An Ideal Christmas Remembrance.
No more fitting thought for out of town friends than a copy of the CHRISTMAS SUN, with beautiful etchings.
CHRISTMAS SUN NEXT SUNDAY

The Sun.

THE WEATHER FORECAST.
Partly cloudy and local snows to-day; to-morrow, fair.
Highest temperature yesterday, 38; lowest, 28.
Detailed weather, mail and marine reports, page 8.

VOL. LXXXIII.—NO. 100. NEW YORK, THURSDAY, DECEMBER 9, 1915.—Copyright, 1915, by the Sun Printing and Publishing Association. PRICE TWO CENTS.

STOP UNDERSEA ATTACKS, NOTE TELLS AUSTRIA

Demands Disavowal of Ancona Sinking, Indemnity and Punishment.

MYSTERY OVER FATE OF AMERICAN SHIPS

Action of Government Taken to Mean Possible Break in Relations.

The State Department demands of Austria the disavowal of the Ancona sinking, indemnity for American lives lost and punishment of the submarine's captain.

The note also demands that such attacks cease.

Washington sees a possible break in diplomatic relations with Austria.

Washington is worried over reports of Austrian submarine attacks on United States tank ships and hopes the note will head off further trouble.

Lansing asks Cabinet to let him give out all news in neutrality plot campaign.

Secretary McAdoo in his annual report emphasizes the unprecedented prosperity of the United States and points out the need of more revenue, particularly through the income tax.

House Leader Kitchin says efforts will be made before January 1 to continue the war revenue emergency act.

Senator Gallinger assured President Wilson the Republicans will not oppose his defence programme provided it is not made a partisan measure, which the President promised.

The President was host to members of the Democratic National Committee at a luncheon yesterday. He told them that Democracy is certain to win next year.

Action on the request for Capts. Boy-Ed and Von Papen's recall is in the Kaiser's hands, according to authentic information. No one else has authority to sanction their return.

NOTE GOES FURTHER THAN ONE TO GERMANY

Demands Punishment of Captain of Submarine.

WASHINGTON, Dec. 8.—The United States has sent to the Austro-Hungarian Government a note of peremptory character in regard to the sinking of the Italian liner Ancona by an Austrian submarine and the loss of American life.

The note which has gone forward to Vienna is sharper in tone even than the communications to Germany on the Lusitania, in which President Wilson served notice on Berlin that the United States would hold Germany to strict accountability and would omit "no word or act" in upholding the rights of the United States as a neutral. The note to Austria demands:

A disavowal of the submarine attack on the Italian liner.

Full reparation to the relatives of the Americans who lost their lives.

Assurance that such an attack will not be repeated.

The punishment of the commander of the submarine and others responsible for the act.

Like Demand on Germany.

In all respects except for the stipulation concerning the punishment of those responsible for the sinking of the Ancona the demands made upon Austria are similar to those made upon Germany in connection with the sinking of the Lusitania and the Arabic.

In the case of the Arabic the United States also called for a reprimand of the submarine commander, but this never was given because it was contended that the submarines which attacked the Arabic had been sunk and those on board lost.

The vigorous character of the note that has been addressed to Austria-Hungary even before that Government has formally replied to the first request of the United States for information is interpreted here as indicating that the President is prepared to break off diplomatic relations with Austria unless the demands of this Government are met.

Many here are sceptical of the way in which Austria will receive this communication. It is pointed out that that Government would have little to lose through a rupture in diplomatic relations, especially since Austria already has been obliged to recall her Ambassador at Washington through objections raised by this Government.

The note to the Austro-Hungarian Government will be made public within a few days.

It is understood that this action was taken by Secretary Lansing as the result of the sudden renewal of submarine activities by Austria against unarmed ships and neutral freighters in the Mediterranean.

Fears Undersea Campaign.

The sending of the note without even waiting for a reply to the first communication of this Government is taken here to reflect an apprehension on the part of this Government that Austria means to pursue the course followed by Germany before the latter Government was called to an accounting by the United States.

The note to Austria was communicated through Ambassador Penfield at Vienna and probably will be presented to the Foreign Office there to-morrow.

The action of this Government is taken to mean that the President is convinced that the Austrian submarine violated the rules of international warfare.

At the time the Ancona was sunk it was alleged in statements obtained from survivors that the ship was attacked without warning and that the submarine

Continued on Fourth Page.

Mails Used to Smuggle $5,000,000 in Diamonds

Cheeses and Books in Parcel Post Concealed Gems Sent From Amsterdam—New York Ring Involved in Plan.

SEIZURE BY BRITISH CRUISER ENDED SCHEME

Details of diamond smuggling plots by means of which diamonds of several millions of dollars value have been brought into New York without paying duty were told to THE SUN yesterday by a man familiar with the diamond business of Antwerp. It was his estimate that in the last six months diamonds worth $5,000,000 had arrived in New York hidden in parcel post packages. The smuggling has been stopped by the seizure, a fortnight ago, of the last parcel sent. A British cruiser, nosing about the North Sea, stopped a boat bound from Rotterdam to Copenhagen, examined the mail aboard and confiscated the particular parcel in which were concealed diamonds to the value of 2,400,000 francs ($480,000).

The man who had mailed the diamonds at Amsterdam was aboard. The parcel was consigned to him at New York. His emotions at the sight of a British naval officer going over the side with the precious packet are not of record. This man, it is understood, came on to New York and then the four firms and three individuals who owned the diamonds heard what had become of their shipment. Back of the adventures of this unlucky lot of jewels lies an unusual tale of conditions in one of the most adventurous businesses on earth. In past years the German Government has had its own supply of diamonds from mines in East Africa. Berlin diamond merchants gradually accumulated a good sized reserve of uncut stones from these mines, so that when the European war began they had a plentiful supply on hand.

Forced Diamond Cutters to Work.

After the German occupation of Belgium heavy fines—generally a sum tenfold the usual taxes—were levied on all Belgian manufacturers who did not return to Belgium and reopen their factories. To escape this tax, some of the diamond manufacturers—the men whose skilled workers cut and polish rough stones—resumed business. All of the Antwerp diamond merchants who were Austrian and German subjects set up in business again and the Berlin diamond merchants sent to Antwerp large quantities of their stones for cutting and polishing. In Amsterdam, centre of the diamond industry, manufacturers have to pay their skilled workers fifty to eighty gulden ($20 to $32) a week. But when the diamond manufacturers resumed business in Belgium the skilled cutters and polishers there were starving. They were put back to work at about 24 marks ($6) a week. This cheapened labor made it possible immediately for the Antwerp manufacturers to produce cut stones at an average of 30 per cent. less than Amsterdam could. Only one problem arose. How could these cut stones be got to America and sold at the market price, yielding an enormous profit?

Several Antwerp dealers made up a packet of diamonds which were entrusted to a man who carried them to Amsterdam. There he hid them in an innocent object suitable for mailing which he addressed to himself at New York, or to the confederate. The package was then mailed as a parcel at Amsterdam. This defeated the United States customs, for when the package was opened at New York to see if it contained anything dutiable or suspicious, the customs inspectors gazed upon a book, a round Dutch cheese, or some equally ordinary shipment.

The parcel mailed at Amsterdam almost invariably went to Rotterdam and thence by boat to Copenhagen. There it was put on a liner bound for this port. This was exactly the course adopted in handling the valuable package which Great Britain intercepted. In it four New Yorkers had a stake. Three of them do business in a building noted in the diamond trade as the home of the shadier dealers. They were the "four firms" interested. The three individuals included the man who was to convoy the parcel.

The Convoy a Rich Austrian.

The convoy, known familiarly as the "skipper," is an Austrian subject, a wealthy diamond merchant of Antwerp, where he had been in business for twenty years. He is said to be a native of Cracow and was president of one of the innumerable little diamond clubs that filled Antwerp before August, 1914. Of the four New Yorkers interested one is reputed to be a deserter from the Belgian army. He has a father and a brother at Scheveningen, the fashionable watering place of Holland. Another has a business correspondent in Holland; the third has his father in Holland to facilitate the work. The fourth New Yorker has a son in Holland and is understood to be a naturalized American citizen. It is said that the others have taken out first papers here. All seem to be Austrians.

Such Antwerp diamonds as reached New York did not upset the local market for several reasons. For one thing, they were sold here at close to the market price. There has been no glut of diamonds, because just now this country is buying diamonds as briskly as ever it did.

Importations Growing Fast.

In September, 1914, importations of rough diamonds at New York were only about $45,000; last September fourteen times as many. In September last there were imported four times as many cut diamonds as in the same month a year earlier. These are, of course, legitimate importations from Amsterdam and London and they have grown tremendously because prosperity here has made selling diamonds easier than ever. In a recent week importations of precious stones at New York were thirty times what they were in the same week of 1914.

One of the biggest importers of diamonds here said yesterday that he had little doubt that extensive smuggling had been carried on from Antwerp. He declared that the surest way to stop smuggling would be for the Government to publish a detailed list of all importations. Then it would be known that such and such a merchant had brought in $50,000 worth of stones and any supply of diamonds that could not readily be accounted for would be instantly detected. If preferred the stones might be listed by weight.

It should be remembered by diamond buyers that Uncle Sam never relinquishes his lien upon diamonds until they have paid duty. Consequently smuggled stones are always liable to confiscation, even at the expense of an innocent buyer and no matter through how many hands they have passed since entering the country. It is, therefore, risky to buy diamonds that are below the market price or that are "a bargain," and it is equally risky to buy of any except a reputable and well known firm or dealer.

OSCAR S. STRAUS MAY FILL M'CALL'S PLACE

Gov. Whitman Said to Await Reply to Tender of P. S. Board Job.

There was a well defined report among those in New York who are reputedly in touch with Gov. Whitman to the effect that he had offered the chairmanship of the Public Service Commission to Oscar S. Straus, former Progressive candidate for Governor.

It was said that the Governor had conferred with Mr. Straus about the matter, but that up to a late hour last night had not received a definite answer.

It was said that the Governor's course in proffering the Public Service Commission chairmanship to Mr. Straus was due to his desire to have at the head of that body a man of superior business ability and one whose financial standing was such that he would be impervious to influences antagonistic to the public service.

At Mr. Straus's home no confirmation could be had of the report.

Judge Edward E. McCall, who was removed as chairman of the Public Service Commission by Gov. Whitman, has accepted an invitation to speak at the annual dinner of the West End Association at the Hotel Astor next Saturday night. He will take the place of Gov. Whitman, who was to be the chief speaker, but who declined two invitations.

Secretary Travis H. Whitney sent yesterday to the garage in West Eighty-third street for the commission's automobile which has been used by Judge McCall. Henceforth it will be kept at the municipal garage.

ALBANY, Dec. 8.—Commissioner Hayward made a hurried trip to Albany tonight and returned to New York at 7 o'clock. After an hour's talk with Gov. Whitman at the Executive Mansion, it was believed that there had been some hitch over Commissioner Hayward's designation as chairman of the Public Service Commission and that this was the reason for his visit.

It was also said that Gov. Whitman had in mind several high class men to ask to go on the commission and that he desired to name one of them as chairman.

6711 FEET ALTITUDE MOUNT MITCHELL
"The Land of the Sky."
Highest peak east of the Rockies. Reached by SOUTHERN RAILWAY. Passengers landed near summit. Information N. Y. Office—264 Fifth Ave.—*Adv.*

AID FOR CARRIERS BY CONGRESS ASSURED

Resolution for Inquiry Into Interstate Commerce Ready for Action.

WASHINGTON, Dec. 8.—A resolution authorizing an investigation by the two Congress Committees on Interstate Commerce, sitting as a joint committee of the Interstate Commerce Commission, as suggested by Senator Oscar Underwood in an interview in THE SUN a few days ago, is now assured.

The resolution is ready to be introduced. Senator Newlands probably will introduce it, but if no one else proposes it Senator Underwood will. The investigation will be upon a comprehensive scale.

It will go into the powers of the commission, into the earnings and capitalization of the carriers and consider among other things whether the commission ought to be enlarged in membership and its powers increased. It is thought the investigation will take two years, and meanwhile no legislation relating to interstate commerce of importance will be attempted by Congress.

This resolution is in accordance with the recommendation made by President Wilson in his annual address for an investigation by Congress with a view to helping the railroads of the country. Senator Underwood had a talk with the President to-day.

GOETHALS MAKES DIRT FLY.

Channel in Gaillard Cut Almost Clear Again.

PANAMA, Dec. 8.—But fifty feet of earth blocks the channel in Gaillard cut so rapid has been the work of the dredges. This minature island, less than twenty feet high, probably can be removed in a few days.

A mode cheerful spirit over the chl come of the dredging work and the probability of definitely overcoming the twin slides in the Gaillard cut at an early date is being manifested by the canal engineers, including Gen. Goethals.

Although prospects are that the waters of the two sections of the canal will speedily join each other there is no expectation that the channel can be made ready for the passage of ships for many weeks.

GREAT BEAR SPRING WATER.
50c. the case of six glass stoppered bottles. —*Adv.*

SHIP CRASH MAKES BATTERY A PASTURE

Two Storied Barge Loaded With Cattle and Sheep Sunk Near Aquarium.

LASSOED FROM WATER

Park Benches Used by Police to Fence in Metropolitan Grazing Ground.

The first corral ever seen in Battery Park was improvised early last evening by Policemen Timmins and Fitzpatrick with benches placed end to end, backs inward, forming a circle about forty feet in diameter. In this metropolitan grazing field thirteen steers, calves and sheep contentedly browsed on the grass that has still some hint of the green of summer.

The cattle and sheep were castaways from the wreck of the two storied barge El Paso, sunk off the Battery several hundred feet east of the Aquarium just after sunset in a mist by the Eastern Steamship Company's steamship North Star, bound out for Portland. The North Star was only slightly damaged and proceeded.

When the barge El Paso, in tow of the tug Francis Rickert, left the Erie freight yard in Jersey City in the afternoon she had aboard 126 cattle (meaning steers), 138 calves and 252 sheep, all alive, but destined to early death in an abbatoir on the East River. When the cattle and sheep arrived off Pier 1, North River, and headed into the swirl of currents at the Battery the North Star was just astern of the cattle craft and the sun had been down ten minutes. Ten minutes later the barge also was down and nearly all the sheep had anticipated death in the abbatoir by drowning.

Walls and Bellows for Help.

When the stem of the North Star slid through the starboard wooden wall of the barge El Paso the whistle of the towing tug Rickert wailed for help. The bleating of the frightened sheep and the bellowing of the cattle helped the vapor of the Rickert to summon succor.

Acting Capt. Halleck of the police boat Patrol heard the united distress signals and headed the Patrol toward the barge. He took off the only humans aboard, Wilfred Miller, Martin O'Grady and John Miller, who called themselves the El Paso's crew. They were not even wet, as the barge had just begun to sink.

The skipper of the Rickert did what he set out to do, getting the barge so close to the Battery wall that she grounded, with her upper deck, on which were most of the cattle, only a foot under water.

The rent made by the prow of the North Star let a large number of cattle and sheep flow into the bay. Most of the cattle were young and many of the sheep were tough enough to be sold as mutton. Many were killed or drowned in the rush, but more than a hundred swam toward the Battery wall. Capt. Lyon of the fireboat William L. Strong, moored at the Battery, was notified by his pilot, Flahive, by a screaming whistle that something was going on in his neighborhood, and he turned out all hands, Firemen Cahill, Whelan, Walsh, Kelly, Reisher and Engineer Sheehan.

Every fireman got a heaving line and all jumped almost simultaneously off the Battery wall and went for the drove of cattle and flock of sheep struggling in the bay. The instinct of the nautical fireman, Capt. Lyon said, was to save life, no matter what kind, and that is why there was a magnificent mixup twenty feet or more off the Battery wall between sheep and calves and steers of tender age, all unwilling to be saved and not knowing the way to safety. Most of the firemen were hauled into cold water more than waist deep before they persuaded the calves and sheep that it was the right thing to swim with their rescuers.

Naturally, while the firemen were rescuing one or two each of the frightened animals, many more succumbed and drifted lifeless on the rocks below the Battery wall. Some of the firemen had to battle vigorously with the young steers to get them landed. They were hauled up on the wall and eight of them, three sheep and five cattle, were herded in the shed on the fireboat pair to await claimants.

While the acrobatic firemen were tussling with the bovine and mutton castaways the policemen on the Battery wall, assisted by civilian talent, were lassoing sheep and suspected lambs.

Some Go With Commuters.

It was then that the park bench corral was constructed. But all the lambs did not get into the corral. At least one man was seen going aboard a Staten Island ferryboat leading a lamb. Later reports from Staten Island said that twenty commuters leading lambs were seen going off a ferryboat at St. George.

This lent credence to the assertion of one of the policemen who had taken part in the rescue that more than half of the sheep or lambs that he had noted originally had disappeared. Many carcases of cattle and sheep drifted into slips near the Battery last night.

The creatures in the corral were still grazing at midnight and the firemen were feeding those in the shed on the pier. The Merritt-Chapman steamer Hustler and a wrecking tug were alongside the barge trying to keep her from being overwhelmed by the rising tide. It was said that all of the cattle on the upper deck would be saved.

MRS. POST TO GET $3,000,000?

Settlement Reported With Wife of Cereal Manufacturer.

BATTLE CREEK, Mich., Dec. 8.—A report attributed to the Michigan inheritance tax investigator says that Mrs. C. W. Post, widow of the late food manufacturer of this city, has agreed to accept a cash settlement of $3,000,000 in lieu of her share of the Postum plant and relinquish all claims to participation in its future affairs and profits.

Mrs. Post, however, claims that the amount is double that sum and says that for $6,000,000 she will withdraw not only from the Postum Cereal Company, but also from the Post Company, a cotton manufacturing concern of Post City, Tex.

The bulk of the Postum company stock, estimated at $20,000,000, will go to Mrs. Marjorie Post Close, wife of Edward B. Close of Winsted, Conn., only daughter of C. W. Post. Mr. Close has asked for an accounting.

ZEPPELIN FLEET TO HIT LONDON, HE SAYS

T. R. Macmechen, Dirigible Builder, Predicts Airships Will Fire Torpedoes.

SOLD ENGLAND HIS CRAFT

Aeroplanes Said to Be Failures in Combating New Fliers of the Kaiser.

"I believe there will be another Zeppelin attack on London within sixty days. When the raid does come it will be bigger than anything that has gone before and will be repeated night after night. The Germans will probably send at least ten Zeppelins. They are now gathering a fleet so large that they can afford to risk the loss of four or five in a raid.

"It was because they had no airships to spare that they stopped these visitations this fall. Now they are nearly ready again to strike repeated blows—to cross the Channel in force, as they must do to create the amount of terror that they desire.

"But England is awake. She knows the game now. She has learned that airship must be fought with airship. She is preparing in the light of what the war has taught her to meet the menace in the right way. She is building rigid dirigibles. When the raiders come she will not be helpless."

The foregoing predictions were made yesterday by Thomas R. Macmechen, aeronautical engineer and president of the Aeronautical Society of America. He recently returned from England, where a small dirigible which he in part designed and which is described as a "torpedo boat destroyer of the air" is being completed by a syndicate under official British eyes.

Predicted Former Raid.

In THE SUN on March 7 last Mr. Macmechen predicted that the ships of Count Zeppelin would stun London some time "after the middle of April" and that the aeroplanes and high angle guns of the British would prove futile against them. Other experts in New York at the time disagreed with him. But on May 31 bombs were dropped on the capital and then, as in subsequent raids, the marauders got safely away. Yesterday Mr. Macmechan said:

"At the beginning of the war the Allies thought that aeroplanes and anti-aircraft guns would be sufficient. But what the Zeppelins have done is known to the world, and it is also known that Arthur Balfour said recently in the House of Commons that England was building rigid dirigibles to meet the situation imposed by the Zeppelin raids.

"The ascent of aeroplanes at night to search for and attack Zeppelins has proved most dangerous. Numbers of aviators have been killed in England, France and Russia in making night landings. Moreover, when the aeroplanes appear the Zeppelins rise to a great height and compel the planes to exhaust their fuel in climbing after them. The Zeppelin jumps to 10,000 or 12,000 feet, subjects the aeroplane to machine gun fire, then speeds away.

"These raids have convinced the Allies that the aeroplane as a weapon of defence is a failure and that not much trust could be reposed in the anti-aircraft guns. It is a mere potshot if a Zeppelin is hit. The chances in the gunner's favor are about as great as if he were playing roulette. Besides, the shrapnel fired from these guns has killed people when it fell back to earth, as I predicted it would.

"The Zeppelins are not yet firing torpedoes, but they will be doing so if the war lasts another year. Something similar to the Whitehead torpedo is being developed in the Krupp works. It takes thirteen seconds for a bomb dropped from an altitude of 2,500 feet to reach the earth.

"Everything considered, the Zeppelins have hit their targets a remarkable number of times. But a bomb that misses its mark means a great waste of weight brought all the way across the Channel. The bomb will be replaced by the precise and deadly torpedo, shot from the Zeppelin at an initial velocity of 650 feet a second.

Saw Raid of Zeppelins.

"I saw one of the raids. The guns on which the British had relied crackled like firecrackers. Yet there was one Zeppelin, 11,000 feet in the air, I suppose, that for an instant turned on all its lights, illuminating every part of the ship. Then the lights went out and the ship sailed away. It was an act of bravado."

Mr. Macmechen gave his explanation of the recent non-appearance of the Zeppelins over England—his belief that Germany has been waiting to muster a fleet so large that it could strike London night after night.

"Great Britain, all the Allies in fact have come to understand the true menace of the airship. The United States is also beginning to understand and some of her military engineers are at work. But no country can place itself in a state of preparedness unless her engineers have the intimate shop experience necessary in the building and repairing of airships. Either the United States must build rigid dirigibles itself or encourage builders and send its engineers to the shops to see the whole process of construction."

As to his own small dirigible, for which he and Walter Kamp have obtained patents in all large countries except Germany, Mr. Macmechen says that it has thus far met in every stage of construction the conditions laid down by British officials. When he left England the gas chambers were being installed in the closely guarded factory shed near London. He expects that the ship will be inflated in about three weeks.

Official experts are so well satisfied, he asserts, that they have asked him and Mr. Kamp to design a much larger craft of the same type, of fifteen tons displacement. The large ships, in Mr. Macmechen's opinion, could fight offensively, like a Zeppelin. The little ones, carrying two guns, are intended only for defence.

THREE ALLIED SHIPS SUNK.

British and Italian Steamers, Also a Bark, Perhaps Torpedoed.

Special Cable Despatch to THE SUN.

LONDON, Dec. 8.—The British steamer Ignis, the Italian steamer Dimif and the Italian bark Pietro Lafaro have been sunk, presumably by submarines. All the crews are safe.

Kaiser Sent Envoy With Peace Plea to the Pope

Cardinal von Hartmann Vainly Offered Concessions From Germany and Austria—Prelates of Hostile Nations Won't Speak to One Another.

ALLIES SWAY PONTIFF, HARTMANN CHARGES

Special Cable Despatch to THE SUN.

ROME, Dec. 8.—The English and French Cardinals did not speak to Cardinal von Hartmann, Archbishop of Cologne, when they met at the consistory yesterday morning, but merely bowed.

The correspondent of THE SUN is informed from a diplomatic source at the Vatican that Cardinal von Hartmann complained to Pope Benedict on behalf of the Kaiser regarding the absence from Rome of the Austrian and German diplomats accredited to the Holy See and alleged that the Pope was influenced by the allied representatives present in Rome.

It was as a result of this complaint, according to the correspondent's information, that Pope Benedict in his consistorial allocution yesterday morning protested against the lack of independence of the Holy See resulting from the war, and deplored the absence of the representatives of Austria and Germany who, he said, left Rome to safeguard their personal dignity and the prerogatives of their offices. The Pope disavowed the suspicion expressed by Cardinal von Hartmann that he was influenced by the allied representatives.

Thus because of the Kaiser's complaint, as expressed through the Archbishop of Cologne, the Pope was compelled to allude to the Roman question which Germany and Austria are striving to raise to embarrass the Italian Government.

Peace Message From Kaiser.

Cardinal von Hartmann, the correspondent is informed, also was entrusted with another message from the Kaiser, which appears to have been intended to provoke personal intervention by the Pope on behalf of concrete proposals for peace. Cardinal von Hartmann, it is said, informed Pope Benedict that Germany and Austria were willing to make concessions and accept mediation, which proposal it was expected the Pope would indorse.

Instead the Pope merely repeated his former appeals for peace and suggested mediation as the only remedy for ending the war. He emphasized the necessity of mutual concessions and sacrifices, but he did not announce that he was prepared to assume the task of mediation. Instead he admitted that his efforts in the direction of peace so far had been useless. Thus the Kaiser's attempt to hasten peace has failed.

The *Osservatore Romano*, the official Vatican organ, replying to the announcement of the Italian Government—made in answer to the Pope's statements in his allocution—that the German and Austrian diplomats accredited to the Vatican had not been compelled to leave Rome, admits that the Italian Government endeavored to reach a satisfactory solution, but points out that the Government wished the Pope to control the diplomats' cipher correspondence. The Pope, it says, refused to accept this responsibility.

Hence, the Vatican organ contends, while it is true that the German and Austrian diplomats were not expelled, they left Rome as the result of circumstances beyond their control.

The explanation of the *Osservatore Romano* is regarded here as being of a most conciliatory nature.

Diplomats Free to Stay.

Signor Orlando, Minister of Grace and Justice, announced in the Chamber that the Italian Government represented the national character and that therefore it respected the law of guarantees and had not compelled the German and Austrian diplomats accredited to the Holy See to leave Rome. Their departure, he said, was spontaneous, hence the prestige of the Pope was intact and his independence complete, as was proved by the public requiem held in Rome on the initiative of the Pope for the soldiers fallen in the war, including those of Italy's enemies.

The Minister's statements were received by the Chamber with applause.

The Papal allocution, it is said in official circles, was intended as a reply to the speech delivered recently in Palermo by Signor Orlando, who emphasized that the law of guarantees had assured the independence of the Holy See in spite of the war.

The *Giornale d'Italia* in commenting on the Papal protest points out that one proof of the independence of the Holy See is afforded by the presence of Cardinal von Hartmann at the consistory, adding that the Italian Government also stood ready to offer safe conducts to the Austrian Cardinals if they had wished to attend the consistory.

FIRST INDICTMENT UNDER INCOME TAX

Feather Importer Accused of Customs Fraud Faces Additional Charge.

U. S. TO USE NEW POLICY

George Silva, secretary, treasurer and general manager of the ostrich feather importing house of Sciama & Co., at 49 East Eighth street, was named yesterday as one of the defendants in the first indictments ever returned by the Federal Grand Jury alleging failure to make proper returns under the income tax law. Silva's codefendant in one of the two indictments is Henry Blumenfeld-Sciama, president of the Societe Anonyme Sciama of Paris, the parent concern of Sciama & Co.

Silva was arraigned before Judge Julius M. Mayer in the United States District Court late yesterday. As he was already under $3,500 bail on a charge of customs fraud, Assistant United States Attorney Frank E. Carstarphen asked only $1,000 bail on the new charge. The defendant put up a bond and was released. Blumenfeld-Sciama, as president of the Paris company, makes his home there.

Silva is indicted in one indictment for violating section 11, paragraph F, of the income tax law by swearing to false returns that grossly misrepresented the income of Sciama & Co. He and Blumenfeld-Sciama are then mentioned in an indictment charging them with participation in a conspiracy under which the Government was defrauded of about $4,000.

Heretofore the custom has been for the Government to bring suit against violators of the income tax law to recover double the amount that the Government has lost in corporation taxes. The present case indicates that hereafter the Government will start criminal prosecutions whenever the evidence warrants.

The conspiracy charge against Silva and Blumenfeld-Sciama goes further back than the income tax law and cites false returns alleged to have been made under the old law as far back as January, 1910. The evidence gathered by Mr. Carstarphen and the customs men shows, it is alleged, that the yearly returns sworn to by Silva would make it appear that the total net income realized by Sciama & Co. from the beginning of 1909 to the end of 1913 was only $42,379.

Figures gleaned from letters which are said to have passed between Blumenfeld-Sciama and Silva, however, would indicate that the New York branch of the business cleared in that period $454,987. The total of the tax which should have been levied against this sum in the five years at the rate of 1 per cent. is $4,549.87. The Government, however, after certain deductions had been made, received only $382.50. The customs authorities believe that a recomputation of the figures, including the returns for 1914, will show that the Government has lost more than $5,000.

The facts on which the present charge is based were disclosed in the investigation made by the customs men following the arrest of Silva on the customs fraud charge in January, 1915. Silva and Blumenfeld-Sciama in that case were charged with undervaluing more than $2,000,000 worth of ostrich feathers. The amount lost to the Government in duties is said to have exceeded $200,000.

FLORIDA, ALL EAST & WEST COAST
Points Reached. 2 All Steel Trains Daily via Atlantic Coast Line. Office 1185 B'way.—*Adv.*

FORT NEAR GORITZ TAKEN BY ITALIANS

Rome Claims Capture—Vienna Says Enemy Pierced Line, but Was Driven Out.

BATTLE FOUGHT ON HILLS

Special Cable Despatch to THE SUN.

LONDON, Dec. 8.—The Italian efforts to drive the Austrians from the remaining slopes of Monte San Michele, on the Doberdo plateau, south of Goritz, is reported to have resulted yesterday in the capture of a fort and a large intrenchment east of Peteano, which is north of the mountain.

The penetration of the Austrian lines at this point is admitted in the Austrian official statement issued to-day, but the statement adds that the Italians were driven out. The Rome statement makes no mention of the loss of the newly acquired position, but says the Italians captured 154 prisoners and a quantity of war material.

The weather conditions in the Carso sector are described as unfavorable to military operations. In spite of this the Italian offensive is continued. Other attacks were made by the Italian infantry near San Martino, south of Monte San Michele, but these, according to the Austrian statement, failed.

Following is the official statement issued at Vienna to-day with regard to the fighting on the Italian front:

On the Isonzo front the enemy attacked the northern portion of the Doberdo heights, northeast of Monte San Michele. They penetrated our trenches, but were driven out.

In the San Martino sector (south of Monte San Michele) enemy efforts failed.

An Italian torpedo boat bombarded Sistinia.

The Italian War Office issued the following official report to-day:

Increased activity on the part of the enemy's artillery was effectively answered. The enemy is using asphyxiating gases and those irritating to the eyes.

In the afternoon of December 6, following tense artillery preparation, the enemy attacked our Plazza positions. He was quickly and thoroughly repulsed.

On the Carso plateau, despite unfavorable weather conditions, our infantry maintains an energetic and aggressive attitude.

A brilliant operation in the northern zone of Monte San Michele led to the capture of a fort and of a large intrenchment east of Peteano. We made 146 men and eight officers prisoners and captured a quantity of rifles, ammunition and war material.

BRITAIN BUYS OUT SALOONS.

State Control for District Where 20,000 Men Will Work.

Special Cable Despatch to THE SUN.

LONDON, Dec. 9.—The *Daily Mail* says this morning that a "remarkable scheme of state control" has been inaugurated in a northern centre, "where twenty thousand men will be at work."

"The Government has acquired all the shops in the district," the newspaper says, "and will either run them under Government control or will license the present owners with the object of regulating prices and preventing extortion.

"The liquor control board has bought all the saloons in the district. Some of these have been converted into lodgings for the workmen. The sale of intoxicants in these have been stopped. Other saloons will be allowed to continue the sale of intoxicants under close restrictions.

ALLIED FORCES IN SERBIA ARE FALLING BACK

Bulgars Make Desperate Attacks Upon Three Sections of Line.

ADVANCE ON BOTH SIDES OF THE VARDAR

German Cavalry in West Threatens Flanking Movement.

ENTENTE TROOPS POUR INTO SALONICA

Are Being Rushed to Front—Teutons Take 2,000 Montenegrins.

Special Cable Despatch to THE SUN.

LONDON, Dec. 8.—The allied expeditionary force in the southeast corner of Serbia is to-day in an extremely perilous position. The Bulgarians are delivering heavy attacks on three points of the Franco-British positions along the railway line between Guevgheli and Krivolak.

Authoritative reports from the Balkan front indicate that the French forces in the Vardar Valley have been forced, since the close of the Serbian campaign, to yield considerable ground before the Bulgarians, and that they are under an extremely violent attack at their positions in the Demir Kapu (Iron Gate) ravine. This ravine is about eighty-eight miles north of Salonica, the Allies' base.

To-day's official Bulgarian statement contains the following passage:

On both sides of the Vardar River our troops have continued the pursuit of the French, who are retreating.

A despatch passed by the censor and received late to-night from Athens says:

"The withdrawal of the Anglo-French troops toward the Greek frontier continues."

The Demir Kapu-Salonica sector of the single line railway from Nish to the Greek seaport is the only avenue of retreat left to the allied troops. It is feared here that the expedition will have to fall back still further in face of the increasing Bulgaro-German reenforcements.

The majority of the German strength in the Balkans is now being thrown against the Allies in an effort to drive them from Serbian soil. The entire army of Gen. von Gallwitz is reported, in a despatch to the *Temps* of Paris, to have reached the southern front. Bulgarian forces, estimated at more than two divisions, are concentrating in the Doiran region, east of the Nish-Salonica railroad line.

Flanking Movement Feared.

German cavalry has entered Kenali, due south of Monastir, near the Greek frontier, an Athens despatch says. Appearance of German forces as far south as this point adds ominously to the Allies' plight, because it presents the menace of a flanking movement to cut off the French retreat.

The French are believed to have begun, under a screen of stubborn rearguard fighting aided by their superior artillery, to withdraw from the triangle in which they have been hitherto strongly intrenched. This triangle is bounded on the west and east by the Cerna and Vardar rivers. If the Bulgarians succeed in crossing the Cerna, the French "intrenched camp of Kavadar" may become untenable.

At last accounts the French still hold Krivolak, on the Salonica-Nish railway, where their advance guards firmly established themselves when the allied campaign began. At this point and at Demir Kapu violent fighting is now in progress and its outcome is awaited with feverish expectation here, as it will go a long way toward determining the fate of the expedition.

The British forces are intrenched at Strumitza Station on the railway. Reenforcements continue to pour in at Salonica and the hope that they will arrive in time on the front somewhat counterbalances the pessimism arising from the allied plight.

Bulgarian Attack Repulsed.

The French War Office issued this statement to-day:

During the afternoon of December 5 Bulgarian forces delivered a violent attack against our bridgehead at Demir Kapu, on the Vardar River. This attack was completely repulsed. The morning of December 6 was quiet along this entire front.

Additional light on the situation in this region is given by the following despatch received here to-day from Salonica:

"Weather conditions having improved, the Bulgarians on Monday bombarded the entire British line at Strumitza Station for the whole day. Then they launched an infantry attack, which was repulsed, although the fighting on this front continues. Whether the Bulgarians intend to press the attack to see what our strength is, is difficult to establish at present. The British casualties thus far are reported as slight.

"At Krivolak there was an unimportant local engagement between French and Bulgarian artillery on Monday."

The despatch adds that complications are threatened between Turkey and Bulgaria as a result of increasing distrust on both sides.

The Salonica correspondent of the *Times* telegraphing under date of December 6, says:

"Part of the Serbian army is said to have reached the Epirus (in Greece). The main body has reached Albania.

"The British and French War Offices early took a hand in the revictualling and reequipping of the Serbians and the work is energetically continuing. The