

Mr. McKELLAR. Mr. President, I also desire to insert in the RECORD a few remarks made by me away back in 1918 and 1919 on the establishment of the Air Service, and to add that, in my judgment, the present new Service, while not so large and all-pervading and world-wide a system as the Air Service which we then established, will in the end mean quite as much to the plain, ordinary, everyday country people of this land as that Service did.

On May 8, 1918, there was discussion on the floor of the Senate of an amendment which I offered in the Post Office Committee, and which was adopted by the committee, as follows:

Provided further, That out of this appropriation the Postmaster General is authorized to expend not exceeding \$100,000 for the purchase, operation, and maintenance of airplanes for an experimental airplane mail service between such points as he may determine.

Senator King moved to strike out that amendment; and I then made some remarks which I ask leave to have printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

[From the CONGRESSIONAL RECORD of May 8, 1918, p. 6208]

Mr. McKELLAR. Mr. President, I hope this amendment will not be adopted.

I just want to call the attention of the distinguished Senator from Utah [Mr. King], who is the author of the amendment to strike out the airplane provision, to the fact that objections of this kind have uniformly been made, and frequently by our ablest and most distinguished men, to new discoveries and inventions of this kind and to progressive measures generally. I think it was no less a person than Mr. Webster who, on the floor of this Senate, about 1830, said that he would vote against any appropriation to be used for any purpose for the improvement of anything beyond the Mississippi River, on the ground that the great West was a desert waste and never could be used by this country. Now, we read the statements of the men who opposed those things in those days and we wonder how it was that with their great reputations they were men who did not have more perspective or insight into the future, to say the least; and in the years to come I have no doubt that the distinguished Senator from Utah will be referred to by others, just as I am referring to Mr. Webster now, in the very same way. I can say to the Senator that I believe that he is just standing across the path of progress.

Why, as young a man as I am, I remember distinctly when it was considered that the telephone was a toy and that it had no real use or advantage, and later on the automobile was considered a toy that would never be of any practical benefit; and yet the world could hardly get along today without telephones and automobiles. The telegraph, the ocean cable, the electric light, the electric motor, the moving picture, and numberless other improvements had the same history. And so it is with airships. I have no doubt that the time will come when we will use them for a hundred different purposes and that the world will feel that it could hardly get along without them.

I hope the Senator will not interpose an objection to this very worthy measure, as it seems to me. It may be that the money may not bring full results the first year or the second year or even the third year, but the time will come when results will be shown by reason of these experiments. Why,

the time will come when we will use airplanes just as frequently as we now use automobiles, in my judgment, and there may be inventions in the future that will far surpass them. We cannot afford to take chances on it if we want to help develop things of this kind and make them the best for our country; and I hope the Senator will withdraw his amendment.

Mr. McKELLAR. I also ask unanimous consent to have printed in the RECORD some brief remarks which I made on the same subject in the following year.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

[From the CONGRESSIONAL RECORD of February 1, 1919, p. 2517]

Mr. McKELLAR. Mr. President, I want to indorse all that the junior Senator from Michigan [Mr. Townsend] has so well said. It is a plain common-sense proposition. Last year when this item of appropriation was under consideration it will be recalled that the distinguished Senator from Utah [Mr. King] took then the same position about the appropriation that he takes now. Since that time, it seems to me, the experiment we have already had is sufficient to show the error of the position of the Senator from Utah. It is no longer an experimentation. A line then was established from Washington to New York, not so much because the business between Washington and New York was great enough to make it a paying proposition—that could not have been, because Washington is not a commercial city—but the idea was to give greater publicity to it, so that legislators could see what was being done with it.

The Post Office Department took that appropriation. I think the service has only been in operation about 6 months; and they come back with figures showing that in that time the expenses of the plan or operating arrangements of the line have been \$75,000 and that the receipts from stamps on the mail carried amount to \$60,000. So there has been an actual loss of about \$15,000. I say that means not an experiment; or if an experiment, a successful experiment; and that there is no longer any doubt but that rapid airplane service will be the thing of the future. It will in a measure take the place of the telegraph and telephone doing the same thing. I believe if a line was established between New York and Chicago it would pay and pay well. When a line is extended to Boston, or a great commercial city of that kind, it is going to pay, and I make the prediction right now that in 1 year when we discuss this again and when my good friend from Utah makes a speech against it again he will find that it has been a good business proposition.

Who in this country wants to stop the use of airplanes in mail service? Is there a Senator here who will want to stop it? Practically no one in this country would want to stop it. It is a progressive thing; we know it is coming in the future; we know it is going to be utilized more and more all the time. We are proud of the line that goes from here to New York. We are proud of its success. It has done splendidly. It shows that it is no longer an experiment, and we ought not to stop it, but we ought to increase it sufficiently to make it pay. It is purely a business proposition. All we have to do is to add to the line other commercial cities, and the result will be that it will be a paying proposition and bring the Government in just as much as the Government has to pay out.

There is another thing connected with this matter. The Government has a large number of airplanes on hand. If they are not

used for some purpose they will decay and be lost entirely. They are already built. They cannot all be used in the Navy or in the Army. What are you going to do with them? Are you just going to let them lie up and decay without doing any good to anyone?

The amendment provides that the appropriation here shall be used in buying those machines and using them on these mail routes. Is not that the sensible thing to do? Is it not the business thing to do? Why should there be a doubt in the mind of anyone about it? The money will be turned over to the Department that now owns them. In other words, the Government will be dealing with itself in buying these planes.

Another statement is made to the effect that we have invested a good deal of money in these machines already. So we have; and I was delighted to see the report of Mr. Praeger, which I read a few moments ago, in which he says that practically all the machines that we started out with are still on hand and that only one of them will have to be renovated. I think it is just about to be renovated now.

I say the Post Office Department has made a splendid showing, and we ought to increase this service and defeat the amendment of the Senator from Indiana, which would curtail it.

AWARD OF CONTRACTS UNDER NATIONAL-DEFENSE PROGRAM

Mr. TRUMAN. Mr. President, I expect to submit a resolution asking for an investigation of the national-defense program and the handling of contracts.

I feel that it is my duty at this time to place before the Senate certain information which I have, and which I am sure is of vital importance to the success of the national-defense program.

There seems to be a policy in the national-defense set-up to concentrate all contracts and nearly all the manufacturing that has to do with the national defense in a very small area. This area is entirely outside the location which the Army survey, itself, has shown to be safe. The little manufacturer, the little contractor, and the little machine shop have been left entirely out in the cold. The policy seems to be to make the big man bigger and to put the little man completely out of business. There is no reason for this that will stand up, because plans have been presented to the National Defense Committee which would solve the condition of the little manufacturer and the little machine-shop owner.

A perfectly practical and concrete plan was presented by the Mid-Central War Resources Board. A survey of the region within 100 miles of Kansas City was made by this Board, and 160 small machine shops and manufacturing plants were located. It was proposed to combine the facilities of these little machine shops and allow them to take a contract, or contracts, which they could, working as a unit, carry out successfully.

Under this program there would be no housing problem. The shops are in the small towns. The people already have their houses. They are the best workmen and the most loyal citizens in the whole country.

The same sort of a survey was made in St. Louis and the immediate surrounding territory, and the same conditions exist there. I have no doubt that these conditions exist in Iowa, Illinois, and Indiana.

When this matter was put up to the Defense Committee, an effort was made to find out where the machines in these small shops were located so that the big fellows could go and buy them and move them. They are buying these machines wherever they can find them, shipping them to Detroit, Philadelphia, Norfolk, and industrial cities in Massachusetts and Connecticut. They are hiring our young men and moving them to the Atlantic and Pacific seaboard and to Detroit, leaving us denuded of manpower as well as machines. This makes a double housing problem. It leaves our cities with vacant property which is rapidly depreciating in value, and creates a condition at Norfolk, Philadelphia, Detroit, Hartford, Conn., and Los Angeles, Calif., where housing problems have to be met. It just does not make sense. The policy seems to be to make the big men bigger and let the little men go out of business or starve to death, and they do not seem to care what becomes of these little fellows.

Mr. CLARK of Missouri. Mr. President—

The PRESIDING OFFICER (Mr. McKellar in the chair). Does the junior Senator from Missouri yield to his colleague?

Mr. TRUMAN. I yield.

Mr. CLARK of Missouri. I apologize to my colleague for interrupting him at this time, but it is necessary for me to return to a hearing of the Committee on Foreign Relations on the lend-lease bill.

I should like to call my colleague's attention to two situations which have come within my information, which have nothing to do with the particular matter of housing, but which pertain to the same general subject. Is my colleague familiar with the so-called Blossom board which has been set up in the War Department?

Mr. TRUMAN. I set it out in detail in my remarks.

Mr. CLARK of Missouri. My observation has been that that board is actually run by a man named Dresser.

Mr. TRUMAN. That is true.

Mr. CLARK of Missouri. And while they have established a principle, of which I am very much in favor, and which I should very much like to see carried out, contemplating the absence of any political influence in the matter of letting contracts, because I think that congressional influence in the making or letting of contracts is a bad thing for the country and a bad thing for the Senators and Representatives themselves. Is my colleague aware of the fact that under the Blossom committee which has been set up, under the actual leadership of this fellow Dresser, what is happening is that as to all contracts for construction let by the Government Mr. Dresser is merely calling in his own particular friends and horning out everybody else?

Mr. TRUMAN. I set that out in detail, and show how he does it.

Mr. CLARK of Missouri. I apologize to my colleague for interrupting him, but I have not the time to remain and listen to the rest of his speech, due to com-

mittee duties. It seems to me this is a matter of which Congress should immediately take cognizance.

Mr. TRUMAN. I think so.

Mr. CLARK of Missouri. One other question. Is the Senator familiar with the practice which has prevailed in the War Department, in connection with the purchase of land for various Government emplacements, of appointing a private citizen, not a Government officer, but a private citizen, and making him the sole option authority for the purpose of optioning land, and insisting that no citizen can sell his land to the Government without paying this particular man who is selected a 5-percent commission, and then selecting one title company and insisting that a citizen who is perfectly willing to sell his land to the Government for what it is worth must pay a particular title company a certain fee for examining the title?

Mr. TRUMAN. I know that is a policy followed at St. Charles, Mo.

Mr. CLARK of Missouri. I call the Senator's attention to that particular case, the Weldon Springs development. The War Department just appointed a man by the name of McDowell, who lives in Kansas City, nearly 300 miles from St. Charles, and has given him the sole charge of optioning that property, insisting that every citizen willing to sell his property to the Government for what it is worth must pay this man McDowell a 5-percent commission, and on top of that pay the Kansas City Title Insurance Co. a 1½ percent commission, which is to be added to the purchase price paid by the Government. No citizen is permitted to sell his land to the Government, even though he is willing to deal directly with the Government, without paying McDowell a 5-percent commission. It seems to me that inevitably leads to waste. I do not know Mr. McDowell, and I do not intend to cast any reflection on him, but any such system must inevitably lead to great waste of Government funds, and is an absolute outrage on the people who are willing to sell their property directly to the Government.

Mr. TRUMAN. I agree with the Senator. Now I wish to read a few extracts from a confidential letter which I received just the other day. This letter is from a man who knows what he is talking about.

I think I can say that enough evidence is accumulating here in Washington of the "dog in the manger" attitude of the big fellows to provide the tinder for a rather serious blow-up a little later on. In the last analysis, of course, the Government itself is to blame. Unless the matter can be policed at the time and place where contracts are given out, i. e., unless the Government intervenes to exercise some supervision over new plant installation, it is almost certain to result in the prime contractor "tooling up" to handle the bulk of the business himself. As I see it, here is more or less the attitude the Government should take when it gives out a contract (for example) to Westinghouse Electric & Manufacturing Co. for the construction of two big ordnance plants—one at Louisville, Ky., the other at Canton, Ohio. "We are ready to give you a contract. That contract provides for the amortization of indispensable new plant equipment and buildings over a 5-year term, in 60 monthly installments, in accordance

with the law. Now, let us see just what new capital investment your corporation proposes to amortize." At this point Westinghouse presumably submits a list of what it will provide in the way of new plant facilities. Somewhere along the line of scrutiny, the Government should say, "Sorry, but you cannot include in your price for the finished articles any amortization charge for this and this and this item of equipment. Our surveys indicate beyond the possibility of a doubt that the facilities already exist in the following plants, which we are satisfied will be in a position to collaborate with your concern as subcontractors on a farming-out basis." My guess is that if it were feasible to look into the situation in any large contract that has been given out recently, it would be disclosed that the Government's agreement to amortize new plant facilities covered machine-shop and metal-working facilities already available in other plants.

Now, it is essential to the functioning of this idea, however, that when the Government in Washington says, "We know the facilities are available," it should be in position to cite chapter and verse. This is where our regional pooling associations (Mid-Central War Resources Board, etc.) come into the picture. Or, to put it another way: When the Government is in negotiation with Westinghouse for the construction of the two new ordnance plants, it should start with the proposition: "Where do you propose to locate these plants?" In the discussion as to location, the Government should raise its voice in terms of the availability of facilities in different regions that could supplement the new ordnance plants to the best advantage. Really, the office for production management should take the lead in determining where new Government-owned plants are to be located. It should start out by asserting that a certain plant is to be located in a certain place, because, among other reasons, there are facilities in smaller shops in the area tributary to that location which could effectively supplement the new plant. This is really national-defense planning. Of course, nothing like this point of view exists anywhere in official Washington, and I don't see any signs of such an attitude developing anywhere in the new set-up.

To illustrate a little further: One of the reasons why North American's new assembly plant is to be located in Kansas City is that in the region tributary to your metropolis there are so many plants that can effectively supplement the facilities of North American as "subcontractors."

So long as the present "let the big fellows do it" attitude governs in the national defense set-up, you can be sure that they will tool up in order to do everything possible under their own roofs—why not, there's more money in it that way. There is no risk for the prime contractor. He knows this national-defense show is going on for several years; it probably signifies the entry of our Nation on a totally different path of destiny than it has ever trod before. In any case, the prime contractor is protected. At the end of 5 years he has gotten back all of his capital expenditure. If, for any reason, he wants the plant, he has an option to buy it. If he doesn't want it, well, let the taxpayers have it as scrap iron. The same thing happened in 1919 in the liquidation of war plants.

The position we are in, as I see it, is this: The forces of the times run more and more strongly in the direction of bigger and bigger business. Unless the Government intervenes to reverse this trend, there will be no stopping the concentration of business in fewer and fewer hands. Under separate cover we send you our bulletin 3, a list of 650 corporations classified as to State and locality, that have something like \$6,000,000,000 of war contracts. But something like 114 of them

have the bulk of the business. This simply will not do.

Similarly, with regard to the new shipyards. Something like 50 new ways are to be constructed in about 10 years. Assuming 2 ships per way per year, the 200 ships would be turned out by December 31, 1942. Query: Is the Maritime Commission permitting the ships constructors to duplicate facilities which already exist in other plants inland? Incidentally, these 200 new ships are to be 100 percent welded. You might inquire of the boys in K. C. Structural what effect this decision has on the availability of the inland fabricating shops for collaboration in this program.

Mr. CLARK of Missouri. Mr. President, will my colleague yield to me at that point?

Mr. TRUMAN. Certainly.

Mr. CLARK of Missouri. Speaking of our own State only, the Senator undoubtedly has had the information, as I have, that under the policy to which he has just referred, cities like St. Joseph, Mo., Joplin, Mo., Springfield, Mo., Hannibal, Mo., and many others, where there are facilities for carrying on subcontracts and expediting to a very large extent this defense program, are at the present time simply being drained of their skilled labor by this system, leading to a permanent dislocation of business and of industrial population.

Mr. MCKELLAR. Mr. President, will the Senator from Missouri yield to me? Mr. TRUMAN. I yield.

Mr. MCKELLAR. I believe the Senator said that the committee which passed on contracts was composed of Colonel Harvey, a Mr. Dresser, and a Mr. Blossom. Is that correct?

Mr. TRUMAN. Yes. I will go into that in detail a little later.

Mr. MCKELLAR. While I am on my feet may I ask what the position of a Mr. Harry W. Loving is?

Mr. TRUMAN. Mr. Loving has a position in the national defense set-up under which he passes on these contracts.

Mr. MCKELLAR. I wish to call the Senator's attention to a statement published in a magazine claiming that the Carolina Branch of the Associated General Contractors of America and several leading contractors in North and South Carolina have conspired to force V. P. Loftis, of Charleston, N. C., out of business, that he has filed suit in the Mecklenburg County Superior Court in Charlotte seeking \$300,000 damages. In one of the suits Loftis seeks \$100,000 actual and \$100,000 punitive damages from the Carolina Branch and from Harry W. Loving as the Branch's executive secretary, now on leave for defense work, and, as the Senator says, is engaged in letting these contracts for defense.

I simply wish to make this statement: I do not think that a man who belongs to or is secretary of an association such as the Associated General Contractors should be in the employ of the Government and have to do with the issuing of contracts. I hope the Senator from Missouri will give that matter some attention in the remarks he is making. I hope he will ascertain and tell us whether Mr. Loving is a dollar-a-year man, or what his salary is. There has

been much criticism of Mr. Loving in his action on these contracts and on one occasion the Quartermaster General told me Mr. Loving had been displaced. He seems still to be there.

Mr. TRUMAN. If the Senator will be patient with me I think I shall cover that quite thoroughly a little later on.

In explanation of defense financing I shall take a little of the time of the Senate to explain in some detail how the defense-financing program is set up by the Reconstruction Finance Corporation. I shall quote from a speech made by the vice president of the Defense Plant Corporation of the Reconstruction Finance Corporation, the Honorable John W. Snyder:

In connection with the first type of defense financing I have mentioned—the creation of new plants and facilities—much discussion has already taken place. Such facilities are of three distinct kinds.

First, there are those facilities requisite to the national-defense program which are being built by the Government itself. Plants having no commercial value after completion of the defense program must be financed by the Government itself and title to such properties must vest in the Government, even though the actual operation of the plant may be delegated to private industry under a management-fee contract. This category of facilities embraces munitions plants, loading plants, and heavy shell forging and armor plants of which there is little present private capacity and of which there is certain to be surplus capacity after the emergency is over. The Government will have absolute control of such plants and can elect to retain them for future emergency use.

Second, in the other extreme, there are those facilities which will be made available by private industry as a result of normal expansion in the ordinary course of business, without cost and without risk of any kind to the Government. In general, these facilities consist of manufacturing plants which have a real economic value entirely apart from the defense program.

Third, and midway, are the cases in which the emergency plant facilities, whether built with the aid of public or private capital, will be paid for directly or indirectly by the Government. In general, these facilities consist of plants carrying on operations that will be expanded far beyond any probable normal use—plants filling defense orders which fall somewhere between outright munitions (such as powder for which the Government will build its own plants) and purchases of regular commercial items (such as blankets where needed extra capacity will be added by private contractors).

With respect to facilities of the last classification, it has been felt that the cost of construction should be segregated from the cost of the supplies and that the reimbursement or payment of the cost of the construction should be made directly rather than being loaded into the unit price. In the expansion of facilities of this intermediate character, it is necessary and desirable to enlist the aid of private funds. Consequently, the Defense Commission has evolved a type of "bankable contract" which permits the use of financing either by commercial banking institutions or the R. F. C. Where a manufacturer is about to enter or has entered into a contract whereby he agrees to manufacture and sell defense supplies to the Government and his plant and facilities are inadequate to manufacture such supplies in the quantities and within the time required, by use of this emergency plant facilities contract, which has been approved by the Defense Commission, the Government

may reimburse the manufacturer for the cost of acquisition and construction of the additional plant facilities required to enable him to fulfill his supplies contract. Under the emergency plant facilities contract the Government agrees that upon acquisition or completion of construction of the so-called emergency plant facilities at the agreed cost, it will reimburse the contractor for the total cost thereof in equal monthly payments over a period of 60 consecutive months. In accordance with the authority conferred by the Assignment of Claims Act of 1940, the contract also provides that claims for moneys coming due thereunder may be assigned to any bank, trust company, or other financing institution, including any Federal lending agency; that the assignment may cover all or any part of the claims arising under such contract; that the assignment may be made to one or more institutions or to one party as agent or trustee for two or more institutions participating in the financing; that any claims so assigned may be subject to further assignment; and that the note or other evidence of indebtedness secured by such assignment may be rediscounted, hypothecated, or sold with or without recourse. Likewise, pursuant to the terms of the act, the contract waives the Government's right of set-off with respect to indebtedness arising independently of the contract.

To satisfy further the demand for this type of Government financing, R. F. C. in August of last year created, under its special national-defense authority, the Defense Plant Corporation, which is now the only agency of the Government, aside from the War and Navy Departments, providing for the financing and construction of production facilities. In setting up Defense Plant Corporation, R. F. C. devised a lease arrangement which has proved to be the most flexible and expeditious method of obtaining such facilities. In brief, the lease arrangement provides for the construction of the emergency-plant facilities by the contractor with Defense Plant Corporation assuming the cost, taking title in its own name, and leasing the facilities to the contractor for a fixed period, subject to a provision for renewal and an option to purchase. In the case of manufacturers and suppliers having contracts directly with the Government, the rental is generally nominal and Defense Plant Corporation is reimbursed under an agreement with the War or Navy Department. In the case of subcontractors, an actual rental is usually required to be paid by the lessee based upon a percentage of its sales.

The subcontractor is the man who will lose money and be put "out on a limb" under the farming-out program which the National Defense Commission is trying to set up. There are persons now out in my section of the country trying to sign up the subcontractors on the basis of a percentage for their own pockets of the total amount received, regardless of what the profit may be on the subcontract. Such a situation is entirely wrong.

I wish to read a letter from the Secretary of the Navy to Barry & Wood, Inc., 30 Rockefeller Plaza, New York:

DEPARTMENT OF THE NAVY,
OFFICE OF THE UNDER SECRETARY,
Washington, January 13, 1941.

Barry & Wood, Inc.,
30 Rockefeller Plaza, New York, N. Y.

GENTLEMEN: Reference is made to your confidential letter of December 5, 1940, submitting a suggested plan for the coordination of aircraft parts production by means of subcontracting.

This letter is written to confirm the Navy Department's understanding of the results of a conference with you by the Under Secretary

of the Navy, about December 9, 1940, as follows:

That, after careful consideration of all phases of this matter, it does not appear desirable that the Navy Department should employ your services, but that you can render assistance to the cause of national defense by continuing your regular work of searching out unutilized shop capacity where subcontracts for aircraft parts may be made; that, as circumstances warrant, your business may be extended to other industries; and that your dealings will be with prime contractors and their subcontractors and not with the Navy Department.

I further understand that you have offered whenever you discover unutilized capacity suitable for use in expediting national defense, you will, without any obligation on the part of the Navy Department, make a brief report of the matter, including the name of the manufacturer and a description of his facilities to the Chief of Naval Operations (War Procurement Planning, Op.-23M), which agency will circulate such reports from you to the technical Bureaus of the Navy Department for their information. The Department appreciates this offer of yours to submit such reports without remuneration in the interest of expediting national defense.

Your patriotic spirit in offering your services and submitting such reports is greatly appreciated by the Navy Department.

Sincerely yours,

FRANK KNOX,
Secretary of the Navy.

What is the patriotic service proposed to be rendered? I wish to have included in the Record at this point as a part of my remarks the contract in toto.

There being no objection, the contract was ordered to be printed in the Record, as follows:

This agreement, made the _____ day of _____, 194____, between _____, a corporation organized under the laws of the State of _____, with its principal place of business at _____, party of the first part, and Barry & Wood, Inc., a corporation organized under the laws of the State of New York, with its principal place of business at 30 Rockefeller Plaza, New York City, party of the second part, witnesseth:

Whereas the party of the first part desires to enter into contracts with manufacturers of aircraft and allied products for the purpose of supplying them with aeronautical parts and equipment; and

Whereas the party of the first part desires to obtain the assistance and services of the party of the second part in securing such contracts; Now, therefore,

It is mutually agreed as follows:

1. That the party of the second part shall use its best efforts, experience, and judgment to obtain for the party of the first part, from manufacturers of aircraft and allied products, contracts for the sale of parts and equipment which can be manufactured or obtained by the party of the first part. All such contracts and orders shall be subject to the specific approval and acceptance of the party of the first part, and the party of the second part shall in no way obligate the party of the first part or pledge its credit until such approval and acceptance has been given.

2. That the party of the first part shall pay to the party of the second part as full compensation for its services 9 percent of the gross proceeds of each and every contract or order negotiated by the party of the second part (in the manner prescribed in par. 1 hereof) or reasonably traceable to its efforts, such compensation to be paid as follows:

On the date on which the party of the first part shall be paid by the purchaser for the goods so contracted for or ordered.

3. That if at any time the said rate of compensation of 9 percent shall jeopardize the obtaining of any contract or order by preventing the party of the first part from meeting competitive prices, the parties hereto agree to decide terms and compensation in each such case on its individual merits and to fix by separate written agreement the rate of compensation to be paid to the party of the second part. In no case, however, shall said compensation be less than 3 percent of the gross proceeds of each contract or order.

4. That in the event of cancellation of any of such contracts or orders, the party of the first part shall not be liable to the party of the second part for any commission not due and payable at the time of said cancellation, and that in the event of such cancellation the party of the second part shall not be obligated to return to the party of the first part any sums paid as compensation to it prior to such cancellation.

5. This agreement shall remain in effect for a period of 3 years from the date hereof, unless the same shall be renewed or modified by a further written agreement between the parties.

6. That in the event that any State, Federal, or other governmental authority with jurisdiction shall take any action which shall compel the party of the first part temporarily to suspend work on any contract or order, then this agreement shall likewise be suspended with respect to such contracts or orders until such time as the party of the first part shall renew work on the said contracts or orders.

7. This agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

In witness whereof the parties hereto have hereunto set their hands and seals the day and year first above written.

Attest:

By _____,

BARRY & WOOD, INC.,

Attest:

Mr. TRUMAN. I wish to read one particular part of the contract. It is most interesting:

That the party of the first part—

That is, the little fellow who is supposed to be a subcontractor—

shall pay to the party of the second part as full compensation for its services 9 percent of the gross proceeds of each and every contract or order negotiated by the party of the second part (in the manner prescribed in paragraph 1 hereof) or reasonably traceable to its efforts, such compensation to be paid as follows—

Mr. ADAMS. Mr. President, will the Senator yield?

Mr. TRUMAN. I yield.

Mr. ADAMS. Who is the party of the second part?

Mr. TRUMAN. Barry & Wood, Inc., 30 Rockefeller Plaza, New York.

Mr. ADAMS. So, the subcontractor is paying a 9-percent commission.

Mr. TRUMAN. Barry & Wood are trying to sign up everybody who is likely to be a subcontractor, on the ground that they stand in with the Navy Department, on the strength of the letter of the Secretary of the Navy, and that they can obtain the subcontract for the subcontractor. For rendering that service they want, not 9 percent of the

profits, but 9 percent of the total amount.

Mr. STEWART. Mr. President, will the Senator yield?

Mr. TRUMAN. I yield.

Mr. STEWART. I thought the Senator was citing specific instances in which contracts have been made by Barry & Wood and in which they were subcontractors.

Mr. TRUMAN. No. Barry & Wood are trying to line up the subcontractors and make them pay a fee based on the total amount received.

Mr. STEWART. Who are Barry & Wood?

Mr. TRUMAN. They are contractors in the city of New York, at 30 Rockefeller Plaza. I think they are engineers.

Mr. STEWART. Do they claim to have some particular influence or control over the Navy Department or those who let the contracts?

Mr. TRUMAN. That is their claim. They are "selling the Navy down the river" out in the country. Of course, the people out in the country do not understand it.

Mr. STEWART. I think many of us here do not understand it.

Mr. TRUMAN. That is the reason why I think the Senate ought to go into the matter. I think that is the best answer I can give.

Continuing to read from Mr. Snyder's address, from which I was reading a few moments ago:

The success of Defense Plant Corporation's activities is demonstrated by the fact that construction is well under way through lease agreements covering aircraft factories in San Diego, Columbus, St. Louis, Buffalo, and Dallas; shipyards in Oakland and Houghton (Washington); munitions plants in Chicago and Omaha; and engine works in Cincinnati and Paterson. Moreover, Defense Plant Corporation has, since its organization to date, made a daily average commitment of more than two and one-half million dollars, having approved total commitments for the financing of emergency plant facilities, including the acquisition of land, the construction of buildings, and the procurement of machinery, aggregating over \$350,000,000. These activities are certainly symbolic of the real ability of business and government to collaborate effectively in the interest of the common welfare.

Most of my remarks have had to do with what are termed "primary" contractors—that is, contractors who bid on Government contracts. As is commonly known, however, primary contractors in most cases let out to subcontractors, or subsuppliers, the production of many of the parts which go to make up the article for which they have contracted with the Government. Such subcontractors do not have a direct Government supplies contract to use as the basis for obtaining necessary financing. It is important to observe, however, that the E. P. F. contract may, with appropriate modification of certain clauses, be used also for any subcontractors who furnish substantially all of their supplies to primary contractors on defense projects and who find it necessary to construct facilities for such a purpose. It is understood that standard clauses are now being evolved by the Defense Commission for incorporation in the EPF contract to fit the situation of subcontractors.

Before leaving the topic of emergency plant facilities, some mention should be made of the special amortization features which are contained in the Second Revenue Act of

1940—the so-called Excess Profits Tax Act. It is provided in such act that firms constructing facilities to produce national defense orders may amortize the cost of those facilities over a 60-month period—or, in other words, that such firms may deduct for income tax purposes the cost of such defense facilities over the 60-month period rather than through the normal deductions provided for depreciation and obsolescence. It should be noted that this special amortization provision directly implements the E. P. F. contract, since it permits the contractor to offset by a 5-year depreciation allowance the amounts received over the 5-year period representing reimbursement for the cost of the facilities. The amortization deduction allowed by the act is dependent upon certain certificates issued by the Defense Commission through the War or the Navy Department. February 5 is the deadline for the issuance of a so-called necessity certificate with respect to emergency facilities constructed, installed, or acquired from June 10 up to that date. After February 5, any necessity certificate to be effective must be obtained in advance of the beginning of the construction, installation, or acquisition. A second certificate is also necessary—either a certificate of Government protection (which must be obtained in any case in which the manufacturer is being reimbursed by the Government for the cost of the facilities, and which states that the contract of reimbursement adequately protects the Government with reference to the future use and disposition of such facilities) or a certificate of nonreimbursement (which must be obtained in any case in which the manufacturer is not being so reimbursed). February 6 is the deadline for the issuance of the latter certificates in connection with contracts executed 90 days or more before that date; and as to all contracts subsequently executed, the issuance of such certificates must occur within 90 days after the date of execution.

The second type of financing I have mentioned is that pertaining to the production of necessary supplies for defense. In those cases where the supplier has a supplies contract directly with the Government, it is possible to provide adequate working capital through a loan secured by an assignment of the moneys coming due under the supplies contract, such being permitted, as I have indicated, under the Assignment of Claims Act of 1940. Although the act provides expressly that any assignment made in pursuance thereof shall constitute a valid assignment for all purposes, notwithstanding any law to the contrary governing the validity of assignments, there are a few legal questions to be resolved in particular cases, some of which I shall discuss later.

I was speaking a moment ago, however, of those subcontractors, or subsuppliers, who do not have supplies contracts directly with the Government, but who merely furnish materials or parts to the primary contractor. There is, of course, no fundamental distinction between the two from a security standpoint: In the case of a supplies contract directly with the Government, the contractor has a potential account receivable from the Government; in the case of a supplies contract with the primary contractor, the subcontractor has a potential account receivable from the primary contractor; the contingency is the same in both cases. The difference in treatment arises only out of the fact that the Assignment of Claims Act of 1940, applicable to the first case, expressly permits the assignment of such contingent claims for moneys to come due in the future, whereas the State laws applicable to the second may not be conclusive as to the validity and effectiveness of such an assignment. However, where the subcontractor, or

subsupplier, has other collateral of an acceptable character to hypothecate as security, or where his earnings record is particularly good, satisfactory arrangements can usually be made for such financing. In this respect banking institutions should not overlook the possibility of an arrangement whereby a single loan to the primary contractor secured by an assignment of the moneys coming due under his contract with the Government may be used to finance not only the primary contract but also the subcontracts as well, the primary contractor making appropriate advances to the subcontractors out of the loan proceeds. Inasmuch as the primary contract usually provides sufficient funds to pay all the costs of performance, including any purchases made from subcontractors, such an arrangement should not be lacking in feasibility. It is understood that the Defense Commission is presently preparing a new standard form of contract to be used by subcontractors with the aim in view that it will be acceptable as collateral by banking institutions. If such an arrangement contemplates the Government becoming a direct party to the subcontract it will render the claims thereunder assignable under the Assignment of Claims Act, and will thereby remove any legal objection to the contingent nature of the obligation.

The third type of financing which I have mentioned, namely, the construction of military and naval projects, does not differ except in minor respects from the type of financing involving the production of supplies, the same considerations governing the acceptability of assignments being present in both instances. This type of construction has to do with Army cantonments, military and naval bases, aviation fields, roads, and other such governmental projects. In such cases it is expected that the common practice will be for the contractor to have a cost-plus-a-fixed-fee contract. However, the ability of the contractor to perform is the fundamental factor and the one deserving most careful consideration by the financing institution.

Under present law, the War and Navy Departments are authorized to advance out of their appropriations for construction or supplies up to 30 percent of the contract price, even before the work is begun. If a working capital loan is also necessary to furnish additional financing, it is important that the relative priorities between the financing institution and the Government be clearly defined.

I have read all the article in regard to Government financing of these projects in order to give to the Members of the Senate a clear idea of exactly what the Government is trying to do toward financing national-defense projects.

A policy is being pursued with regard to letting contracts that is as bad as or worse than the one with regard to the concentration of defense industries in a small area. It is considered a sin for a United States Senator from a State to make a recommendation for contractors, although we may be more familiar with the efficiency and ability of our contractors at home than is anybody in the War Department.

I have here an outline of the fixed-fee branch of the Construction Division of the War Department, which I ask permission to have inserted in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The outline referred to is as follows:

ORGANIZATION CHART OF THE FIXED-FEE
BRANCH—CONSTRUCTION DIVISION

Construction Division: Chief, Colonel Somervell.

Executive officers: Maj. M. B. Birdseye, Quartermaster Corps; Maj. H. B. Nurse, Quartermaster Corps.

Constructing branch, fixed fee: Chief, Mr. H. W. Loving; Assistant Chief, Mr. F. J. O'Brien; Special Assistant, Capt. E. Kirkpatrick, Quartermaster Corps; assistant, Miss Ruth Sale.

Administrative Section: Chief, Lt. J. H. Sharp, Infantry; Assistant Chief, Mr. J. B. Blanche.

Equipment Section: Chief, Capt. R. L. Richardson, Quartermaster Corps.

Requirement Section: Chief, Mr. R. L. Totten; Assistant Chief, Mr. F. Bloom; assistant, Capt. W. L. Sapper, Field Artillery; assistant, Lt. E. R. O'Brien, Corps of Engineers.

Statistical Section: Chief, Mr. M. L. Tribe.

Section A

Ordnance and Chemical Warfare, Chemical and Processing Plants: Chief, Mr. F. E. Creedon; Assistant Chief, Mr. W. E. O'Brien.

Engineering Unit: Mr. O. F. Sieder.

Administrative Unit.

Materials and Expediting Unit: Mr. W. A. Shephard.

Estimates and Costs: Mr. W. K. Maher.

Section construction quartermaster: Mr. W. E. O'Brien.

5. Radford Ordnance Works, Radford, Va.: Construction quartermaster, Capt. F. L. Strawn, Ordnance; assistant, Capt. C. J. Wilcox, Ordnance; contractor, Hercules Powder Co.; engineer, Hercules Powder Co.

6. Indiana Ordnance Works, Charlestown, Ind.: Construction quartermaster, Lt. Col. R. E. Hardy, Ordnance; assistant, Maj. W. O. Hauck, Quartermaster Corps; contractor, E. I. du Pont de Nemours & Co.; engineer, E. I. du Pont de Nemours & Co.

8. Kankakee Ordnance Works, Wilmington, Ill.: Construction quartermaster, Capt. I. T. Malmstrom, Ordnance; assistant, Capt. T. J. Skeahn, Corps of Engineers; contractor, Stone & Webster Engineering Corporation; engineer, Stone & Webster Engineering Corporation.

9. Ravenna Ordnance Plant, Ravenna, Ohio: Construction quartermaster, Capt. J. D. Hillyer, Ordnance; assistant, Capt. W. A. Kremer, Infantry; contractor, Hunkin-Conkey Construction Co.; engineer, Wilbur Watson and associates.

29. Elwood Ordnance Plant, Wilmington, Ill.: Construction quartermaster, Capt. W. Hall, Ordnance; contractor, Sanderson & Porter; engineer, Sanderson & Porter.

72. Humble Oil & Refining Co., Baytown, Tex.: Contractor, Humble Oil & Refining Co.; engineer, Humble Oil & Refining Co.

Ammonium Nitrate Plant, Morgantown, W. Va.

Section construction quartermaster: Mr. F. V. Cahill.

1. Springfield Armory, Springfield, Mass.: Construction quartermaster, Lt. Col. M. McFadden, Quartermaster Corps; assistant, Capt. P. J. Peterson, Quartermaster Corps; contractor, Fred T. Ley, Inc.; engineer, Charles T. Main, Inc.

2. Edgewood Arsenal, Aberdeen Proving Grounds, Edgewood and Aberdeen, Md.: Construction quartermaster, Lt. Col. S. W. McIlwain, Quartermaster Corps; assistant, Capt. W. O. Zacharias, Quartermaster Corps; contractor, Cummins Construction Corporation; Riggs-Distler Co., Inc.; engineer, Whitman, Requardt & Smith.

7. Picatinny Arsenal, Dover, N. J.: Construction quartermaster, Maj. G. B. Anderson, Coast Artillery; assistant, Maj. G. B. Sumner, Chemical Warfare; contractor, John Lowry, Inc.; engineer, Francisco & Jacobus.

Section B

Ordnance and Chemical Warfare, mechanical manufacturing plants: Chief, Maj. C. J. Clark, Quartermaster Corps; Assistant Chief, Mr. C. H. Hickey.

Engineering Unit: Lt. E. E. Shafer, Field Artillery.

Administrative Unit: Lt. D. Pontell, Quartermaster Corps.

Materials and Expediting Unit: Mr. W. C. Brown.

Estimates and Costs: Lt. A. P. Dennis, Cavalry.

Section construction quartermaster: Maj. C. B. Pyle, Corps of Engineers; assistant, Lt. R. Long, Jr., Field Artillery.

12. Detroit Ordnance Plant, Chrysler Corporation, Detroit, Mich.: Construction quartermaster, Maj. H. R. Kadlec, Corps of Engineers; contractor, Chrysler Corporation; engineer, Chrysler Corporation.

10. Frankford Arsenal, Philadelphia, Pa.: Construction quartermaster, Capt. C. M. Sciple, Quartermaster Corps; assistant, Mr. C. G. Countiss, Sanitary Engineer; contractor, Henry W. Horst Co.; engineer, Clarence E. Wunder.

23. Armor Plate Plant, Philadelphia, Pa.: Construction quartermaster, Capt. C. M. Sciple, Quartermaster Corps; assistant, Mr. C. G. Countiss, Sanitary Engineer; contractor, Barclay White Co., Inc.; engineer, Irving S. Towsley.

39. Shell Forging and Machining Plant, Gadsden, Ala.: Construction quartermaster, Maj. A. Johnson, Field Artillery; contractor, Rust Engineering Co., Inc.; engineer, Rust Engineering Co., Inc.

38. Shell Loading Plant, Union Center, Ind.: Construction quartermaster, Maj. B. T. Rogers, Infantry.

33. Small Arms Ammunition Plant, Kansas City, Mo.: Construction quartermaster, Maj. E. McCullough, Signal Corps.

Section construction quartermaster: Capt. R. Mayer, Finance.

43. Fort Wingate Ordnance Depot, Fort Wingate, N. Mex.: Construction quartermaster, Capt. E. M. Johnson, Infantry.

55. Shell Loading Plant, Burlington, Iowa: Construction quartermaster, Maj. J. C. Lowry, Infantry.

54. Anniston Ordnance Depot, Anniston, Ala.: Construction quartermaster, Maj. A. Johnson, Field Artillery.

53. Umatilla Ordnance Depot, Umatilla, Oreg.: Construction quartermaster, Capt. R. C. Williams, Corps of Engineers.

65. Small Arms Plant, St. Louis, Mo.: Construction quartermaster, Col. H. E. Schlesinger, Quartermaster Corps.

Section construction quartermaster: Maj. H. R. Kadlec, Corps of Engineers.

Section construction quartermaster: Mr. A. E. Johnson.

Section C (southern)

Storage terminals, quartermaster depots, camps and cantonments, Air Corps, general hospitals: Chief, Mr. Lacy Moore; Assistant Chief, Mr. C. C. Barnard.

Engineering Unit: Mr. J. P. Falconer.
Administrative Unit: Maj. F. W. Staiger, Infantry.

Materials and Expediting Unit: Mr. T. E. Ernst.

Estimates and Costs: Mr. N. M. Brown.

Section construction quartermaster: Mr. T. E. Jewett.

4. Philadelphia Quartermaster Depot, Philadelphia, Pa.: Construction quartermaster, Capt. C. M. Sciple, Quartermaster Corps; contractor, Wark & Co.; engineer, Ballinger & Co.

31. Camp Peay, Tullahoma, Tenn.: Construction quartermaster, Maj. C. H. Bretwieser, Corps of Engineers; contractor, Hardaway Contracting Co. and Foster & Creighton Co.; engineer, Greeley & Hansen.

61. Camp Wolters, Mineral Wells, Tex.: Construction quartermaster, Maj. E. S. Armstrong, Quartermaster Corps.

58. Fort Eustis, Fort Eustis, Va.: Construction quartermaster, Capt. C. Renshaw, Quartermaster Corps.

60. Macon, Ga.: Construction quartermaster, Maj. H. W. Jacobsen, Signal Corps.

Section construction quartermaster: Mr. H. A. Fish.

11. Camp Savannah, Hinesville, Ga.: Construction quartermaster, Maj. M. T. Whitmore, Coast Artillery; assistant, Capt. J. C. Belda, Infantry; contractor, A. K. Adams & Co. and W. C. Shepherd; engineer, J. B. McCrary Engineering Corporation.

13. Camp Blanding, Starke, Fla.: Construction quartermaster, Maj. L. Larson, Quartermaster Corps; contractor, Starrett Bros. & Eken, Inc.; engineer, Solomon & Keis.

24. Savannah Airport, Savannah, Ga.: Construction quartermaster, Maj. M. Grimaldi, Field Artillery; assistant, Capt. J. R. Botsford, Corps of Engineers; contractor, Goode Construction Co.; engineer, Burge & Stevens.

48. Tallahassee Airport, Tallahassee, Fla.: Construction quartermaster, Maj. W. H. Daub, Quartermaster Corps; contractor, Ivy H. Smith Co. and S. S. Jacobs Co.; engineer, Southern Engineering & Architectural Co.

51. Camp Robert E. Lee, Petersburg, Va.: Construction quartermaster, Maj. C. W. O'Leary, Coast Artillery.

Section construction quartermaster: Capt. R. L. Tatum, Corps of Engineers.

15. Camp Livingston, Alexandria, La.: Construction quartermaster, Lt. Col. C. H. Menger, Ordnance; assistant, Maj. J. N. Bujac, Infantry; contractor, S. & W. Construction Co., Forcum-James Co., and H. N. Rodgers & Sons Co.; engineer, Benham Engineering Corporation.

18. Camp Claiborne, Alexandria, La.: Construction quartermaster, Lt. Col. C. H. Menger, Ordnance; assistant, Maj. G. C. Heldenfels, Infantry; contractor, W. Horace Williams Co.; engineer, E. T. Archer & Co.

35. Fort Bliss, El Paso, Tex.: Construction quartermaster, Lt. Col. B. Winston, Quartermaster Corps; contractor, J. E. Morgan & Sons and H. B. Zachry Co.; engineer, Wyatt C. Hedrick.

18. Camp Bowle, Brownwood, Tex.: Construction quartermaster, Maj. W. E. Ryan, Coast Artillery; assistant, Capt. E. J. Jackson, Infantry; contractor, Robert E. McKee; engineer, Koch & Fowler.

28. Camp Hulén, Palacios, Tex.: Construction quartermaster, Maj. P. M. Brewer, Infantry; contractor, Russ Mitchell, Inc., Knutson Construction Co., T. B. Hubbard Construction Co., and J. F. Meyer, Jr.; engineer, Freese & Nichols.

50. Fort Huachuca, Fort Huachuca, Ariz.: Construction quartermaster, Lt. Col. J. L. Brooks, Quartermaster Corps; engineer, Headman, Ferguson & Carollo.

Section construction quartermaster: Maj. W. Ashbridge, Corps of Engineers.

14. Camp Shelby, Hattiesburg, Miss.: Construction quartermaster, Maj. T. A. Cox, Jr., Field Artillery; contractor, J. A. Jones Construction Co., Inc.; engineer, Lockwood-Greene Engineering, Inc.

17. Fort Bragg, Fayetteville, N. C.: Construction quartermaster, Lt. Col. L. L. Simpson, Quartermaster Corps; assistant, Capt. H. Newyahr, Quartermaster Corps; contractor, T. A. Loving & Co.; engineer, J. N. Pease & Co.

19. Camp J. T. Robinson, Little Rock, Ark.: Construction quartermaster, Capt. F. Reed, Jr., Quartermaster Corps; contractor, MacDonald Construction Co. and G. L. Tarlton Construction, Inc.; engineer, Black & Veatch.

21. Fort McClellan, Anniston, Ala.: Construction quartermaster, Maj. S. MacIntire, Jr., Quartermaster Corps; assistant, Capt. T. A. Doyle, Quartermaster Corps; contractor, Dunn Construction Co., Inc., and John S. Hodgson & Co.; engineer, Wiedeman & Singleton.

45. Fort Belvoir, Fort Belvoir, Va.: Construction quartermaster, Maj. C. Gee, Quartermaster Corps; contractor, Chas. H. Tomp-

kins Co. and Potts & Callahan Construction Co.; engineer, Slaughter, Saville & Blackburn, Inc.

Section D (northern)

Storage terminals, quartermaster depots, camps and cantonments, Air Corps, general hospitals: Chief, Maj. M. W. Cochran, Quartermaster Corps; Assistant Chief, Mr. G. Hadden.

Engineering Unit: Capt. G. A. Rafferty, Field Artillery; Lt. M. A. Day, Coast Artillery.

Administrative Unit: Lt. G. C. Calder, Corps of Engineers.

Materials and Expediting Unit: Capt. W. O. Hillmann, Corps of Engineers.

Estimates and Costs: Lt. J. N. Fehrer, Corps of Engineers.

Section construction quartermaster: Mr. H. G. Wray.

3. Elmendorf Field Power Plant, Anchorage, Alaska: Construction quartermaster, Maj. E. M. George, Quartermaster Corps; assistant, Capt. C. B. Burgoyne, Corps of Engineers; contractor, Bechtel-McCone-Parsons Corporation; engineer, Bechtel-McCone-Parsons Corporation.

27. March Field Antiaircraft Firing Center, Riverside, Calif.: Construction quartermaster, Maj. H. Larson, Corps of Engineers; contractor, P. J. Walker Co.; engineer, J. B. Lippincott & O. G. Bowen.

26. Camp San Luis Obispo, San Luis Obispo, Calif.: Construction quartermaster, Maj. L. L. Stanley, Corps of Engineers; contractor, L. E. Dixon Co.; engineer, Leeds, Hill, Barnard & Jewett.

25. Fort George Meade, Odenton, Md.: Construction quartermaster, Maj. J. A. Noxon, Corps of Engineers; contractor, Consolidated Engineering Co.; engineer, J. E. Greiner Co.

Section construction quartermaster: Maj. A. E. Wellwood, Corps of Engineers.

22. Indiantown Gap Military Reservation, Indiantown Gap, Pa.: Construction quartermaster, Maj. W. L. Kay, Quartermaster Corps; contractor, W. F. Trimble & Sons Co., Ferguson & Edmundson Co., and Huffman-Wolfe Co.; engineer, Gannett, Eastman & Fleming.

20. Camp Edwards, Falmouth, Mass.: Construction quartermaster, Maj. H. L. Algeo, Corps of Engineers; contractor, Walsh Construction Co.; engineer, Charles T. Main, Inc.

32. Fort Devens, Ayer, Mass.: Construction quartermaster, Maj. L. K. Warner, Corps of Engineers; contractor, Coleman Bros. Corporation and John Bowen Co.; engineer, Frank A. Barbour.

41. Pine Camp, Great Bend, N. Y.: Construction quartermaster, Maj. G. R. Tyler, Infantry; contractor, Senior & Palmer, Inc., and The John W. Cowper Co., Inc.; engineer, Wm. S. Lozier, Inc.

57. Fort Monmouth, Red Bank, N. J.: Construction quartermaster, Maj. A. F. Cedersstrom, Quartermaster Corps.

Section construction quartermaster: Mr. A. M. Ferebee.

52. Camp Grant, Rockford, Ill.: Construction quartermaster, Capt. F. H. Wyatt, Corps of Engineers.

48. Fort Knox, Fort Knox, Ky.: Construction quartermaster, Lt. Col. D. A. Hanes, Quartermaster Corps.

44. Fort Riley, Fort Riley, Kans.: Construction quartermaster, Lt. Col. J. Underwood, Quartermaster Corps; contractor, Mr. M. W. Watson Long Construction Co. and the Manhattan Construction Co.; engineer, Widmer Engineering Co.

36. Seventh Corps Area Training Center, Leon, Iowa: Construction quartermaster, Lt. Col. G. H. Collins, Coast Artillery; contractor, W. A. Klinger, Inc., C. F. Lytle Co., Inc., Western Construction Corporation, and A. H. Neumann & Bros.; engineer, Alvord, Burdick & Howson.

59. Fort F. E. Warren, Cheyenne, Wyo.: Construction quartermaster, Maj. B. L. Meeden, Quartermaster Corps.

Section construction quartermaster: Mr. H. C. Booz.

63. Nacimiento Replacement Center, San Miguel, Calif.: Construction Quartermaster, Capt. J. T. Smoody, Field Artillery.

62. San Diego, Calif.: Construction Quartermaster, Maj. H. R. Schuppner, Infantry.

58. Portland, Oreg.: Construction Quartermaster, Maj. W. E. Weghorst, Quartermaster Corps.

Mr. TRUMAN. Mr. President, under the War Department there are three types of contracts—the lump-sum contract, the purchase-and-hire contract, and the fixed-fee contract. Under the lump-sum contract the contractor is awarded the contract for the work, either on a low-bid basis or on a negotiated lump-sum basis. The purchase-and-hire form of contract is, as it would imply, a straight cost-plus contract. With the cost-plus-a-fixed-fee contract, under which most of the present construction work is being performed, the contractor is selected and a fee for his work fixed. The fixed fee amounts to approximately 3.2 percent. All costs allied with the construction work, including all overhead, blue prints, telephone calls, stenographers, clerks, field inspectors, labor, and material, are paid for by the Government. The fee can be interpreted as a profit to the contractor for the use of his services and his organization.

I do not pretend to be entirely familiar with the workings of any of these departments. However, the fixed-fee branch is now in the process of being reorganized. General Hartman has been retired, due to overwork. Colonel Somervell, former P. W. A. chieftain of New York City, is now at the head of the fixed-fee branch. Mr. Loving was formerly the construction chief. Colonel Groves is now very important in the construction branch.

Fixed-fee contracts are also being awarded to large industrialists, such as Chrysler, Du Pont, Remington, Atlas, and Hercules. These industrialists are given a fixed fee for the use of their engineering facilities. After the building has been erected and the plant completed by Government money, these industrialists lease the plant and supply the Government with the product of the plant at a fixed cost per unit.

On August 15, the Chrysler Corporation was awarded a contract in the amount of \$53,000,000. The fee for construction which is paid by the Government to Chrysler is in the amount of \$1. This looks exceedingly patriotic. Nevertheless, during the 1-year period of the Chrysler Corporation's lease of the factory facilities they will produce 1,000 tanks at a cost to the United States Government in the amount of \$33,000,000. I doubt if anyone could give the method by which the cost of \$33,000 per tank was fixed. Chrysler has full jurisdiction over the spending of all money and the inspection of all work at the job. I am sure the constructing Quartermaster at the job is sincere in his effort to guard every penny of the United States Government's money; but with Chrysler having full control, it is almost impossible to do anything else but what Chrysler wants. I do not say that the Chrysler Corporation is performing anything other than its patriotic duty, but I do feel that even the large corporation should be subject to a full accounting for

every nickel spent and the profit accrued on every task.

The same procedure followed in the award of the contract to the Chrysler Corporation has been pursued in awarding all contracts to the large corporations. The Remington Co. get \$600,000 for acting as advisers to the Government. No one knows what this advice is or what it is worth. In addition to the \$600,000, they will receive a profit of no one knows how much for each 30-caliber and 50-caliber shell they produce in a factory which has been financed by the United States Government. After the operating company—the large industrialist—has been selected, an architect, an engineer, and a construction contractor are selected.

Every contractor in the country, with but few exceptions, and every architect and engineer have registered with the Quartermaster General and with the Navy. Each firm presents a portfolio including a statement of the work they have performed in the past, their present financial status, and the reasons why they believe they have the ability to perform work under the Government fixed-fee contracts.

The information which the contractor, the architect, and the engineer furnish the Quartermaster General is turned over to the Construction Advisory Board.

The Construction Advisory Board consists of three men: Messrs. F. Blossom, F. Harvey, and F. Dresser. Mr. Blossom is a member of the firm of Sanderson & Porter, engineers and contractors of New York City. Mr. Dresser is a former civil-service employee who was employed by the U. S. H. A., has been in business for himself in the Middle West, and has had considerable interest in the Association of General Contractors.

After the information is submitted to the Quartermaster General, it is reviewed by the Board, which interviews the prospective contractor or engineer. The contractor is then given a rating which is filed for future use. The Board could really be considered an indexing committee of contractors and architects throughout the country.

The contractor is supposed to be financially sound. He should have an organization equipped to do the work. He should have done work of a similar character, or at least of similar size. Because he is a local contractor, he is considered conversant with local labor conditions and material markets; and, being in the vicinity of the project, he can serve better than one who is removed from the project because of geographical location. Were these requirements religiously carried out, no one could find fault with them; but the rules do not fit with the facts.

If there is a job in St. Louis after the operating company has been selected, the Board is requested to submit the names of those who, in its judgment, are the most competent contractor and architect for the job. The Board usually selects three.

In selecting the contractor for the job in question, the Board is supposed to bear in mind the geographical location of the contractor with reference to the job.

The name of the contractor selected by the Board is then submitted to Mr. Loving. Mr. Loving, after perusing the files of the contractor, requests that the contractor come to Washington for negotiations. Contractor No. 1 selected by the Board is then called into conference with Mr. Loving, Mr. O'Brien, and Captain Kirkpatrick and one of the section chiefs. Negotiations then take place, and generally at that meeting the contractor is informed, confidentially, that he has the job.

After negotiations a proceed order, in the form of a letter, is sent to the contractor. Final contracts are drawn up and submitted to the office of the Under Secretary of War for final signature.

One of the first jobs awarded was an \$18,115,000 project at Fayetteville, N. C. This contract, strange as it may seem, was awarded to T. A. Loving & Co., at Charlotte, N. C. Mr. Loving, former construction branch chief, bears the same name and is from the same town. It is said that no relationship whatsoever exists between the two Mr. Lovings. Another instance occurred where a contractor and an architect had been selected because they have special merit for a reasonably small project. The Philadelphia Quartermaster depot was awarded to the Ballinger Co. and Wark & Co. in the amount of \$700,000. Within a month's time this same group received an additional contract in the amount of \$9,911,000 as an extra. There were no negotiations. The same thing occurred at Camp Blanding, Fla., Camp Edwards, Mass., and at Camp Meade, Md.

Many of the contracts which have been awarded have been traced to a connection between a member of the contractor's firm and Mr. Dresser, namely, they have been personal friends in the past. This, however, should not effect any criticism. Friends may have been made because of their quality performance. Friendship should not be a handicap to anyone seeking work in the War Department. When a friendship, however, dominates the selection of an inferior contractor, then that selection is wrong. Colonel Wahlbridg of Wahlbridg and Aldinger was a personal friend of Mr. Dresser, so I am told. Wahlbridg & Aldinger of Detroit, and Foley Bros. of St. Paul, Minn., were awarded the \$8,000,000 Remington small arms ammunition plant at Lake City, Mo. The two firms were neither geographically located in regard to the job, nor were they in any way better equipped than local contractors of Kansas and Missouri.

The same policy was followed in letting the contract at Camp Leonard Wood at Rolla, Mo. I am told that the gentlemen who got this contract were dirt movers and had never had a construction job in their lives. They are having much trouble getting organized and are having a great deal of difficulty with local labor conditions.

Smith, Hitchman & Grylls, architects and engineers, of Detroit, were awarded the architectural work at Lake City. Smith, Hitchman & Grylls are personal friends of Mr. Harrison, who is in the Housing Section of the National Defense Council. Mr. Harrison, I believe, and

from what I am told, was the booster of Smith, Hitchman & Grylls. Smith, Hitchman & Grylls, after having had the contract since September 23, were unable to produce a suitable plot plan for a reasonably simple project until December 31, and it was not until the section chief handling the particular project forced construction, whether right or wrong, and against the wishes of both Remington and Smith, Hitchman & Grylls. Smith, Hitchman & Grylls were considered for the second Remington Arms plant in Denver.

On the Western Cartridge small-arms ammunition plant, to be known as the St. Louis ordnance plant, negotiations were held with two firms who were combined by the Dresser committee. Albert P. Greensfelder, of the Fruco Construction Co., formerly known as the Fruin-Colon Contracting Co., is a personal friend, so I am told, of Mr. Dresser. The Fruco Co. was combined with the Massman Construction Co. Massman is a river contractor. The particular project on which he was selected to be the contractor is within the city limits of St. Louis, and all the barges which Massman may own would serve no useful purpose for this project. The Fruco Co. had, a month prior to the negotiations, so I am told, a B rating. The second choice for the St. Louis job was Winston, or Winston & Turner, of New York. For some reason Winston has been pushed into practically every job in the Middle West by the Advisory Committee. A short time ago they were awarded, as co-contractors with Sollit Construction Co., the bag-loading plant, at Charlestown, Ind. The operators of this plant were intent on using a contractor close to the job, the H. K. Ferguson Co., of Cleveland. Winston, however, seems to have gotten the job.

At Camp Blanding, Fla., Starrett Bros. & Eakin, Inc., general contractors, of New York City, were awarded a \$9,000,000 project, and 8 days later, awarded an additional \$8,000,000 project—a total of \$17,463,777 in construction. This particular job was supposed to be completed January 15, 1941, but as of December 27, 1940, was but 48 percent completed. There has been much discussion on this particular project. Fischbach & Moore, electrical contractors, of New York City, received the contract for the electrical work. So, too, did a New York contracting firm, J. L. Murphy, for all the plumbing work on the project. No one knows why Starrett Bros. & Eakin, of New York City, should have received the contract for this particular project.

One of the first projects that was awarded was the Eliwood ordnance plant at Wilmington, Ill. This project was in the amount of \$11,564,000, and was awarded to Mr. Blossom's firm, Sanderson & Porter. Mr. Blossom is on the committee.

I have been informed—and this also needs verification—that John Griffiths & Son Construction Co., of Chicago, were bankrupt 5 years ago, but through a Colonel Paddock, chief Washington representative of the firm, they were awarded a \$6,268,669 contract for the construction of Camp Grant in Illinois. At Fel-

mouth, Mass., the Walsh Construction Co., of Boston, a tunnel contractor, received the contract for the construction of Camp Edwards in the amount of \$7,000,000 first and \$12,000,000 second, a total of \$19,697,948 for construction. Fischbach-Moore, electrical contractor of New York, is in on this job. The estimated date of completion was February 1 and December 20. To date they are about 70 percent complete. On this particular job, I have been told on good authority that there was a local union consisting of about 100 members who so organized the labor on this job that the 5,000 men employed would have to pay \$50 apiece to the local union before they set foot on the job. Labor conditions similar to this have existed on many of the camp jobs, including Fort Dix, Fort Meade, Lake City, St. Louis and Rolla, Mo.

Marueen, Russell, Crowell & Mullgardt were awarded, as associated with Giffels & Vallet, the contract for the design of the \$30,000,000 St. Louis Ammunition Plant. Russell, again, is a personal friend of Mr. Dresser, so I have been informed. Russell's firm has never done this type of work before. It is said that this firm received approximately \$76,000,000 worth of national-defense construction. There has been good reason for criticism of the Fixed Fee Branch of the War Department.

It is also said that Albert Kahn, Associated Architects & Engineers, Inc., have received between three hundred and five hundred millions of dollars in engineering and architectural contracts. Giffels & Vallet are, I am told, an offshoot of Albert Kahn. The Senate will remember what a tremendous fuss was raised when it was discovered that Chip Robert and his engineering firm in Atlanta, Ga., had received engineering and architectural contracts to the sum of \$76,000,000. It looks as if Chip has been a piker and was not in at the right time.

I do not believe that any contracts should be let on the basis of friendship or political affiliation. We are facing a national emergency. Patriotism would require that these contracts be let to the man best fitted to carry out the contracts. I believe the Senate ought to go to the bottom of the whole procedure.

It is my opinion, from things I have heard, that the violations of ethics and common-sense procedure are just as flagrant in the letting of contracts for the Navy.

They say the selection of a contractor and architect is based on their financial stability and their past experience. If the contractor and the architect were selected on the basis of their familiarity with labor and local material markets, and if the contractors were provided with a suitable method of reimbursement, and if the red tape connected with the payments were removed, smaller contracting firms would be judged on the same basis as the larger firms are now judged. Past performance is really no guide for judging a contractor today. In the past 11 years there has been little, if any, industrial expansion. The building industry throughout the United States, as we all know, has suffered for the want of work.

The only work that contractors have been performing has been P. W. A. and W. P. A. projects. The firms who were good prior to 1929 are not necessarily the firms who are good today.

I am calling the attention of the Senate to these things because I believe most sincerely that they need looking into. I consider public funds to be sacred funds, and I think they ought to have every safeguard possible to prevent their being misused and mishandled.

Mr. ADAMS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Missouri yield to the Senator from Colorado?

Mr. TRUMAN. I do.

Mr. ADAMS. The contracts are generally awarded on the basis of cost plus a fixed fee; are they not?

Mr. TRUMAN. That is correct.

Mr. ADAMS. I was wondering if the Senator knew upon what basis the supervising engineering architects are employed?

Mr. TRUMAN. On exactly the same basis.

Mr. ADAMS. How can that be?

Mr. TRUMAN. On a fixed fee on the estimated cost, as I understand.

Mr. ADAMS. Is that a percentage?

Mr. TRUMAN. It is a percentage.

Mr. ADAMS. Has the Senator information as to what the percentage is?

Mr. TRUMAN. I have not information as to the percentage.

Mr. ADAMS. I ask the question because any normal percentage would run pretty high.

Mr. TRUMAN. It would be a tremendous fee; but I have not the figures.

I think the Senate ought to create a special committee with authority to examine every contract that has been let, with authority to find out if the rumors rife in this city have any foundation in fact. This will be a protection to the men who are responsible for letting these contracts, and will also insure a more efficient carrying out of the contract itself.

I have had considerable experience in letting public contracts; and I have never yet found a contractor who, if not watched, would not leave the Government holding the bag. We are not doing him a favor if we do not watch him.

When safeguards are removed from a man who is entrusted with funds it does him a disservice, for the simple reason that it is much better to place the necessary guards around public funds and keep men from embezzling them than it is to prosecute men after embezzlement has taken place. When a bank teller is permitted to run loose without bond and without the necessary supervision, in the long run he gets his money mixed up with the money of the bank. The same thing happens in letting Government contracts. I do not like a cost-plus contract. I think it is an abomination; but, under the present conditions, I do not see how else this situation could have been met, although in the time that has been wasted as this matter has been handled, plans and specifications could have been drawn and contracts could have been let to the lowest and best bidder,

which is the only proper way to let contracts.

I am particularly alarmed at the concentration of national-defense industrial plants. I am reliably informed that from 70 to 90 percent of the contracts let have been concentrated in an area smaller than England. It undoubtedly is the plan to make the big manufacturers bigger, and let the little men shift for themselves.

I think the "educational order" program ought to be gone into thoroughly. If it is necessary to give Henry Ford and Chrysler and General Motors millions of dollars for educational purposes for mass production, then we are certainly out on a limb. I understand that they have been given \$11,000,000 apiece for educational purposes. The educational-order program was instituted along in the 1920's and 1930's by the War Department and the Navy Department to educate certain manufacturers in what the Army and the Navy might need in case an emergency should arise. Those educational orders are things of the past, and ought now to be abandoned. They are merely a gift. That phase of our national-defense program should be thoroughly gone into.

I am merely stating what I believe to be conditions that deserve investigation. If nothing is wrong, there will be no harm done. If something is wrong, it ought to be brought to light. The location of these national-defense plants and the profits that are supposed to be made on tanks, planes, and small arms should be a matter of public record, unless we are to have the same old profiteering situation that we had in the last war.

Everyone connected with the national-defense program should have a patriotic interest in seeing that it is properly carried out; and the Senate ought to know whether such persons have this interest, whether they be manufacturers or laboring men.

Mr. President, I ask permission to insert in the RECORD at the conclusion of my remarks two editorials from my home-town newspapers, the Kansas City Star and the Independence Examiner, having to do with taking care of the small-machine man in the national-defense set-up.

The PRESIDING OFFICER. Without objection, the editorials will be printed in the RECORD.

The editorials are as follows:

[From the Kansas City Star of February 8, 1941]

DEFENSE IN THE MIDDLE WEST

Lou Holland, head of the Midcentral War Resources Board, has drawn a disturbing picture of the situation which will confront this part of the country unless those in charge of the national-defense program begin to make fuller use of our machine shops and small manufacturing plants in the near future.

According to Mr. Holland, a comprehensive and practical plan for utilizing these facilities was presented to the Government as long ago as last November. It was greeted in Washington with apparent approval, he says, but so far "nothing has happened." Meanwhile the eastern industrialists, who were immediately awarded huge armament contracts, have already started to strip the Middle-West of its machine tools. In Mr. Holland's opinion, if this trend is not halted soon, we will

find many of our regional industries growing smaller or even disappearing altogether.

There seems to be no disposition on the part of those in authority to deny the right of the Middle West to an equitable share of the production for defense. As a matter of fact, the arguments are overwhelmingly in favor of such a policy, on the score not only of justice but of the national interest. If the country is to avoid a serious dislocation of its industrial life at the end of this expansion period, as well as the immediate military dangers involved in the overconcentration of its armament factories, obviously some system must be adopted for distributing contracts and spreading the work out on a geographical basis.

Such a system, of course, would have to take into account the compelling requirements of speed and efficiency. The Nation has no time to lose in rearming itself. But Mr. Holland contends that the plan outlined by the midcentral war resources board months ago would be both speedy and efficient, and the continued failure to put it into effect must be traced to the greed of certain manufacturers in the East.

That is a serious charge. Defense officials admit that the "bits and pieces" program of production by subcontract is proceeding slowly, but say that it will undoubtedly pick up as soon as the holders of major contracts find themselves committed beyond their own capacity and so are forced to farm out part of the work.

A certain amount of tardiness was to be expected. The important question is whether the prolonged delay in taking advantage of the Nation's smaller industrial units can still be explained solely on the ground of practical expediency. Discrimination in such a matter would be disastrous.

In the last few days Kansas City has had an example of the feasibility of breaking up a large order. Because of the magnitude of a contract just received by the Fruehauf Trailer Co. here, it is announced, the concern has decided to sublet most of the machine work to small shops in this area. According to a recent survey, so many of those shops are idle as together to constitute one of the country's largest manufacturing establishments.

It is to be hoped that such contracts as that now being distributed through the Fruehauf Co. forecast a real attempt to harness the immense productive capacity of the Middle West.

[From the Independence Examiner of February 8, 1941]

BIG BUSINESS GETS THE TOOLS?

It was a serious situation as far as our immediate part of the country is concerned that Lou Holland pointed out before the regional meeting of the State chamber of commerce at Marshall this week. He figured that the big business concerns with the big Government contracts would probably raid the small business concerns using machine tools and take the tools away from this territory.

Mr. Holland has made a survey of the small business concerns of this Middle West territory. He discovered an astonishing number of small business institutions well equipped with machine tools needed to speed up our defense activities. He took the information to Washington, suggesting that these concerns be given contracts for the making of parts for defense materials. His plan would put all the small experts owning machine tools at work and would relieve the manufacturers of delay in waiting for tools and what those tools produced. This is the thing England has done, only England has deliberately, as a policy, scattered the manufacturing establishments throughout thinly populated territory and concentrated the

products. China is developing this plan of small manufacturing concerns to a much greater degree and producing war materials in home factories. When the war did reach the big cities in China the big manufacturing plants were destroyed. Now through the genius of an American, little manufacturing establishments in the woods are doing the work and doing it well.

The United States seems to be following an exactly opposite course, concentrating in the big establishments and leaving the small business establishments with little to do. This is not only applicable to defense plans but to all other small business concerns. Laws made and administered to regulate large employers hit the little fellow right in the middle and a lot of small business establishments see ahead of them a very serious doubt if they can continue to operate. The small concern employing 20 or 30 people, all of whom work the year round, and provide employment and homes, are faced with operation at a loss or stopping business. They are classed as interstate commerce even if nine-tenths of the product is exclusively held within the State of production. The small business is entirely ignorant of what the next bureau ruling will be. We need now very much some definite legal definition of what, and who, and why, or if, we are included in interstate commerce and thus subject to all the laws regulating interstate commerce.

POSITION OF IRELAND IN THE EUROPEAN WAR

Mr. MURRAY. Mr. President, at no time in history have international justice and good faith fallen to so low a standard as during the period in which we now live. Propaganda, intrigue, and aggression are rampant throughout the world. When powerful militaristic nations feel that it desirable to extend their borders and take over territory to which they have no just claim, they advance some pretense or excuse in justification for their acts of aggression, and simply move in and take possession of the territory of weaker and defenseless countries. Sometimes, through convenient agents, they find it possible to create internal disturbances in the country coveted, and then, upon the pretense of quelling the disturbance and restoring order, march their armies in and take possession of the desired areas—all in the name of peace and justice. They also attempt to justify acts of aggression on the ground that if they fail to move and act in their own interests, some other nation, impelled by a similar desire to gain a strategic advantage, may succeed in forestalling them by taking possession ahead of them.

In these days when there is such a need for clear thinking and when propagandists are so active, it would be well for us in America to try to realize the dangerous situation which a small nation on the other side of the Atlantic occupies in the midst of the European upheaval. I refer to Ireland, a little island which has contributed much to the development of this Republic. Here is one of the small democratic nations which, emerging into statehood after centuries of British misrule, has set up a constitution like, in all fundamentals, to our own, and which might well be regarded as a model for other countries struggling for freedom—a constitution which breathes the very spirit of tolerance and liberty, and which enshrines the highest conception of democracy.