely concerned, agree in independently estimating the Deposit's over-all value at approximately £1,250 million.

The gold, as well as securities, kept on arriving. In the three months of June, July and August the Admiralty's records show that British ships (with a few Canadian and Polish) carried to Canada and the United States gold worth more than £637 million.

Most amazing fact of all: in those three months 134 Allied and neutral ships were sunk in the North Atlantic – but not one gold-carrying vessel went down.

According to an ancient practice, whenever a British warship successfully transported bullion its officers and crew were awarded a "bounty" – one tenth of one per cent of their gold cargo's value. Unluckily for the winners of Britain's battle for bullion, this long-established regulation was rescinded some time before the Second World War.



Winston Churchill and his war Cabinet won their gigantic gamble. Not only did Britain's means to fight arrive safely in Canada – a treasure worth more than £1,800 million – but the whole vast operation was successfully kept tightly veiled in secrecy. At one time or another well over 600 people were involved in the Security Deposit's clandestine services. The gold deliveries involved thousands of ships' personnel and hundreds of dock-workers on both sides of the ocean. Perhaps never before have so many kept so great a secret so incredibly well.