Mr. McKellar. Mr. President, I also desire to insert in the Record a few remarks made by me two years ago 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 Ralston, of 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. 6256]

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 amended to strike out the airplanes provision, to the fact that objections of this kind have uniformly been made, and frequently, by our shaded 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 improvement or improvement of any city beyond the Mississippi River, on the ground that the great West was a desert waste and nothing could be done by this country. Now, we read the statements of the men who opposed those things in those days and we wonder that with their great reputations they were men who did not have more perspective or insight into the future, to see that improvements in the future will be the thing of the future. It will in a measure take the place of the horses and mules that are 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 a 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 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 and nobody knows it is going to be utilised more and more all the time. We are proud of the line that goes from here and we are proud of its success. It has done splendidly. It shows that it is not longer an experiment, and we ought not to increase it sufficiently to make it pay. It is purely a business proposition. All we have to do is to line other commercial cities, and the result will be that it will be a paying proposition and bring the Government 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 by the Army. What are you going to do with them? Are you just going to let them up and decay without doing any good to anyone? The amendment provides that the appropriation here shall be used to get these 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 and then to them. In other words, the Government will be dealing with itself in buying these planes. The amendment would make to the effect that we have invested a good deal of money in these machines already. So we have: and I am 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 the ground and that only one line will have to be renovated. I think it is just about to be renovated now.

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.

Awards of Contracts under National-Defense Program

Mr. TRUMAN. Mr. President, I expect to submit a resolution asking for an investigation of the operation of the national-defense program as to the administration of the contracts 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 is needed. It is not 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 safe, and put the little man completely out of business. There is no reason for this. It will stand up, because plans have been presented to the National Defense Department that 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 world.

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 those small and remote seaboard towns and at 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 deprived 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 PRESIDENT pro tempore (Mr. McKEE of Virginia, the chairman). Does the junior Senator from Missouri yield to his colleague?

Mr. TRUMAN. I yield.

Mr. CLARK of Missouri. I am prolix, I suppose, for interrupting the Senator 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 second 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. I think the obvious fact that under the Blossom committee which has been set up, under the actual leadership of this fellow Dresser, what is happening to all contracts, and that the construction let by the Government Mr. Dresser is merely calling in his own particular friends and throwing 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 committee duties. It seems to me this is a matter of which Congress should immediately take cognizance.

Mr. TRUMAN of Missouri. The question is, is the Senator familiar with the practice which has prevailed in the War Department that they take the purchase of land for various Government emplacements, of appointing a private citizen, not a Government officer, but a private citizen and making him likewise a citizen by 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 5 percent commission, and then selecting one title company and insisting that a citizen 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. CLARK of Missouri. Yes.

Mr. CLARK of Missouri. I call the Senator’s attention to this particular case, the Weldon Springs development. The War Department just appointed a man by the name of Mr. Dowell to build a dam 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 Insurance Co., a 1 1/2 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 don’t 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 control of 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 accruing 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 placed at an earlier time, the 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, the attitude the Government should take when it gives out a contract (for example) to Westinghouse for the construction of two big ordnance plants—one at Louisville, Ky., the other at Cushing, Okla.—is to give you a contract. That contract provides for the amortization of indispensable new plant equipment on 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, the Government should say, "Sorry, but you cannot include in your price for the finished work and for the amortization of this and this item of equipment. Our surveys indicate beyond the possibility of a doubt that the facilities already available in the following plants, which we are satisfied will be in a position to collaborate with your concern on a subcontractor 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 overwrote 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 (the Central War Resources Board, etc.) come into the picture. Or, to put it another way: When the Government signs a contract with Westinghouse for the construction of the two new ordnance plants, it should start with the proposition that the proposal to locate these plants?

In the discussion as to location, the Government should raise its voice in the interest of availability of facilities in different regions that could supply the new ordnance plants with the best advantage of those that are available for production management should take the lead in determining where new Government-owned plants are to be located. I have in mind that when this start out by asserting that a certain plant is to be located in a certain place, because, among other reasons, the local shop area in that region is larger than any other place. If it wants the plant, he has an option to buy it. It is certain that the taxpayer has it as scrap iron. The same thing happened in 1919 in the liquidation of war plants.

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 and so many people that could 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 fall 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 6 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. The amoral attitude that the Government will reverse this trend, there will be no stopping the concentration of business in fewer and fewer hands. Unless you have something like 10,000 men at war contracts. But something like 114 of them
have the bulk of the business. This simply will not do.

Mr. TRUMAN. Certainly. The Senator, with regard to the new shipyards. Something like 50 new ways are to be constructed in about 10 years. Assuming 2 ships per month at $20,000,000, the 200 shipyards of be turned out by December 31, 1942.

Query: Is the Maritime Commission permitting the ships to be constructed to duplicate facilities which already exist in other plants inland? Incidentally, these 200 new shipyards are to be 100 feet wide. You might keep 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., St. Louis, Springfield, Mo., Hanibal, Mo., and many others, where there are facilities for carrying on subcontracting 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. Dresher, and a Mr. Blossom. Is that correct?

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

M r. 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 has been in contact with the Government.

Mr. McKELLAR. I wish to call the Senator's attention to a statement published in a magazine claiming that the Carolina General Contractors of America and several leading contractors in North and South Carolina have conspired to drive 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 Mr. W. Loving as the Branch's executive secretary, now on leave for defense work, and, as the Senator says, is engaged in letting 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 Association and 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 context 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 Mr. Loving he 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 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 a speech made by the vice president 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 as follows:

First, there are those facilities requisite to the national-defense program which are being established or are being augmented itself. These facilities are not necessarily facilities. Pioneers having no commercial value after completion of the defense program must be financed by the Government itself until such time as they must vest in the Government, even though the actual operation of the plant will be delegated to private industry under a manufacturing contract. This category of facilities embraces munitions plants, loading plants, and heavy steel forgings and the parts 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 emergencies.

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 between the cases in which the emergency plant facilities, whether built with the aid of public or private capital, will be paid for and controlled by the Government. In general, these facilities consist of plants carry on operations that will be expanded in a reasonably probable normal-use—plants filling defense orders which fall somewhere between outright moneys (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 entirely 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 charter' which permits the use of financing either by commercial banking institutions or a R. P. C. Where a manufacturer has entered into a contract whereby he agrees to manufacture and sell defense supplies to the Government at prices which facilities are inadequate to manufacture such supplies in the quantities and within the time required, by use of the 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 such plant facilities enabling him to fulfill his contract. Under the emergency plant facilities contract, the Government agrees that upon acquisition or completion of the land, the plant, and equipment of the so-called emergency plant facilities at the agreed cost, it will reimburse the contractor for the total amount equal to the monthly payments over a period of 60 con-
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 contract should be permitted to 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 such contracts for aircraft parts may be made; that, as in the case of companies, your business may be extended to other activities; 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 producing 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 the facilities to the Chief of Naval Operations (War Procurement Planning, C-2538), which agency will circulate such reports 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 interest 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 Recomp 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 Recomp, as follows:

This agreement, made the day of July, 1940, between a corporation organized under the laws of the State of New York, with its principal place of business at , and the party of the first part, and , 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, witnesses:

That the party of the first part desires to enter into contract with manufacturers of aircraft and allied products for the purchase, and supplying them with aeronautical parts and equipment therefor, 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 first 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 accepted in 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 and accepted by the party of the first part to pledge its credit until such approval and acceptance has been given.

3. That if at any time the said rate of compensation of 9 percent shall jeopardize the obtaining of such contract or order by preventing the party of the first part from meeting competitive prices, the parties here- to-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 of the party of the second part. In no case, however, shall said compensation be less than 3 percent of the gross proceeds of contract or order.

4. That in the event of cancelation of any of such contracts or orders, the party of the first part shall be able to perform the contract of the second party for any contract or order not due and payable at the time of said cancelation, and that in the event of such cancelation 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 cancelation.

5. This agreement shall remain in effect for a period of years from the date hereof, unless the same shall be 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 heretofore set their hands and seals the day and year first above written.

By

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 member of the Government and 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 sign contracts 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 get 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 he 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 contact with 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, made a daily average commitment of more than two and one-half million dollars, having approved total contracts for the financing of emergency plant facilities, including the acquisition of land, the construction of buildings, and the purchase of machinery, aggregating over $650,000,000.

All activities are certainly symbolical 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 sub-suppliers, 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 R. P. F. contract may, with appropriate changes in certain clauses, be used also for any subcontractor who furnishes substantially all of his supplies through primary contractors and who find it necessary to construct facilities for such a purpose. It is under- stood that the term "primary contractor" now being evolved by the Defense Commission for a corporation in the E.P.P. 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
The outline referred to is as follows:

**ORGANIZATION CHART OF THE FIXED-FEE BRANCH—CONSTRUCTION DIVISION**

**Construction Division**
- Chief, Colonel Somers
  - Executive Officers: Maj. M. B. Birdseye, Quartermaster Corps; Maj. H. B. Nurse, Quartermaster Corps.
  - Constructing Branch, fixed fee: Chief, Mr. W. H. Loving; Assistant Chief, Mr. P. J. Crothers; Special Assistant, Mr. C. K. W. Patrick, Quartermaster Corps; Assistant, Miss Ruth Sale.
  - Administrative Section: Chief, Lt. J. H. Sharp, Infantry; Assistant Chief, Mr. J. S. Blanche.

**Equipment Section**
- Chief, Capt. R. L. Rogers, Quartermaster Corps.
- Requirement Section: Chief, Mr. R. L. Trotter; Assistant Chief, Mr. F. Bloom; assistant, Capt. C. E. Sayre, Field Artillery; Assistant, Lt. E. R. O'Brien, Corps of Engineers.

**Statistical Section**
- Chief, Mr. M. L. Tribe.

**Ordinance**
- Ordnance and Chemical Warfare, Chemical and Incendiary Plants: Mr. W. A. Creedon; Assistant Chief, Mr. W. E. O'Brien, Engineering Unit: Mr. O. P. Sieder.

**Administrative Troop**
- Transport Materials and Expediting Unit: Mr. W. A. Shepherd.
- Seizure and Costs: Mr. W. K. Mahler.
- Construction quartermaster: Mr. W. E. O'Brien.

**Baldford Ordnance Works, Bedford, Va.**

**Indiana Ordnance Works, Charlestown, Ind.**

**Kankakee Ordnance Works, Wilmington, Ill.**
- Construction quartermaster, Capt. T. T. Malmstrom, Ordnance; assistant, Capt. T. J. Sheahan, Corps of Engineers; contractor, Stone & Webster Engineering Corporation; engineer, Stone & Webster Engineering Corporation.

**Ravenna Ordnance Plant, Ravenna, Ohio**

**Elwood Ordnance Plant, Wilmington, Ind.**
- Construction quartermaster, Capt. W. H. Hall, Ordnance; contractor, Sanderson & Porter; engineer, Sanderson & Porter.

**Humble Oil & Refining Co., Baytown, Tex.**
- Contractor, Humble Oil & Refining Co.; engineer, Humble Oil & Refining Co.

**Amonitum Nitrate Plant, Morgantown, W. Va.**
- Section construction quartermaster: Mr. F. V. Cahill.

1. Springfield Armory, Springfield, Mass.:
- Construction quartermaster, Capt. M. A. Faden, Quartermaster Corps; assistant, Capt. P. J. Peterson, Quartermaster Corps; contractor, Fred T. Ley, Inc.; engineer, Charles T. Malin, Inc.

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

3. Picatinny Arsenal, Dover, N. J.:
Section B

Ordnance and Chemical Warfare, mechanical; Material Plans; Chief, Maj. J. C. Clark, Quartermaster Corps; Assistant Chief, Mr. C. H. Hickox.

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

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

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

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


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


24. Utica Ordnance Depot, Utica, N.Y.: Construction quartermaster, Capt. R. C. Williams, Corps of Engineers.

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

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

Section construction quartermaster: Maj. E. 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. F. Falmour, Administrative Unit: Maj. F. W. Staggs, Infantry.

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

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

Construction quartermaster: Mr. T. E. Jewett.


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


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


13. Camp Blanding, Starkie, Fla.: Construction quartermaster, Maj. L. Lanson, Quartermaster Corps; contractor, Barrett Bros. & Eiken, Inc.; engineer, Solomon & Keis.


17. Camp Bayside, Rehoboth Beach, Del.: Construction quartermaster, Maj. C. W. O'Leary, Coast Artillery.

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


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


Section D (northern)

Storage terminals, quartermaster depots, camps and cantonments, Air Corps, general hospitals: Chief, Maj. J. C. Lowry, Quartermaster Corps; Assistant Chief, Mr. G. Hadden.


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

Estimates and Costs: Lt. J. F. Feher, Corps of Engineers.

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


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

58. Grant Camp, Rockford, Ill.: Construction quartermaster, Capt. F. P. Wyatt, Corps of Engineers.


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

Section construction quartermaster: Mr. H. C. Book.
The name of the contractor selected by the Board is then submitted to Mr. Loving. Mr. Loving, after perusing the files the contractor may have, and seeing what the contractor come to Washington for negotiations. Contractor No. 1 selected by the Board is then called into conference with 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 $18,119,000 project at Fayetteville, N. C. This contract, strange as it may seem, was awarded to Mr. Lovings, former construction branch chief, bears the same name and is from the same town. It is said that no relations of their present financial status, and the reasons why they believe they have the ability to perform work under the Government fixed-price contract.

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 Sanders & 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. 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 in the vicinity of the project, he can serve better than one who is removed from the project because of geographical location. Were all these requirements in the plan 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 required to get 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.

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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 21, 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, that 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. Greenfield, of the Frucro Construction Co., formerly known as the Fruit-Color Construction Co., is a personal friend, so I am told, of Mr. Dresser. The Frucro Co. was combined with the Massman Construction Co. Massman is a river contractor, a 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. Two weeks ago, Frucro 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 & Taylor, of New York. For some reason Winston & Taylor were 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 are 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 a day 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, no work had been 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 Elwood ordnance plant at Wilmingon, Ill. This project was in the amount of $1,564,000, and was awarded to Mr. Blossom's firm, Sandberg & Porter. Mr. Blossom is on the committee.

I have been informed—and this also needs verification—that John Griffiths & Son Company, of Chicago, Ill., a bankrupt 5 years ago, but through a Colonel Paddock, chief Washington representative of the firm, they were awarded a contract for the construction of Camp Grant in Illinois. At Fallmouth, 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 the 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.

Maruene, Russell, Crowell & Mulgardi were awarded, as associated with Giffels & Vallet, the contract for the design of the $30,000,000 St. Louis Ammunition Plant. Russell, as I am told, 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 the man best fitted to carry out the contracts. I believe the Senate ought to go to the bottom of the whole procedure.

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 requirements of the engineers were removed, smaller contracting firms would be judged on the same basis as the larger firms are now judged. Past performance is usually the only 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 World War I have been 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 mismanaged.

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

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

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 any 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 man who are responsible for 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 his 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 with his 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. We do not look into this 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 per cent 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 we can get Mr. Ford and Mr. Chrysler and General Motors to spend 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 1926's and 1929'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 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 recollections of my remarks two editorials from my home-town newspapers, the Kansas City Star and the Independence Examiner. This is done for the purpose of taking care of the small-machine man in the national-defense set-up.

The PRESIDENT: Without objection, the editorials will be printed in the Recollections.

The editorials are as follows:

[From the Independence Examiner of February 8, 1941]

DEFENSE IN THE MIDDLE WEST

Lou Holland, head of the Mid-Central War Resources Board, has drawn a disturbing picture of the situation which will confront this country, unless those in charge of the national-defense program begin to make fuller use of our machine shops and small manufacturers of the 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 brought to Washington with apparent approval, he says, but it has been "lost somewhere." Meanwhile, the eastern industries, who immediately awarded huge armament contracts, have been crowded to the edge of the Middle West of its machine shops. 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 rights of the Middle West to their proper share of the production for defense. As a matter of fact, the arguments are overwhelmingly in favor of those who are not only more just but of national interest. If the country is to avoid a serious dislocation of its industrial interests of this depression 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 warning itself. But Mr. Holland contends that the plan outlined by the midcental 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.

The purpose of this program, he points out, is to produce armament factories the national interests and the public necessities. But if the program is not carefully handled, it may result in the loss of the vast variety of armament factories which are essential to the defense of the country.

It is to be hoped that such contracts as are 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 9, 1941]

Gen. Macarthur Visits Envoy?

It was a serious situation as far as our immediate part of the country is concerned that Gen. Macarthur pointed out before the recent meeting of the State chamber of commerce at Marshall this week. He figured that the big business concerns with the British Government contracts would probably bid the small business something like the Government 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 men who are small businessmen equipment with machine tools needed to speed up our defense activities. He took the information to Washington, but these concerns have not been given the contracts for the making of parts for defense materials. His plan would have been to get all the cutting machine tools at work and would re-establish the manufacturers of delay in waiting for tools and the making of those tools is the business 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 manufacture, or manufacturing at a greater degree and producing war materials in home factories. When the war did reach here, our big manufacturing plants were destroyed. Now, however, the genius of an American, little manufacturing factory in the middle of the woods is doing the work and doing it well.

The United States seems to be following an exact opposite course, concentrating in the central establishment and depriving the small business establishments with little to do. This is not only applicable to defense plants but to all other industries as well. Laws have been passed and administered to regulate large employers hire the little fellow right in the middle and a lot of small business establishmets see ahead of them a very serious situation if they cannot 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 not considered by the executive branch of government. 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 when, and why, off our interstate commerce, and therefore 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 failed 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 is desirable to extend their military forces and take over territory 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 quelling of 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 ocean 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 a case of the small democratic nation 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.