# INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

## HEARINGS

BEFORE A

## SPECIAL COMMITTEE INVESTIGATING THE NATIONAL DEFENSE PROGRAM UNITED STATES SENATE

EIGHTIETH CONGRESS

FIRST SESSION

PURSUANT TO

## S. Res. 46

(80th Congress)

(Extending S. Res. 71—77th Congress)

A RESOLUTION AUTHORIZING AND DIRECTING AN INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

## PART 40

## AIRCRAFT CONTRACTS

(HUGHES AIRCRAFT CO. AND KAISER-HUGHES CORP.)

JULY 28, 29, 30, 31; AUGUST 1, 2, 4, 5, 6, 7, 8, 9, AND 11, 1947

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# INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

MONDAY, JULY 28, 1947

UNITED STATES SENATE,
SUBCOMMITTEE OF THE SPECIAL COMMITTEE TO
INVESTIGATE THE NATIONAL DEFENSE PROGRAM,
*Washington, D. C.*

The subcommittee met at 10:30 a. m., pursuant to call, in the caucus room, Senate Office Building, Senator Homer Ferguson (chairman of the subcommittee) presiding.

Present: Senators Homer Ferguson, George W. Malone, Joseph R. McCarthy, Carl A. Hatch, Herbert R. O'Conor, Owen Brewster, Claude Pepper, Harry P. Cain.

Present also: William P. Rogers, chief counsel to the committee. Francis D. Flanagan, executive assistant to the chief counsel of the committee.

Senator FERGUSON. The committee will come to order.

At the opening I think it would be well to announce the purposes of these hearings. The purpose of these public hearings is to make inquiry into certain contracts between the Federal Government and the Kaiser-Hughes Corp., and the Hughes Tool Co.

The first phase of the hearings will be devoted to the contracts for the construction of flying boats. The committee has been advised that in November 1942, the Defense Plants Corporation entered into a contract with the Kaiser-Hughes Corp. for the construction of three large flying boats which were to be built on a nonprofit basis at a total cost not to exceed $18,000,000. It was contemplated that the first of these flying boats would be ready for flight in 21 months. In March 1944, after more than $13,000,000 of Government funds had been expended on the project and the first plane was not yet completed, the Kaiser-Hughes Corp. withdrew from the project. At that time a new agreement was entered into between the Hughes Tool Co. and the Defense Plants Corporation. Under this new management, the Hughes Tool Co. was to complete the one flying boat then under construction at a cost not to exceed $18,000,000, including the $13,000,000 already expended.

This flying boat project was initiated to aid in the war effort. Now, 2 years after the end of the war, and almost 5 years since the beginning of the project, the boat has not yet been flown. The Government has already expended over $18,000,000, and is obligated to expend additional funds for testing the plane.

The subcommittee will also examine the procurement of the Hughes photo-reconnaissance plane known as the F-11.

The War Department entered into a contract with the Hughes Tool Co. calling for the construction of 101 photoreconnaissance planes,

at a total cost of about $70,000,000. Ninety-eight of these planes were to be production models, one was a static test model, and two were experimental planes. Although the definitive contract was not finally approved by the War Department until August 1, 1944, the Hughes Tool Co. began work on the photoreconnaissance plane under a letter of intent dated October 11, 1943. At that time plane deliveries were scheduled to begin within 12 months.

In May 1945, the War Department canceled that part of the contract covering the 98 production models, but the Hughes Tool Co. continued the construction of two experimental planes. On July 7, 1946, the first experimental plane crashed on its initial test flight. The Hughes Tool Co. is now testing the second experimental plane, but that plane has not as yet been accepted or delivered to the Army Air Forces. Approximately $22,000,000 of Government funds have been expended or obligated on this photoreconnaissance plane project. This amount includes $8,600,000 in termination costs.

It is the intention of this subcommittee to thoroughly examine these two wartime procurement projects involving some $40,000,000 of public funds. We intend to call a number of witnesses for the purpose of taking testimony regarding all phases of these contracts, including precontract negotiations, the award, performance, and termination of the contracts.

We have here this morning Mr. Meigs, who was connected with the War Production Board at the time that the first contract was made. During these hearings we will probably be referring to these contracts under the names of the "Flying Boat contract" and the "F-11 contract," which were the names usually used to describe these two planes.

Mr. Meigs, will you take the witness chair here, please? If you have anyone with you that you want to get information from, Mr. Meigs, you can have them sit at the table with you.

Mr. MEIGS. I do not have anybody, sir.

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# INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

WEDNESDAY, AUGUST 6, 1947

UNITED STATES SENATE,
SUBCOMMITTEE OF THE SPECIAL COMMITTEE
TO INVESTIGATE THE NATIONAL DEFENSE PROGRAM,
*Washington, D. C.*

The subcommittee met at 10 a. m., pursuant to recess, in the caucus room, Senate Office Building, Senator Homer Ferguson (chairman of the subcommittee) presiding.

Present: Senators Owen Brewster, John J. Williams, Claude Pepper, J. Howard McGrath, Homer Ferguson, and Herbert R. O'Conor.

Present also: William P. Rogers, chief counsel to the committee; and Francis D. Flanagan, chief assistant counsel to the committee.

Senator FERGUSON. The committee will come to order.

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Let it be known that we must have quiet in the room. Mr. Hughes, will you come to the witness chair, please. Will you just raise your right hand and be sworn?

Do you solemnly swear that in the matter now pending before this committee, you will tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HUGHES. I do.

## TESTIMONY OF HOWARD R. HUGHES, PRESIDENT OF THE HUGHES TOOL CO., HOUSTON, TEX.

Senator FERGUSON. Mr. Hughes, I will try and speak as loud as I can to help you, and if you do not hear I wish that you would ask that I repeat the question. What is your full name?

Mr. HUGHES. Howard R. Hughes.

Senator FERGUSON. And what is your address?

Mr. HUGHES. Business or residence?

Senator FERGUSON. Give us both.

Mr. HUGHES. Well, I have several business addresses in Houston, in care of the Hughes Tool Co.; and in California at 7000 Romaine Street.

Senator FERGUSON. Will you speak into the mike so that we can all hear you?

Mr. HUGHES. Can you hear me now?

Senator FERGUSON. That is fine.

Mr. HUGHES. In Houston, my address is care of the Hughes Tool Co.; in California it is 7000 Romaine Street, Hollywood.

Senator FERGUSON. You are the president of the Hughes Tool Co.?

Mr. HUGHES. That is correct.

Senator FERGUSON. And I assume the largest stockholder; is that correct?

Mr. HUGHES. That is correct, also.

Senator FERGUSON. Is it a closed corporation, or is the stock on the market?

Mr. HUGHES. The stock is not on the market.

Senator FERGUSON. It is a closed corporation?

Mr. HUGHES. I do not know what you mean by a closed corporation.

Senator FERGUSON. It is held in a small group; is that correct?

Mr. HUGHES. I own all of the stock.

Senator FERGUSON. You own all of the stock?

Mr. HUGHES. Yes.

Senator FERGUSON. That is about as small as it can get. Now, you have several divisions of the Hughes Tool Co., Mr. Hughes?

Mr. HUGHES. I do not hear you.

Senator FERGUSON. You have several divisions of the tool company?

Mr. HUGHES. That is correct.

Senator FERGUSON. These divisions—will you just name them for us?

Mr. HUGHES. Senator, with all of this noise and these cameras, I have trouble hearing you. Can we take the pictures first and then go on with the testimony?

Senator FERGUSON. We will take the pictures and then the photographers can get out.



(Pictures were taken.)

Senator FERGUSON. Now, all cameras will cease and we will get down to the testimony.

Mr. HUGHES. Can we turn out the lights, please?

Senator FERGUSON. Turn out the lights, please.

It will be understood that there are to be no more camera shots. If there is anybody that has not finished, he had better take it now.

All right, Mr. Hughes.

Mr. HUGHES. First may I say, Senator, that the half-hour afforded me to read this previous testimony is hardly adequate since the testimony consumed several hours when it was taken and I cannot read that fast. Therefore, I request that before any of this subject matter is discussed, I be given more time to read this transcript.

Senator FERGUSON. Well, I had not in mind asking you any specific questions about that transcript, at the present time.

Mr. HUGHES. If it does not touch on this matter, that is quite all right.

Senator FERGUSON. I do not know as it would touch on the matter, that was quite a broad field that we have covered in your testimony. How far did you get through with the testimony?

Mr. HUGHES. I was down to page 49.

Senator FERGUSON. That is about half way through.

Mr. HUGHES. I read that very sketchily.

Senator FERGUSON. Do I understand that you now ask for a recess to finish reading the other part of the testimony?

Mr. HUGHES. Yes.

Senator FERGUSON. Have you anything else that you wanted to go into, that was not covered on this, and then you could read this this evening?

Mr. HUGHES. I did not understand that question.

Senator FERGUSON. Do you have anything else that we could go into that was not covered in this particular memorandum so that you could go into this evening and we would not lose the time?

Mr. HUGHES. Well, if you have any other material that you want to discuss with me, I would be glad to go ahead with it.

Senator FERGUSON. Mr. Hughes, I think that this memorandum probably covered most of the case in a sketchy way, and I do not know how then we could proceed if you feel that you have not had enough time. It is not customary to furnish these memoranda of the executive session, but we thought at noon that we would do that and give you at least some time to read it.

Mr. HUGHES. I would like to be either accorded additional time to read it or have this testimony involving other matters.

Senator FERGUSON. As I say, I do not know of any other matters that we would take up except what is covered in this memorandum. It covered both the F-11, and the cargo boat.

Mr. HUGHES. Well, then, do you want me to go ahead and finish reading it?

Senator FERGUSON. How long do you anticipate it would require you to have read it?

Mr. HUGHES. I would say an hour. I do not want to delay your hearing here.

The CHAIRMAN. May I speak?

Senator FERGUSON. Just one moment. I must have quiet in the room. I think the Chair and the committee have been as tolerant as they can be under the circumstances. We understand that this is a public business and that people are entitled to come here and to hear the evidence, but we must have quiet and we want no remarks. The remarks from those in the audience were uncalled for. The witness has a right to every courtesy, and the committee has the same right, and all we ask you to do if you come here—and the officers have been very courteous in allowing more than the room would normally accommodate, and that is perfectly all right—but it must be understood that we must have it quiet, and we want no interference with either the witness or the committee.

I have said to the witness and I now say if he does not want pictures taken they will not be taken, and they have requested him about one light, and I think that he consented to the one light, is that correct, Mr. Hughes?

Mr. HUGHES. What is that?

Senator FERGUSON. I say you have consented that we put on one light for the movie cameras?

Mr. HUGHES. That is all right.

Senator FERGUSON. Or two, I understand.

Now, Senator Brewster, you have asked to be recognized.

The CHAIRMAN. I think the audience is entitled to a certain amount of consideration, and I trust that no undue delicacy on the part of the committee will prevent our moving forward. There has been a very considerable delay, and I thought that I understood Mr. Hughes to say that he might take up, I thought he said, the other matter, is that correct?

Mr. HUGHES. I did not hear that, Senator, will you repeat it?

Senator FERGUSON. Senator Brewster said that he understood you to say that you might take up the other matter.

Mr. HUGHES. Gladly, yes.

The CHAIRMAN. I can appreciate the committee may not want to begin an inquiry as it presents some problems, but I think that we all here fully realize what the situation is and that if the committee felt it advisable to proceed with certain matters of a somewhat more personal character, it might avoid any further delay in disposing of them; and I would like to add that to the extent that those matters of a more personal character concerned with Mr. Hughes and myself are a subject of the inquiry here, I shall naturally desire to eliminate myself from exercising any of the privileges or advantages of committee membership and simply ask the opportunity to discuss them with the committee following the conclusion of that phase of Mr. Hughes' testimony.

Senator FERGUSON. Now, if the Chair might just make an observation on the record, this hearing was begun for the purpose of looking into two contracts, one with the Defense Plant Corporation, a division of the RFC, that was known as the cargo plane contract, and the other was the F-11 or the photo-reconnaissance plane.

It naturally was the desire of the committee to complete that. It is apparent now, as indicated on the record, that there has come into the light and into this matter a secondary matter; that is a statement or challenge as to the good faith of the committee in this investigation. Normally, a committee would not digress to allow that to be brought into the case. If that was the custom and the rule, it is certain that committees could not function, because all that would be necessary would be to raise an outside issue and it would take all of the time and attention of the committee to try an outside issue.



But, as this matter goes directly to the committee, the committee as a whole, that is the subcommittee, feels that we should go into it as it concerns the committee. I would just like, and I know every other member of the subcommittee and I say "subcommittee" because this was not a matter of the whole committee, but a matter of the consideration of the subcommittee, that we would want to keep as near as we can to the issue, and that would be involving the committee rather than any outside extraneous matters that would have no relation to this hearing or to the matter now before us.

It is hoped by the subcommittee that this matter having come up that we would dispose of this issue now, and that we would not have it brought into the various other matters in the hearing; but we would separate it from the real reason for the committee hearing, and that was to look into the letting and the continuation and the cancellation of the two war contracts that we had in mind.

Now, I want to say to you, Mr. Hughes, do you understand what we have in mind?

Mr. HUGHES. Yes, I think I do.

Senator FERGUSON. And I am asking Senator Brewster whether the Senator has in mind what we have in mind, that while we are going to try this side issue, we are not going to make it part and parcel of the regular hearing.

The CHAIRMAN. That is quite agreeable with me.

Senator FERGUSON. Not to be trying one sentence in this and another sentence in the regular hearing. So, it is your desire, is it, Mr. Hughes, at the present time, to go into the matter as to the committee at the present time, or one of its members?

Mr. HUGHES. Not my desire, but I am very willing to.

Senator FERGUSON. There is no desire on the part of the committee to force you to go into this matter of the committee.

Mr. HUGHES. You do not have to force me. I am very happy to do it.

Senator FERGUSON. Then you may proceed.

I would ask you this. What is it that you want to tell the committee in relation to this side issue, as the committee now sees it?

Mr. HUGHES. I do not have any particular desire to tell the committee anything. I think the committee is thoroughly familiar with it. I have made certain statements to the press, and I stand by those.

Senator Brewster has then said that he would like me to repeat those statements under oath. I have no objection to so doing; and I think, however, if I do so, Senator Brewster should take the stand and allow me to cross examine him and allow me to bring in such other witnesses as I desire, to clarify the issue.

Senator FERGUSON. Now, this has been discussed by the subcommittee and the understanding of the subcommittee is that we will apply the regular rules as far as cross examination. The subcommittee will not give to Senator Brewster the right to cross examine you nor will you have the right to cross examine Senator Brewster, but we will apply the rule that has been applied to the committee hearings

ever since the chairman of the subcommittee has been on it, and I understand before that, that if there are any questions you or your counsel have, if you will submit them to the committee or if Senator Brewster will submit them to the committee, then we will ask those questions, but we will do it in that way, because the same rule was applied to other witnesses and will be applied here. As to this part of the case, while Senator Brewster is a member of the whole committee, the Chair and the subcommittee as a whole feels that he should have only the same privileges that you have as a citizen under these circumstances.

The CHAIRMAN. Mr. Chairman, would you make it clear that I had myself stated that as my view of the propriety of these proceedings?

Senator FERGUSON. That is correct. So that it would be clear and you would understand that you are having exactly the same rights.

Mr. HUGHES. Well, I only want the same privileges; however, it should be thoroughly understood that any questioning of me which you people carry out is in the nature of cross examination, if the questions are directed from an unfriendly standpoint. Now, I think that I should have the same privilege with respect to Senator Brewster.

Senator FERGUSON. I think that you should wait at least until you find that they are unfriendly questions.

Mr. HUGHES. As I understand it——

Senator FERGUSON. Do you have any unfriendly questions up to date here?

Mr. HUGHES. Not at all.

Senator FERGUSON. All right.

Mr. HUGHES. Then, as I understand it, you want me to tell in direct testimony approximately what happened and then the Senator is going to tell what he says happened, and then you are going to ask me certain questions, and I shall have the right to ask him; is that correct?

Senator FERGUSON. That is right; through the committee.

Mr. HUGHES. But the questions must go through the committee?

Senator FERGUSON. That is the rule of the committee.

Mr. HUGHES. That involves a certain delay there.

Senator FERGUSON. A slight delay, but the committee is accustomed to that.

Mr. HUGHES. Will I have the right to call on such other witnesses as I deem desirable?

Senator FERGUSON. We will rule on that as you request them. The committee does not want to anticipate, and when I say "committee" I mean the subcommittee will not anticipate that question at the present time. If you name the witnesses, we will then decide that.

Mr. HUGHES. Well, Senator, I do not desire to launch into this matter and then have my hands tied.

Senator FERGUSON. Now, Mr. Hughes, as far as the Chair can do, you will not have your hands tied. It is no desire of the committee to bring a citizen in here and tie his hands and he has not a fair hearing.

So, as these things go on, and now you may think that we could rule, but there is no way that we can rule upon an issue unless it is presented. We are not willing as a committee to pass on hypothetical cases because they may not appear.

Mr. HUGHES. It is your intention to accord me the same privileges that Senator Brewster will have?



Senator FERGUSON. It is. That is the unanimous decision of the subcommittee.

Mr. HUGHES. You have called during the course of this hearing such witnesses as you desired, so it seems that in order to be equitable, I should have that privilege.

Senator FERGUSON. If, at the close of this hearing, you will tell us what witnesses you desire, the committee will then make a decision on that or sometime later, if you will give us the list of the witnesses that you desire.

Mr. HUGHES. Well, I am willing to proceed on that basis. What is the first step?

Senator FERGUSON. Well, what do you have to say about this matter that we have been discussing?

Mr. HUGHES. I think my charges have been made pretty clear in the press. Do you want me to reiterate them?

Senator FERGUSON. They are not part of the record, and it is the desire of the committee, if any statements are made, that they be made here under oath and not through the medium of the press.

Mr. HUGHES. Well, I charge specifically that during a luncheon in the Mayflower Hotel with Senator Brewster——

Senator FERGUSON. If I interrupt, it is not to bother you at all, but I would like to get the dates as you go along and give us your personal knowledge of the facts, and then we probably can let you go right along with your conversation.

Mr. HUGHES. Senator, I am trying to be very accurate in this matter, and I am trying not to make any statement unless I am quite sure of it.

Now, the luncheon was during the week commencing February 10, 1947. It was in a suite of Senator Brewster, and I charge specifically that during that luncheon the Senator in so many words told me that if I would agree to merge TWA with Pan American Airways and go along on his community airline bill, there would be no further hearing in this matter.

Senator FERGUSON. Was that prior to the date that you testified at an executive session?

Mr. HUGHES. I believe it was afterwards.

Senator FERGUSON. Afterwards?

Mr. HUGHES. Yes.

Senator FERGUSON. All right. You may proceed.

Mr. HUGHES. It must have been one or two days after it, I would say.

Senator FERGUSON. I think that happens to be Tuesday, the 11th of February. You may proceed.

Mr. HUGHES. Now, according to this document here, testimony took place February 11; is that correct?

Senator FERGUSON. That is correct. Look on the inside flyleaf and it will probably give you the date, also, and tell you who was present at the hearing. Would you just read the names of the committee members that were present?

Mr. HUGHES. I know who was present. Do you want me to read these?

Senator FERGUSON. Yes. That shows the date, Tuesday, February 11, 1947, at 11 a. m., pursuant to a call, in room 457, Senate Office Building, Senator Owen Brewster, chairman of the committee, pre-

siding; and then will you read the names of the committee members who were present?

Mr. HUGHES. Do you want me to read these members?

Senators Brewster, Ferguson, Knowland, McCarthy, Pepper, Hatch, McGrath, and O'Conor; Meader, the counsel, and Flanagan, the executive assistant.

Senator FERGUSON. The executive assistant?

Mr. HUGHES. Yes.

Senator FERGUSON. It was after that hearing that you went to his hotel room, you said. All right. Now, will you proceed?

Mr. HUGHES. Well, I have made my statement, Senator, do you want me to amplify it?

Senator FERGUSON. Whatever took place, we would like to have it as full as possible, of your own knowledge.

Mr. HUGHES. I think that I have told you what took place.

Senator FERGUSON. Now, that closes that matter, does it? Now, is there anything else that is outside this issue that you want to discuss?

Mr. HUGHES. You say is there anything further I want to say?

Senator FERGUSON. Yes.

Mr. HUGHES. I thought Senator Brewster wanted to talk after that.

Senator FERGUSON. Mr. Hughes, did you have a counsel at that time? A man appeared with you at the hearing, Mr. Hefron?

Mr. HUGHES. He was not a counsel. To be frank, I have been advised that Senator Brewster was very tricky, and that if I held any conversation with him alone I was taking a chance and therefore I should have someone with me to be sure that he could not claim I had made statements which I did not make. So I contacted a gentleman that I knew and asked if there were any in Washington who could go along with me merely for the purpose of seeing that I was not placed in an unfair position, so Mr. Hefron, whom I had never met before in my life, was suggested for that purpose.

Senator FERGUSON. I see.

Mr. HUGHES. I took him with me first to Senator Brewster's office and then thereafter he accompanied me to the hearing; he was not my lawyer.

Senator FERGUSON. He was not? Was he a lawyer or justice?

Mr. HUGHES. What is that?

Senator FERGUSON. He was not a lawyer?

Mr. HUGHES. He was not my lawyer, he may be a lawyer; I believe he is a lawyer, as a matter of fact.

Senator FERGUSON. He attended the hearing, did he not?

Mr. HUGHES. Yes, he did.

Senator FERGUSON. And the minutes of the meeting, of the hearing, is what you have in your possession now, and that is what you want more time to read?

Mr. HUGHES. That is correct.

Senator FERGUSON. Well, was there any extraneous matter outside of this now that you desire to put on the record?

Mr. HUGHES. Well, I don't think of any at the moment, but I would like the privilege of doing so later.

Senator FERGUSON. All right. I would like to ask a few questions in the matter. Do you know of anything that the committee did to either carry out what you claim was asked or not to carry it out?



Mr. HUGHES. Will you repeat that?

Senator FERGUSON. Do you know of anything that the committee did to carry out what you have claimed Senator Brewster asked, or requested, or desired, do you know of anything that the committee did to carry it out or not to carry it out?

Mr. HUGHES. Well, Senator, I have no microphone in your secret conference rooms, but I can only say that the following events transpired after this luncheon. Now during the luncheon I told Senator Brewster that I had previously discussed the matter with Juan Trippe during his dinner in his apartment at the Mayflower Hotel, that I had promised to give him my answer in 30 days.

Thereafter, I dispatched Mr. Dietrich to Mr. Trippe in New York and asked Mr. Dietrich to find out on just what terms Mr. Trippe had in mind on this deal. Mr. Dietrich reported to me that he did not think it would be possible to make an equitable transaction with Mr. Trippe.

Senator FERGUSON. Mr. Dietrich that you are talking about is Noah Dietrich?

Mr. HUGHES. That is right, he is vice-president of my company.

Senator FERGUSON. And Trippe is the president of Pan American?

Mr. HUGHES. Juan Trippe, yes.

So I told Mr. Dietrich to drop the matter there, at least temporarily. At just about that time, Mr. Flanagan arrived on the scene in California and started getting very tough about this investigation; up to that time everything had been very friendly. It was sort of a veiled threat. Mr. Flanagan hove on the scene and started asking all of the embarrassing questions he could think of and it was quite apparent to me that the timing was the application of screws after my refusal to go through with Mr. Trippe.

Senator FERGUSON. Mr. Hughes, I just wonder, you may not be to that part of it in the record, but was it understood or was it not understood in the record when you were there that you did not have the records but invited the committee to come out and look them over?

Mr. HUGHES. It is a strange thing, Mr. Chairman——

Senator FERGUSON. I just wondered whether you ran into that part in the record.

Mr. HUGHES. I would like to have something to say about that. Mr. Brewster made a statement to the press that it was my own idea for Mr. Flanagan to come to the coast. It just so happened in the first 49 pages here I came across that particular portion of our discussion in the previous closed hearing, and the matter was with respect to the number of man-hours put into the design of the flying boat, I should say preliminary design, before it was submitted to the Government, and it was for such detail as that that I suggested you send someone to the coast.

And possibly that is why Mr. Flanagan was sent, but after my failure to accede to Mr. Trippe's wishes, Mr. Flanagan of course was entirely different. He wanted to go into Johnny Meyer's expense accounts and he went down to Neil McCarney, my exattorney, and said, "Look, we know there has been a $100,000 pay-off there to Elliott Roosevelt. What about it?" And I mean his whole attitude evidently was one of making trouble.

Senator FERGUSON. Mr. Flanagan that you are speaking about is one of the investigators for the committee? Is that correct?

Mr. HUGHES. That is correct, I suppose.

Senator FERGUSON. Did he see you personally in California?

Mr. HUGHES. Yes, he did.

Senator FERGUSON. Did he have anyone with him at that time?

Mr. HUGHES. He might have someone with him in California, but I don't believe he had at the conference with me.

Senator FERGUSON. When he talked with you, there was no one else?

Mr. HUGHES. I don't believe so.

Senator FERGUSON. Is there anything else that you know of?

Mr. HUGHES. Well, to continue.

Senator FERGUSON. By the way, about when did Mr. Flanagan get to California; have you that date?

Mr. HUGHES. What is that, Senator?

Senator FERGUSON. The date that Mr. Flanagan came to California; do you know the date he came out there?

Mr. HUGHES. No, I don't, but I know that the timing was such in relation to Mr. Dietrich's refusal to Mr. Trippe that I felt the two were definitely connected, so then I naturally have been jealous of my reputation and there is no question but what the threat of this bad publicity was a very powerful weapon in my case.

Consequently, and because I was pretty exhausted fighting Mr. Trippe's political maneuvers in Washington, I talked to him on the phone and I said, "Look, there is no chance of us getting together unless we discuss this matter in person." And he said that seemed to be right and would I come to New York. And I said, "No," that I could not come at the time, and he said well, he would come to California. So he came to California, and we had some considerable discussion and during the course of that discussion I asked him what he would do about Senator Brewster. He said that Brewster was in Europe at the time, or Asia, as the case may be. He was abroad, but he was due back in just a few days and as soon as he returned Mr. Trippe would talk to him and ask him to hold up the matter of this investigation and also would ask him to attempt a delay in the hearing of the community air-line bill with the hope that we might get together on both matters.

Senator FERGUSON. How many times did you talk to Senator Brewster?

Mr. HUGHES. How many times?

Senator FERGUSON. Yes.

Mr. HUGHES. Once in his office, once in his suite at the Mayflower, once in the airplane on the way to Columbus, and I believe once on the telephone from Los Angeles. Oh, I should mention the first conversation in Washington to Kansas City on the phone.

Senator FERGUSON. Have you related or will you relate the various conversations you had with him on these various times so that we might cover this whole subject now?

Mr. HUGHES. First conversations?

Senator FERGUSON. Yes; and follow them through at each conversation.

Mr. HUGHES. Well——

Senator FERGUSON. Just tell us the conversations as best you can and keep them in order. The first time, and then follow through the conversations you had with Senator Brewster and later on we will ask you to follow through with those you had with Mr. Flanagan.



Mr. HUGHES. Well, Senator, if I attempted to relate all of those conversations in detail, it would take an awful lot of time.

Senator FERGUSON. No, I am just asking you the best you can, because we would like to close this incident once we put it in here.

Mr. HUGHES. Well, I should say that my first conversation with Senator Brewster when he was in Kansas City was quite brief. I understand from the telephone records it was only 3 minutes, and he said he was coming to Washington and would meet me at his apartment when he got in, but I was a little leery about that and so I told him I would see him in his office the next day. So when I met him in his office, he immediately launched into the community air-line bill. He didn't have much to say about this investigation, so he talked about British supremacy, jet propulsion, and labor differential and how it was impossible for the present competitive American systems to succeed because foreign lines could supply services at the lower foreign labor rate, in direct competition with us, and I told him I did not agree.

Furthermore, I did not agree about England's technical supremacy over us. I said that the United States in my opinion always led in commercial aviation and probably always would. I said that some foreign countries exceeded us in flash performance of various military types but that when it came to sound, safe commercial aviation this country had always led, and I felt it always would, and I felt that people might even be willing to pay a little premium to ride on the United States air line because I thought it would be safer and the public would appreciate that.

So, anyway, we had some argument on that matter and then I told him I was in Washington and while here I would like to testify before his committee if he so desired and dispose of the matter because I did not want to come back to Washington again. So——

Senator FERGUSON. Could I just inquire?

Mr. HUGHES. I am just giving you the high spots of these conversations?

Senator FERGUSON. I understand.

Mr. HUGHES. I am not attempting to stress every point that came up.

Senator FERGUSON. Could I inquire there whether or not the matter that you said you wanted to testify to was in relation to the cargo and the F-11, rather than the question of TWA or any other air line?

Mr. HUGHES. Well, that is correct, Senator. Some time previously I had heard that this investigation was brewing, I also heard that Pan American was behind it, and I thought rather than wait until I was subpenaed that I would offer voluntarily to testify.

Senator FERGUSON. And it was in relation to the two contracts that you were speaking about testifying before his committee?

Mr. HUGHES. Yes.

Senator FERGUSON. That was the War Investigating Committee?

Mr. HUGHES. In relation to this very matter under discussion here.

Senator FERGUSON. Well, you mean the cargo and the F-11?

Mr. HUGHES. Yes.

Senator FERGUSON. Now, will you proceed with the conversations?

Mr. HUGHES. Well, now the conversation at the Mayflower Hotel started out with some inconsequential talk about some kind of a thing

he had there in the room, it seems to me it was something hanging on the wall. Then we got around to the community air-line bill again, and he gave me a lot of sales talk on that, and then we finally got into this proposition which I mentioned.

Now, the conversation in the airplane was mostly——

Senator FERGUSON. Did the airplane incident take place after the Mayflower incident?

Mr. HUGHES. Well, that I am not absolutely certain, Senator, I am trying to get some data that will place the exact date of that luncheon but the conversation in the office and my testimony before the committee and the luncheon and the airplane flight to Columbus all took place within a matter of 3 days. Which came first, in sequence, I am trying to determine. I am trying to research that and get it accurate.

Senator FERGUSON. As I understood it previously, you had indicated that you came to the office first and then went from there immediately to the hearing room; is that correct?

Mr. HUGHES. Well, I am certain I was in the office before I was in the hearing room.

Senator FERGUSON. And is that the first time you saw Senator Brewster in his office before you went to the hearing room?

Mr. HUGHES. I am quite certain that was the first time I saw him.

Senator FERGUSON. Yes; all right; that was on the same day.

Mr. HUGHES. Oh, pardon me, that isn't absolutely accurate, because he reminded me on that occasion he was one of the Senators whom I took up in the Constellation on those demonstration flights when I brought the first ship back here from the coast, but I did not remember it at the time.

Senator FERGUSON. I see; so there was nothing happened on that occasion?

Mr. HUGHES. Oh, no, no.

Senator FERGUSON. All right. Then, to your knowledge, that was the first meeting that you had had with him in his office and on that same day you went to the committee room and testified?

Mr. HUGHES. Well, now, that I am not sure of, Senator. I believe I saw him Monday and this shows that I testified Tuesday.

Senator FERGUSON. Then it would be the next day?

Mr. HUGHES. I presume it was.

Senator FERGUSON. All right, you may proceed.

Mr. HUGHES. Now, in the airplane, there was more talk about the community air-line bill, Juan Trippe, and on the telephone from Los Angeles—oh, yes, the conversation from Los Angeles referred to his trip to California, which he had mentioned to me at the Mayflower Hotel and in which he had offered to make in the course of this proposition that I just mentioned to you.

Senator FERGUSON. You think—I am not quite clear on that last statement.

Mr. HUGHES. I say the conversation which I had with Senator Brewster on the phone from Los Angeles referred to his trip to California, which he had suggested making during the course of this proposition that he put to me in the Mayflower Hotel.

Senator FERGUSON. Can you give us any more information?

Mr. HUGHES. What was that?



Senator FERGUSON. Can you give us any more information on that as to what was said about that.

Mr. HUGHES. Where, in the Mayflower Hotel?

Senator FERGUSON. No; about the trip to California.

Mr. HUGHES. When I talked to him on the phone?

Senator FERGUSON. Yes.

Mr. HUGHES. Well, I think I asked him when he was coming and he said to me, he had been delayed a little while, and then I told him that I was still in the process of consideration of the matter with Trippe. I think that was about the sum and substance of it.

Senator FERGUSON. Now is there any record that you have indicating when that telephone conversation was?

Mr. HUGHES. You mean do I have a transcript of it?

Senator FERGUSON. No, no. Not a transcript of it, the day of it.

Mr. HUGHES. The date of it?

Senator FERGUSON. Yes.

Mr. HUGHES. I could probably get it from my telephone records. I am not absolutely certain, because——

Senator FERGUSON. Was it before or after Flanagan arrived out at California?

Mr. HUGHES. Well, I think I could determine that for you, Senator.

Senator FERGUSON. Well, I wish you would.

Mr. HUGHES. I will try to do that; yes.

Senator FERGUSON. I wish you would get that; yes.

Is that what you have to say on this side issue, or the outside issue that the subcommittee has before it?

Mr. HUGHES. I think that is substantially it.

Senator FERGUSON. That is it?

Mr. HUGHES. Yes, sir.